

1.1.1 Introduction

Successful companies in the business world constantly operate in a state of innovation in terms of products they manufacture, frequently introducing new products or modifying and improving existing products as needed and desired by the customers. The overall process of conceptualizing a product and designing, producing, and selling it is known by a generalized and comprehensive process called *product development*. In this chapter, we discuss the initial steps of the product development process. The marketing and sales aspects of the product development process, while important, are mentioned in this chapter only in passing.

The key in new product development is the information that indicates what people want, what features of the product are considered absolutely essential, what price they are willing to pay for it, what features are desirable but can be sacrificed for a lower price, current

and potential competitors, and likely changes in the market size. Knowing what the market needs is essential in order to develop innovative new products; this knowledge is what leads to developing a successful business strategy. Any product development strategy that is not based on market needs will lead to failure.

Before a successful product can be developed, someone has to come up with, or develop, an idea for conceptualizing it. There cannot be just one idea; several promising ideas need to be developed and analyzed before the detailed plans for a new business activity can be generated. [Figure 1.1.1](#) shows the progression of actions in the development of a new business activity.

In developing the overall business strategy, a company has to develop and manage its entire product portfolio. Such a portfolio includes not only new-to-market products but also modifications of the existing line of products as well as products that are in the maturity part of