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THE RELATIONSHIP BETWEEN PRODUCT AND MARKET DEVELOPMENT

by

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For a number of years I have had some small involvement with students from the Pacific Islands attending the SPFC course at the Nelson Polytechnic. My role has been to spend a week or so debating the principles of processing technology with them. Under the circumstances that prevail in such a “classroom” situation I have tried to create the impression that a key to the development of a successful fishing industry is a sound understanding of the appropriate fundamentals of fish technology. In other words, the knowledge required to manufacture the product was a central issue. Quite clearly however, one first needs to catch the fish in question and likewise it is rather convienent if at the end of the process one can sell the products of this enterprise, for a profit. What is required in fact is an integrated approach to the establishment of small fishing based business, that is the subject of this part of todays discussions.

Earlier this year at the conclusion of the SPC course in Nelson, Mr Smith visited my laboratory and we discussed how I saw technology as just one of the interactive elements required in that critical mix of skills that leads to success. His subsequent invitation for me to attend this meeting suggests that perhaps, to date, the classical approach to product and market development has been less than successful, and, that there is indeed considerable confidence in the existence of a broad range of applicable skills already in the Pacific; perhaps we are at a point where the principal impediment to growth is little more than the want of an appropriate business direction or business
philosophy.

What I present to you today is, of course, only a personal view which has as one of its aims the provision of some examples which will form a background to Mr Halls discussions on market development. We certainly hope that between us we can act as a catalyst for some hard debate between all delegates here later in the session.

The pre-requisites for a profitable enterprise to evolve are more than the bare bones shown here in figure 1. There is a system of organisation to impose alongside, there is a place for the entrepreneur, the financier and so on. These aspects will be discussed by Mr Hall in some depth. Essentially the broad elements are:

1) The Resource
2) The Catching Sector
3) The Processor
4) Marketing
5) The Consumer

Each of these elements involves people - the real resource in fact, but also, the source of all the impediments to progress - the resource management expert will express doubts about the size of the resource and their ability to sustain fishing pressure. The fishing experts will say we don't have the appropriate vessels or equipment, the processing consultant will say we lack suitable facilities and of course the marketing experts will always tell us our product is not quite right for the market. If we are looking for an excuse for endemic lack of business confidence then you need look no further than to the combined wisdom of a dozen well intentioned experts. In fact we have unique resources, the size being almost unimportant, their uniqueness may often compensate for that. We have the fisherman, untapped resources of would be product developers and an ever growing consumer demand in the worlds most
wealthy markets for novel seafoods.

There are two (at least) approaches which can be taken in attempting to bring together these essential ingredients to form the business enterprise. No (4) the marketeer displaying some entrepreneurial skills looks at one aspect of No (5) consumer demand for an existing product, searches (1) the available R.M. then attempts to persuade (2) to catch it and (3) to process it. I will describe an example later of where this general pattern of events has worked. It is a reasonably straight forward attempt to service an existing market. It has some advantages from the point of view that it is possible to estimate relatively accurately the cost vs the benifits before you commit yourself to any development. Similarly, it is in comparision, rather difficult to create a demand for a novel product and inevitably more expensive.

The second approach is to look at (1) the R.M. the resource if you like, identify its strengths and qualities, convince (4) to develop a product identity, promotion strategy and ultimately convince (5) the consumer that the product is value for money and nice to eat etc. The two pathways are generally described as either market led development or product led. Such distinctions become quite academic as it is imperative that from the first moment product is offered for sale, irrespective of how it got to that point, the opinion that counts most in subsequent development is that of the consumer.

It might appear that the course of development is dictated from the outset by limitations imposed by the available raw materials :-
In either case the primary interaction between product development and market development is directed at satisfying a perceived consumer demand. I will shortly give an example of a product, New Zealand farmed mussels, which is virtually identical to a species well established in international markets (Mytilus edulis) businesses servicing that market from New Zealand failed yet the creation of an image for the product as something unusual and novel led to success. The conclusion which we must draw from that experience can only be that, product development or market development or the combination of both can be capable of reducing the dependence on the intrinsic characteristics of the resource to almost insignificant proportions. It seems clear to me that the logical stepwise progression from element (1) through to (5) rarely leads automatically to the establishment of a successful enterprise. The interactions between the elements is inevitably more complex than could be described by a straight line development plan. I have depicted in figure 3 just one of the many possible arrangements within what is essentially a company structure.
"The manager" essentially ties the structure together, the manager however may be the source of initiative, enthusiasm, or the provider of a common business philosophy, rarely is his role simply that of being the provider of financial incentive. The characteristics of this manager and his or her personality profile will receive some attention in Mr Halls address, in our experience they are risk takers, are imaginative and are rarely accountants.

Before proceeding to describe some examples of successful enterprises, there are some gaps in figure 3 and some explanation is required of an appropriate definition of product development. The definition of market development will be left to Mr Hall. The cost accountant, the fisherman, the technologist are omitted, likewise, the regulatory authorities, government agencies, and others, all impinge on this structure. For convenience rather than as a reflection of reality we can represent them as figure 4:-

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Figure 4:

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Accountant -> Manager
Government agencies:
Health dept.
Customs
Inland revenue etc
etc
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R.M. -> Fisherman
[MAF or equivalent]
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P.D. -> M.D.
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Consumer
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The place of the fisherman is rather arbitrary in this figure, although essential, their role is not likely to be directly interactive with the market development. The technologist is however a central figure. This tends to be so because of the necessarily wide definition of product development within the seafood industry. Any physical operation, performed in the course of transforming the raw material to coincide with perceived consumer expectations of the product essentially constitutes product development.

The groups depicted outside the vertical lines in figure 4 again impinge on the functionality of the business, they serve primarily to keep the company honest. They have little real value in the development of small enterprises and the view has often been expressed that regulatory authorities and bureaucracy generally tends to kill innovation rather than encourage it.

I think the central issue is that the prime interaction in sustaining continuing success is between the development of the product and the market; i.e., the technologist and the marketeer must be bound by a common business philosophy. Before Mr Hall elaborates on this matter I would like to describe some examples of small businesses that have developed on a scale appropriate for discussion in the context of this forum.
Examples of the Development of Successful Fishing Based Business

1. This first example is based on developments aimed initially at servicing existing "traditional" markets. Failure prompted a change in strategy which ultimately proved successful.

The Development of the New Zealand Farmed Mussel Industry

1974 R+D to establish the techniques of raft farming the shellfish. MAF,FIB and some hard working (but misguided) would be mussel farmers.

1976 First harvest of farmed product. First attempts at marketing this product to markets existing locally for dredged mussels.

1978 Large investment in growing mussels made farms spring up all through the Marlborough Sounds.

1979 Obvious oversupply apparent, some loss of confidence by farmers.

1981 Effective collapse of industry, product dumped, farmers not reseeding etc.

Up to this stage there was no overriding business philosophy guiding the development, no one company had approached this industry with a combined growing, processing and marketing strategy and no money had been spent on either product or market development. The belief existed that, because the product intrinsically tasted nice and everyone liked it - it would sell itself. It didn't. The traditional approach had failed.
At this stage a small company was formed (total capital $6,000) with a strong business philosophy. It's intention was to create a new image for the mussel in a new market viz the USA. It's philosophy was to produce the best quality product technically possible and to spend every cent (franc) that it could on market promotion.

It's achievement was $1,000,000 in sales in it's first year of operation.

1984 Several competing fishing companies now entering the USA market with similar product.

1987 Not enough mussels being grown to fulfill market demand. At this point it could be fair to say that the mussel industry is a success story. In reality, that is more by accident than by good design. What then were the mistakes and what can we deduce by hindsight as the critical success factors.

The first mistake was made by the agencies FIB and MAF failing at the outset to have a development plan that recognised the need for product development and market development to both take place concurrently with the development of the resource. Large sums of money were spent at the outset on biological research and establishment of farming practice in the total absence of thought as to how or to whom the product would be sold. The next mistake was, that when it was recognised that in fact the industry didn't have a marketable product money was invested to explore existing mussel markets in other countries. The prospects looked bleak naturally enough. In fact farmed New Zealand mussels were not the same thing as European blue mussels and you can market survey forever but you can never report on a product that isn't there in the market. Clearly, what was needed was a new image, a new presentation and some new technology for what was a "new" product. The resultant loss of confidence and near collapse of the industry in the early 1980's opened the
door to a few entrepreneurs who at last almost got things right. This imaginative element (the entrepreneur) ran the business, product development was encouraged and several possibilities were presented to the marketers — for them to develop. Ultimately, a product image was created, the image was vigorously promoted and the success, which was almost instantaneous had major impact on the entire direction of the industry. With the wisdom of hindsight it is easy to look back at this history and see that the door opened for the industry when the products of this one company acquired what John calls U.S.P.'s, unique selling propositions. These unique features were the packaging, presentation in the half shell and unsurpassed eating quality. All these features arose from the efforts of food technologists who indeed had worked long and hard to achieve this development. The critical importance of U.S.P.'s will be emphasised later, the fact remains that they come from imaginative R and D.

2. Chilled Airfreight Snapper

1960's First attempt to sell whole frozen small snapper to the Japanese. — "Jap pack snapper".

1970's First attempt to airfreight chilled fish.

Late 1970's Introduction of rapid chilling and iki jime techniques and substantial profits finally made and after almost 20 years the snapper industry could really say that they were successful.

Why did this development take so long and why did only a few companies really succeed? There are some obvious differences between the history of this operation and the farmed mussel story. Quite clearly this product needed to fit into an existing traditional market. The buyers in this case had very definite expectations of the product. Again with hindsight it is now clear
that for at least 15 years the product didn't meet those expectations. The U.S.P.'s of the product had to be achieved not so much by developing our own technologies but by transferring Japanese methodology to New Zealand conditions. Even today, there are very few in the long-line snapper industry who fully appreciate the subtle differences between a good fish and an excellent one. This example highlights a number of issues:

a) The difficulties and extended time that it takes to change attitudes and practices in traditional fisheries.

b) The inherent difficulties in transferring technology from one country to another.

c) That at the top end of the market there is nothing simple in meeting the expected standards.

3. Live Lobster and Shellfish

Both these industries developed in the mid to late 1970's. They arose as successful industries by virtue of some fairly interesting and quite sophisticated technology. Previously, in the case of the lobster industry, it had survived by exporting frozen lobster tails to the USA. The placement of a live healthy lobster onto a market 12,000 miles from where it was caught constituted an excellent example of product development. The sophistication in the technology required to achieve this was again noticeable because of its simplicity. Likewise, there had been few if any exports of shellfish from New Zealand. The first products were live oysters to Asia followed by live mussels to the USA and Australia and lately (1985 on) live clams to the USA west coast.

The pre-requisite technology required for all these products had been developed by the Nelson fish research unit and for those interested in history the first ever export of live lobsters and these other species was undertaken by TNL Exports Limited. Indeed, it took several years from the time of these
first trial shipments to the point of establishment of truly successful enterprises. The reasons for this lag phase are complex. Essentially the point was that even though we had developed some very effective technology it was quite another matter to develop its commercial possibilities. Just as it is a waste of effort researching markets in isolation from production, it is equally foolish developing technology in isolation from the market realities. Had we worked together from the outset, many years of frustration would have been avoided and the success, when it came, would have been decisive and very rewarding for all concerned.

Finally, I would like to describe the development of a small and successful fish business, based in Nelson, employing seven people, making over one million dollars a year and doing so by specialising in the manufacture of high value products by the traditional processing techniques of smoking and marinating. The company is called Seasmoke Ltd., and is owned by Mr Angus McNeil, whom some of you have met. Angus worked in my laboratory for six months learning to smoke fish, make pickled herrings and so on. His company was established with $150,000 (NZ) derived from the sale of his house and everything else that he owned and now after 7 odd years in business represents one of the very few small fishing companies that can claim to be successful.

His products are principally:

- smoked salmon
- smoked mussels
- pickled herring fillets
- smoked squid
- smoked octopus

I have ensured that for the last couple of years samples of these products were available for tasting by SOPAC students attending my lectures at the Nelson Polytechnic. This company remains one of the very few surviving small
fish based processing firms in New Zealand. In this case it is my belief that
success is being achieved not because the products are unique in themselves,
the technology has been around for a long time. Rather, the marketing strategy
has been to place the products into markets that perceive them as novel ie
Japanese products into the USA and vice versa. Rather than attempt to further
unravel some reason why this company succeeds where others fail perhaps we
should look for some common cause for the success of all these enterprises I
have described.

I think there are three common features:--

1) The products of the enterprises are at the top end of the market in
terms of both quality and price. The intrinsic value is high and there is a
luxury or gourmet food conitation associated with them. The creation and or
maintenance of this place in the market is crucial for continuing
profitability. Hence the importance of quality control and rigid product
standards.

2) All these fishing based enterprises that have survived in New Zealand
are virtually totally dependant on export markets. In the final analysis, only
a rather select group of markets at that, these being the affluent and
comparitively sophisticated markets of the USA, West Germany, Japan and Asia.

3) The principal products of these enterprises have U.S.P.'s which arose
via the efforts of food technology and marketing common sense allied in
achieving a common purpose.

The consequences and conclusions of these simple observations are quite
profound. We have to accept, for example, that New Zealand has a small and
relatively impoverished domestic economy. The resources which support these
enterprises are small and inherent cost structures make competition in the
middle ground of bulk commodity markets unprofitable. Many small businesses
(and a few large ones as well) gave the appearance during the 1960's and 70's
of success, and supplied cheap fish products to markets in Australia and likewise supplied the domestic market. As various forms of subsidies were later phased out (fuel, tax, shipping) the realities were, that only a small number of products remained truly profitable and all were luxury products sold in the markets I mentioned previously. The largest seafood factory in the southern hemisphere was reduced to bankruptcy twice before finding an effective alternative pathway to profitability. That avenue was the creation of relatively sophisticated value added products. The scale of this operation is not relevant here and there are doubts as to the ability of our fish stocks to sustain this type of operation in the long term. Even so, the recent profitability of the big companies can be attributed to success with a high quality fillet product in the USA table fish market. A skinned frozen fillet in a carton may look quite simple. The standards of quality, grading, packaging and so on which are necessary to maintain this happy state have taken some 20 years to achieve.

There seems little point for industries of the scale described in the early examples to attempt to compete head on with existing products in the international marketplace. The businesses that have succeeded have been export oriented, have promoted the unique qualities of their products and have achieved this uniqueness largely from technological development.

There is now a little awareness for the need to develop our own technology, and likewise there is some awareness of the power of combining product and market development in the early stages of a new enterprise. Failures tend still to out number successes and the time frames around most developments are still frustratingly long. However, they say that one success tends to lead to another, so the forecast for the future must be good.
In his discussion about PRODUCT DEVELOPMENT Neil touched on a number of areas that I would like to discuss further, especially in relation to the role of Marketing and the corporate environment required to foster product and market development. This morning I introduced you very briefly to the topic of MARKETING and our discussion now will draw on the tools that I outlined namely the MARKETING MIX ELEMENTS and THE MARKETING PLAN FLOWCHART.

THE ROLE OF MARKETING

Marketing is, as I stated this morning, a business philosophy that draws together all the diverse elements of the corporation and co-ordinates their activities towards the joint goals of consumer satisfaction and the long term profitability of the operation.

Success is dependent on the productive mixing of the skills of such people as the Marketer, Technologist, production staff, fishermen and financial wizards. If all embrace the common philosophy of marketing, many potential pitfalls disappear. It is therefore important that all members of the organisation right down to the cleaners have a clear understanding of the marketing philosophy and the importance of the consumer to the survival of the operation. The benefits of this have been shown on many occasions through lower rejections due to poor workmanship, the early detection of Quality problems and improved productivity.
In a small organisation it is even more important (and easier to achieve) that all members are working to this common goal as there will be insufficient resources available for the constant supervision that would otherwise be required.

THE CORPORATE ENVIRONMENT

One of the fundamental requirements of any corporate environment is that it must satisfy the needs and expectations of all the people involved not just the management. If people are not at ease then they will be less productive and more transient thereby placing the organisation under stress. Marketing people in particular seem to have a tendency to change jobs/companies at regular short intervals. One reason for this is often the failure of the corporation to meet the personal growth requirements of high achievers.

Successful market and product development requires an innovative and stimulating environment as it will almost always result from hard work, long hours and intuitive quantum leaps. All development involves risk taking at both a corporate and individual level and the environment must be conducive to such risk taking or development will be stifled. As a result, it is most unusual for successful development to occur in bureaucratic organisations such as Government Departments or Expert dominated organisations. It is a sad fact of life that organisations such as this one are generally only able to provide advice and encouragement to the individual or entrepreneur to go out and do it. It is almost impossible to satisfy the bureaucratic security
and other requirements under which you are forced to operate and carry out internally, successful market and product development.

THE ENTREPRENEUR

In Neil's address he made mention of "the Manager" and I have just mentioned the Entrepreneur. It is probably useful to spend a little time looking at the characteristics that typify this person who is essential to business success especially in this area of product and market development.

THE ENTREPRENEUR --- ENTHUSIAST - He/she will be excited and positive about the project being undertaken. ie. personally involved

IMAGINATIVE - Capable of seeing the opportunities behind the bare facts.

INTUITIVE - Makes the quantum leaps needed to obtain competitive edge.

INITIATOR - Needs to make the running and provide the impetus for project.

RISK TAKER - Prepared to lay it all on the line to ensure the success of the project.
Interestingly enough these people are rarely Accountants.

ONE OF THE BEST WAYS TO ATTRACT THESE PEOPLE TO THIS AREA IS TO PROVIDE A STIMULATING FLOW OF NEW IDEAS, COMMERCIAL ASSISTANCE AND PROFIT POTENTIALS.

Profits are one of the best baits to lay to attract the necessary skilled people and/or to encourage the locals to acquire the necessary skills required to develop a small marketing company.

COMMUNICATION

Many of the problems experienced in business result from poor communication. If you look again at the examples that Neil has quoted you will find that many took an excessively long time to eventuate. In each case this was a result of communication failures. The Industries failed to communicate their research needs to the various agencies responsible for carrying out the research. The researchers often failed to communicate their results to the appropriate people.

The Companies often failed to capitalise on successful developments even when they were intimately involved, probably as a result of a failure on the part of the staff involved to adequately communicate the success of trials. This resulted in delays of years and missed opportunities for the companies concerned.

The utilisation of the marketing plan flow chart by management for each of the projects would have resulted in a more cohesive and rapid development.
Before I go through the stages involved in the market development process I would like to discuss a few important concepts that I believe will assist in the evaluation of any proposals.

**USP**

Every successful product requires a USP or UNIQUE SELLING PROPOSITION. The USP is a product feature or attribute that gives the product a competitive edge over the alternatives available to the consumer. The USP actually only exists in the mind of the consumer, but it is the task of the marketer to identify the potential USP's and to communicate these to his consumer. The USP can be either a physical feature of the product such as the packaging in the case of the NZ Mussel quoted by Neil or an intangible attribute such as the novelty or exotic appeal that a pacific island fish product may have.

Due to the need to communicate the potential USP's to the consumer it is critical that the company ensure that they clearly and realistically analyse their product recognising its positive and negative attributes.

**CREDIBILITY**

In every market you are not just selling a product with "X" physical characteristics. In fact what you are really selling is yourself. The consumer, if he is buying a branded product, is actually purchasing the confidence that you will provide that which is promised either by your brand identity or by you yourself if you are in a personal selling situation.
This is especially true if you are trading in International markets as the buyer has to trust that you are a credible and responsible marketer whose product is as was sampled and is consistent across the entire consignment. As a result, it is critical that you maintain your credibility as without it you will not sell.

CREDIBILITY -- QUALITY ASSURANCE PROGRAMS - TO ENSURE CONSISTENCY IN QC STANDARDS
PERFORMANCE - DON'T Promise WHAT you are not sure of being able to deliver.

In the situation that you are in of breaking into new markets with new products as new operators it would be logical to link yourselves with an existing operator who already has strong credibility in that particular market. It is also necessary to consider the merits of regional promotion within this context as well. Do you really want to be promoting your products with the same image alongside the not so professional bloke down the road. Regional or Generic promotion is a very good and useful tool but the wise marketer ensures that he continues to also have a strong and separate brand identity. If I was trading out of here I would want the buyer to be selecting Newmans Pacific Island fish products, not just anyone's Pacific Island fish.

THE BUYER
Who is this mythical person, your buyer. It is clearly essential to identify whether you need to sell to the end consumer or an
Importer or some other middleman or agent. In most cases you will have sell to all of them and you cannot rely on anyone doing it for you. I have invariably found that the only party in the chain with your interests at heart is you. The others will seem to be incapable of selling the fine points or USP's of your product to the next member of the chain without your assistance. NEVER ASSUME THAT THEY UNDERSTAND ALWAYS DOUBLE CHECK.

James Crosslands study identified a long chain of Supplier, Importer, Primary Wholesaler(Auctioneer), Subwholesaler, Retailer, Consumer. It seems obvious that to get a higher price for your speciality in this market the place to start is by promoting it to the Subwholesaler and the Retailer as they will in fact be the people that encourage new users. If they can be convinced of the superior features of your product then they will sell it to the final Consumer.

I had the experience of participating in a minor way in the introduction in 1983/84 of a new NZ fish species called Alfonsino into the Japanese market. In spite of the fact that we just put it on a ship and failed to do any of the marketing work that I am about to suggest is essential the product sold well and very quickly came to command a good price. At the time I did not know any better but in retrospect I feel that we cost ourselves a lot of money in failing to do the job properly.

CONSUMER DEMAND

A 1971 Business week article stated "Consumers can seldom pinpoint what new products they want. "If you had made a consumer study on illumination back in the late
1800's ... the consumer would have said a gas lamp that didn't smoke as much, that was a little brighter, had greater fuel capacity, and that wasn't hot to the touch. No consumer would have asked for a light bulb."

This example shows graphically the problems associated with new product development. The marketer and the technologist have to translate the frustrations expressed by the consumer into a tangible product.

If you cared to ask the so-called average consumer of fish products what she is looking for she may well respond:

"a unique taste experience that is similar to the tastes with which I am familiar"

An observation of the fish products that are the most popular in that particular market may well identify that the most common characteristics are bland flavour, good texture, no bones.

It would therefore be important that the product you try to market there fits with her perception of what a good fish product was.

The NZ Orange Roughy was first successful in the USA in the Midwest, a market that is traditionally not a major fish consumer. It was successful because the characteristics of the fish were consistent with those perceived by the consumer as desirable. It was in fact a brilliant piece of positioning as all the competition in that market were also frozen fish at relatively high prices ie by selecting the marketplace the company concerned was able to avoid the competition from fresh
fish that might have otherwise meant that the fish would still be struggling to get established.

THE RESOURCE
With any product based on such a diverse resource as fish it is important to evaluate the physical characteristics of each species to determine the most favourable utilisation. i.e. Some fish will be best sold as fresh chilled in Japan while others may be better sold as frozen fillets in the USA. This process should be carried out by the Marketer and Technologist and should not take into account the traditional markets and product styles that the species has been sold in in the past.

It is important to also evaluate the other resources available, not just the fish. An exciting product could well be marinated fish for the south seas using coconut milk and pineapple juice or whatever. The point is that it is important to carry an open mind when exploring market and product opportunities.

SCALE AND COMPLEXITY
I have heard of many projects in many diverse countries that have failed because they did not take into account the needs of the people that were supposed to make them work. The scale and complexity of the operations should be geared for the environment within which they will operate. As a general principle I believe in keeping everything as simple as possible. This will almost certainly result in some projects being unsuitable for development. Simple does not mean slipshod as it is important that the product is consistent and consistency results from close
Market Development - The Process

No matter whether the process is market or product initiated the development of a new product/market is complex and often ends in failure. Before you start you need to recognise the risks involved. As the activity flow shows the development of the technology and the market should occur simultaneously. Obviously it is not that simple as before you can fully explore a market you need samples and before you can produce samples you need some idea of what the market is looking for. Otherwise the entire process is similar to looking for a needle in a haystack. Sometimes you will find it straight away but most of the time you will waste a lot of time, effort and money to get nowhere. The activity flow for market development is complimentary to the marketing plan flow chart and serves to provide more detail about some of the areas on the flowchart.

(see page 11)

I would like to now go through a suggested Activity flow for Market Development. This was developed by S Duncan of Massey University and I feel compliments the Marketing Plan flow chart.
### SUGGESTED ACTIVITY FLOW FOR MARKET DEVELOPMENT

**PROPOSED PRODUCT CONCEPT**
- Understanding of product form, and market to which it is to be aimed.

**POLICY DECISION TO**
- **CONTINUE**
- **MODIFY**
- **TERMINATE VENTURE**

**ESTABLISH CONTACT IN MARKET PLACE**
- Define requirements for selection of contact in market place
- Identify potential for selection of product concept

**DEVELOP Prototype PRODUCT**
- Lab scale product model
- Appraisal of physical form of product

**EVALUATION**
- Contacts' reaction to prototype product
- Understanding of requirements of retailer through to consumer
- Physical and organoleptic acceptability
- Suitability of product in selected market environment

**TRIAL PROJECT COSTINGS**
- Assessment of:
  - production costs
  - marketing costs
  - company overheads
- Expected sales and profits
- Feasibility of product in relation to market outlet

**EVALUATION OF ECONOMIC VIABILITY**
- Expected sales and profits
- Feasibility of product in relation to market outlet
- Break even point

**ASSESSMENT OF CONSUMER BENEFIT**
- Attributes that will be important to the consumer
- Measures by which company can promote this

**ASSESSMENT OF MARKET SEGMENT**
- Attributes of the consumer in the selected market segment
- Understanding of the needs of the consumer for the product

**SETTING OF OBJECTIVES**
- Company
- Short and long term policies
- Financial
  - sales
  - market share
  - return on investment
- Marketing
  - new product/new market
  - existing product/new market
  - increase market share in existing market

**PRODUCT CONCEPTS FINALIZED**
- Screening of all the previous assessed variables

**PROGRAMME PLANNING**
- Setting of stages and scheduling of activities
- Construction of flow diagrams such as Job Progress Bar Charts
- Allocation of responsibilities and authority

**DEVELOP MARKETING STRATEGY**
- Choice of marketing mix variables to implement strategy

**SOLICITING BUYERS REACTION**
- Pilot scale samples presented to market contact
- Ensure correct handling during transportation, and clearances of entry points
- Negotiations on pricing, branding and naming
- Initiative promotion plans

**CONSIDER POSSIBLE MODIFICATIONS**
- Related back to objectives and product concept

**FINAL PLANNING FOR PRODUCTION & MARKETING**
- Determine strategy
- For pilot scale trial
- For full scale production
- Final product launch into market

**TEST MARKET**
- Test out distribution channels or correct product handling

**ANALYSIS TEST MARKET**
- Satisfactory performance to product specification
- Effective implementation of Quality Assurance Programme

**EQUIPMENT PURCHASE**
- Equipment related
- Use of new technology
- New use for certain raw materials and equipment
- Market related
- Generated by market research

**DEMO PRODUCT**
- Development by company of a better appreciation of marketing environment

**POLICY DECISION TO**
- **CONTINUE**
- **MODIFY**
- **TERMINATE VENTURE**

**DEVELOPMENT OF PRODUCT**
- Ongoing modifications
- Production & Marketing Policies

**PILOT SCALE DEVELOPMENT OF PRODUCT**
- Formulation
  - process development
  - product cost
  - aggregation of equipment
  - packaging development
- Equations
  - layout, plant design and alternatives
- Quality assurance specifications
  - production specifications
  - material specification and control
  - process control
- Final product inspection
- Setting of product and process specifications