A significant proportion of most organisations' revenue is derived from products introduced in the recent past. However, new products can take many different forms and can be derived from a number of different external and internal sources. Their development or acquisition, however, is costly and there is a great danger of failure. This danger can be reduced if marketing principles and personnel can be involved at every stage of the acquisition, development and launch of new products.

### Types of New Products

New products which are not just the acquisition of another organisation's established products will have different degrees of 'newness' associated with them. A common way of classifying new products is:

- **Revolutionary new products**: products the like of which have never been seen before and which create entirely new markets.

- **Improved products**: existing products which have been enhanced to provide better performance or greater perceived value; often referred to as the 'next generation'.

- **Modified products**: where current models are replaced by new ones which combine features of a number of different models.

- **Adapted products**: products which have been changed to address needs in other markets or market segments, but whose key functionality remains the same.

- **New brands**: successful new products often stimulate the launch of similar competitive products by other organisations under different brand names or alternative positions.

An alternative classification is shown in Figure 27.1. The percentages shown for each category demonstrate that only a small proportion (only 10 per cent) of all new product launches concern products which are totally new concepts or in any way revolutionary. This suggests that new product management must cover a wide range of different situations.
Sources of New Product Ideas

Organisations which are open to new ideas and which actively pursue new product opportunities are usually systematic in their search. They recognise that there are a number of different sources which can generate good ideas and that sometimes a proactive approach needs to be adopted. Appropriate sources, however, will vary from industry to industry and may require different types of approach, although all ideas must be closely linked with customer needs and wants if they are to be successful commercially.

For many organisations, customers are, in fact, the most profitable source of new ideas. This is certainly true in industrial markets, where customers often produce the highest percentage of new ideas, particularly if they are lead users, i.e. organisations which make the most use of a new product. Lead users are also, therefore, likely to see the limitations of a product first and can recommend improvements ahead of later purchasers. Establishing close development partnerships with such organisations can provide a valuable source of new product ideas.

In more highly populated markets, organisations can use different forms of research such as: customer surveys; focus group discussions; competitions amongst users; and analyses of letters of complaint, as sources of ideas. As an example, when Toyota decided it wished to enter the US automobile market it decided to use the VW Beetle as its benchmark product. Thus, it