

Frugal Innovation Classroom Course

NEW MARKET DEVELOPMENT, HUMAN CENTERED DESIGN AND PROTOTYPING

MODULE 4





How to do better with less?

COURSE CONTENT

Do you know that...

You can use modules in the way you wish. This course is tailored for individual needs. You can read full modules, you can focus on the main terms, which will be highlighted in each module, you can find examples or try to do the test. Either way we are sure that we will make you read more about how to profit from doing business frugally.

1. The business case for Frugal Innovation
2. Market opportunities for frugal innovations in Poland/Hungary/Croatia/Ireland/UK
3. Creative problem solving
- 4. New market development, human centered design and prototyping**
5. Sustainability and social inclusion in frugal innovation
6. Financial planning for innovation
7. Management of frugal innovations

Icons you may come across in the course



Important term



Exeample



Test



Activity



Video



Source

New market development, human centered design and prototyping



Tired of books and articles, in which you cannot find practical and useful knowledge.

Start the module **New market development, human centered design and prototyping**, which will provide you with information on:

- What is essential for successful enter on new markets.
- What kind of information is crucial to be prepared for entering on new markets.
- What human centered design is.
- How to conduct such design process.
- Why prosumers are valuable in the product development.

We advise you to join the whole module.





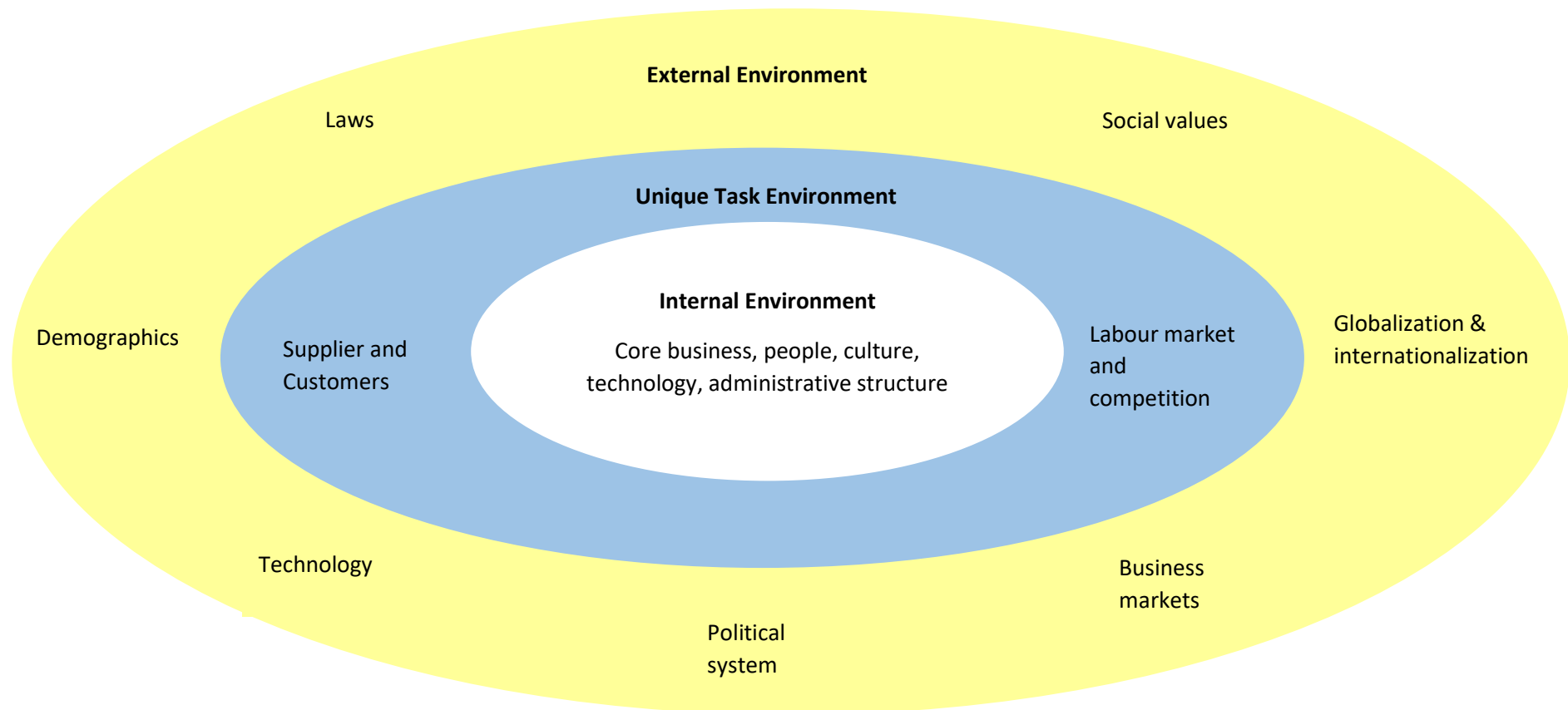
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New Market Development



The decision of develop a new product is extremely difficult, regardless the size of the company and experience. No matter if you introduce a new product to the same or new market, it always requires a proper preparation.

Why? Please take a look at external and internal factor, which influence markets. They create internal and external environment.



Developing new markets requires gaining knowledge about all respective elements of internal and external environment in which your product is going to be launched. The characteristics of these elements varies depending regions, countries, continents therefore the deep understanding of all aspects is essential for successful expansion.

But crucial questions before entering new market are as follows:

- **What is your target market?**
- **What is costumer's profile?**
- **What are the demographics?**
- **Was market analysis conducted?**

Do you know that...

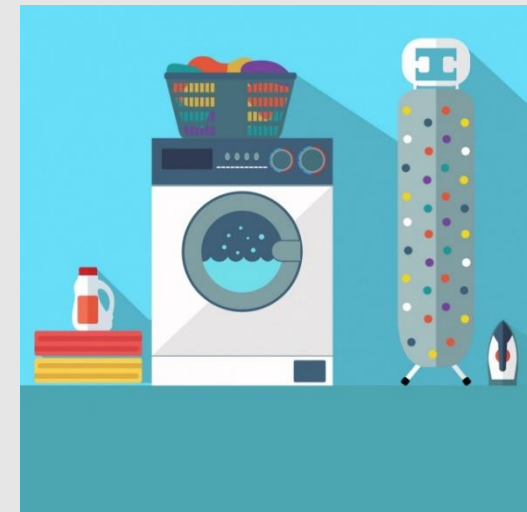
Even experienced companies sometime fail while introducing new products to the market. In April 1994 the Anglo-Dutch Unilever launched a new washing powder "**Persil Power**" across Europe. The product was innovative due to its new ingredient thanks to which it was supposed to wash whiter in lower temperatures.

Unfortunately the reports of Unilever's main competitor and other association pointed out that under special conditions this new detergent significantly damages clothes. As a result the product was withdrawn and Unilever lost circa £300m.

Why?

The testing phase of a new powder was conducted I Dutch households, where people are used to separate cloths (white from dyed fabrics). Unlike northern Europeans, consumers in South tend to wash whites and coloured cloths together and set rather hot wash irrespective of any instructions.

What is more, the collaboration between research, development and marketing departments was inefficient.



Source: Tidd J., Bessant J., Pavit K.,(2001) *Managing Innovation. Integrating Technological, market and organizational change*, Second Edition, Wiley

Target market is the market group of customers to which the products or services will be sold. This group is defined by a customer's profile.

Customer's profile should provide information on:

Customer type	
Individual	Business
<p><u>General:</u> Gender, Age, Marital Status, Parental Status, Profession, Financial Profile, Income, Investments, Debts,</p> <p><u>Customers' needs:</u> Buying Habits, Lifestyle, Interests, What is Important to Them, Religion, Worldview</p>	<p><u>General:</u> Type of Business, Industry, Number of Years in Business, Number of Employees, Products or Services, Organizational Structure, Annual Revenue, Geographical Scope of Activity</p> <p><u>Customers' needs:</u> Purchase Decision-Makers, Special Needs, Other Needs, How your product differs from your competitor's.</p>





Demographics should answer on the question whether our target group is stable, expanding or shrinking.



Well prepared **market analysis** should:

- Support your decision and give rationale (or do not) to start creating a new product and services investing various resources.
- Assure you that customers will buy your product because there is a need for it.

Do you know that...

Global population is 7.6 billion according the latest data (September 2018). Even though The current average population increase is estimated at 83 million people per year, Europe is shrinking due to the low fertility rate. The most rapidly growing continent is Africa. The most populated is Asia with 60% of global population (over 4.5 billion).

It is projected that global population will reach 10 billion persons in the year 2055.

Is your country expected to decrease or increase in the next 20 years?

Source: <http://www.worldometers.info>

Market analysis

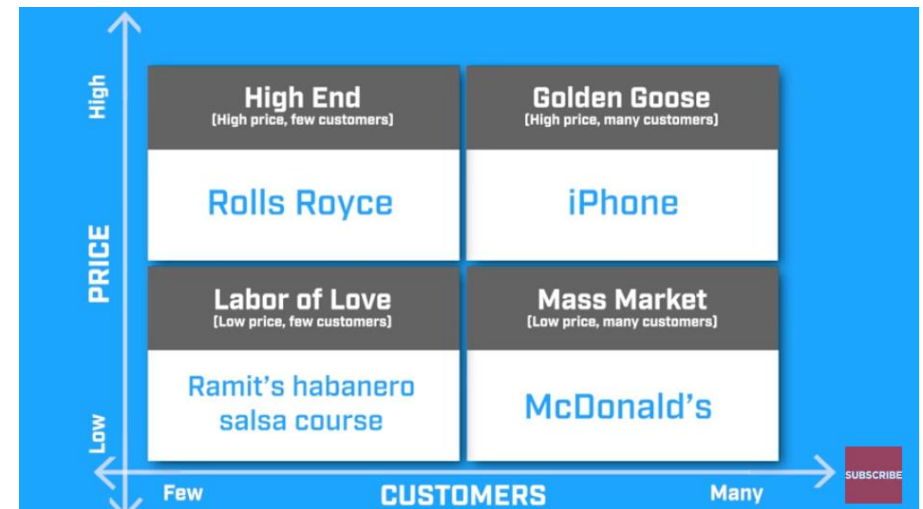
Typical market analysis includes:

1. Industry description and outlook
2. Target market including customers profile and market size
3. Competitive analysis (focusing on direct and indirect competitors, their strengths and weaknesses)
4. Stakeholders analysis
5. Projections including market share and pricing and gross margin
6. Regulations



How to do a customer profile for a business plan

<https://www.youtube.com/watch?v=3vXZV6Nfh0k>



EXACTLY how I do market research for new products



<https://www.youtube.com/watch?v=S4mLTKvvqdo>

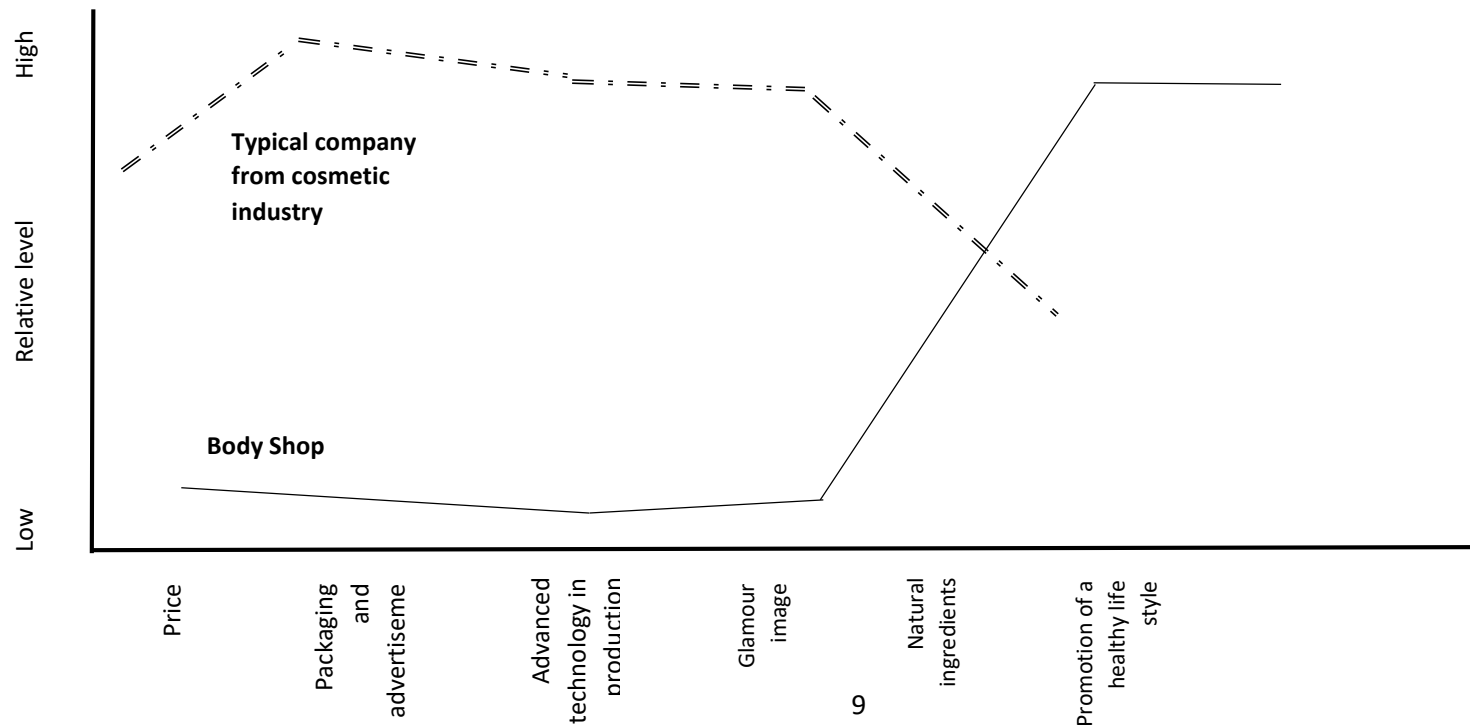
Monitoring trends

External trends can be seen in all industries. Exploring these trends can bring you a valuable inspiration to introduce frugal innovation.

Example: Body Shop offering natural cosmetics. Body Shop resigned from the glamour image, which usually is present in this retail sector. They focused on natural ingredients and the promotion of a healthy life style. The comparison of the success factors of Body Shop to typical cosmetic company is presented in the picture below.

E

Example

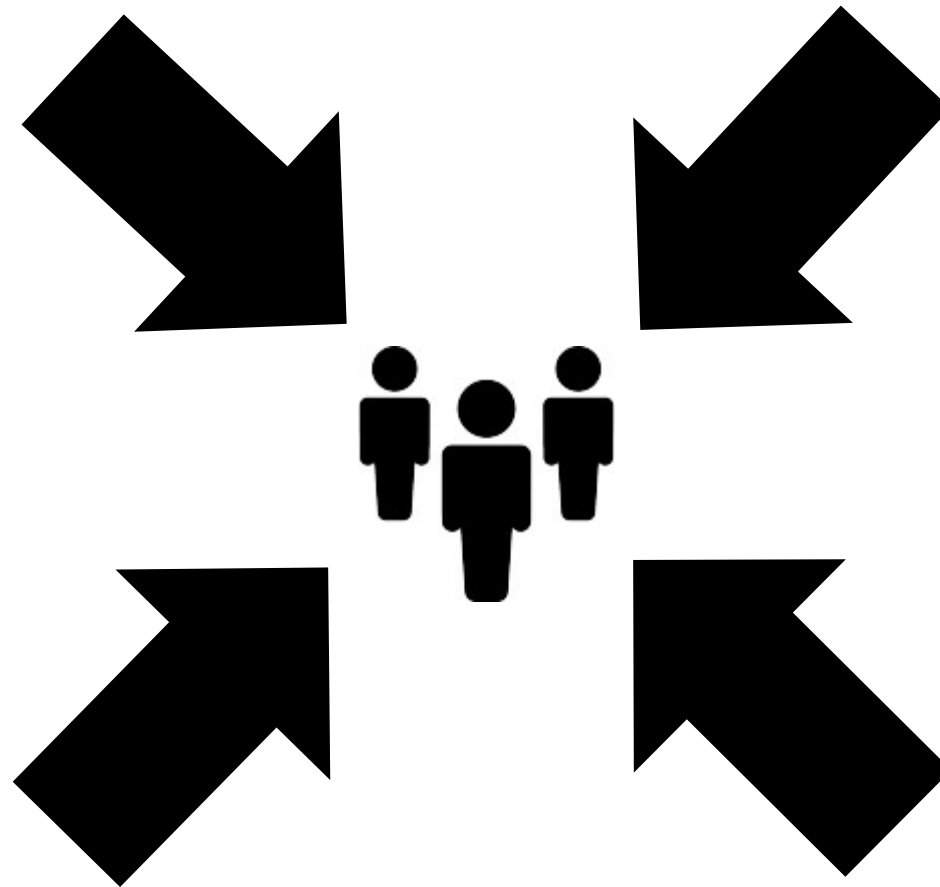


Human centered design



The process of developing new products/services focusing on users at all stages.

The human perspective is in the center.



Example

E

Tooth brush – everyone uses toothbrush as it is a basis instrument for oral hygiene. Some prefer manual brushes, some electric ones.

Have you noticed any difference between an adult toothbrush and a toothbrush for kids? Look how concentration on child's behavior inspired for simple improvements.



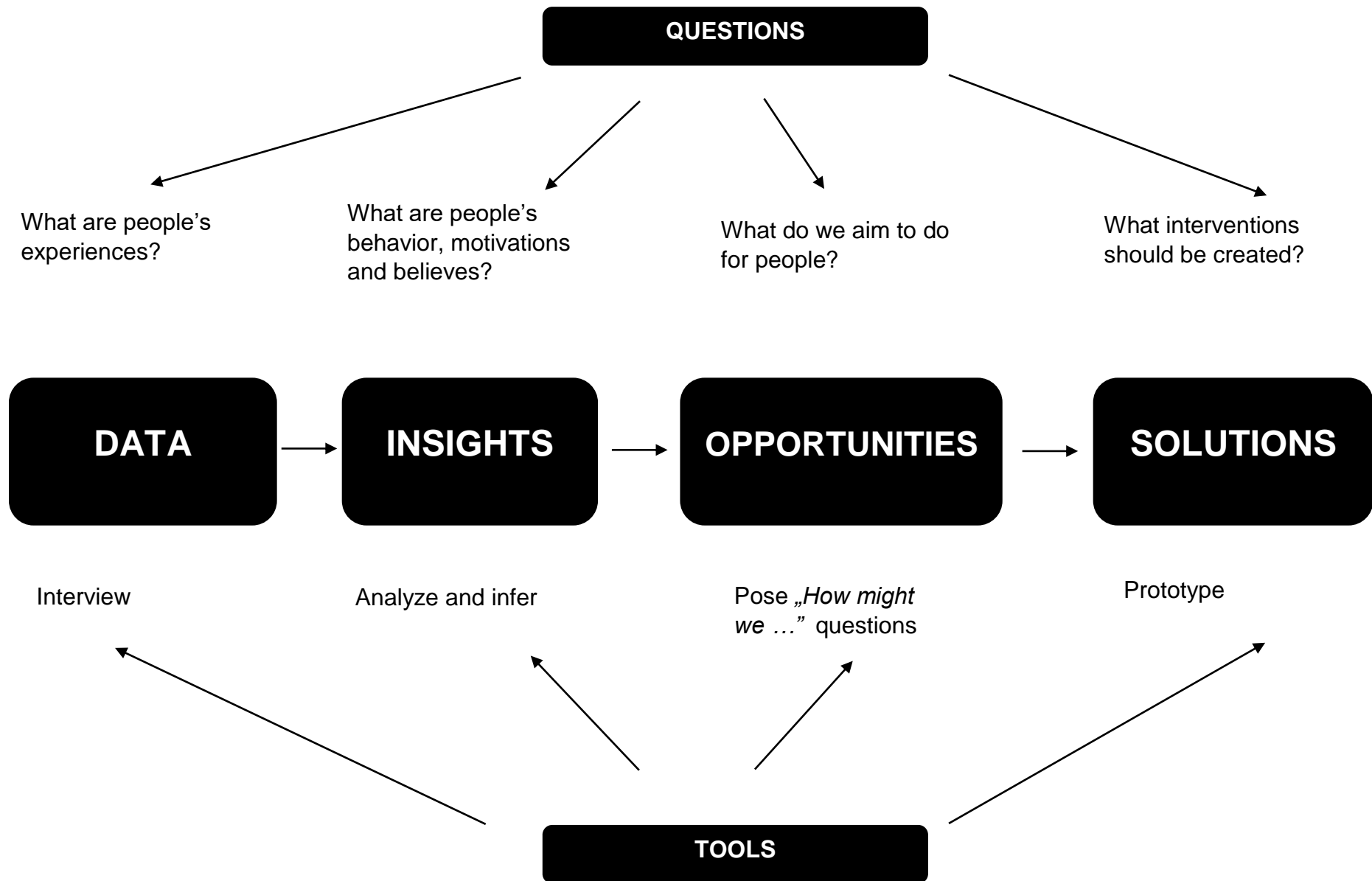
“(...) yet for decades kids’ toothbrushes were pretty much just smaller version of adult brushes. On a project for Oral-B, we put brushed in the hands of young kids and quickly noticed the “fist phenomenon” Little kids grip the brush with their whole fist, unlike older kids, who use their fingertips. At first, it seems almost paradoxical that kids’ brushes would be fatter than adults’, but not when you see them in use. So we made a fat, soft, squishy grip that would be easy for them to handle. Oral-B’s new Squish Grip brushed looked and felt like a toys, a good thing when you consider that the longer kids brush, the better.”

Source: Kelly T., Littman J. (2001) *Art of Innovation*, Profile Books, p. 34

Do you know that...

- Twigs with frayed ends were the first hygiene measures 3500 BC.
- A tooth brush made of hug bristles, which resembled the modern tooth brush, was invented in China in 7th century.
- In Europe first mass production of toothbrushes is dated on 1780.
- In 1938 animal bristles was replaced by synthetic fibers.
- First electric toothbrush was invented in Switzerland in 1954.

Guidelines for human centered design process



Human Centered Design Mindset

Empathy

"In order to get to new solutions, you have to get to know different people, different scenarios, different places."

Emi Kolawole, Editor-in-Residence, Stanford University d.school

Optimism

"Optimism is the thing that drives you forward".

John Bielenberg, Founder, Future Partners

Learn from Failure

"Don't think of it as failure, think of it as designing experiments through which you're going to learn".

Tim Brown, CEO, IDEO

Iterate, Iterate, Iterate

"By iterating, we validate our ideas along the way because we're hearing from the people we are actually designing for."

Gaby Brink, Founder, Tomorrow Partners

Make It

"You're taking risk out of the process by making something simple first. And you always learn lesson from it"

Krista Donaldson, CEO, D-Rev

Embrace the Ambiguity

"We want to give ourselves permission to explore lots of different possibilities so that the right answer can reveal itself".

Patrice Martin, Co-Lead and Creative Director, IDEO.org



User-centered Design: Aga Szóstek at TEDxWarsaw

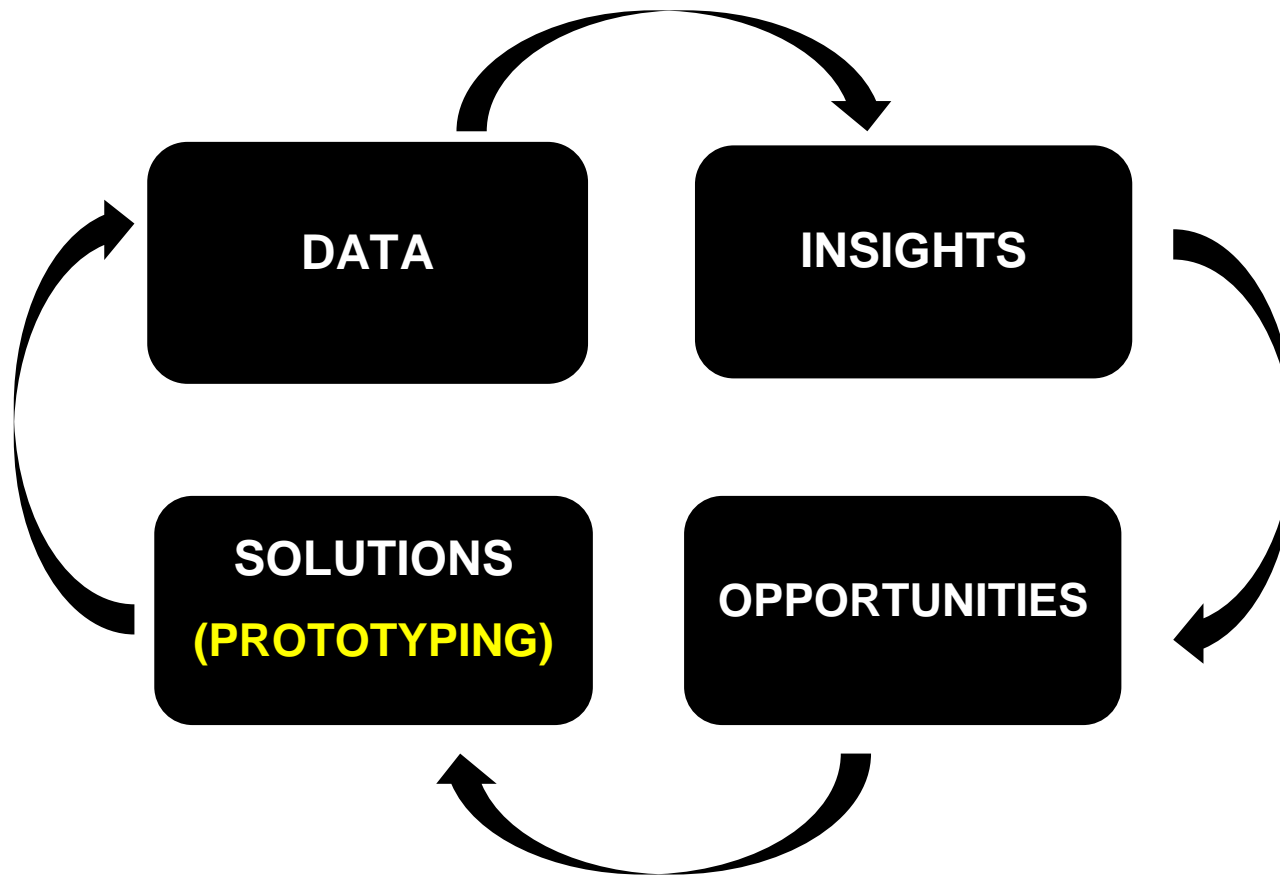
<https://www.youtube.com/watch?v=k7CX2JYxfE8>



Prototyping



Developing and prototyping solutions results in things which impact human behavior and experience. This is one of the stage of human centered designed, but not the last one. It should be validated as many times as the needs of users require it.



How to make sure that our prototype of a product or service will meet all expectations of consumers? It seems to be easy, providing that consumers will be involved in designing or customizing products for their own needs.

Which means that they become **prosumers**.



The earlier engagement of prosumers occurs, the more successful prototypes/solutions we get. Therefore prosumers should be engaged in all crucial phase of a new product creation: conception, development and commercialization.

1. Discover the needs and dreams of prosumers.

The needs and dreams of consumers do not have to stay a secret.

Example: MyStarbucksIdea.com was created to collect ideas of customers for Starbucks – a global coffee-house company. After six years over 190,000 improvements were collected, from which more than 300 were implemented. What customers were asking for: for instance for faster Wi-Fi or pump and a patch kit for these, who cycle and get a flat tyre.



Source: Radjou, N., & Prabhu, J. C. (2014). *Frugal innovation: How to do better with less* (1st ed.). New York: PublicAffairs.

2. Involve prosumers in co-development of solutions

Advanced R&D and market research do not always guarantee a success on the market. Unfortunately almost 90% of products fail at launch because they do not meet the customers' needs. Therefore involving prosumers in the development phase seems to be crucial for a successful product launch.

Example: Danone – a global food and beverage company – before launching their new low-carb yoghurt in the USA, they tapped Affinnova to identify the key features of products which matter for potential consumers. Such evaluation from consumers resulted in improvements, which then helped to take over 11% of light yoghurt market after launching Light 'n' Fit Carb & Sugar Control Yoghurt.



3. Consumers can participate in marketing, branding and distribution

Recommendations from friends or a family works better than the most expensive advertisement. Therefore consumers are the best brand ambassadors. What is more, they could be involved to perform some selected tasks which previously were undertaken only by a company.

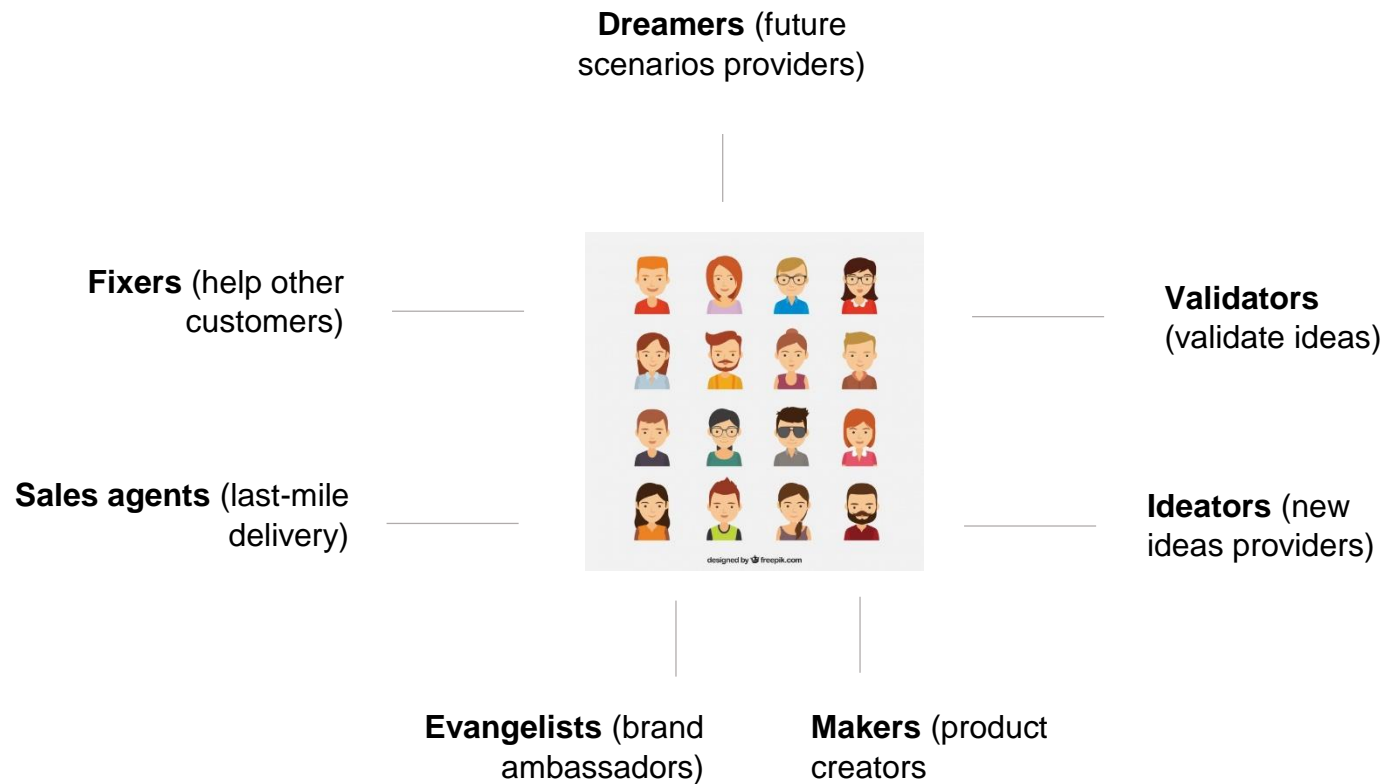
Example: DHL – a global logistics company – engaged their clients to deliver packages to other buyers in exchange for credits in monetary value. Such last-mile delivery is practiced in Stockholm.



Source: Radjou, N., & Prabhu, J. C. (2014). *Frugal innovation: How to do better with less* (1st ed.). New York: PublicAffairs.

Prosumers and their various roles

Would you consider engagement of prosumers taking into account the following roles?



Source: Radjou, N., & Prabhu, J. C. (2014). *Frugal innovation: How to do better with less* (1st ed.). New York: PublicAffairs.



Sources

Are you interested to learn more about new market development, human centered design or prototyping?

We recommend you to use the following sources:

Websites:

<http://www.worldometers.info/world-population/>
<https://www.vapartners.ca/businesses-fail-expanding-asia/>
<https://www.greenbook.org/company/affinnova>
<https://ideas.starbucks.com/>
<https://www.interaction-design.org/literature/article/design-thinking-get-started-with-prototyping>
<https://www.cleverism.com/enter-new-market/>
<https://fitsmallbusiness.com/customer-profile-template-examples/>

Other sources:

Osterwalder A., Pigneur Y.. (2010) *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*, Wiley
Radjou, N., & Prabhu, J. C. (2014). *Frugal innovation: How to do better with less* (1st ed.). New York: PublicAffairs.
Kelly T., Littman J. (2001) *Art of Innovation*, Profile Books
Kotler P., (2014) *Kotler on Marketing: How to Create, Win, and Dominate Markets*, Free Press; Reprint edition
Kovandová S., (2014), *Marketing strategy for new market development*, LAP Lambert Academic Publishing

Videos



What is Human Centered Design?
<https://www.youtube.com/watch?v=musmgKEPY2o>
Impacting through human centered design | Evan Fried | TEDxMSU
<https://www.youtube.com/watch?v=QI83OGQUcNc>
Design Thinking: Solving Life's Problems | Suresh Jayakar | TEDxCrenshaw
<https://www.youtube.com/watch?v=UQYoWwHg3qA>
Creating a Sales and Business Development Strategy - Entrepreneurship 101 2009/10
<https://www.youtube.com/watch?v=OB2t8UvXMWU>



Ready for a quick TEST?

T

You can quickly verify the knowledge you gained after attending this module.

Choose right answers (multiply choice test)

1. Before entering on new markets

- a. only demographics matters, because large population means the success
- b. detailed market analysis should be conducted
- c. learning about consumers' needs is crucial

2. In the development of a new product or service

- a. R&D phase is the most important as it gives new solutions
- b. human is in the center – their expectations, life style, habits tec.
- c. companies should co-operate with prosumers

3. Prosumers

- a. can play various role in a product development
- b they only assess products through social media
- c. their recommendations does not matter, advertisement is the most powerful tool



Ready for a quick TEST?

T

You can quickly verify the knowledge you gained after attending this module.

Choose right answers (multiply choice test)

4. Internal Environment consists of:

- a. Labour market, competition, suppliers and consumers
- b. Core business, people, culture, technology, administrative structure
- c. Social values and demographics

5. An individual consumer's profile should cover:

- a. Buying habits, lifestyle
- b. Gender, age, parental status
- c. What is important to them, their worldview

6. Human centered design is about:

- a. What can be done for people.
- b. Focusing on financial effectiveness
- c. Designing efficient R&D model



Ready for a quick TEST?

T

You can quickly verify the knowledge you gained after attending this module.

Choose right answers (multiply choice test)

7. Sales agents are these prosumers who:

- a. Help others customers
- b. Validate ideas
- c. Deals with the last-mile delivery

8. In human centered design the prototyping phase

- a. Is the phase before final implementation
- b. Means to validate ideas as many times as necessary
- c. Means to check how the product impacts human behaviour

9. In general, the aim of the market analysis is to

- a. Check the competitors' prices.
- b. Assure you that customers will buy your product because there is a need for it
- c. Investigate the available technology

A Activity

Imagine that you run a coffee and cake shop (you also bake cakes), in which customers can drink coffee and eat cakes or order cakes to take-away. Your shop is located near the university building, therefore part of your revenue is made by students. Prepare a general customers' profile using the template below

Group of customers	Students	Other group...	Other group...
Age	19-26		
What is the most important to the group?	<i>Price and fast service</i>		
What kind of marketing is the best for the group?	<i>Loyalty cards with discounts</i>		
What marketing channel is the best to reach the group?	<i>Social media, emails</i>		
Other comments	<i>Not present during the summer time</i>		

Select one group and write down a detailed consumers' profile using guidelines presented in the module.

Which group is your target group?

