

## **Various Approaches to Building Products and Services**

There are at least five different common approaches to developing a new product or service. Each of the approaches is described in the rest of this topic. Some approaches seem to start out slow and soon stop altogether. Other approaches start out fast and then end in a flurry of confusion. Still, other approaches start out carefully and go on to make a huge difference for their clients. The approach you use depends on various factors.

Note that sometimes the approach to development of a new organization is essentially the same as the approach to development of its new product or service, particularly if the organization is new or only has one product or service. In that case, it might be difficult to detect any difference between the approaches to developing the overall organization and its new product or service.

### ***“Build It and They Will Come” Approach***

This approach is common to new businesses, especially if their founder is rather inexperienced in marketing analysis, and/or has a strong passion – even an obsession – about providing a certain product or service. He bases his belief almost entirely on his or her own perception, even though there is sometimes no verified evidence of a market for the product or service. In this approach, the founder of the product or service:

1. On his own, designs a new product or service.
2. Applies to get funding from investors and is turned down due to lack of evidence that there really is a need for the product or service.
3. Advertises to the community, usually through word-of-mouth, flyers, brochures and direct mailings.
4. Experiences a great deal of frustration that most people do not flock to buy the product or service.
5. Substantially increases the advertising throughout the community.
6. Continues to experience frustration that sales remain very low.
7. Either abandons the effort or, if there really is a market for the product or service, persists and accomplishes the seat-of-the-pants approach to product or service development.

### ***Seat-of-the-Pants Approach***

This approach is common to many new businesses, especially if their founders are rather inexperienced in organizational development and management. In these situations, it often is difficult to discern what resources go directly into providing products or services versus those needed to run the entire organization. In this approach, the founder of the product or service:

1. Senses the need for a new product or service, develops it and successfully sells it to various markets.

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2. Over time, the founder realizes that he or she needs more help, including money, to grow the product or service. He or she then applies to investors for funding or uses profits from sales to enhance sales of the product or service.
3. As mentioned earlier in this guide, organizations, products and services go through life cycles. Products and services might continue to experience rapid growth. Eventually, though, the same systems used to first produce and sell the product or service now must be further developed to accommodate the rapid growth of the business. For example, leaders in the organization refine their plans, policies and positions to make operations more efficient.

While this seat-of-the-pants approach often works when first developing a new organization, product or service, it certainly is not the best way to go forward or to add other products or services.

### ***Incremental Planning Approach***

People can probably develop a new product or service without having to resort to the high-risk, seat-of-the-pants approach or to a more comprehensive, in-depth process if:

1. They truly know their customers’ needs well (they should be careful about assuming that they do!),
2. They plan to meet those needs with a new product and service which somewhat resembles a product or service that they already sell, and
3. The cost and risk of starting the new product or service are quite low.

If all of the above conditions are true, they can develop their new product or service with a straightforward plan that specifies:

1. Any minor changes that must be made to the current products and services in order to implement the new product or service.
2. Who is responsible to make the minor changes.
3. Timelines for achievement of the changes.
4. Budget that lists the funds necessary to obtain the resources required to make the changes.
5. Advertising plan that specifies how current and new markets will be informed about the new product or service.

### ***Business Planning Approach***

Usually, a Business Plan is developed when:

- Expanding a current organization, product or service.
- Starting a new organization, product or service.
- Buying an organization, product or service.
- Applying to an investor to get funds to develop and sell a product or service.

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- Working to improve the management of a current organization, product or service.

There a variety of views, formats and content regarding business plans. Business planning usually includes careful analyses and descriptions of:

1. A major unmet need among certain groups of customers, or target markets (this is a marketing analysis).
2. Ideas for a product or service to meet the need (this is a product description).
3. Major competitors to the product or service (this is a competitor analysis).
4. How the target markets will be informed of the new product or service (this is an advertising plan).
5. How the product or service will be managed and delivered (this is a management plan).
6. The costs to build and provide the product or service (this is part of the financials in a business plan).
7. When the business will begin to profit from sales of the product or service (this is part of the financials of a business plan).

Usually, the Business Plan includes contents that are organized into several other subordinate (or smaller) plans, for example, a marketing plan, management plan and financial plan.

## ***Business Development Approach***

Business development takes business planning to an even higher level of benefit for the business. Business development includes the business planning process so, technically, it is not a completely different alternative to business planning. However, business development usually includes more upfront, rigorous examination for numerous opportunities to provide products and services among a variety of stakeholders in order to generate more profit. Business development starts with helping business to identify new markets that they did not even realize existed, whereas business planning is usually based on one already known, particular need among a certain target market. Business development is quite market-driven, whereas business planning can be quite product-driven.

1. Clarifying the current, overall situation of the business and its external environment, particularly to ensure a solid base from which to develop current or new products or services.
2. Inventorying the assets and capabilities of the business, particularly those that can contribute toward developing current or new products or services.
3. Brainstorming, screening and selecting a short list of opportunities in which to sell products or services, particularly those that might be used to deliver more of current products and services to current customers, new products and services to current customers, current products and services to new customers, and new products and services to new customers.
4. Researching the short list for feasibility and selecting the most appropriate opportunities, including careful consideration to likely sales and profitability, business models, payers and

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competitors, processes and materials required to develop each idea, and the influence of laws and regulations.

5. Strategizing and planning to implement the selected opportunities, including developing a Business Plan for each opportunity.
6. Implementing the Business Plan and continuing to adjust it to reality.

### ***Sound Management of Products and Services***

You should realize that the business planning and business development approaches are usually much more comprehensive and in-depth than the “build it and they will come” and seat-of-the-pants approaches to product or service development. The business planning and business development approaches form the foundation for good management because the approaches are likely to ensure:

- More accurate understanding of target markets and their needs.
- Higher quality of service by focusing on what you do best.
- More effective and efficient operations in your organization.
- Increased financial resources.
- Better use of financial resources.
- More freedom and choices of resources to meet the needs of various target markets.
- Improved coordination between executives and product personnel.
- Better relationships with customers and other external stakeholders.
- Enhanced credibility with customers and investors.

So, rather than thinking of business planning or business development as processes to develop new products and services, you might benefit best from thinking of the business planning and business development processes as activities required for good management.