

New Product Development (NPD)

**Personal Care Industry: Role of the consumer in New
Product Development**

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Summary

The report discussed and analyzed the New Product Development (NPD) and the consumer involvement in the NPD in relation to the personal care industry. Since the customers have become the key stakeholders for the companies, especially for the large size and multinational firms, the involvement of customers in the new product development process has become the must do element. Below the report researches the elements, factors, and aspects that are associated with the consumer involvement in the new product development. The purpose of the below research report is to analyze the importance of customers' involvement in the NPD process, especially in the cosmetic manufacturing industry. This will allow the readers to understand of how the NPD is influenced by the customers and what benefits and advantages that are enjoyed by the companies.

In order to construct the report below the deductive approach has been adopted to ensure that the entire research work produces the strong and authentic conclusion. Since it is difficult to use the primary data collection approach, for the below research report, the secondary research approach was adopted. This has allowed collecting the data and information of various companies and portraying the picture more clearly.

Using the data collection methods and approaches and focusing on the subject topic, it has been found out that consumer involvement in NPD process enables the companies to understand the customers' behaviors and demands and produce the products accordingly. While analyzing the case study of L'Oreal and Beiersdorf, it has been noted that these two companies are involving the customers almost in every stage of the NPD. Therefore these companies and their products are known and successful in the markets.

It is also to note that this research focused on limited research using the case studies of only two companies and the conclusion is constructed using and analyzing the limited research. But in real life this may not be the case because many companies may not be involving the customers but still be successful. Also, due to limitations of word count, time and resources, the report could not perform the detail research; therefore this research report is limited.

Although the research is limited, but authentic books, research articles and authentic websites were used to collect the data. The theories, models, implication etc are all used which are presented by the authors and scholars. A part from this, the case studies of L'Oreal and Beiersdorf which are used in the below research report, therefore the originality rate of the entire research report is high.

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1. Introduction:

It has been observed that within the past couple of decades, the business world has been diversified. And the main reason behind the diversification include the change in customers' demand, the increasing intensity competition and rapid changes and fluctuations in the economical, financial, legal and technological contexts. Due to changes in various contexts, the organizations today find it difficult to sustain for long run because all the changes influence the customers' demand and their behaviors. In order to cope with these issues and meet the customers' demand, the organizations across the world are actively involved in the new product development (Shaw, 1998).

For organizations, increasing the product and service portfolio and launch the new products have become the key issues. But at the other end, the new product development is one of the most crucial elements that leads the companies towards the success and achievement of the defined goals and targets. The New Product Development (NPD) is a process in every organization as it requires the full of competencies, the huge investments, a lot of time, and huge amount of resources because this is the only process that allows the organizations to produce the competitive products and lead the industries (Narver & Slater, 1990). But in case, if the new product development process is not performed efficiently, then the organizations have to face the serious issues which mainly include the decrease in sales, profitability, losing the customers and this will allow the competitors to lead leaving the other companies behind (Baker, 2003).

Various approaches and strategies are adopted by the different nature of organizations. But in general, there are various stages and phases include in the NPD process. Below some of the key stages;

Idea Generation: This is the first phase of the NPD, when the organizations generate the new idea about the existing products or for the new products. The new ideas can be generated from various sources; suppliers, distributors, competitors, customers, workers and management etc.

Idea Screening: Once the idea is generated, the companies then evaluate and analyse the effectiveness of it. It allows the companies to analyse all the aspects that are associated and plan its strategy accordingly.

Product Development & Testing: Being based on the effectiveness and screening outcomes, the products are finally produced and tested. This allows the companies to analyse and finalize the product that will be launched into the market.

Marketing: This is also one of the key element and phase of NPD. It requires the companies to create the awareness among the potential customers and give them information about the upcoming products (Hastings, 2008).

Test Marketing and Commercialization: The last stage of the NPD is to perform the test marketing through launching the product into limited market and upon success; the proper commercialization approach is adopted (Sorli and Stokic, 2009).

The above stages and phases of the NPD look very easy but in practical life, each stage include various phases that the new product has to go through from. Many of the known companies sometimes fails to perform the NPD in efficient ways and this causes the real life issues that sometimes effect the brand value and customer portfolio too.

The research report will be constructed into various sections. The first part will discuss and analyze the NPD, the involvement of customers in NPD processes associating the various studies, theories and approaches. Furthermore, the case studies of L'Oreal and Beiersdorf will also be discussed and analyzed to find out of how the large companies in personal care industry perform the NPD. The next chapter, research methodology will define the research approaches that will be adopted during the research. The results and finding part of the research report will analyze the entire research work as this will lead to draw a stronger conclusion of all the findings and analyses.

In order to analyze the elements, importance and significance of NPD and the involvement of the customers, the below report tends to research and discuss the various aspects. The research report will be focusing on the 'role of consumers in New

Product Development (NPD) within the personal care industry'. Below some of the aims and objectives that will be focused throughout the entire research;

1.1 Aims and Objectives:

- To define and analyse the New Product Development in the personal care industry.
- What is the importance of consumer involvement in the NPD?
- How the NPD process is influenced by the customers and what roles do the customers play?
- To identify the effectiveness of the consumer involvement in every stage of the NPD
- Analyze the NPD strategies and approaches of L'Oreal and Beiersdorf

The above aims and objectives will allow the research report to focus on specified areas and analyze the importance of new product development in the personal car industry. Focusing and concentrating on the above defined aims will allow drawing a stronger conclusion too.

2. Literature Review:

2.1 Introduction:

The chapter below tends to review the literature on the topic of 'role of consumers in New Product Development'. The detailed theoretical approaches, critical views, concerns, approaches, and ideas will be discussed in the following part of the research report. The first part of the literature review will discuss the theories of the New Product Development as general and in relates to the cosmetic manufacturing industry. This will allow understanding the basic concept of how the NPD helps the companies to grow faster than ever before. Later in the following part, the involvement of the consumers in NPD will also be discussed from the theoretical approach. This will help to understand of how the companies and their R&D and NPD are influenced by the customers. The various theories, approaches, models, strategies, and ideas will be discussed in the following part to analyze and evaluate the NPD and consumer involvement in NPD.

A part from the theoretical approaches of the topic, the literature review chapter will also discuss and analyze the two case studies. The L'Oreal new product development and the Beiersdorf's new product development approaches will allow understanding of how the leading companies are connecting their NPD with the customers and how influential this approach is (Schiffman and Kanuk, 2004).

2.2 New Product Development:

As the business environment has transformed into highly competitive, it has forced the business entities to have effective and efficient business strategies. In order to gain the market share or to increase the company's portfolio, companies tend to increase the product line. By this, the companies are able to target those market segments which have been left previously (Jackson & Joshi, 2003). Moreover, the company also captures the market share by introducing the new products. Hence it is rightly said that the new product is very essential and important step in company's expansion. The company needs to be very careful to attempt for the new product development (Kumar and Phrommathed, 2005).

Usually it has been observed the company who tends to invest money in research and development, have the highest ratio for successful new product. Those companies who do not consider important elements like consumer expectations, and others, experience huge fail in new product development (Mintzberg and Ghoshal, 2003). This new product development is process, in which every step is equally important for the success of new product. Business sector needs to be very proactive in order to gain the knowledge and information regarding the customer's expectations. By this, the company will be able to reduce the risk associated with launching new product. Many different strategic models that are used in order to realize the product development process (Griffin, 2008).

For any company to survive, innovation can be the leading element. It is indispensable, and therefore should be the integral part of the business strategies. The need for new product development can have several reasons. For those companies whose products have short life cycle tend to invest in research and development in order to gain the expertise of developing new products. Many companies get engage in this process to gain the technological abilities, or to increase the market share by enhancing sales or profitability (Checco, 2005). If company does not attract new customers or keep ignoring the other market segments, than the company will soon face very tough time from other players in the market. These are the sole reasons for companies to get involved in this process. As this process is of great importance, the more complex the process is. Apart from the traditional marketing techniques, companies tend to involve consumer with in the process to increase the effectiveness and efficiency of new product development process (Wells, 1968).

Many different authors have presented the different models that are being considered during the process of developing new product. However, Cooper (1990) provided with the most comprehensive model structure, which is used practically by many different companies. This model is considered very effective in product innovation process. This model is based on Booz, Allen Hamilton (BAH), (SGS), stage gate system, which has increased the applicability of the model. This model moves along the strict line, from idea generation through the market launch and post launch. Thus it can be claim that

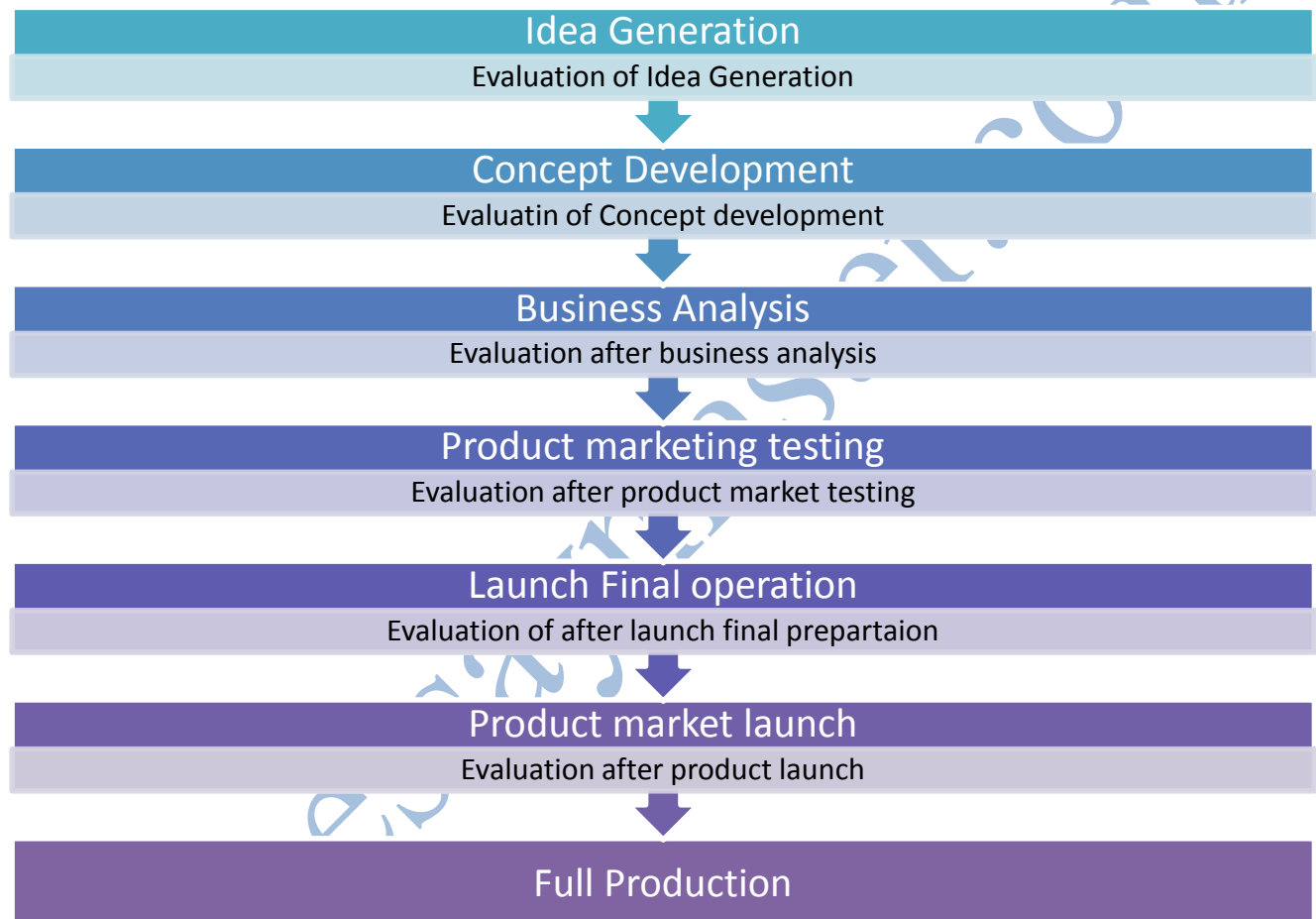
this model provides the insights, and also increases the effectiveness and efficiency of the new product to be launched (Cooper, 1990, 1994, 1996).

From the perspective of SGS, the innovation requires two distinct processes; first one is the development process and second is control process. In order to develop a new product, it needs to pass through several predetermined stages, and in between these stages there are control points (Etzel et al, 2009). These control points ensures that the product moving along the line is correctly considered in every stage. The product needs to be matched with the criteria before it could be moved towards the next stages (Cooper, 1996). The new product development process needs to be flexible as well, so that the product could be moved with a rapid pace if needed. Since market launch is also a very critical stage, therefore to reduce the market time, the stages can be overlapped according to the need. For instance, those activities which do require great deal of time can be brought to the earlier stages. Furthermore the rank of stages can be changed even if the previous stage is left incomplete (Cooper and Kleinschmidt, 1995).

Different authors have presented the development process; the only difference in each model is in terms of number of stages. Some have presented the model by general approach in which they have reduced the steps, and some have provided in-depth model increase the stages. Although the content of every model remains the same, and each model drives the products through concerned steps (Cooper and Kleinschmidt, 1995). Normally the development process comprises of several steps counting from 4 to 8. Every step consists of parallel activities that are prescribed and multi functional (Cooper and Kleinschmidt, 1995). In these steps people having distinct abilities, belonging to different functional units work together as a team guided by leader (Cooper, 1996). The process of new development varies from industry to industry, for instance the new product development process will be different automobile sector as compared to process followed in Cosmetics manufacturer. This leads towards distinct importance of every step in each industry (Kapferer, 2008). Whereas it can also be observed that importance given to each steps varies from the company's sector. Therefore company tends to focus more on some steps which are important and products are carefully handled, that's the reason that makes company to have different

level of control in each level. These control points are managed through several gates, the gates are set at two extremes mainly and those are going for the decision, or leave the decision.

The most comprehensive new product development process model as proposed by Cooper (1990) is:



Source: Cooper (1990)

Although the above model provides the comprehensive guidelines towards the product development, but still the main complexity lies with the control system. Since many authors have argued that it does not measure to which extent, the company's objectives are met (Pawar, Driva, 1999). One more critical factor is the fact that company can increase the probability of launching successful product by being close to consumers. Therefore, now company has taken this strategy very seriously and many companies do

involve consumers at different levels. Following part discusses the relevancy of this concept, literates the benefits gain by the company, and also by the consumer.

2.3 NPD and Consumer Involvement:

The development in the technological factors has made it easy for the consumers to gather information. The ability of consumers to interact with other consumers is also enhanced. This all has provided the sense of empowerment to consumers which they exchange with companies (Ernst, Hoyer, Krafft, Soll, 2010). The gain of empowerment has provided the consumer an ability and opportunity to play an important role in value creation. This process of participation of consumers in product development is often referred to as co-creation which can be observed in the wide ranged products especially in the cosmetics products (Bolton and Saxena-Iyer, 2009). The process of co-creation or consumer participation is now considered as essential element in customer behavior (van Doorn et al., 2010).

One area, precisely in which the consumer involvement has gained importance, is the new product development (NPD). Consumers around the world are now more willing to provide companies with new and innovative ideas regarding the new products and services which are not being introduced to the market. These consumers also play a vital role in improving the current offerings by the company (Ernst, Hoyer, Krafft, Soll, 2010). The involvement of consumer can be observed to be higher in fast moving goods sector, and in those which are of daily usage. The ease to communicate through company website, email and social network, has provided the consumer a way to deliver their needs and wants and to provide their expectations. Hence it can also be argued that now companies tend to have a collaborative approach towards the new product development. as per defined by (O'Hern and Rindfleisch, 2009) a collaborative approach of new product development is an activity in which consumers are able to contribute and participate in order to chose amongst the several elements of new product offering. In other words, it can be also said that, now companies also provides different opportunities to the consumer to interact with them and provide their valuable suggestions. Companies who are in manufacturing of cosmetics products tend to conduct such activities more, as compared to other ones (Chevalier & Mazzalovo,

2008). The reason behind this is the fact that everyone is very conscious about themselves, as everyone has distinct expectations from the cosmetic products. By this co-creation concept, consumers can provide and ask for a product which suits them best.

The concept of co-creation is not only beneficial for customers, but also companies tend to gain several benefits from this approach. As it has already been mentioned that successful new product development depends upon to which extent the product is meeting the customers' expectations and needs (Hauser, Tellis and Griffin, 2006). Hence companies also motivate the consumer to provide them with related ideas. On the other hand the complexity of this process cannot be neglected, and therefore it cannot be accomplished by traditional research methods (O'Hern and Rindfleisch, 2009; von Hippel, 2005). According to the different research, the core reason behind the failure of new product development is the fact that it is not meeting the customer's expectations (Ogawa, Piller, 2006). Therefore, the success of new product development can be ensured by adding the customers' idea in the development process. The product developed considering the innovative ideas by the consumer is likely to be successful as compared to the product which is being developed in isolation. Business organizations have realized its importance, therefore they tend to ease the interactive mediums, and also motivate consumers to provide their feedbacks and ideas to the company (Prahalad, Ramaswamy, 2004). Moreover bringing in customer's ideas can result in increased quality of products, less risk and wide ranged acceptance by market (Business Wire, 2001).

In spite of its realized importance, less work has been done in this regard. Most of the research works conducted is addressing the similar issue from the B2B perspectives. However the consumer particularly using the daily products like fast moving consumer goods, like in the use of cosmetics, tend to participate more. As, there are several elements that are identified in cosmetics products is the fact that not every product is for everyone, and not every product can generate similar results. Furthermore the user of cosmetics products tend to research more before buying the products, so that they can have most relevant product for their use (Jauchimsthaler et al, 1999). Therefore,

companies like L'Oreal and others tend to motivate consumers to provide them with their precious ideas and expectations. Furthermore, the consumer interaction can be controlled according to the different stages of product development.

2.4 Consumer Involvement in Different Stages of NPD:

The process of new product development is very complex, and it has several steps and stages which are followed by the companies. As discussed above, each and every step in the process of new product development is very essential. This part discusses the involvement of consumer in various stages of new product development. These stages are idea generation, product development, commercialization and post launch.

2.4.1 Consumer Involvement in Idea generation and Product Development:

Many authors have also claimed that amongst the different stages, the most important are the earlier (Cooper, 1993). Therefore, it can be said that the level of consumer involvement should be higher at the stage of idea generation and product concept development. By this the company can increase the probability of having successful new product, which is directly associated with company's performance (Gruner and Homburg, 2000). Practically companies do engage consumers in the earlier stage of the entire process. For this companies tend to use several developed techniques by which they ensure the appropriate interaction with customers. The several methods used by the companies, especially by those providing the cosmetics products are focus groups and lead users. This enables the company to move up and down during developing the product concept. On the other hand, such techniques do cost much higher, and therefore the use of such mediums is observed to be slow. New techniques and mediums are being introduced which are less costly and more effective. New and effective methods are internet, which has changed the way of interaction between consumers and company (Sawhney, Verona, Prandelli, 2005). Cosmetic companies are using these mediums to enhance the level of co-creation, in order to generate the competitive advantage by developing consumer driven products (Prahalad and Ramaswamy, 2004).

Social networks and social mediums are not often used by companies especially by the cosmetic manufacturer companies in Idea generation stage. This medium provides less

cost and more interaction (Evans and Wolf 2005; Hull, 2004). Through social networks, the company can also share their idea related to the new product, where customers can put in their opinions about the new product which can lead towards the precious knowledge (GFrewal, Lilien and Mallapragada, 2006). Therefore the involvement of customers in the earlier stage can generate many benefits for the company. The company can reverse the process, if the customers' feedbacks are not good. Moreover this engagement can reduce the company cost for changing the products in the later stages. Furthermore this process also decreases the cost for obtaining customer feedbacks and opinions about the related products. The most beneficial elements is the reduction of risk for having a fail new product, as this really hurts the company's image, cost and time.

2.4.2 Consumer Involvement at Commercialization and Post Launch:

The research work done in this regard is very less, as these stages are very important and critical, and its importance cannot be neglected (Crawford and Benedetto, 2003). Here it is critical to mention that, in the process of new product development, these stages are the most expensive, and therefore are of greater importance. However the involvement of consumer in commercialization of products and after launch is being conducted these days in distinct perspectives (Nambisan and Baron, 2009). For instance, cosmetic products do require feedback for their launched products which is possible after the launch (O'Hern and Rindfleisch, 2009).

The development in the technological factors and the evolution of customer communities like social networks, messaging has resulted in benefit as well as the threat for companies in NPD process. Precisely, the technological factors have enabled the marketers to avail the newly generated opportunities to involve consumers to add value in important process of purchase. The marketers are aided in the realization of purchase behavior of consumers which involves three steps of awareness, trial and repeat purchase (Kotler & Pfoertsch & Michi, 2006). The commercialization process can be easily carried out, if the company is able to create awareness up to the optimum level. The consumer awareness of the product created plays an important role in the success of new product. Genuinely this awareness is created through different

techniques and process which are advertising and promotional activities (Anderson & Kerr, 2002).

These are the traditional methods followed by every company in order to disperse the knowledge regarding the new product. Apart from this, companies especially cosmetics manufacturer can also publicized the information about the product on social networks. They can also use the different sources to provide information in the consumer communities. The effective use of such mediums can provide greater benefits to the company. This process reduces the cost and also provides the satisfaction that the effort is appropriately directed, as the company will be interacting with the core target market. As already discussed above that use of these mediums are cheaper, and therefore huge budget for advertisements and promotional activities can be shortened. Moreover the generation of awareness can also help the product to stimulate rapid diffusion, hence increasing the probability of its success (Elliot & Percy, 2007).

By this consumer can become fully aware and might get interested in the new product, this leads towards the step of trial. This process can be often observed in cosmetics products. Like women before buying the product, they tend to trail it in order to realize the features of the products (Walker & Boyd, 2006). Companies by involving the consumer in new product development process can reduce the risk associated with the trail step. This also results in decrease of chances that different doubts and rumors about the product will spread out. Consumers interacting with other consumer can also result in the support for the new product, as they can exchange their experiences with each other. This is very important, because the experience of a consumer is of much importance for the potential consumer, as compared to information provided by the company (Stinneti, 2004).

Here it is critical to mention that, in commercialization the company tends to gather the feedback, which can result in newer perspectives. By this the company can manage the negativity associated with the products soon before it is too late. It has also been observed that companies can provide the user with a venue where they can share their personal experiences. This can be more like a seminar. This tactic is used by several companies, like by Del Monte, which has introduced two distinct communities, where

the users can come and can discuss their personal experiences (Greengard, 2008). Companies using such techniques do have much better opportunities in order to develop better relations with the consumer, by focusing their experiences. Company uses such elements to improve the product's expectation, and tailor the marketing strategy. By this company is able to reduce the extra efforts and cost associated with marketing the product (Graham, 2008).

As far as the step "repeat purchase" is concerned, companies who evaluate its current purchases can extract the knowledge regarding the low sales. Furthermore the companies which tend to monitor the social networks and feedbacks, company can realize several reasons by which it can understand the core reasons for low repurchase rates. The company can take several steps in order to make it sure that the customer is getting the relevant products. With the intense development in the technological factors, this all can be done in very shorter span of time as compared with the traditional methods. Hence it can be rightly said that, customer involvement in these stages can act like an alarm. The company may also need to gain the information related to the products after use (Dong, Evans, and Zou, 2008).

2.5 Case Studies:

As discuss above in regards to the new product development (NPD) the involvement of the consumer in NPD, it has clearly been noted that for the cosmetic manufacture and skin care products manufacture companies, it is very important to adopt the efficient and effective approaches. Especially when it comes to the involvement of the customers and the consumers, the processes, approaches, techniques, and strategies become more critical because the products finally have to be used by the customers of different nature of skin (Kotler & Armstrong, 2008). A part from this, the since the global environment is changing very rapidly the cosmetic manufacture companies have to act more responsibly to develop the new products according to the environment.

Also, when it comes to the new product development, it has been observed that it is one of the most crucial and critical stages for the companies where the volume and intensity of the risks increase. It is to note that the associated risks can also be identified just after the products are launched into the markets and this may produce the financial loss

and negative effects of the brands. According to the Antil (1998) the risks can be low as 30% and high as 90%. Below couple of case studies will allow analyzing the new product development processes that are followed by the world's known cosmetic manufacture companies (Btilize, 2010).

2.5.1 L'Oreal:

L'Oreal is known as the market leader in the cosmetic industry where it has been operating for more than 50 years. The main focus on the company is to produce the best quality products for men and women too. In order to do so, the company puts its all efforts into the research & development to ensure that it produces the accurate and right products that cannot only attract the customers but also the products suit the customers (L'Oreal, 2011).

When it comes to develop new products, the Loreal has always been operating very actively. The adopts all the possible approaches and techniques to produce the most innovative products through putting efforts in the research & development stages and the main purpose is to serve the customers across the world being based on their local environment, their needs and demands (Stefania & Salvo, 2002). According to the Kotabe (1990), the global business world today has already entered into the most competitive environment where it is very difficult for the companies to increase their sales and other financial targets while keeping the cost low as minimum. This is the only way for the companies to increase the market shares and achieve all the organizational goals and targets. When it comes to the L'Oreal when it plans to develop new products, it mainly concentrates on its research & development because this approach allows the company to understand the potentiality of the intended products that are being developed and capture the market accordingly. As per the Kotler (1988), if the company fails to react to the innovative and new products, it simply means that the competitors will be able to take advantages of it and the company will surely be losing its targets and goals that were initially defined for the new products.

In order to reduce the level and intensity of the risks that cannot only affect the specific products but also the overall position of the company and its brand, the L'Oreal always puts its all efforts to analyse the competitors as this allows the company to evaluate its

own new product development (NPD) processes and strategies and the evaluation is done in the R&D stage. According to the L'Oreal statistics, the company incurs 20% more for its new product development in R&D than any other player in the same industry which mainly include the Unilever, P&G and many more. This allows the company to identify the key issues that are associated with the new product and cope up with them in the initial stages (Cooper & de Brentani, 1984).

Since the company is also in the fashion industry where its products are widely been used by the fashion icons, it has to act more responsibly. As defined by the Hines & Bruce (2001), the 'Fashion is nothing more or less than the prevailing styles at any given time.' Therefore, the L'Oreal does not only need to concentrate on developing the new products. According to Abell (1993), there are various elements in the fashion industry that influence the companies to define their strategies, and these elements include the flexibility, quality, speed, technology, and price. These are the key elements that enable the companies to define their position and act accordingly. But looking at the case of the L'Oreal, it has clearly been noted that the company has been operating in the top notch of the fashion industry which also clarifies the company's position in terms of quality (Cooper, 1984). The position of the L'Oreal is more clear because the as per the above theory, it can be said that the L'Oreal is known as the trend setter in the fashion industry, excluding the fashion brands.

Through, L'Oreal's main target markets is the high profile celebrities and in order to attract them, satisfy their needs the company has to produce the premium quality of products that are not available in the market. For this, the company uses the services of top and known scientists and designers those help the company to analyze the formulas of the company and then approve them after evaluating them critically (Kotler, 1988). It has also been noted that since the fashion industry is booming, the demands and behaviors of the fashion icons, top celebrities, and fashion designers are also changing rapidly. In order to serve their needs and requirements, the L'Oreal has also adopted the strategy to shorten the product life cycle (Li & Calantone, 1998). This also allows the company to maintain its competitive advantage because the quicker the products are developed, the more interested customers will be to use the new products of the

company. According to Erica & Stefania (2004), in order to reduce the life cycle of the product development and maintain the highest and premium quality of the products too, the L'Oreal has been using the vertical integration approach as this allows the company to not only develop the premium quality of the products within the shortest time period but it also allows the company to control its operations more efficiently and effectively (Kotler, 2003).

The L'Oreal, for the sake of increasing the volume of benefits and enhancing the sales volume, use the product life cycle approach which clearly differs from any other in the same industry. After developing one product, the company launches it into the market to analyze the customers' behavior and demands and being based on the successful or unsuccessful launch the company re-launches the same product with more innovation in terms of formula and idea (Souder & Chakrabarti, 1978). This allows the company to first concentrate on the original products and then increase the sales and revenue through launching the new version of the same product. Using this approach helps the company to enjoy the dual benefit; the first version of the product allows the company to attract the potential customers, which lies under the different segments across the world and the after penetrating into the market, the re-launch of the same product with new ideas and redefined formula enables the company improve its brand identity (Wang, 1997). Although for this, the L'Oreal has to invest huge amount of capital in every stage, i.e. R&D, production, sales, promotions, advertising and management etc, but at the other end, the benefits that are enjoyed by the company cover up all the costs and efforts in the end (Elisha, 2011).

2.5.2 Beiersdorf:

The Beiersdorf is also one of the known and most successful companies that have been operating in the cosmetic manufacturing and skin product industry since 1911. The key success factors of the company include the research & development that allows the company develops new formulas that can serve the customers at their best. The Beiersdorf's main competitive advantage comes from its research and development, and new product development as this allows the company to target the potential customers across the world and serve them as per their need and requirements (The Times,

2011). In the year of 2008, the company was awarded for its excellent technology management by the Fraunhofer Institute IPT which made it the first every company in Europe to achieve this award (Beiersdorf, 2011).

The international research centre of the company is located in the Hamburg, Germany, where hundreds of the researchers and product developer put their efforts to develop the new products as per the customers' demands and requirements (Mercer, 1996). The main purpose of the research headquarter and specialists that are working for the company is to secure the organizational position and enable the company to sustain for long run. The new product are developed being based on the collected concerns from the customers, the changing behaviors of them and changing trends allows the company to minimize the risks which are associated with launching new products into the markets (Hopkins, 2007).

Using this approach allows the company to work on the collected information from the customers and rather than developing products with its own ideas and approaches, the company uses the customers' minds and then puts its efforts to develop the new products (Bennett & Blythe, 2002). This helps the company from two sides, as the products are developed as per the customers' requirements, therefore it reduces the chances of failure, and at the other end, the company also manages to secure its brand position in the market because other brands have to advertise and promote the new products that are not recognized by the customers but Beiersdorf does not have to go through from all the processes (FML, 2011).

This clearly shows that when it comes to research & development and new product development, the company involves the customers to make the decisions of choosing the products (Onkvisit & Shaw, 2008). Although the company also invest huge amount of capital in the research & development to find out whether or not the required products will be possible for the company to develop, but the advanced technologies, the cast experience and great scientific and clinical research enables the company to come to the closer ideas (Czinkota & Ronkainen, 2007). Since the company was established bank in early 20th century, the practices of research and development and new product development that are followed by the company have widely been appreciated by the

specialists in the industry. The new product development and research and development standards of the company are also followed by the others in the same industry. The key example can be taken from the skin care products that were initially developed by the company but later in the following years, the others in the same industry used the same approaches and did their own research to develop the same products (Beiersdorf, 2011).

2.5.3 SunSilk Gang of Girls:

In the year 2002 when Sun Silk was sponsoring the Miss India pageant, the company decided to develop an online setup in which they could be contacted with their millions of customers across the world. Since the main consumers of Sun Silk are females, therefore it was decided to develop an online portal for females, precisely young girls. To initiate this company also launched a new brand of shampoo called Sun Silk naturals. Soon the website was filled with beauty and hair content, as the company had hired Jawed Habib as the hair care expert. The step was successful and soon huge positive response was observed and the community became very famous. Now it is known as Gang of Girls (BC Web, 2011).

Sun Silk has been very famous for their products and also for the new product development; the company has been engaged in high marketing activities for the brand extensions. The company soon started facing huge competition from the market, as the business world has become competitive already, then the company decided to engage the end user in the new product development process. For this the company had already decided to make an online portal for young girls and called it Gang of Girls. This was the counter attack of Sun Silk to the main competitors. This method has impacts on two different elements, first one is that, it aided in marketing the new products and second it provided a platform on which the company brought together end consumers (SunSilk, 2011).

The main objectives behind developing such a portal were to develop an interesting relation with end consumers, and to provide a single platform on which the end users can have fun and can spend quality time. Moreover the company also wanted to use the online portal to develop the brand image. The end users also provided with the ability to

share their new ideas and feedbacks regarding the old products over the portal. By this the company was able to get near to its consumers. There is no doubt regarding the project success, as Sun Silk remains the number one choice for girls and the community launched by the company was a hit in the first six months encompassing more than .5million girls and still growing (SunSilk, 2011).

It can be observed from the above case study that Sun Silk made the best out of provided sources and took the marketing to another level. Before Gang of Girls, no one had used this technique to bring the end users towards the single platform and engage the consumers in new product development.

3. Research Methodology:

The increase of competition in the business world has made it necessary for the business entities to make efficient and effective decision. These decisions ensure that the organization is moving towards the path of development and growth. Amongst the different strategic decision that the executives take, the importance of new product cannot be neglected. For any business to be competitive it has to increase its capacity and ability to innovate and produce new products (Axinn & Pearce, 2006). Developing new product is a complete cycle which is needed to be followed by the company to ensure the success of new product. Marketers use different tactics to reduce the risk of failure, and to ensure the acceptance of new product in the market. Specifically for cosmetics product, companies tend to involve the consumers during the development of new product. They also seek for feedbacks related to the new products (Piekkari, Welch, 2004). By this the marketer is able to realize that what actually consumer expects from their products, and how can they increase the level of acceptance of new product in market (Bryman & Bell, 2007).

In order to serve the purpose marketers tend to be closer to consumers, so that marketers can have the relevant feedback and reviews about the product. In today's world this process has changed, and now companies tend to involve the consumer within the developmental process of new products (Sekaran & Bougie, 2009). As the process comprises several steps, therefore the intensity and magnitude of involvement in each stage differ (Burns & Burns, 2008).

The main purpose of this research report is to justify the involvement of consumers in new product development process, especially in the cases of cosmetic manufacturers. This industry is distinct from others, as consumers are very much possessive and concerned about such products (Shaw, 1998). They tend to share their experiences regarding the usage of cosmetic product. Moreover there are some other cases in which the adequate level of consumer involvement can be observed. To realize the effectiveness of this strategic decision is the main theme of entire research report.

The following research report is being designed in a logical manner, and different methods were used in order to collect the data regarding the implications on the product

development process after consumer involvement (Singh, 2007). To ensure the accuracy of research report it was made sure that the collection of secondary data is relevant with the research objectives. Therefore several resources were used from which healthy information was extracted to develop this research report (Cooper, 2006).

3.1 Research Design:

The research report is based on implications of engaging the consumer in the new product development process. The reasons for having this approach and post and after engagement affects are discussed. These variables are in direct relation. The report presents the discussion regarding the benefits that the marketers avail by engaging the consumer in the process. It is very obvious that products are introduced to meet the customer expectation and demands (Philips & Stawarski, 2008). Therefore if the company manages to come closer to consumers, then the company will be able to produce those goods which satisfy expectations the most. Moreover incorporating consumer ideas and preferences in the product may provide the company the benefit to reduce the risk of failure. During the research it was observed that the main reason for new products to fail is the fact that they do not meet the customer's expectations (Catherine, 2000).

There are other angles of this approach as well, like the process consists of several steps, the influence of consumer in each steps is different. The several steps are divided in two groups, one is the before launch that is during the development. The other group is after the development of new product. Hence it can be said that this research report includes several elements which are relevant in this context (Creswell, 1994).

For this research report, the findings are based on the secondary research; this enabled to write authentic and relevant research report. In order to validate the content, cross checking's conducted so that already found data could be matched with the newly researched. The main source of secondary data used in this reports is the internet, then different articles were observed written by authentic authors (Crowther & Lancaster, 2008).

3.2 Research Approach:

In order to conduct this research report, it was essential to have an appropriate approach towards the research problem that has been identified and also towards the findings. The

importance of research approach was also identified when the data was collected and the need to transform the data into information was realized. Furthermore having the appropriate research approach also helps to keep the focus on the findings. In order to construct this research report the deductive approach was been used. The reason for using this approach is its significance in the research writing, and also the way which it describes completely suits the research problem (Begh & Ketchen, 2009). As this approach tends to move across the broad perspective of the problem that have been identified, narrowing it to the conclusion. As there are two different nature of research approaches, one is the inductive and the other one is the deductive. The inductive approach is not applicable here since it moves with the narrow perspective with the broader idea, but here it was needed to have the narrow idea regarding the implications of the accords on the banks. Furthermore the research needs to realize the main point that how companies are benefitted from involving consumers in new product development (McNeill, 2005).

The main benefit of using this approach can be observed as this theory leads the entire discussion towards the end point, and on the other hand the inductive approach was left behind since it starts with the focus point and then generalizes it and do not provide with the authentic conclusion hence this approach was not used as it was not relevant in this regard on which this research report is being constructed (Panneerselvam, 2008). The deductive approach helped in order to develop the theoretical background o the problem that was identified on which the report was based, further it moved towards the hypotheses and then several elements were observed in different scenarios, after realizing this fact that the entire report was brought to the confirmation (Saunders, 2003).

3.3 Choice of Variables and Measurement:

The validity of the report was enhanced by considering some specific elements which are involved in the problem identification. During the research it was observed that marketers are gaining benefits by involving consumers in the developmental process. But there are several methods present by which the marketers can conduct this act. The efficiency of process also depends upon the selection of procedure. Like social media networking is strong medium in order to interact with consumers (Hastings, 2008).

During the research it was also observed that different industries do have distinct approaches towards this strategic step. Cosmetics companies, which are the subject of this report tends to involve the consumer in the earlier stages of product development. In those areas which address the idea generation of the product are especially treated (Narver & Slater, 1990). Moreover it can also be observed that process varies from industry to industry. In some industries, the importance of steps is also changed. For example one industry may focus on idea generation stage and one may focus on the developmental stage of product (Khan, 2006).

3.4 Data Collection

The importance of data collection method is indispensable. The accuracy of data and relevancy should be in accordance with the research topic. Since this report is based on the secondary research, therefore data related to the topic with authentic resources was gathered. During the entire research it was ensured that data collected must be accurate, easy to interpret, so that relevant findings can be observed (Khanzode, 2004). Keeping in mind the importance of data authentic resources were used, like published research articles and journal articles. Other resource includes books that are published in different countries. These sources lead to realize the fact that how consumer involvement can be beneficial for any organization. During the research the process of customer value addition was analyzed and its importance (Lancaster, 2005).

The data collected for then cross checked in order to ensure the validity and accuracy of data. The appropriate method for data collection was adopted. First the published research journals were analyzed, and after the thorough data collection, the collected data was compared with books. By this appropriate cross checking was conducted (Mantri, 2008).

3.5 Details of the key literature and literature searches to be used:

In order to carry out the research, several books were read and the famous search engine was used in order to find the online printed articles related to the banks using the Basel accord and its implications on the various operational procedures and methods. Furthermore for the secondary research business and financial journals were searched to find the most relevant journals and text books to find out the relevant data related to the topic (Mitchell & Jolley, 2009).

Main text books that were researched are:

- Baker, M. (2003) The marketing book, 5th ed., Butterworth-Heinemann,
- Sorli, M. and Stokic, D. (2009) Innovating in Product/Process Development: Gaining Pace in New Product Development, Springer,
- Schiffman, L. and Kanuk, L. (2004) Consumer behaviour, 8th edition
- Mintzberg, H. and Ghoshal, S. (2003) the strategy process: concepts, contexts, cases, 4th ed.
- Kumar, S. and Phrommathed, P. (2005) New product development: an empirical study of the effects of innovation strategy, organization learning, and market conditions, Springer

The search engine used were the www.google.com

- New product development
- Process of product development
- Consumer involvement
- Research and development
- Cosmetics product development
- Consumer involvement in cosmetics product development

Business and professional journals:

- Elsevier
- The Financier
- Harvard Business Review

4. Result Analysis:

According to the Kotler & Armstrong, the companies invest huge amount of capital in the new product development in the later stages of the entire process, because after the first few phases, it becomes clearer for the companies to finalize the product and convert the ideas into the profitable products (Kumar, 2002). This concept and NPD phase is also known as the product screening stage. The entire process, especially the last stages which mainly include the screening and test marketing of the products mainly depend on the analyses and evaluations in terms of market and product success and failure (Cooper and de Brentani, 1984). While collecting the research material about the new product development and the involvements of consumer in NPD, it has clearly been noted that almost every firm and organization in every industry across the world goes through from the NPD processes. This allows the companies to analyze the competency level of the generated ideas, the new products and evaluating and forecasting the future demands of the new products (Gilligan & Hird, 1986).

According to some marketers and scholars, in today's business world, without NPD process, none of the product or service can succeed. And the main reason which mainly include the changing behavior of the customers, the changes in technological, environmental and economical conditions across the world (Paul, 1966). Therefore the NPD allows the companies to understand the importance of the NPD and involve the consumers in almost every step and phase of the NPD to produce the products that will surely be bought by the customers.

According to the Cooper (1995), there are many errors and issues through the NPD processes and these issues mainly include the elements that will lead the products towards the failure. Therefore the NPD serves the companies to ensure that all the errors and issues within the products are initially identified and rectified before the product is finalized, produced and launched into the market. Looking at the case of L'Oreal, it has been noted that the company has actively been involved in the screening stage of the NPD (Doole & Lowe, 2008). Before passing on to the next stages, the company puts its major efforts in screening the most competitive products through analyzing the various contexts and elements. For this the L'Oreal adopts the web

searching approach, the press releases etc. This allows the company to understand the interest of the consumers and collect their ideas and concerns to modify and improve the products. In order to perform this job efficiently and effectively, the L'Oreal uses the services of minimum 20 specialists and experts to screen the product and finalize the decisions. These specialists work on the screening stages in their own ways and approaches and then collect the views of each other and make one final decision (Joshi, 2005).

But in order to ensure that the decision about the NPD are taken within the best interest of the company, the L'Oreal has also observed to avoid to work on the drop errors, which refers to the wrong decision. After making the decision to not work on the NPD any more, the L'Oreal should also spend more time, cost and finances to analyze the competency of the product if products are continued. This will help the company to come up with stronger conclusion of whether or not to continue the NPD (Chase, 2006).

At the other end, the Beiersdorf case also points out that the company is also actively involved in each phase of the New Product Development. The company invests huge amount of resources, time and efforts to on to the research and development and the new product development. It has been observed that the company's has quite different policy and approach in launching the new products (Fisk & Grove, 2007). At first, the company goes through from all the stages of NPD very critically and launches its product into the market. After enjoying the success and facing the failure the products, the second and final version of the product is launched into the market to increase the length of product life cycle. This helps the company to increase the sales, maintain the customer portfolio and avoid the risk of product copy cat. The approach is adopted because there are hundreds of the cosmetic and skin care product manufactures across the world, and the formula, the theme of the product usually are copied by others. Therefore the first version of the products allows the company to analyze the reactions of the competitors and behaviors of the customers and the final version helps the company to gain the competitive advantage.

5. Conclusion:

Due to increasing intensity of the competition, the rapid changes in the economical and financial contexts, the high fluctuation in the consumer behaviors and other major changes and fluctuations in other aspects influence the organizations across the world. These changes and fluctuation lead the companies and organizations towards the issues and risks which are very difficult to cope up with, especially in today's globalized and most competitive business world. In order to avoid such issues and ensure the sustainability of the firm for long run, the companies and organizations across the world are actively involved in the New Product Developments (NPD). The NPD allows the companies to involve the potential customers in decision making about the new product development and produce the only products in which the customers seem to be positive. This approach and NPD allows the companies to increase the sales, profit and improve the market shares to gain the competitive edge over other competitors and rivals in the same industry (Porter, 1998).

The report above has focused on the personal care industry to analyze the efficiency and effectiveness of the new product development and the role of consumers in NPD. In order to ensure that the report focuses on the main subject area, the key objectives and aims of the research report were designed in the initial stage. Based on the aims and objectives, the entire research report was constructed to draw stronger conclusion that can help the readers to focus on the topic. For this, the above research report was designed in various sections. The first section of the research discussed the New Product Development (NPD), the involvement of the consumers in NPD, the importance of consumers in every step of the NPD and the case studies of the L'Oreal and Beiersdorf from various different angles but the main focus was on to the personal care industry. In this part, the theories, models, approaches and ideas of different scholars were associated to understand and analyze the root theme of the topic and create the base of it too. The literature review part of the above report helped to understand the importance and significance of the new product development and the consumer involvement in each stage. It has been concluded from this section of the chapter that without having the NPD processes within the organization, it is almost impossible for the

companies to achieve the organizational goals and targets and gain the competitive advantages to increase the market shares and lead the industries. At the other end, the case studies of the world known companies in personal care industries L'Oreal and Beiersdorf allowed to understand and analyze the research and development approaches, the NPD process and associated strategies and approaches of the company (Porter, 1998).

The next chapter, research methodology, was constructed to define the approaches and models that were adopted for collecting and interpreting the required information and data. This chapter discussed the research design approach of the report, the overall research approach, data collection methods and choices and variables and measurement. A part from these, the chapter also defined the details of the key literature and literature searches. The following chapter, result and data analysis, evaluated the data and information that were included in the above report. This chapter helped to understand of how the companies are using the NPD and R&D approaches within the companies and what approaches and methods can also be adopted to improve these operations.

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