Market Testing Procedures for B2C and B2B in Perspective of Radical Innovation

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ABSTRACT

The new market testing procedure has been divided into two types- one type focuses on the general consumers (B2C) and the other on the expert consumers (B2B) who have established strong relationship with the new radically innovated products. This feature will add value to the business to segment their market testing procedures on the basis of targeted consumers. Along with strong literature based on Open Innovation, Lead User method and Delphi Technique; three major case studies have been used to develop the dynamic and flexible market testing procedures. The new procedure sheds light on the complexity of understanding consumer needs and technological innovation. The businesses can use this procedure to effectively generate useful feedback before commercializing their radically innovated products from their target customers. The developed procedures will provide authentic and reliable data for further development of the businesses product or services.

KEYWORDS


INTRODUCTION

Leifer, O’Connor and Rice (2001) stated that radical innovation is a product, process or service with either unprecedented performance features or familiar features that offer significant improvements in performance that transform existing market or create new ones. According to Jones, Coviello and Tang (2011), the rapid innovation across countries overlaps with entrepreneurial behavior. The characteristics of radical innovation are somewhat similar to entrepreneurship orientation as it also focuses on pioneering innovations which pre-empts competition (Atuahene-Gima and Ko, 2001). However, the existing process of new product development suggests multiple stages involving market testing to recognize the viability of the product for both business to business (B2B) and business to customer (B2C). In conventional process, the companies use standard controlled and simulated test marketing for consumer products (B2C) and for the industrial products (B2B). These processes strongly depend on the responses of the consumers (Trott, 1998 and Kotler et al., 2002) and these development processes are based on the notion of incremental innovation and consumer market. However, it does not include the context of radical innovation where the market and technology both are uncertain. There has been no process considering radical innovation where the technology and market both are not well understood by the B2B and B2C. It is doubted whether the standard approaches will work for market opportunity analysis in this particular scenario. As in case of the radical innovation the marketer will face a knowledge gap between the targeted users and the new technology (Iqbal, 2015). Also, the analysis of finding may vary from source to source due to the complexity of the technology understanding. Therefore, a new dynamic market testing is needed for measuring the performance to analyze market opportunity to answer the question, how do we effectively commercialize radically innovated products to B2B and B2C?

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LITERATURE REVIEW

The main challenge with radical innovation is the lack of knowledge regarding innovation for both the firm and consumers. These innovations are not only new to the firms but also for the market. In that case the customer will not be able to express their requirements for such product that opens entirely new markets and applications (O’Connor, 1998).

For radical innovation, Von Hippel (1988) demonstrated that current market research analyses are not reliable as the perceptions for the radical products are controlled by the marketers and users own real-world experience. Also, considering the fact that most innovation projects in practice are incremental in nature, this may reflect sample biasness towards incremental innovation rather radical innovation (Talke and Hultink, 2010). Moreover, for radical innovations the traditional testing is not well suited and lead to wrong product introduction to wrong consumers at the wrong times. To support the statement Letti et al (2006) analyzed the uncertainty related to radical innovations (Breakthrough Products) and the incapability of conventional testing to cope. Finding the right consumer who will drive the radical innovation is a crucial factor for the success of radical innovation projects (Leifer, O’Connor and Rice, 2001). Even though, market testing helps answering the questions on recognizing potential customer, product functionality and the needed infrastructure to support the radical innovations (Deszca, Munro and Noori, 1999). In recent years, to somewhat cope with the situation related to radical innovation a considerable amount of literature has been developed on alternative approaches. This research will be strictly focused on the most popular and effective market testing procedures used for B2B and B2C. To fulfil the objective of reviewing the alternative approaches to develop the new procedure are given below:

Open Innovation Model

Open innovation model has been developed by W.H. Chesbrough, redefining the firms and its environment boundary. This model suggests openness towards different networks and work collectively to commercialize new knowledge (Laursen and Salter, 2005). The advantages using this model includes: encouraging competition amongst the solvers, only pay if the innovation was successful, the issue is solved by only those who have the relevant expertise in the field and increase the ability and capacity to generate more ideas (Terwiesch and Xu, 2008).

The main idea behind open innovation is to have a world of knowledge widely distributed that a sole business cannot afford to do it by itself. So, the firm (seeker) buy the inventions, processed by other companies (solver) (Chesbrough, 2003). It directs to a new trend for firms to outsource or off-shore the innovation-related activities (Iqbal, 2015). In open innovation process the seekers have to provide the requirements of what they are looking for or expecting and the solvers through their various networks offer the solution to it. For developing the new market testing procedures, the solvers might be the commercializing innovation companies. These companies bring the outside ideas to in-house by the innovation markets and one-stop centres. These sources help identifying the best possible outcomes for the potential market (Chesbrough, 2003). Then seekers usually buy or patent the best possible solutions from them and utilize it (VonHippel, 2001; Chesbrough 2003, VonHippel 2005, Terwiesch and Xu 2008).

Lead User Method

Lead User method was developed by Eric Von Hippel. It has been derived from open innovation model as the seeker could identify the potential users as lead user from the solvers. Fang (2008) identified the need of consumer participation as co-developer to innovate new product and Olson and Bakke (2001) recommended using Lead User (LU) method in new product development (NPD) process for innovating products. According to Von Hippel (2005), this method is not a traditional market research rather this method identifies what markets’ most advanced users are already doing and understanding what their innovations mean for the future of the business (Eisenberg 2011). LU
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