

Pearson BTEC Level 4 Higher Nationals in Business (RQF)

Unit 8: A2

Innovation & Commercialisation

Information Pack

in a series of 2 for this unit

Learning Outcome 3&4

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INTRODUCTION

This unit aims to equip students with a comprehensive understanding of innovation and commercialisation. In today's competitive landscape it is critical that organisations continually innovate both their product offering and processes to ensure that they remain competitive in the market. Furthermore, adopting a more commercially driven approach is vital to maximise the Return on Investment (ROI). In this unit, we will look at several tools and techniques organisations use to drive innovation and become more commercial in their approach. The aim of the unit is to give students cutting-edge knowledge as well as practical application of the keyway's organisations become more innovative while remaining commercially driven.

This information pack is designed to give you the information and guidance that you will need to complete your assignments for this unit. This information pack will look at the first 2 learning outcomes which make up assignment 1, these being.

1. *Discuss the process require to commercialise innovation.*
2. *Evaluate the range of methods for protecting ideas and understand their advantages and disadvantages.*

GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures.

Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence.

Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

LO3 Discuss the process required to commercialise Innovation

Commercialisation of Innovation

New product development

New product development (NPD) is the process of bringing a new product to the marketplace. Your business may need to engage in this process due to changes in consumer preferences, increasing competition and advances in technology or to capitalise on a new opportunity. Innovative businesses thrive by understanding what their market wants, making smart product improvements, and developing new products that meet and exceed their customers' expectations.

'New products' can be:

- products that your business has never made or sold before but have been taken to market by others
- product innovations created and brought to the market for the first time. They may be completely original products, or existing products that you have modified and improved.

NPD is not limited to existing businesses. New businesses, sole traders or even freelancers can forge a place in the market by researching, developing and introducing new or even one-off products. Similarly, you do not need to be an inventor to master NPD. You can also consider purchasing new products through licensing or copyright acquisition.

New product development strategy

With a well-considered new product development (NPD) strategy, you can avoid wasting time, money and business resources. An NPD strategy will help you organise your product planning and research, capture your customers' views and expectations, and accurately plan and resource your NPD project. Your strategy will also help you avoid:

- overestimating and misreading your target market
- launching a poorly designed product, or a product that does not meet the needs of your target customers
- incorrectly [pricing products](#)
- spending resources you do not have on higher-than-anticipated development costs
- exposing your business to risks and threats from unexpected competition.

There are several important steps you will need to plan into your NPD strategy.

Define your product

An accurate description of the product you are planning will help keep you and your team focused and avoid NPD pitfalls such as developing too many products at once or running out of resources to develop the product.

Identify market needs

Successful NPD requires a thorough knowledge of your target market and its needs and wants. A targeted, strategic and purposeful approach to NPD will ensure your products fit your market. Ask yourself:

- What is the target market for the product I am proposing?
- What does that market need?
- What is the benefit of my proposed new product?
- What are the market's frustrations of existing products of its type?
- How will the product fit into the current market?
- What sets this product apart from its [competition](#)?

Draw on your existing [market research](#). You may need to undertake additional research to test your new product proposal with your customers. For example, you could set up focus groups or a customer survey.

Find out more about [customer research](#).

Establish time frames

You need to allow adequate time to develop and implement your new products. Your objectives for developing new products will inform your time frames and your deadlines for implementation. Be thoughtful and realistic. Some objectives might overlap but others will be mutually exclusive.

- Your objective to race against your competition will require efficiency from your team.
- Your aim to achieve a specific launch date will be influenced by demand for seasonal products and calendar events.
- Your aim to be responsive to your customers' needs and demands will require time for research to ensure you develop the right products at the right time.
- Your objective to stick to business as usual and maintain other schedules will affect the resources you make available for NPD.

Identify key issues and approaches

There are many tasks involved in developing a product that is appropriate for your customers. The nature of your business and your idea will determine how many of these steps you need to take. You may be able to skip or duplicate certain stages or start some of them simultaneously. Key tasks include:

- generating and screening ideas
- developing and screening concepts

- testing concepts
- analysing market and business strategy
- developing and market testing products
- implementing and commercialising products.

Generating and screening ideas for new products

Successful new product development (NPD) starts with identifying good product ideas and using reliable criteria to decide which ideas to pursue.

You should take the following steps before you allocate funds to new product development.

Idea generation

Write a customer needs list based on the information you gather from the sources identified below. You should try to identify existing weaknesses in your products, gaps in your product range and areas for product improvement.

Brainstorm product issues

Work with your existing team members to brainstorm product issues. Your sales and service staff speak to your customers daily, hearing feedback about your products and the customers' needs. Capture the feedback, product observations and ideas from your team. Make sure you recognise their ideas and promote a shared [culture of innovation](#).

Use your research and development (R&D) processes

Use your business's existing [R&D processes](#). Identify modifications you could make to existing products, or adaptations for new products, consistent with feedback from your market and customers.

Review your quality assurance (QA) processes

Note any issues in your products and identify potential ideas for addressing gaps in quality.

Review your customer complaint records

Identify common weaknesses in your existing product range and look for areas where improvement is most needed. Learn about [managing customer complaints](#).

Review your research

Review your [customer research](#) and [market research](#), and plan further market and customer surveys if you identify research gaps. What are your customers telling you they are looking for?

What do they find frustrating or limiting about your products? How do they use your products most?

Talk to your suppliers and other business partners

Talk to manufacturers, retailers and sales reps to capture their knowledge of your products and thoughts for improving them.

Research and understand your competition

Try to [understand your competition](#). Review your competitors' product range and consider how the market is responding to them. Do any of their products seem to be meeting needs that yours are not?

Study catalogues and product information

Make sure you have a comprehensive understanding of existing products available in your market.

Idea screening

With your list of potential new product ideas, you now need to decide which ideas to pursue and which to discard. Consider your competition, your existing products, their shortcomings, and the needs of your market. Draw on the customer needs list you have developed, and the areas for product improvement you have identified.

Develop a set of criteria to evaluate your ideas against. Your criteria might include:

- most prominently identified customer needs
- product improvements most needed
- the benefits to your target market
- the technical feasibility of the idea
- the level and scope of research and development required
- the profitability of the idea. What is its potential appeal to the market? How would you price it? What are the costs in bringing it to market - overall and per unit?
- where the product fits in the market. Is there a gap? How close is it to competitor products?
- the resources it will require in development
- the marketing potential of the idea
- the fit with your business profile and business objectives.

SWOT analysis

A [SWOT analysis](#) can help you to identify the strengths and weaknesses of each idea

New product concept development and screening

Carefully plan the steps involved in testing your new product development (NPD) ideas. For every 7 new product ideas developed, 1 becomes successful. Defining your new product concept and testing it with your market will help you determine whether your new product idea will be a success.

The concept development and testing stage of NPD can be time-intensive, but it will help you avoid unnecessary costs later by ensuring you pursue the best new product concept in your market.

Create a product concept

A product concept is a detailed description of an idea, which you describe from the perspective of your customer. Taking your customers' viewpoint when describing your product concept will help you test and evaluate how responsive your market will be to your product.

Do your sums carefully

Make sure your idea can be designed, manufactured and delivered within your financial, resource and time constraints.

Talk to the people who will buy it

Take your idea to your target audience to determine what they think and where any gaps might lie. [Market researchers](#) can help you run focus groups and surveys to determine how customers will respond to your product.

Refine your target market

Detail your [customer targets](#) as accurately as you can. Your focus groups or conversations with your target audiences will help you determine whether you are targeting the right market segments.

Examine intellectual property (IP) issues

Find out whether another business or individual has already patented your idea by [searching for a patent](#).

If your idea was the combined result of several members of your team, consider how you will recognise their contributions to the intellectual property when you [protect your idea](#).

Identify the features

Based on the information you have gathered to date, list the features and benefits of your proposed product from highest market importance to least.

Business analysis of new products

A new product idea that survives the screening stage of new product development (NPD) requires a more sophisticated and detailed business analysis. A business analysis will help you determine the costs involved in your proposed NPD and forecast the profits you may make from the product in future financial years. The costs of developing a product are substantial.

Your business analysis will also help you eliminate inappropriate ideas and avoid unnecessary costs.

Carry out the following steps to assess the viability of your new product.