



MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

NEW PRODUCT DEVELOPMENT

MODULE CODE: HMM211

SESSIONAL EXAMINATIONS

JULY 2022

DURATION: 3 HOURS

EXAMINER: MR MAKIWA

INSTRUCTIONS

- 1. Answer all questions in Section A and any three questions in Section B.*
- 2. Section A carries 40 marks whilst Section B carries 60 marks.*
- 3. Total marks 100.*
- 4. Credit will be given for appropriate use of examples.*

SECTION A: COMPULSORY

(Answer all questions in this section. Section A carries 40 marks)

Question 1

Read the following case and answer questions that follow.

Parson Foods Vegetable Company (PFVC)

With losses from vegetable company operations mounting, Parson Foods' executives decided to depart from their longstanding acquisition-autonomy strategy by establishing Parson Foods Vegetable Company (PFVC). PFVC was created to consolidate all vegetable processing operations into one company. Richard Lawson was named the first Chief Executive Officer of PFVC and charged with returning the company to profitability. Richard assembled a seasoned management team who quickly made operational and structural changes to improve PFVC's financial results. While their efforts improved financial results, Richard wanted more. In addition to organic growth, his vision was to grow PFVC through the introduction of innovative new products.

Richard's vision would be challenging to execute considering the company's recent history of new product introduction. Soup-in-a-Flash, a microwavable soup starter kit, introduced by Eagle Eye Foods, one of the companies consolidated to form PFVC. Soup-in-a-Flash failed miserably with the company writing-off more than US\$10 million of unsold finished goods.

Because the failure of Soup-in-a-Flash was still fresh, Parson Foods did not have an appetite to introduce new products. Meanwhile, PFVC's executive management team still believed in Richard's new product development vision. His team believed that new products would be instrumental in improving the PFVC's future sales and financial results.

Recently, Carlos Rico, PFVC's Marketing Manager, approached Richard with an idea for an innovative, nutritious and convenient frozen food product. The new product would consist of vegetables, coated seasoned pasta (known as spaetzels) and chicken - all contained in a single bag. To prepare the product Carlos called Chicken Sensations, consumers would simply empty the contents from the bag into a bowl, add a teaspoon of water, microwave for 6 minutes and, voila, dinner is ready! Carlos expected Chicken Sensations to compete against other convenience frozen foods such as frozen pizza and microwavable dinners. He provided preliminary sales forecasts suggesting the introduction of Chicken Sensations would increase company sales by over twenty percent and deliver gross margins double current vegetable offerings. As far as Carlos was concerned, the potential for Chicken Sensations was phenomenal!

To further explore the feasibility of Chicken Sensations, Richard assembled a crossfunctional team comprised of Gary Smits, Vice President of Production; Vicki Hoerning, Director of Financial Analysis; and, Carlos Rico. They were charged with evaluating the market feasibility of Chicken Sensations. Richard initially described Chicken Sensations as an innovative new product with the potential to create a new category of convenience frozen offerings and significantly impact PFVC's financial results for years. He challenged the team to objectively evaluate the financial and market viability of Chicken Sensations cautioning them about the importance of the quality of their analysis. Reminding the team of the fiasco with Soup-in-a-Flash, Richard's parting words were, "Failure is not an option."

Richard requested that the team reconvene in two weeks to discuss present their findings and analysis to determine how the company should proceed. He requested the team members

complete the following analysis:

- Carlos: To explore the selling prices of current convenience frozen food products; propose a selling price; determine a selling price for Chicken Sensations; recommend the mix of chicken, spaetzels and vegetables; forecast first year sales; and, quantify incremental sales (e.g. incremental sales staff, slotting) and marketing costs (e.g. coupon costs).
- Gary: To determine where to process Chicken Sensations; estimate the costs associated with preparing the processing facility; and, evaluate manufacturing costs.
- Vicki: To perform financial analyses to evaluate the expected overall first-year profitability; calculate breakeven sales level and margin of safety; and, be prepared to conduct sensitivity analysis based on inputs from Carlos and Gary

Required

- a) Richard charged the cross functional team with specific analysis to complete. What other key research materials are necessary for the team to effectively evaluate the market feasibility of Chicken Sensations? (15 marks)
- b) Who are the competitors and how might they respond to the introduction of Chicken Sensations? (15 marks)
- c) In addition to the competition, what other external market factors could affect the success of Chicken Sensations? (10 marks)

SECTION B

(Answer any **three (3) questions** from this section. Each question carries 20 marks)

Question 2

Test marketing is a costly exercise which put strain on firm revenue. Firms must offload their products into the market as long it is of high quality. Discuss.

(20 Marks)

[Total: 20 marks]

Question 3

- a) Define the following terms as used in New product development
- i. Intellectual property (5)
 - ii. Intellectual property rights (IPR). (5)
- b) Using examples discuss any 4 types of intellectual property rights, noting where they can be applied in business. (10 marks)

[Total: 20 marks]

Question 4

With aid of practical examples discuss reasons why most new products fail and recommend solutions.

(20 marks)

[Total: 20 marks]

Question 5

The importance of business analysis in a business organisation can never be underestimated. Discuss all the components of business analysis using practical examples. Explain the significance of these components. (20 marks)

[Total: 20 marks]

Question 6

Using any new product that has recently been introduced into the market, detail the marketing strategies that were used and comment on the success of these marketing strategies. (20 marks).

[Total: 20 marks]

END OF EXAMINATION PAPER