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**Enhancing the SME NPD Process through Customer Focused
Design Activities: A New Zealand Case Study**

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Abstract

Small to Medium Enterprises (SMEs) face enormous financial risk when embarking on a new product launch. SMEs are less likely to implement more formal risk minimization strategies for new product development (NPD) such as StageGate, often citing reasons of resource constraints or the more prevalent notion that “this stuff doesn’t apply to us”.

Two key elements of any such risk minimization strategies are an early emphasis on benchmarking competitors and a thorough study of the attitudes and behaviours of potential customers. The SME’s investment of time and resource in early acquisition of this knowledge is a critical factor for success (Cooper 2001). Armed with this information, the SME is able to adopt a Customer Focused Design (CFD) strategy, whereby the product development effort is remains focused on the external customers wants and needs through all phases. SMEs that are able to satisfy these needs more effectively enjoy an obvious competitive advantage (Matzler and Hinterhuber 1998; Lüthje 2004).

SMEs are often challenged by these tasks (Freel 2000; Larsen and Lewis 2007; Owens 2007). They may be overwhelmed by the prospect of expected costs, lack of expertise, and financial pressures to rush to market. Too often the more conventional path is chosen, whereby a solution is proposed, developed and tested in the market to “see if it sticks”. Such methodologies are less effective and subject the SME to increased financial risk.

International studies of SMEs attitudes and behaviour towards NPD reveal common challenges of resource limitations, skills deficiencies and organizational issues (Xueli, Soutar et al. 2002; de Jong and Vermeulen 2006; Siu, Lin et al. 2006; Murphy and Ledwith 2007; Owens 2007). New Zealand firms are no exception, and are burdened with similar challenges as their international counterparts.

This study aims to propose a simple framework for small firms who wish to acquire knowledge about their target markets and potential customers with limited time and resources. The framework enables SMEs to incorporate customer focused design principles into their product definition phase, and better orient themselves to the consumer marketplace.

The study makes use of a New Zealand based case study to evaluate how the framework may be employed to identify quick and inexpensive efforts that can reproduce some elements of more sophisticated CFD and benchmarking methods. The obtained results are incorporated into a product design specification and embodied into a physical prototype to further illuminate the process. In addition to the primary area of study, prospects for new adjacent product lines and new potential markets for future development are also gained from the research.

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