



[This Photo](#) by Unknown Author is licensed under [CC BY-SA](#)

Important Role of Product Development, Marketing & Sales to Profitability & Business Growth

By Joanne Bronish, SmBiz Consulting

Business profitability is achieved through one of three ways: cost reductions, price increases, and/or product redesign and new product introductions. Business growth is achieved through new products and new product markets. This article will discuss how the three functions of product development, marketing and sales working together can be a driving force for growth and profitability.

Company goals and strategies are all based on the concept of growth and profitability. While the obvious and usually the first course of action to impact profitability is through cost reductions or containment, this can only account for a portion of profit stability or increases. When this approach is utilized the primary target for reductions are variable costs as they provide the quickest avenue for improvement. These costs are primarily found within operational areas of the organization. Because of this, they may have a significant impact on

both product/service quality as well as structural implications for the company. While these actions may provide a short-term improvement, there is a risk that loss of product quality and/or customer service may translate into a longer-term revenue reduction as customer satisfaction becomes an issue. Another approach to profit growth can be price increases. Again, while this may lead to profit growth it is probably a short-term approach as customers may not be willing to pay the extra cost.

The third approach is a proactive approach that utilizes the collaborative effort between product development, marketing, and sales staff to redesign and/ or develop new products or new uses for existing products. Within this approach there is an opportunity to perform a review of existing products and determine the level of profitability for each. Products with low profit margins and/or underperforming sales should be identified and reviewed to determine the cause for the lackluster performance. In cases where the cause for poor sales may be product features, these are potential candidates for redesign. This process is also an opportunity to perform a competitor review and comparison.

Let's look at how this process is optimized through the collaborative efforts of the three functional areas. Each brings skill sets, market information, and customer insight into the development process.

Product Development has the capability to create new products that are aligned with the existing business product offerings. Working with Marketing staff, ideas are discussed and conceptualized to determine if it will be a value add for existing consumers or a product that will result in a new target market. Additionally, their insight and research into market segment size is valuable. The latter is important to understand as it has an impact on market concentration. When markets are niche in nature profits may be more volatile. Sales Team members can provide valuable insight into what are customer needs, wants, and what they may be willing to pay for a new product as well as competitor products and pricing. Insights on proposed features can be found through the Sales Team as well as through Customer Satisfaction Surveys on existing products. Popular product features as well as issues with current product features provide a valuable source of information. Additionally, discontinued products can be a source of input to features. Based on past features, competitor products, customer satisfaction information, and potential new customer usage and needs a road map is designed that will provide scope for what features are included, not included, maybe included and those excluded. The next step will be to determine cost estimates for the product to determine if, from a cost/revenue perspective, the product is viable. Once the concept is agreed upon and estimates determined a prototype of the product may be developed for testing and feasibility of features.

By collaboration between the Development, Marketing, and Sales Teams, it is possible to improve the development process, have increased understanding across the three teams of the product and markets, and have fewer sunk costs from unpopular or failed products.

Creating a Profitable & Successful Product

Product Development

- Road map
- Prototype
- Creative product ideas
- Cost estimates
- Project management of development
- Feasibility & functionality testing
- Understanding regulations



Marketing Team

- New product ideas
- New markets
- Market analysis
- Competitor analysis
- Product input
- Marketing materials
- Regulatory compliance
- Pricing input

Sales Team

- Input on customer changing needs
- Input on competitor pricing & features
- Input on customer issues with product
- Input on features from customer feedback
- Competitor information
- Input on new product pricing