

St. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTEMENT OF MARKETING MANAGEMENT

An Assessment of Product Development
Process in Ethiopia Leather Industry
Company (ELICO)

By:

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JUNE, 2013

SMUC

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FACULTY OF BUSINESS

DEPARTMENT OF MARKETING MANAGEMENT

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IN ETHIOPIA LEATHER INDUSTRY (ELICO)

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Table of content

Contents	page
Acknowledgment.....	i
Table of content.....	ii
List of table.....	vi
Chapter I	1
1. Introduction	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	2
1.3 Research Questions	2
1.4 Objective of the Study.....	2
1.4.1 General Objective	2
1.4.2 Specific Objectives	3
1.5 Significance of the Study	3
1.6 Delimitation of the Study	3
1.7 Research Design and Methodology.....	3
1.7.1 Research Design.....	3
1.7.2 Population and Sampling Technique	4
1.7.3 Tapes of Data Collected.....	4
1.7.4 Methods of Data Collection	4
1.7.5 Method of Data Analysis	4
1.8 Limitation of study.....	4
1.9 Organization of Study	4
Chapter II	5
2.1 Definition of Product.....	5
2.2 Importance of Product Development	5
2.3 Product Attributing.....	5
2.3.1 Product Quality.....	6
2.3.2 Product Features	6

2.3.3 Product Design	6
2.4 Product Support Services	6
2.5 Product Strategies.....	7
2.5.1 Product Mix-Strategies	7
2.5.2 Product Mix-Expansion	7
2.5.3 Product Mix-Contraction	7
2.5.4 Alteration of Existing Products.....	7
2.5.5 Trading Up and Trading Down.....	8
2.5.6 Product Differentiation and Market Segmentation	8
2.6 Product Life Cycle Strategies.....	8
2.6.1 Introduction	9
2.6.2 Growth.....	9
2.6.3 Maturity	10
2.6.4 Decline.....	10
2.7 The Four Factor Influencing Product Development.....	11
2.7.1 Consumer	11
2.7.2 Competition.....	11
2.7.3 Technology	11
2.7.4 Government policy.....	12
2.8 Product Development	12
2.9 Stages in the Development Process.....	12
2.9.1 Idea Generation	12
2.9.2 Idea Screening	13
2.9.3 Idea Evaluation.....	13
2.9.4 Marketing Strategy Development	13

2.9.5 Business Analysis.....	14
2.9.6 Product Development.....	14
2.9.7 Marketing Testing	14
2.9.8 Commercialization	15
2.10 Product Development Adaption and Diffusions	15
2.11 Stages on the Adoption Process	15
2.11.1 Awareness	15
2.11.2 Interest.....	15
2.11.3 Evaluation	16
2.11.4 Trial.....	16
2.12 Adaptors Categories.....	16
2.12.1 Innovations.....	16
2.12.2 Early Adopters	16
2.12.3 Early Majority.....	17
2.12.4 Late Majority	17
2.12.5 Laggards.....	17
2.13 Requirements of a good Design.....	17
2.14 Reasons for New Product Failure	18
2.15 How to solve the Problem of New Product Failure	18
2.16 Product Design and Customers need	19
2.17 Factor affecting Product Design	19
2.18 Product/ Service Quality	21
2.19 Customer Service	21
2.20 Handling Customer Complaints Practice.....	22

CHAPTER THREE

Data Presentation Analyses and Interpretation	23
3.1 General Characteristics of the Respondent	23
3.2 Analysis of findings of the Study	24
3.3 Finding of qualitative research (Interview).....	33

CHAPTER FOUR

Summary, Conclusions and Recommendations.....	35
4.1 Summary of the major Findings	35
4.2 Conclusions	37
4.3 Recommendations	38

Bibliography

Appendices

Appendix - A Questionnaire

Appendix - B Interview Check list

List of table	page
Table 1) Customer characteristics by sex.....	23
Table 2) The reason for choosing the product of ELICO-LGGU.....	25
Table 3) The uniqueness of the product	26
Table 4) The consumer satisfaction on the company product.....	26
Table 5) The product offering with the preference of the customer.....	26
Table 6) The product quality and development of ELICO-LGGU.....	27
Table 7) Preference of the respondent on the product development	28
Table 8) The customer complain on the product of ELICO-LGGU	28
Table 9) The uniqueness of the product	29
Table 10) the interior design of the product	30
Table 11) Seasonal fluctuation of offering product.....	30
Table 12) Perception of the respondent about the product.....	30
Table 13) The promotion of new products.....	31
Table 14) Source of information for new product development	32

CHAPTER ONE

Introduction

1.1 Background of the Study

According to Kotler and Armstrong (2005:276) product practice we mean original products, product improvement, product modification and new brands that the firm develops through its own research and development efforts, idea generation of new, modified and improved product can be sourced from internal and external sources, the internal sources being the staff on the company and the data's of the past experience and the external source being customer competitors, distribution and suppliers play great role in the product practice of a company.

The physical product development practice involves modifying products, developing new products and improving products in doing all the idea generation on the features of the product, the package and the design and style of the product is mandatory. Product development process consisting innovation and levels of product. Innovation as the basic product offering or in packaging and also the only means by which a company can survive in a competitive landscape. Kumer and Meenkashi (2006:195)

MIDROC Ethiopia is a huge investment group which involves in different kinds of sectors under MIDROC Ethiopia, there are 32 sister companies. ELICO is one of them which are engaged in producing Leather product. . It was established in August 1997 (European calendar) with an initial capital of Birr 51,705,000 ELICO LGGU is one of the largest leather goods and garment manufacturer in Ethiopia. This unit produces leather articles such as lap top bags, brief cases, document cases, wallets belts and leather garments. There are 420 employees who are currently employed in the company. The company has got different department like administration and finance, sales and procurement, design and quality production and techniques.

The main objective of the company is to manufacture quality leather products for domestic market as well as for export market. The future prospect of ELICO- LGGU is to become the leading producer in the international market, domestic market as well as for export market.

1.2 Statement of the problem

A new product may fail for many reasons most often companies fail to offer a unique benefit or under estimate the competition. Sometimes the idea is good, but the company has design problem or the product cost much more to produce than was expected. In other case companies rush to get a product on the market without developing a complete marketing plan William, (2000:161)

ELCO LGGU offers different product line leather garments and leather articles for both male and female. In addition to these the company produces different types of leather bags and other leather products used for the personal service.

There are problems on the performance of the above activities of the company which are, The Company didn't follow the formal product development stage practice starting from idea generation up to commercialization, the company have a problem in design and not producing seasonal products with the interests of customer and not producing with the variety of size and colors by considering the customer preferences

1.3 Basic Research Question

1. Did ELICO-LGGU consider the customer complains on the product development practice?
2. What are the processes that the company follows in developing new product?
3. How ELICO-LGGU implement effective marketing research that helps for better leather product development process of company?
4. What were the criteria the company performed for the improvement of the existing product?

1.4 Objective of the study

1.4.1 General Objectives

The general objective of the research was to assess the product development practice in ELCO-LGGU.

1.4.2 Specific Objectives

1. To examine how the company handles customer complaints.
2. To indicate the processes that the company follows in developing new product.
3. To examine the implementation of effective marketing research product development process of the company
4. To give suggestions or recommendation for improvement of the existing product.

1.5 Significance of the Study

As this paper was mainly focus on the product development practice in ELICO-LGGU Leather industry. The importance of this study was to indicate the company what problem it had carry and what action the company should take in order to improve its product. Furthermore, it was help the student researcher to build knowledge this study. And also the study was help for others as references who want to study about the product development practice.

1.6 Delimitation of the Study

This study was focused on all product development process in ELCO leather factory. The company had different departments, marketing department is chosen for the study. Area delimitation of the study included the factory which is found in Akaki-kality sub city at the place called SARIES ABO. To get accurate and current information the proposal is limited on the time boundary of 2 years.

1.7 Research Design and Methodology

1.7.1 Research Design

Descriptive researcher technique was used to illustrate the findings and draw to conclusions. Because, the method helps to address all WH questions except how and why and describe the product development practice in the case of ELCO-LGGU.

1.7.2 Population, Sampling Technique and sample size

ELCO-LGGU customer were unknown in number, therefore, to gather data from the customers non-probability sampling technique specifically convenience sampling technique was used. And to gather data from the employee judgmental sampling technique was used. According to Malhotra (2006,339) for non-probability sampling, and as he mention for new product test 200 respondents customer were taken for sample.

1.7.3 Types of Data Collected

Primary data: it is the student researcher's main type of data collection source. The student researcher used interview and distributed questioners to managers, distributors and customers. The student researcher also assessed through observation.

Secondary data: this data source included source like books, literatures that were written on the topic of the study.

1.7.4 Methods of Data Collection

To attain the objective of the study the primary data was collected through questionnaires and interviews that was conducted with the commercial manager of the company and the secondary data was gathered from companies, profile and different document.

1.7.5 Method of Data Analysis

Both Quantitative and Qualitative data analysis method were used; the raw data was organized and analyzed by using tables and percentage. Qualitative analysis method was used to analyze data gathered from Interview that was made with the Marketing Manager and production Manager.

1.8 Limitation of study

The following limitations had been faced during conducting this research paper. These were time constraint in gathering and summarizing the data and delay in responding the questioner.

1.9 Organization of the Study

The research paper consists four chapters. The first chapter include introduction, statement of problem, objective of study, significance of study, scope of the study, research design and methodology. The second chapter deals with review of literature. The third chapter is the development presentation analysis, and interpretation of data the last chapter includes summery, conclusion and recommendation at last it has bibliographic list sample questioner and interview questioner attached with this work.

CHAPTER TWO

Review of Related Literature

2.1 Definition of Product development

Product development is the stage where the product idea now more from the concept and design boards to research and development and manufacturing for physical development. Both these department should keep the customers feedback in mind while development the physical version of the product also they must ensure that the product is easy and safe to use by the customer. In this stage in which the organization determiners if it is technically feasible to produce the product and if it can be produced the product and if it can be produced a costs low enough to make the final price reasonable, to rest acceptability the ides or concept it covered in to proto type or work model. Sexena,(2008:280) .

2.2 Importance of Product Development

As per Eztel/ (2001:222) business exists to satisfy customers while making a profit. Fundamentally, accompany fulfills this dual purpose through its products. New product planning developments are vital to an organization's success. This is particularly true, given rapid technological changes, which can make existing products obsolete and the practice of many competitor to copy a successful product, which can neutralize an innovative product advantage.

A firm is not selling a product sells only the "product benefit" product is the most important variable in the marketing mix of a firm. Any firm is floated to Manufacture and sell a product. If the product is sound and easily acceptable to the market, if it satisfies reseller's needs and consumer preferences and if carefully fitted to the needs and desires of the customers, seller success is assured (Sherlkor, 2004:95)

2.3 Product Attributes

Developing product or service involves defining the benefit that it will offer. These benefits are communicated and delivered by product attributes such as Quality features and design.

2.3.1 Product Quality

The Quality of a product is extremely significant, but it is probably the most difficult of all the image building features to decline users frequently disagree on what constitutes Quality in a product. One guideline in managing product quality is that quality level of a product: the level need not being higher. Another key to successfully Management of Quality is to maintain consistency of product output at the desired Quality level. Etzol. (1991:226)

2.3.2 Product features

Kotler ,(2006,242) the companies can create higher level models by adding more features. Features are competitive tools for differentiating the companies from competitors. Thus being the first producer to introduce needed and variable new feature is the most effective one. Therefore, companies need to survey periodically the product they are offering currently is assessing each features, value to customers versus the cost they are incurring.

2.3.3 Product Design

Kumar and Mittal, (2001:178). Product design can be one of the most powerful competitive weapons in the company's Marketing strategy.

Another Author pride (2005:285) state product design refers to how a product is conceived planned and produced. Design is a very complex topic b/c it involves the total sum or all the products physical Characteristics. Many Companies are known for the outstanding designs of their products. Good design is one of the best competitive advantages any brand can possess.

2.4 Product support services

(According to Tobber, (2001:341) Customers service is another element of product strategy. However, a company's offer usually includes some support services, which can be a minor or a major part of the total offerings. Thus, the first step is to survey customers periodically to assess the value of current services, and to obtain ideas for new ones while it must next asses the cost of providing these services, although it can develop a package of service that will both delight customers and yield projects to the company.

2.5 Product strategies

Product strategy refers to the decision on the range of products offered under Critical business Conditions. In fact this requires a thorough study of the present situation and future possibilities of survival, allocation of resources etc... (Kumar, 2003:14)

2.5.1 Product Mix-Strategies

A company has several major strategies at its disposal, with respect to the width, depth and consistency of its product Mix. Kumar (2003:16) According favor of pezzullo, (1998:153) the most common product mix strategies product, positing the product, trading up and trading and down.

2.5.2 Product Mix expansion

Product mix expansion is accomplished is accomplished by increasing the development win a particular line and or the number of lines firm offers to customers. There are two way to expand the product mixes. When a company adds a similar item to an existing product line with the same brand name, this is termed as a line extension. And another way is mix extension; it is to add new product line to the company's present assortment. Etzel, (2004:240)

2.5.3 Product Mix Contraction

Another strategy product-mix contraction is carried out either by eliminating an entire line or by simplifying the assortment wins a line. Thinner on/or shorter product lines or mixed can weed out low profit and unprofitable product. The intended result to product mix contraction is higher profit from fewer products. Eztel, (2001:246)

2.5.4 Alteration of Existing Products

As an alternative to developing a completely new product, Management should take look at the company's existing product. Often, improving an established product can be more profitable and less risky than developing a completely new one. Alterations may be made in the design size, color, packaging, quality etc. Kumar (2003:60)

2.5.5 Trading up and Down

As per Anderson and Vicze,(2000:132)both trading up and trading down involve bringing out change versions of a product and altering the nature and direction of promotion .normally, a firm will trade up or down ,but not both.

-Trading up:- refers to adding of higher priced and more prestigious products to their existing line, in the hope of increasing the sales of existing line, in the hope of increasing the sales of existing low price products, for instance, a factory marketing terry cotton is trading up by introducing polyester.

-Trading down: - is the opposite of trading up. A company is said to be trading down, when it adds a lower priced item to its line of prestige products in the hope that people, who cannot effort the original products, will want to buy the new one, because it carries some of the status of the higher priced product. In trading down new market is looked for, where the old product has not reached.

2.5.6 Product Differentiation and Market Segmentation

When there is a fundamental difference between one product and another there will be product differentiation. The purpose of this differentiation is to make ones product differences from those of others competitors.

Market segmentation is used to sub-divide the market (consumer) of the product in order to capture more and more sales effectively and efficiently. It is a technique of product and promotion of pricing variable. Whenever there are two or more customers of a product they can be sub-divided in to several positive buyers group according to their common characteristic.

2.6 Product Life Cycle Strategies

The product life cycle is generally termed as product market life cycle, because it is related to a particular market. The product life cycle may be short for some products and long for some other products. Anderson and Vicze, (2000:136)

The period may differ from product to product. But the product passes through the stages collectively known as product life cycle .Another author Sexana (2006:244) stated the product

life cycle reflects sales and profits of a product over a period of time, and generally they follow an established s-shaped curve.

2.6.1 Introduction

The introduction stage of any product is generally characterized by low sales volume, limited destination and high costs of promotion. These may be common to a great extent for innovation and an imitative product the main objectives is primary demand creation, where as it is secondary demand for imitative products. Shajahan, (2001:79)

At this stage the manager should apply the following strategies:-

- Make proper advertising before the products are released in the market.
- Shorten the period of introduction, as far as possible.
- Formulate new pricing
- Under take large scale promotional work.
- Give proper attention to the destination aspects (Anderson and Vicze, 2001:137)

2.6.2 Growth

the growth stage marked by rapid climb in sales early adopters like the product, and additional consumers start buying it new competitors enter attracted by the opportunities. They introduction new product features and expands distention.

The marketing manager should apply the following strategy

- Improve product quality
- Add new product featured and improve styling
- Enter in to two new market segments
- Enter in to new destination channels
- Reduce the prices to attract buyers
- Reduce the prices to attract buyers

- Increase promotional activities Kotler, (2003:332)

2.6.3 Maturity

According to Anderson and Vizce, (2000:138) at this stage keen competition increases. Sales continuous to increase for a while , but at decreasing rate competitors go for mark down price by increasing advertising deals market expenses increase, eve after mark down prices , which enable to face competition.

The marketing manager should the following strategies

- Improve quality of the product
- Give proper attention to increase the usage among the current customers
- Try to convert non-users into users of the product, that is creating new buyers
- Give proper emphasized to advertisement and promotional programs
- Try to discover new users new users for the product

2.6.4 Decline

At the declining stage, the sales begin to fall. The demand for the product shrinks probably due to new and functionally advanced products becoming available in the market or the market becoming pathetic product total sales and profits diminish Kumar and Mittal,(2007:172)

The Marketing manager should apply the following Strategies.

- Improve the product in a functional sense, or revitalize it in some manner.
- Make sure that the marketing and production programs are as efficient as possible.
- Streamline the product assortment by running out unprofitable size and models.
- Run out the product that is, cut all costs to the bare minimum level that will optimize profitability over the limited remaining life of the product.
- Abandon the product Anderson and Vizce, (2000:138)

2.7 The Four Factors Influencing Product Development

Several factors contribute to new product development while most are related to the external variables, the most important internal factors in new product development is the surplus capital that a firm may have at any given time, there are several environmental factors contributing to the development new products Sexena, (2004:227).

2.7.1 Consumers

- a) Increasing instability of consumer preferences
- b) Grow intensity
- c) Sophistication of competition
- d) Rising incomes

These the above factors stimulate towards the development of new products to carter to the requirements segment or product category. New products development cause for innovation.

2.7.2 Competition

- a) Growing aggressiveness
- b) Sophistication of competition

These factors result in charge of marketing programs and utilization of new technological opportunities. It also provides an opportunity to modify the corporate objective and provide new training methods of the managers.

2.7.3 Technology

Apart from consumer and competitor behavior affecting product innovation, technological improvements also have an equal impact, often leading to changes in the physical characters of the product.

2.7.4 Government policy

The government policy often greatly contributes to product innovation and subsidizing research in the areas of the national interest. Another author sexena government policy also can encourage or fastest new product development process.

2.8 Product Development

According to Shajahan, (2001:4) product development includes a number of decision, namely what to Manufacture or buy, how to have its packaging how to fix price and how to sell it. Another author Ulrich and Eppinger, (2003:2) product development is the set of activities beginning with the perception of a market opportunity and ending in the production sales and delivery of a product. Product development is an interdisciplinary activity requiring contribution from nearly all the function of a firm; however, three functions are almost always central to a product development projects.

Marketing: -The Marketing fun mediates the interaction between the firm and its Customers. Marketing often facilitates the identification of product opportunities, the definition of marketing segment and the identification of customer needs. Marketing also typically arranges for communication between the firm and its customers. Sets target prices, and oversee the launch and promotion of the product.

Design: - The design function plays the lead role in defining the physical form of the product to best meet customers' needs. In this context, the design function includes engineering design (Mechanical, Electrical, Software, etc...) and industrial design (aesthetics, ergonomics, user interfaces)

2.9 Stages in the Development Process

According to Bose (1998:551) Identifying and developing new product ideas and effective strategies to go with them are after key to a company's success and survival. As staged by Eztel, (2004:220) a new precut is best developed through a series of eight stages, compared to unstructured development; the formal development of new products provides benefits such as improved team work less rework, earlier failure detection, shorter development times and most important higher success rates.

2.9.1 Idea Generation

Kotler, (2006:276) new product development start with idea generation the systematic search for new product ideas as per Bose, (1998:552) for any development activity the idea must be generated and explored. The search for new idea irrespective of their soundness and perfection should be fully done. The process of new product development starts with search for product ideas to be successful, it is important that this search should not casual top management should spell out the cooperate mission and objectives for new products. Also it should spell out the role of new product development in the firm's growth strategy. Sexena, (2008:274)

2.9.2 Idea Screening

According to William (2005:166) Screening involves evaluating the new ideas with the Product-Market screening criteria these criteria include the combined output of a resource (Strength and weakness) analysis, a long-run trends analysis, and a thorough understanding of the company's objectives further, a good new idea should eventually lead to a product (and marketing Mix) that will give the firm a competitive advantage, hopefully a lasting one.

2.9.3 Idea Evaluation

According to Reeder, (2004:302) ideas that pass the screening stage require further evaluation. These with an internal origin must be checked for market need and volume potential. If idea stemmed for recognized market need of a specific customers request the feasibility of creating a physical product must still be established, when product ideas satisfy both market and technical Criteria, they should be rank will vary with the firm's Marketing strategy and business conditions.

2.9.4 Marketing Strategy Developments

After testing the new product, a preliminary marketing strategy will be developed for introducing the new product in to the marketing. The marketing strategy plan consists of three parts. The first part describes the target market size, structure and behavior. The planned product positioning and the sales market share and profit goals sought in the first few years. The second part of the marketing strategy outshines the products planned price distribution strategy and marketing budget for the first year. The third part of the marketing strategy plan describes the long run sale and profit goals and marketing mix -strategy overtime.

2.9.5 Business Analysis

As stated by cross, (1998:349) the number of new product ideas remaining is new small enough to be subjected to more careful numerical analysis.

Ramaswamy, (2002:338) this stage is of special important product development practice because several vital decisions regarding the project are taken based on the analysis done at this stage. This stage will decide whether from the financial of marketing point of view, the project is worth proceeding with investment analysis and profitability analysis of the project under different assumptions are made at this stage.

2.9.6 Product Development

As stated by sexena,(2008:280) this is the stage where the product idea now move from the concept and design boards to research and development and Manufacturing for physical development. Both these Department should keep the customer feedback in mind while development the physical versions of the product. Also they must ensure that the product is easy and safe to use by the customer. In this stage in which the organization determines if it is technically feasible to produce the product and if it can be produced a costs low enough to make the final price reasonable, to rest acceptability the idea or concept it converted in to proto type or working model.

2.9.7 Market Testing

According to Sherleker, (2004:319) the penultimate phase in the development cycle, rest Marketing consists of small scale rests with customers. Until now, the idea, the concept and the product have been 'rested' or 'Evaluated' in a somewhat artificial context.

2.9.8 Commercialization

According to Ramaswomy, (2002:340) at this stage the company takes the decision to go in for longer scale manufacturing and marketing to the product, if gets to this stage only when all the previous steps provide favorable signals. At this stage, the company fully commits if self to commercialize the new product with the required investment in manufacturing and market.

2.10 Product Development Adaption and diffusions

the adoption process is the set of successive decisions an individual person of organization makes before accepting innovation spreads throughout a social system over time by understanding this process an organization can gain in to how a product or not accepted by prospective customer. Kotler (2003:123)

2.11 Stages in the Adoption process

According to Kotler (2006:699) an innovationist any good service or idea that is perceived by someone as new the idea may have a long history. But it is an innovation to the person who sees it as new innovations take time to spread through the social system. The innovation diffusion process is the spread of a new idea from its source of adopters. The consumer adoption process focuses on the mental process through which on individual process from first hearing about innovations to final adoption. As stated Etzel (2004:225) a prospective buyers goes through five stages in the adoption process deciding whether to purchase something new:-

2.11.1 Awareness

As stated by Etzel, (2004:225) individual is exposed to the innovation becomes a prospect. The consumer becomes aware of the innovation but information about it (Kotler, 2006:659)

2.11.2 Interests

According to Kotler (2006:659) interest is the consumer is stimulated to seed information about the innovation prospect is seek information Etzel, (2004:225)

2.11.3 Evaluation

As stated by Kotler (2006:660) the consumer considers whether to try the innovation. Etzel (2004:226) prospect judges the advantages and disadvantages of a product and product and compares it to alternatives.

2.11.4 Trial

According to Etzel (2004:226) prospect adopts the innovation on a limited basis a consumer tries a sample if the product can be sampled the consumer tries the innovations to improve his or her estimate of its value (Kotler, 2006:660)

2.12 Adopters Categories

According to the author Stanton (2004:220) some people will adopt an innovation soon after it is introduced other may will delay before accepting a new product and still others may never adopt it. Although research has identified five innovation adopter categories based on when in the life of product individual adopts a given innovation and also non adopters are excluded from this categorization

2.12.1 Innovators

According to Kotler (2006:659) innovators are technology enthusiasts they are venture capitalists and enjoy taking with new product and mastering their intricacies in return for low price they are happy to conduct alpha and beta testing and report on early weakness. Innovators representing about 3% of the market innovators are venture capitalists one consumer who is the first to adopt an innovation Etzel, (2004:225)

2.12.2 Early Adopters

As stated by Etzel. (2004:225) early adopters comprising about 13% of market are greatly respected in their social system in fact other people are interested in and influenced by their opinions, early adopters are opinion leaders who carefully search for new technologies that might give them a dramatic competitive advantage Kotler(2006:659)

2.12.3 Early Majority

The More deliberate group, the early majority represent 534% of the market. This group often accepted an innovation just before the “average” adopter in social system. This group is a bit about average in social and economic measures its members rely quite bit on advertisements. Sales peoples and contact with early adopter’s kotler (2004:242)

2.12.4 Late Majority

As per kotler (2006:660) late majority are skeptical conservatives who are risk adverse technology shy and price sensitive. Late majority representative 34% of the market is skeptical group of consumer who usually adopt in innovation to save money or in response to social pressure from their peers Eztel (2004:225)

2.12.5 Laggards

According to Kotler(2006:660) laggards are tradition bound and resist the innovation until they find that the state is no longer defensible. Laggards are consumers who are bound by tradition and hence are last top adopt an innovating. They comprise about 16% of the Market Etsel (2004:226)

2.13 Requirements of a Good Design

A good product design must fulfill the following essential requirements

- A) Customers Satisfaction
- B) Earn adequate profit

A Customers satisfaction: - the product should satisfy the customers by fulfilling their need and expectations. In order to achieve this object the following points should be kept in view.

- i. It should function properly
- ii. It should be of proper quality so the achieve desired degree of accuracy and reliability.
- iii. Easy to use corporate
- iv. It should fulfill the ergonomic requirements of the user

- v. It should have good space utilization
- vi. Should be able to with stands rough handling
- vii. Easy to repair and service.
- viii. Good aesthetic view

2.14 Reasons for New Product Failure

According to Kumar and Mittal (2001:187-188) the following are the reasons given for failure of new products.

- Poor timing for product planning
- Higher costs
- Inadequate market analysis
- Weakness in distribution
- Product defects in the process of production
- In sufficient marketing effort
- Inadequate of sales force
- Competition

2.15 How to Solve the Problem of New Product Failure?

According to Sherekar and other (2004:109) the following methods are suggested to prevent a new product failure.

- By analyzing and ensuring that there is adequate demand existing for the product.
- By making a product that is acceptable to the society
- By selecting a product that would exactly fit in to the existing market structure of a company
- By selecting a product that should reflect the company's image already created in all respects especially with regard to quality and price and

- By using continuous & efficient demand creation method.

2.16 Product Design and Customers' needs

Product Design

According to Kumar (2002:49) product design is concerned with the form and function of a product form design involves the determination of what a product would look i.e. product's shape and appearance what it will be made of and how it will be made.

Types of Product Design

i. Function design

- The first requirement of a good product is that it should effectively perform the function for which it is developed.

ii. Form design

- Aesthetic considerations are also important particularly in decorative items like pictures etc. designed as to be attractive and not offensive to the eye (kumar,2002:49)

2.17 Factors affecting Products Design

According to kumar (2002:49) the major factors affecting process design decisions are following

- Nature of product /service demand
- Degree of vertical integration forward and back ward integration
- Production flexibility: product and volume flexibility
- Degree of automation
- Product of quality

First production processes must have adequate capacity to produce the volume of the products/service the customers want. And provision must be made for expanding of contracting capacity to keep pace with the trends of sales some types of processes can be more easily

expanded or contracted than others, and the choice of the type of production process will be affected by the forecasted product/service demand.

Business plans set the prices of products and services. Prices affect sale volume, product design, and the required production capacity and costs. Therefore, the choice of price and the choice of the design of production process must be synchronized.

i. Degree of Vertical Integration

One of the first issues to resolve when developing production processing design is determining how much of the production of products/service company should bring under its own roof. Vertical integration is the amount of the production and distribution chain, from suppliers of components to the delivery of products/service to customers. That is brought under the ownership of a company. The degree to which a company decides to be vertically integrated determines how many production processes need to be planned and designed because of shortages of both capital and production capacity.

ii. Production Flexibility

Production flexibility means being able to respond fast to customer's needs. Flexibility is of two forms, product flexibility and volume flexibility, both of which are determined in large part when production processes are designed.

- Product flexibility: Means the ability of the production system to quickly change from producing one product/service to producing another product. Flexibility is required when business strategies call for many customs. Designed products/services each with rather small volumes or when new products must be introduced quickly. In such cases production processes must be designed to include general-purpose equipment and cross-trained employees who can be easily changed from one product/service to another.

-Volume Flexibility: Means the ability to quickly increase or reduce the volume of product/services produced. Volume flexibility is needed when demand is subject to peaks and valleys and when it is impractical to inventory products in anticipation of customer demand. In these cases production processes must be designed with production capacities that can be quickly and inexpensively expanded and contracted.

iii. Degree of Automation

A key issue in designing production process is determining how much automation to integrate into the production system. Because automated equipment is very expensive and managing the integration of automation into existing of new operation is difficult, automation projects are not under taken lightly. Automation can reduce labor and related costs, but in many applications the huge investment required by automation projects cannot be justified on labor savings alone.

2.18 Product/Service Quality

In today's competitive environment, product quality has become an important weapon in the battle for world markets of mass produced products. In earlier times, it was though that the only way to products of high quality was to produce products in small quantities by expert craftsmen permuting painstaking hand work. The choice of design of production process is certainly affected by the need for superior product quality. At every step of process design, product quality enters into most of the major decisions. For many firms, the issue of automation integrated into the production processes, for automated machines can produce products of incredible uniformity.

Adequate Profit

The product when manufactured and sold should give adequate profit. For this purpose it should fulfill the following requirements.

- A good design needs minimum of parts.
- It should adopt latest technology so that manufacturing requires minimum cost per unit of production.
- It should be able adopt latest technology so that manufacturing requires minimum cost per unit of production.

2.19 Customer service

One effective strategy used in differentiating an offer from that of the competitors is to excel in delivering quality service to the customer. One hears a lot of talk about the firm's goal being to deliver service to the customer "service before self" is more a cliché. Their strategy, actions and

organization show a half-hearted attempt to give service to the customer. More often than not the attempt is to avoid or “somehow get over” with the customer. In some firms, the finance or manufacturing personnel’s focus on host comes in the way of servicing the customer. However, as a rule, a firm’s profit and long term growth comes from providing competitively excellence service to the customer Sexena, (2004:518)

2.20 Handling Customer Complaints Practice

Complaints offer businesses and opportunity to correct immediate problems. In addition, they frequently provided constructive idea for improving products, adapting marketing practices, upgrading service, or modifying promotional material and product information.

While occasionally problem with services of merchandise, are to some extent, in viable dissatisfied customers are not companies can learn to recover from mistake. A good recovery can turn angry, frustrated customers in to loyal ones.

Recognizing the importance of responding fairly and efficiency to buyer disappointment in the market place, many business have established effective and innovation for resolving customer complaints within any industries, those companies with a positive philosophy and a reputation for fair compliant Management have a competitive edge. A management philosophy that embraces customer satisfaction as primary goal of business, instead of defending the company in the face of complaints, can change the rules of the game for companies. It shifts the emphasis from the cost of pleasing a customer to the value of doing so, and trusts front line employee to use their judgment [Http://WWW.customerexpressions.com](http://WWW.customerexpressions.com).

Chapter Three

Data Presentation Analysis and Interpretation

This chapter is dedicated to data presentation, analysis, and interpretation. In this chapter all the data gathered are processed and interpreted. All the data presented, analyzed and interpreted here were obtained through interview that was conducted with ELICO-LGGU manager and questionnaire containing both closed and open ended questions were distributed to the customer of the company. The researcher distributed 160 questionnaires to the respondents; the student researcher collected 124(77.5%) the rest of which 36(22.5%) were not returned.

Table 1 customer characteristics by sex

Item	Question	Customer response	
		Amount	Percentage
1	Sex		
	- Male	85	68.5
	- Female	39	37.5
	Total	124	100
2	Age		
	- 18-30 years	23	18.5
	- 31-40 years	67	54.1
	- 41-50 years	34	27.4
	Total	124	100
3	Educational Background		
	- High school completed	43	37.6
	- certificate	29	23.3
	- diploma	42	33.8
	- degree and above	10	8
	Total	124	100
4	Educational Background		
	- High school completed	43	37.6
	- certificate	29	23.3
	- diploma	42	33.8
	- degree and above	10	8
	Total	124	100

(source Questionnaire)

According to item 1 of table 1, which indicate gender of the respondents, 85(68.5%) of them pointed out that they are male, while 39(37.5%) of them said they are female. Based on this data the student researcher can infer that majority of the respondents were found to be male customers.

According to item 2 of table 1, which indicates the age of the respondents, 23(18.5%) of them were in between 18-30 years, 67(54%) of them were in between 31-40 years and 34(27%) of them were in between 41-50 year. As the data indicate that most of the respondents are in between the age of 31 and 40, and also as the data indicate most of the users of the company product is under this age group.

According to item 3, indicates that the educational back ground of the respondent complies that 43(37.6%) of them high school completed, 29(23.3%) of them certificate, 42(33.8%) of them diploma holder and 10(8%) of them had degree and above. Based on this data the student researcher can infer that although, most of the respondent high school completed, almost all of the respondents are educated.

According to item 4 of table 1, the occupation categories of the respondent, the figure shows 96(77%) of them worked on private organization and 28(22.6%) of them worked on the government organization. Based on the data the student researchers implies that majority of the respondents are worked on the private organization.

3.2 Analysis of the finding of the study

Accordingly, various questions were posed to sample respondents mainly related with product development feedback complaint handling mechanisms of ELICO Product and quality related issues.

Thus in this section response from customer and company management are presented analyzed and interpreted as follows.

Questions related to product development practice

Table 2. the reason for choosing the products of ELCO- LGGU.

Item	Question	Customer response	
		Amount	Percentage
1.	What is your reason for choosing the products of ELCO-LGGU?		
	- Quality of the product	7	5.6
	- Durability	96	77.5
	- Design	21	16.9
Total		124	100

Source (Questionnaire)

As it is stated in item 1 of table 2 above, which indicate the reasons for the respondent choosing the products of the company 7(5.6%) of them said that it is finishing quality, 96(77.5%) of them said that it is durability and 21(16.9%) of them said that it is the design of the product. Based on the data indicate above the student researcher can infer that majority of the respondent said it is durability of the product that made them buy the company's product.

Table 3. The uniqueness of the product

Item	Question	Customer response	
		Amount	Percentage
1.	Which characteristics makes ELICO-LGGU Product unique?		
	- quality of the product	17	5.6
	- Durability	43	77.5
	- Design	64	16.9
Total		124	100

Source (primary data)

As it is stated in item 1 of table 3 the characteristics makes the ELICO-LGGU product unique are 17(5.6%) of the respondent said that it is quality of the product, 43(77.5%) of them said that it is durability and 64(16.9%) of them said that it is the design of the products.

Based on the data indicate above majority of the respondent said that the product of the company unique by it is durability of the product made them to buy.

Table 4. The Customer satisfaction on the company products

Item	Question	Customer response	
		Amount	Percentage
1.	In which product ELICO-LGGU Are you satisfied more?		
	- Ladies garment	19	15.2
	- Laptop bags, Brief cases, document case	9	7.3
	- Men's leather garment	82	66.1
	- Wallets and Belts	14	11.3
	Total	124	100

Source (primary data)

As stated in item 1 of table 4 above, respondents satisfied by the types of products of ELICO – LGGU are stated as 19(15.2%) of them on ladies garment and handbag, 9(7.3%) of them on laptop bags, brief cases and document case, 82(66.1%) of them on the men's leather garment and 14(11.3%) of them on wallets and belts. Based on the data indicate that majority of the respondents are satisfied by men's leather garment.

Table 5. The product offering with the preference of the customer

Item	Question	Customer response	
		Amount	Percentage
1.	Do you think that ELICO-LGGU offers its products in the way that meets your preference with below mentioned factors?		
	- Reasonable price		
	Very high	76	61.3
	High	29	23.4
	Medium	19	15.3
	Total	124	100
2.	- Attractiveness of design		
	Very high	42	33.9
	High	36	29
	Medium	46	39.5
	Total	124	100

3.	- Durability	Very high	19	15.3
		High	56	45.2
		Medium	49	39.5
Total			124	100
4.	- Variety size	Very high	29	23.4
		High	16	12.9
		Medium	59	47.6
		Low	20	16.1
Total			124	100
5.	- Meet your need (preference)	Very high	33	26.6
		High	18	14.5
		Medium	51	41.1
Total			124	100

Source (primary data)

As stated in item 1,2,3,4&5 of table 5 above, the factors that makes the respondents prefer the ELICO-LGGU products evaluated for reasonable pricing 76(61.3%) of them responds very high, 29(23.4%) of them responds high and 19(15.3%) of them responds medium. For the attractiveness of the design 42(33.9%) of them responds very high 36(29%) of them responds high and 46(39.5%) of them responds medium. For the durability of the product 19(15.3%) of them responds very high 56(45.2%) of them responds high and 49(39.5%) of them responds medium. For the variety size 29(23.4%) of them responds very high, 16(12.9%) of them responds high, 59(47.6%) of them responds medium and 20(16.1%) of them responds low. For the meet of the respondents need or preference 33(26.6%) of them responds very high, 18(14.5%) of them responds high and 51(41.1%) of them responds medium.

As the data indicate that majority of the respondent said that the company product price is very high, for the attractiveness of the product design majority of them respond medium, for the durability of the product majority of them responds high, for the variety size of the product majority of them responds medium and for the meet of the respondents need of preference majority of them responds medium.

Table 6. The product quality and development of ELICO-LGGU

Item	Question	Customer response	
		Amount	Percentage
1.	If you have used other company’s product, how you compare it with the finishing quality of ELICO-LGGU product? - Very high - High - Medium - Low	6	4.8
		21	17
		71	57.2
		26	21
Total		124	100

Source (primary data)

As it is stated in item 1 of table 6 above, the respondent compare the finished quality of the product with other as 6(4.8%) of them very high, 21(17%) of them high, 71(57.2%) of them medium and 26(21%) of them responds low. Based on the data the finished product quality by comparing with others, majority of them responds medium

Table 7. Preference of the respondent on the product improvement

Item	Question	Customer response	
		Amount	Percentage
1.	What do you want from the company to incorporate for you on the product development of modifying existing product? - Variety color - Attractive design - Durability - Variety size	29	23.4
		16	12.9
		59	47.6
		20	16.1
Total		124	100

Source (primary data)

Table 7 shows that the respondents need from the company to incorporate for product development of modifying the existing product stated as 29(23.4%) of them need variety color, 16(12.9%) of them need attractive design, 59(47.6%) of them need durability of the product and 20(16.1%) of them need variety size. The data indicate that for the product development and for modifying the existing product majority of them respond need durability of the product

Table 8. The customer complain on the product of ELICO-LGGU

Item		Customer response	
		Amount	Percentage
1.	Have you ever had any complain on the product of ELICO-LGGU?		
	- Yes	72	58.1
	- No	52	41.9
	Total	124	100
2.	If your answer "yes" how do you address it to the above question what were most of your complaints about?		
	- Expensive	50	69.4
	- Less variety in size and color	22	30.6
	Total	72	100
3.	Have you seen any improvement after you complain?		
	- Yes	41	57
	- No	31	43
	Total	72	100

Source (primary data)

As it is stated in item 1, 2 & 3 of table 8 above, 72(58.1%) of the respondent have complain on the product and 52 (41.9%) of them don't have complain on the item 2 of the table they addressed their complain as 50(69.4%) of them its expensiveness and 22(30.6%) of them it's less variety in size and color on the item 3 of this table 41(57%) of them are seen the improvement by the complaint and 31(43%) of them didn't seen the improvement. As the data indicate that majority of them responds the product of the company are a problem, for these problem they suggests that it needs improvement.

Table 9. The uniqueness of the products

Item	Question	Customer response	
		Amount	Percentage
1.	What comes in your mind when you think of ELICO-LGGU products?		
	- High quality	42	33.9
	- Design	36	29
	- Durability	26	20.9
	- Price	20	16.1
	Total	124	100

Source (primary data)

As it is stated in item 1 of table 9 above, the respondent feels that 42(33.9%) of them high quality, 36(29%) of them design, 26(20.9%) of them durability 20(16.1) of them price when they think of the ELICO-LGGU products. According to the data majority of the respondent think of the company product by its quality.

Table 10. The interior design of the product

Item	Question	Customer response	
		Amount	Percentage
1.	How do you evaluate the Interior design of ELICO-LGGU products?		
	- Very good	52	41.9
	- Good	41	33.1
	- Medium	31	25
Total		124	100

Source (primary data)

As it is stated in item 1 of table 10 above, the respondent evaluate the interior design of the product as 52(41.9%) of the very good 41(33.1%) of them good and 31(25%) of them medium. According to the data majority of them appreciate the interior of design of the product.

Table 11. Seasonal fluctuation of offering product

Item	Question	Customer response	
		Amount	Percentage
1.	Is ELICO's leather garment considering seasonal fluctuation?		
	- Yes	30	24.2
	- No	94	75.8
Total		124	100

Source (primary data)

As it is stated in item 1 of table 11 above, 94(75.8%) of the respondent the ELICO's leather garment didn't consider seasonal fluctuation but 30(24.2%) of them the opposite. As the data indicates that majority of them responds the company is not consider seasonal fluctuation

Table .12 perception of the respondent about the product

Item	Question	Customer response	
		Amount	Percentage
1.	Do you believe the company has been offering customer Oriented products?		
	- Yes	82	66.2
	- No	42	33.8
Total		124	100

Source (primary data)

As it is stated in item 1 of table 12 above, 82(66.2%) of them believes that the company has been offering customer oriented products but 42(33.8%) of them didn't believe on it. As the data indicate that majority of the respondents believe on the company offering customer oriented products.

Table 13 the promotion of new products

Item	Question	Customer response	
		Amount	Percentage
1.	How do you rate the company on the using of different promotional tools to promote new product?		
	- Very high	76	61.3
	- High	31	25
	- Medium	17	13.7
Total		124	100

Source (primary data)

As it is stated in item 1 of table 13 above, the companies usage of the different promotional tools to promote new product evaluated as 76(61.3%) of them very high, 31(25%) of them high and 17(13.7%) of them medium. Based on the data a majority of the respondent gives very high for the using of the promotional tool.

Table 14. Source of information for the new product development

Item	Question	Customer response	
		Amount	Percentage
1.	How often you gave ideas and comments to the company that helps it to develop new product?		
	- Very often	46	37.1
	- Often	59	47.6
	- Some times	19	15.3
Total		124	100

Source (primary data)

As it is stated in item 1 of table 14 above, 46(37.1%) of them very often 59(47.6%) of them often and 19(15.3%) of them sometimes give ideas and comments to the company that helps it to develop new product. According to the data majority of the respondent often give ideas comments to the company that help it to develop new product.

3.3 Finding of Qualitative Research (Interviews)

Interview questions were prepared to be answered by the marketing manager of ELICO– LGGU factory. The response provided by the manager is dealt as follows as per the answer provided for the questions.

for the question regarding the handling of customers compliant against product, design, quality or color, the manager replied that the company is passive in relation with customers who has complain over the company's products feature. the manager further states that the company follows procedural steps in order to achieve the company's overall objective related with customs satisfaction by taking into account/consideration customer's opinion and compliant.

For the question what strategies are followed in clearing new products the marketing manager said that the company follows different making strategies as necessary appropriate by giving due consideration the market demand, external factors such as coupe live, the need for extension of market share and the need for expanding product diversification as well. In the meantime the company performs the above activities by understanding making strategies and assessing the marker and economic trends.

According to response given by the marketing department manager for the question whether or not the company's product performance in meeting customer's expectation, he believed that the company performs well in this regard. However, complains is normal in the operation of business, he said it not severe in the case this company. Thus the company's product has been increasing improved in order to meet the expectation of its customers, even though there are some unexpected down back arising from unpredictable situations.

For the questions related with the frequency of training on new product development systems, the manager states that training is essential for betterment of the company's capacity maintenance. The manager further said that the company provides training at least annually and more according to the need, special training is also one of the maintenance in building up and upward employee's skill.

The capability of research and design department is measured by the outcome it gets for the company, the manager replied for this question that the company's annual sales volume has been increasing moderately w/c this change is somewhat the capability of this department.

Finally, the manager replied for questions such as if the company receives feed back from its customers and problems arising from the operation of the business, the manager said that feeds are collected directly and indirectly. Some feed backs are collected directly from customers and others from presumption that a rise in sales volume indicates available feedback or otherwise.

Chapter Four

Summary, Conclusion and Recommendation

After all the gathered and analyzed in the previous chapter, all the findings of the study are summarized, conclusions are drawn and possible recommendations are forwarded.

4.1 Summary of the Major Findings

On this part majority of the findings summarized those data are taken from the respondents answers and the marketing manager response summarized the majority of finding under listed.

- Majority of the respondent was male which was 68.5 % of them
- As the data indicated that most of the respondents were under the age of 31 and 40 which 54.1% of them.
- Majority of the respondents were high school completed and diploma holders which was 37.6% and 33.8% respectively.
- 77.5% of the respondents were worked on the private organization.
- Majority of the respondent said that the durability of the product that made them buy the company's product which was 77.5% of them.
- Majority of the respondent were satisfied by men's leather garment which is 66% of them.
- Majority of the respondent said that the company products price was very high which was 61.3%.
- 39.5% of the respondent prefers the company products by its attractiveness of the product design.
- 45.2% of the respondent medium evaluates the company product with respondents need or preference.
- 47.6% of the respondent medium evaluates the availability of variety size of the products.

- The finished quality by comparing with other competitors medially evaluated which 57.2%.
- For the product development and for modifying the existing product responded need durability of the product which 47.6% of them.
- The product of the company has on problem for which 58.1% of them, for the expensiveness of the products among those 69.4% of them and they had seen improvements after complain.
- Majority of the respondent (33.9%) of them when they thinking of the company product the higher quality of the product come in their mind.
- Majority of the respondent (41.9%) of them evaluate goodly the interior design of the product.
- 45% of the respondents replied that the company didn't consider seasonal fluctuation when producing leather garment.
- 66.2% of the respondent believed that the company offering customer oriented products.

4.2 Conclusions

- As the summarized data shows that the company product proffered by males the females in addition the products were proffered by medium aged persons.
- The company products were durable, attractive for the customer that is why the customers bought them even if they were cost.
- Among the products of the company men's leather garment satisfied by the customers. But the products are a problems like availability of variety size, and didn't produce with customers need and preference
- For the product development and for modifying the existing product the company concentrates on the durability of them.
- For the expensiveness of the company products the company improve it after the complain of the customers.
- Most consumers believe that ELICO produces quality leather but, they are not satisfied with products design, and color choice.

4.3 Recommendations

The main purpose of this study is to evaluate the product development of ELICO-LGGU. Based on this study finding the student researcher suggests the following recommendations to improve the product development activity of the company.

- The company should improve its complaints handling system and should take immediate action for the complaints made by customers.
- The company should follow the formal product development stage when developing and improving the products.
- ELICO should make relations with countries who can supply cheap man power for foreign countries in order to give training opportunities for its designer one to improve its man power skill.
- The company should give concentration for the modification of the products for the Whole society members.
- The company should produce with the needs and preferences of the customers. In addition to this produce with the availability of variety size.
- The company should perform effective marketing research to get the preference of the customer this makes the product development activity effective.
- The company should modifying and developing its products by considering durability of the products and comparing with the competitors.

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Appendix - A
St Mary's University College
Faculty of Business
Department of Marketing Management
Questioner to be failed by customer of ELCO-LGGU

Dear respondents

This questioner is prepared by prospective graduate student researcher of year 2013 in the field of Marketing Management for the partial fulfillment of a senior essay. The main objective of this question is to assess the new product development practice of ELCO-LGGU. To identify problem related to product development of the company.

You are requested to fill this question are honesty with due care because the correctness of the answer will have a paramount importance for the research.

Thank you in advance for your cooperation

Remarks

- Writing your name is not necessary
- Put tick marks for your responses in box
- If the question is supposed to be answered to your personal opinion write shortly on the space provided.

I. General Information

1. Sex

a. Male

b. Female

2. Age

a. 18-30

c. 31-60

b. 31-50

d. Other

4. Do you think that ELICO-LGGU offers its products in the way that meets your preference with below mentioned factors?

	V.High	High	Medium	Low	V.Low
a. Reasonable price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Attractiveness of design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Durability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Variety size	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Meeting your need (preference)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. If you have used other company's product, how you compare it with the finishing quality of ELICO-LGGU product?

a. Very high c. Medium

b. High d. Low e. Very low

6. What do you want from the company to incorporate for you on the product development of modifying existing product?

a. Variety color c. Durability

b. Attractive design d. Variety size

e. Specify of there is other.....

7. Have you ever had any complain on the product of ELICO-LGGU?

a. Yes b. No

8. If you answer "Yes" how do you address it to the above question what were most of your complaints about?

a. Expensive c. No durability

b. Less variety in size and color d. Low quality e. Poor design

9. Have you seen any improvement after your complain?

- a. Yes b. No

10. What comes in your mind when you think of ELICO-LGGU products?

- a. High quality c. Durability
b. Design d. Price
e. Specify if there is other

11. Is ELICO'S Leather garment considering seasonal fluctuation?

- A. Yes B. No

12. How do you evaluate the interior design of ELICO -LGGU products?

- a. Very good c. Medium
b. Good d. Poor

13. How do you rate the company on the using of different promotional tools to promote new product?

- a. Very high c. Medium
b. High d. Low

14. Do you believe the company has been offering customer oriented products?

- a. Yes b. No

15. How often you gave ideas and comments to the company that helps it to develop new products?

- a. Very often b. Often c. sometimes
d. Rare e. Very rare

16. If you have any idea, comment or suggestion that can contribute for the product development phase of the company, please specify in short?

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Appendix -B

St. MARY'S UNIVERSITY COLLEGE

BUSINESS FACULTY

DEPARTMENT OF MARKETING MANAGEMENT

This interview is prepared by the student researcher of St Mary's university college for the partial fulfillment of BA degree on marketing management. This aimed to evaluate the product development process practices. All information will keep confidential and the result of the study will be used only for academic purpose. Believing of that your reliable and honest response will great contribution for the success of the study. Finally the student researcher wants to thank for your kind cooperation.

1. How do you handle customers complain regarding to your product, design quality, color?
2. What strategies does the company implement in order to create new products?
3. Do you think that your company's product meet your customers expectation?
4. How did you collect feedback from your customers about your product
5. How often your company gives training on new product development system and updates your skill?
6. How do you evaluate the capability to your research and design department
In creating new idea heads to new product development?
7. What problems your companies face in developing new product or modifying existing product?

DECLARATION

The under assigned, here by declare that this senior essay is my original work prepared under the guidance of Ato Yalew Gorfu.; All sources of materials used for the manuscript have been duel acknowledged.

Name _____

Signature _____

Place of submission : SMUC

Date of submission _____

ADVISOR'S DECLARATION

This paper has been submitted for examination with my appropriate approval as university college advisor.

Name Yalew Gorfu

Signature _____

Date _____