

## **Why Firms Introduce New Products**

*Most firms will have growth goals, which is one factor that drives firms to introduce new products. But there are other factors/drivers too.*

*Review the following examples and try to identify a range of reasons for firms deciding to introduce new products.*

### **Potential New Product Drivers**

1. A firm that has been the number two in the market for the past few years now plans an aggressive growth strategy in order to become the market leader in the industry.
2. As the cigarette industry is faced with a stagnant market with little prospect of growth, many cigarette firms are now looking to diversify into new types of products.
3. An insurance firm purchases a major computer system that will enable them to introduce many new products that their previous IT system was unable to support.
4. McDonald's originally introduced its breakfast category, because its restaurants were empty until around 11am.
5. A new CEO starts, who has ambitious plans for the firm - he states that the firm should be able to double its profits over the next three years.
6. As some major supermarkets become very dominant in their markets, they often expand into other retailing formats.

### **Student Discussion Questions**

1. Review the above list of examples. Identify a range of factors/drivers that influence firms to introduce new offerings.
2. Which factors, from your list, do you think are the main driving factors?
3. How important do you think new products are to a firm?
4. Would there be factors that influence firms NOT to consider new products? What could some of these factors be?