

## C260078 : MAJOR ECONOMICS  
KEY WORD: PRODUCT INNOVATION

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The purposes of this thesis are to study the structure, function and relationship of activities concerning the innovation process, factors influencing success and failure of product innovation, and application of theory of the firm to the innovation process. In this study, innovation process has been classified into 7 stages; basic policy, idea generation, feasibility experiment, product development, production & design, marketing, and repeated innovation.

The finding indicates that an innovation process begins with the firm determining operation targets, identifying appropriate technologies and gathering market informations to generate creative idea of the new product. The new idea will be tested and new technology developed. The prototype will then be developed and begin introducing into the market. When the product was ready to be launched, the firm will educate consumers about the usefulness of product. The product will be constantly developed to make it novel and attractive to consumers.

Factors influencing the success and failure of the new product can be classified into 4 groups; top management, information and communication, marketing and quality and enthusiasm of personnel. Among these groups, marketing is the most influential.

The finding of an application of theory of the firm is, in the short-run, the changing relationship between product and production technologies is a major consideration in determining the firm's decisions and capabilities for innovation to meet changing conditions. In the long-run, the alternatives of factor combinations and products, which the firm will need in future, have been the results of some kinds of innovation at present.