

PRINCIPLES OF  
**Marketing**

## **Chapter Nine**

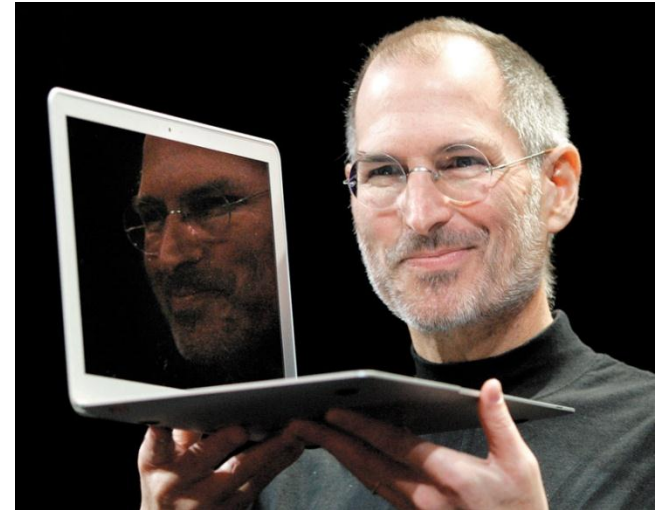
### **New-Product Development and Product Life-Cycle Strategies**



# New-Product Development and Product Life-Cycle Strategies

## Topic Outline

- New-Product Development Strategy
- New-Product Development Process
- Managing New-Product Development
- Product Life-Cycle Strategies
- Additional Product and Service Considerations



# New-Product Development Strategy

## Two ways to obtain new products

**Acquisition** refers to the buying of a whole company, a patent, or a license to produce someone else's product

**New product development** refers to original products, product improvements, product modifications, and new brands developed from the firm's own research and development



# New-Product Development

## Reasons for new product failure

**Overestimation of market size**

**Poor design**

**Incorrect positioning**

**Wrong timing**

**Priced too high**

**Ineffective promotion**

**Management influence**

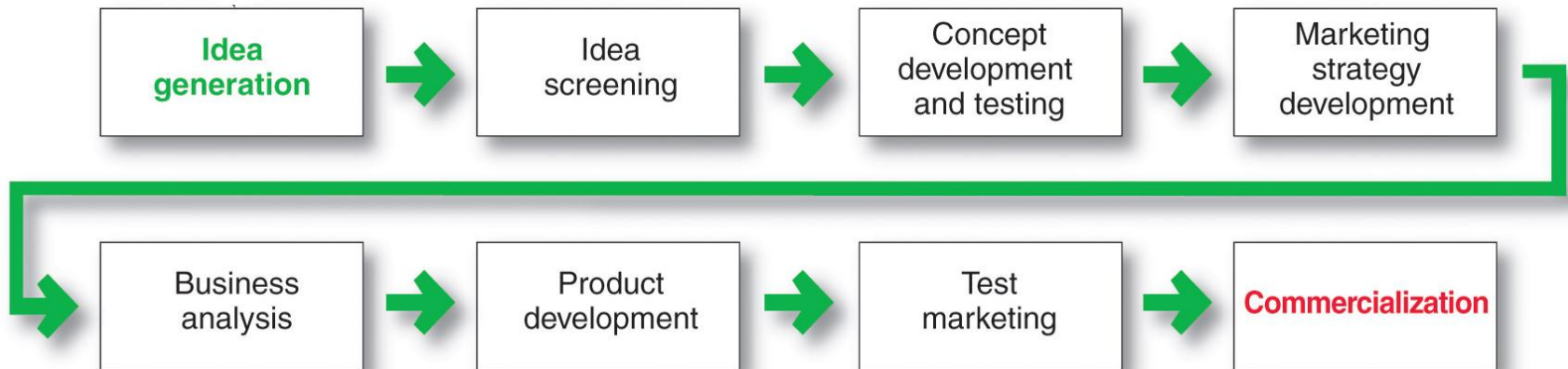
**High development costs**

**Competition**



# New-Product Development Process

## Major Stages in New-Product Development



# New-Product Development Process

## Idea Generation

**Idea generation** is the systematic search for new-product ideas

Sources of new-product ideas

- Internal
- External



# New-Product Development Process

## Idea Generation

**Internal sources** refer to the company's own formal research and development, management and staff, and intrapreneurial programs

**External sources** refer to sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms



# New-Product Development Process

## Idea Screening

- Identify good ideas and drop poor ideas
- R-W-W Screening Framework:
  - Is it real?
  - Can we win?
  - Is it worth doing?





# New-Product Development Process

## Concept Development and Testing

**Product idea** is an idea for a possible product that the company can see itself offering to the market

**Product concept** is a detailed version of the idea stated in meaningful consumer terms

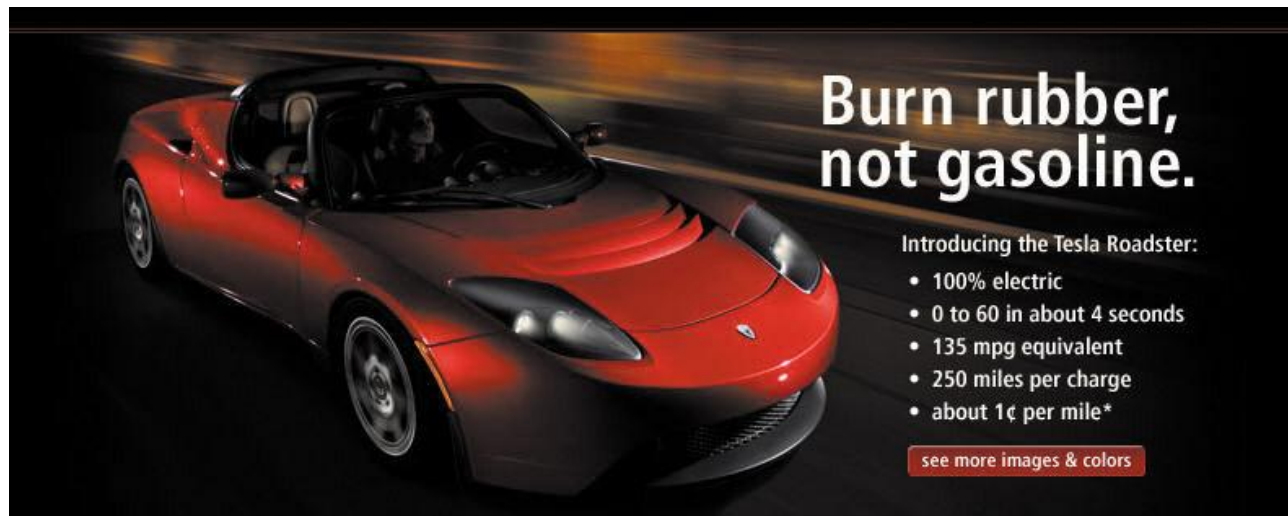
**Product image** is the way consumers perceive an actual or potential product



# New-Product Development Process

## Concept Development and Testing

Concept testing refers to testing new-product concepts with groups of target consumers



**Burn rubber,  
not gasoline.**

Introducing the Tesla Roadster:

- 100% electric
- 0 to 60 in about 4 seconds
- 135 mpg equivalent
- 250 miles per charge
- about 1¢ per mile\*

[see more images & colors](#)



# New-Product Development Process

## Marketing Strategy Development

- Marketing strategy development refers to the initial marketing strategy for introducing the product to the market
- Marketing strategy statement includes:
  - Description of the target market
  - Value proposition
  - Sales and profit goals



# New-Product Development Process

## Marketing Strategy Development

**Business analysis** involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives



# New-Product Development Process

## Marketing Strategy Development



- Product development** involves the creation and testing of one or more physical versions by the R&D or engineering departments
- Requires an increase in investment



# New-Product Development Process

## Marketing Strategy Development



**Test marketing** is the stage at which the product and marketing program are introduced into more realistic marketing settings

Provides the marketer with experience in testing the product and entire marketing program before full introduction



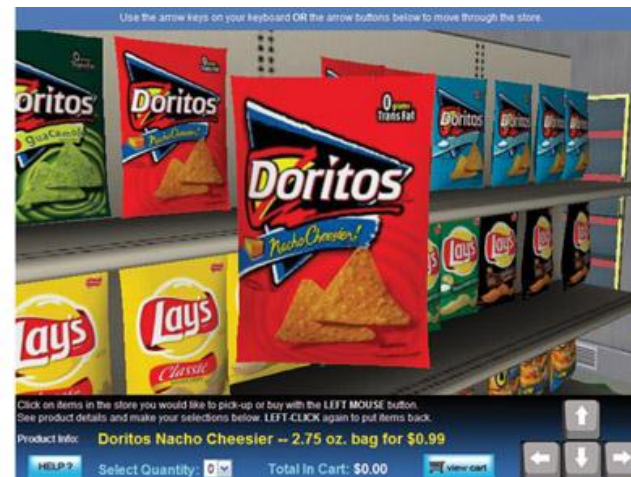
# New-Product Development Process

## Types of Test Markets

Standard test markets

Controlled test markets

Simulated test markets



# New-Product Development Process

## Marketing Strategy Development

- Advantages of simulated test markets
  - Less expensive than other test methods
  - Faster
  - Restricts access by competitors
- Disadvantages
  - Not considered as reliable and accurate due to the controlled setting





# New-Product Development Process

## Marketing Strategy Development

### When firms test market

- New product with large investment
- Uncertainty about product or marketing program

### When firms may not test market

- Simple line extension
- Copy of competitor product
- Low costs
- Management confidence



# New-Product Development Process

## Marketing Strategy Development

Commercialization is the introduction of the new product

- When to launch
- Where to launch
- Planned market rollout



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# Managing New-Product Development

Successful new-product development should be:

- Customer centered
- Team centered
- Systematic



# Managing New-Product Development

## New-Product Development Strategies

- Customer-centered new product development** focuses on finding new ways to solve customer problems and create more customer satisfying experiences
- Begins and ends with solving customer problems



# Managing New-Product Development

## New-Product Development Strategies

**Sequential new-product development** is a development approach where company departments work closely together individually to complete each stage of the process before passing it along to the next department or stage

- Increased control in risky or complex projects
- Slow



# Managing New-Product Development

## New-Product Development Strategies

**Team-based new-product development** is a development approach where company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness



# Managing New-Product Development

## New-Product Development Strategies

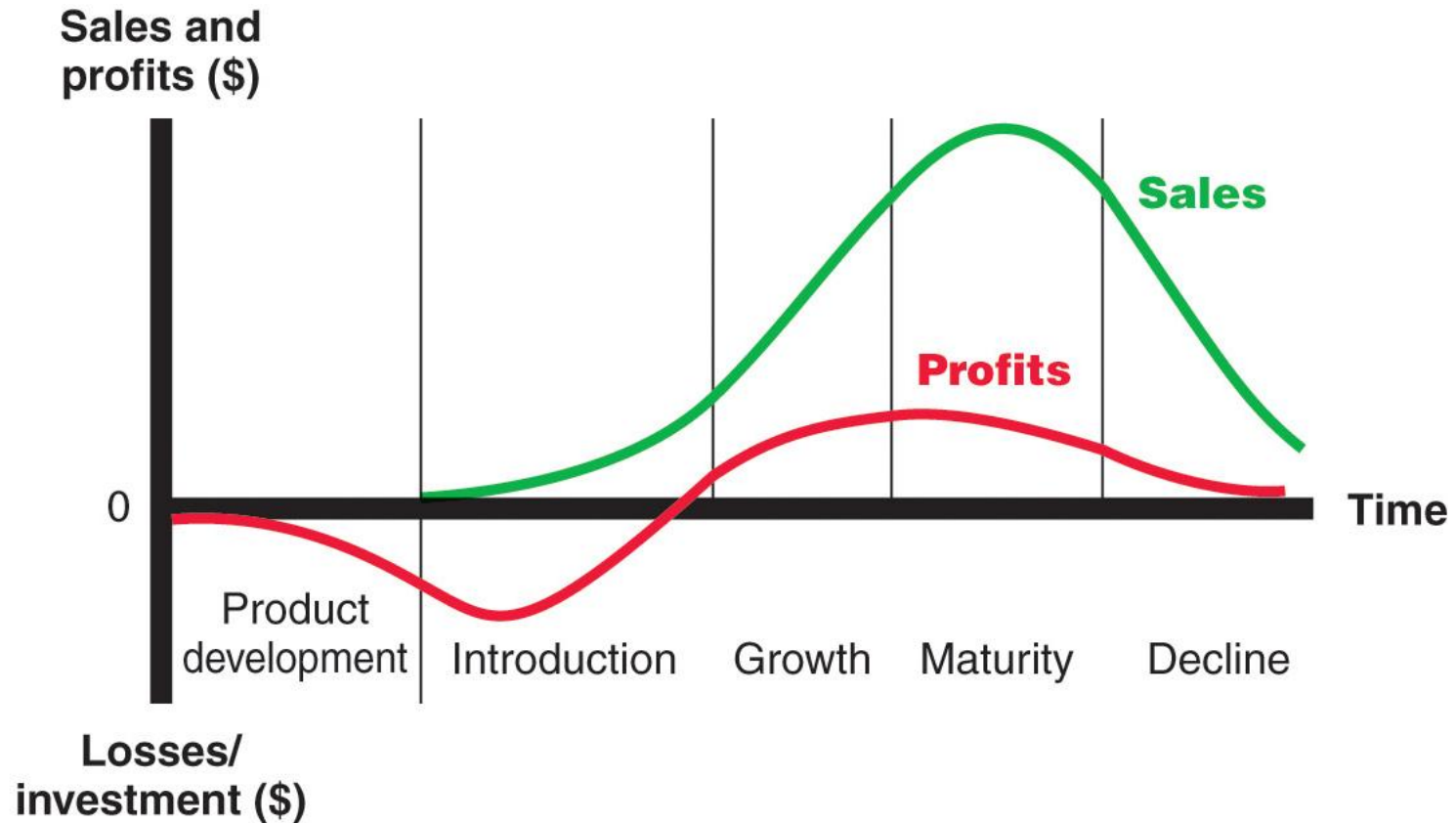
**Systematic new-product development** is an innovative development approach that collects, reviews, evaluates, and manages new-product ideas

- Creates an innovation-oriented culture
- Yields a large number of new-product ideas



# Product Life-Cycle Strategies

## Product Life Cycle





# Product Life-Cycle Strategies

- Product development
  - Sales are zero and investment costs mount
- Introduction
  - Slow sales growth and profits are nonexistent
- Growth
  - Rapid market acceptance and increasing profits.
- Maturity
  - Slowdown in sales growth and profits level off or decline
- Decline
  - Sales fall off and profits drop

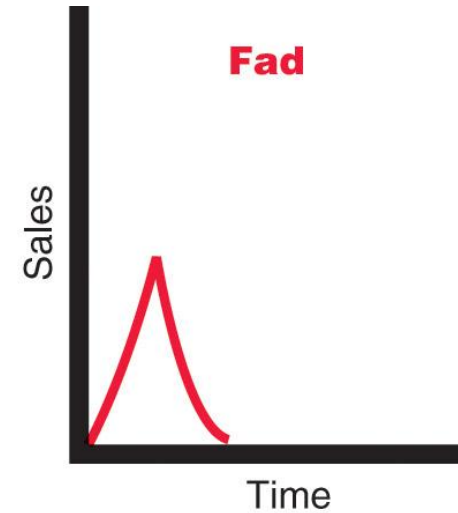
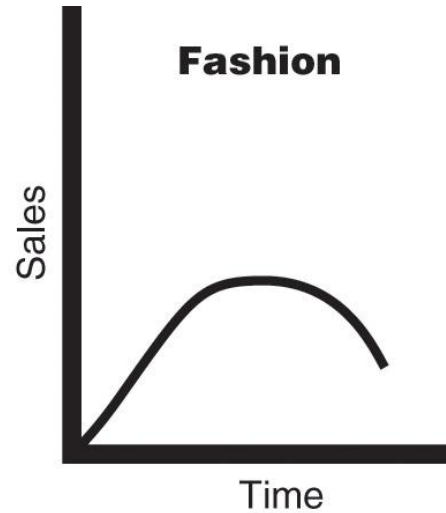
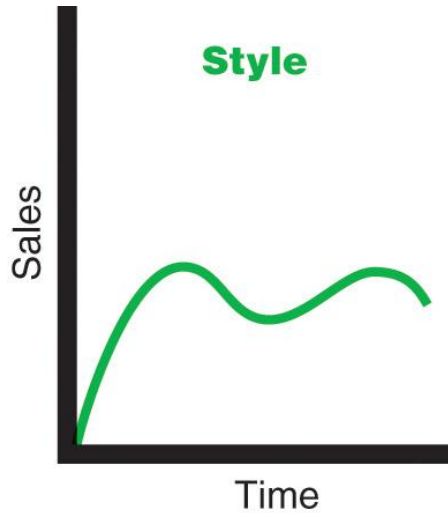


# Product Life-Cycle Strategies

**Fads** are temporary periods of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity



# Product Life-Cycle Strategies



# Product Life-Cycle Strategies

## Introduction Stage

- Slow sales growth
- Little or no profit
- High distribution and promotion expense



# Product Life-Cycle Strategies

## Growth Stage

- Sales increase
- New competitors enter the market
- Price stability or decline to increase volume
- Consumer education
- Profits increase
- Promotion and manufacturing costs gain economies of scale



# Product Life-Cycle Strategies

## Maturity Stage

- Slowdown in sales
- Many suppliers
- Substitute products
- Overcapacity leads to competition
- Increased promotion and R&D to support sales and profits



# Product Life-Cycle Strategies

## Maturity Stage Modifying Strategies

- Market modifying
- Product modifying
- Marketing mix modifying

The screenshot shows the GLAD Press'n Seal website. At the top, there's a navigation bar with 'Home | Search | Tip Guidelines | Official Rules | Tell a Friend'. The main heading is '1000s of Uses. What's yours?™'. Below this is a 'How to get started:' section with three numbered steps: 1. Have a Look (Explore all of the creative ways people are using GLAD® Press'n Seal® wrap.), 2. Leave a Tip (Grab a sheet from the upper right corner and stick it on the place you use it.), and 3. Try your Luck (You can enter once a day for a shot at our \$1,000 monthly drawing.). To the right of the text is a photo of a kitchen with yellow balloons. A 'Tip 'n Win' badge in the top right corner says 'Enter here for a chance to WIN \$1000' and 'PULL & DRAG TO LEAVE A TIP'. Below the photo is a 'Thousands of uses' section with a search bar and a list of categories: INDOORS (Kitchen, Living Room, Dining Room, Garage/Work Room, Office, Bathroom, Bedroom, Kid's Stuff), OUTDOORS (Patio/BBQ, Pool/Play Area, Garden, Park, Pets), ON THE GO (Travel, Camping, Boat/Beach, Sports), and SPECIAL OCCASIONS (Entertaining, Holidays, Home Remodeling, Arts & Crafts). At the bottom, there's a 'Monthly Winners' section with names and dates for January, February, and March.



# Product Life-Cycle Strategies

## Decline Stage

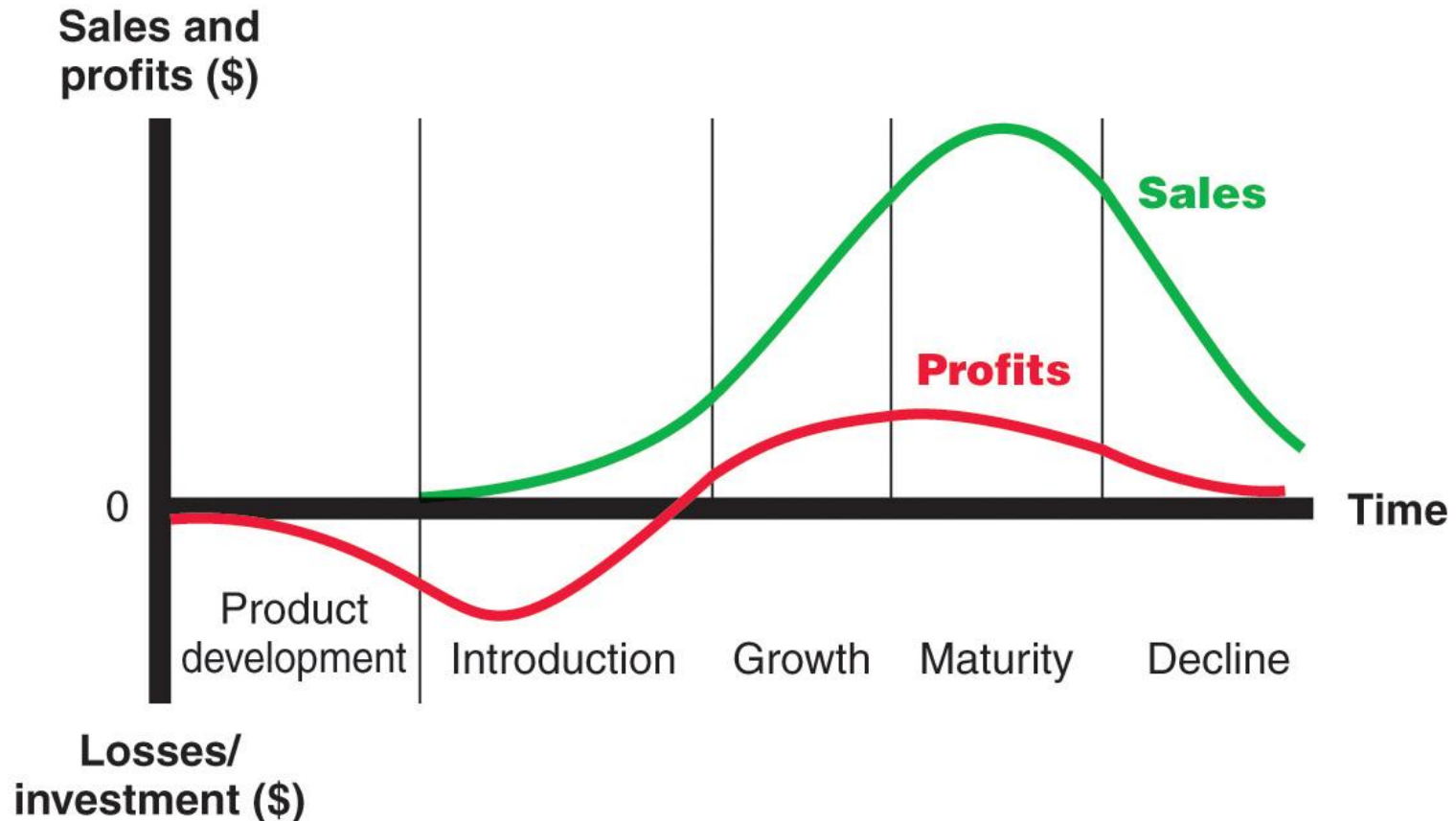
- Maintain the product
- Harvest the product
- Drop the product





# Product Life-Cycle Strategies

## Summary of Product Life Cycle



# Additional Product and Service Considerations

## Product Decisions and Social Responsibility

Public policy and regulations regarding developing and dropping products, patents, quality, and safety



# Additional Product and Service Considerations

## International Product and Service Marketing—Challenges



- Determining what products and services to introduce in which countries
- Standardization versus customization
- Packaging and labeling
- Customs, values, laws





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