



Chapter 9

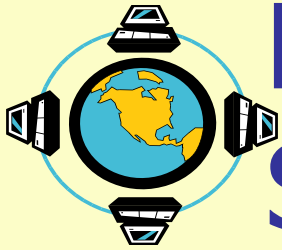
New-Product Development and Product Life-Cycle Strategies



Definition

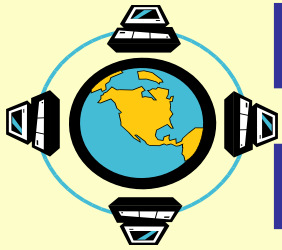
✚ New Product Development

- Development of original products, product improvements, product modifications, and new brands through the firm's own R & D efforts.

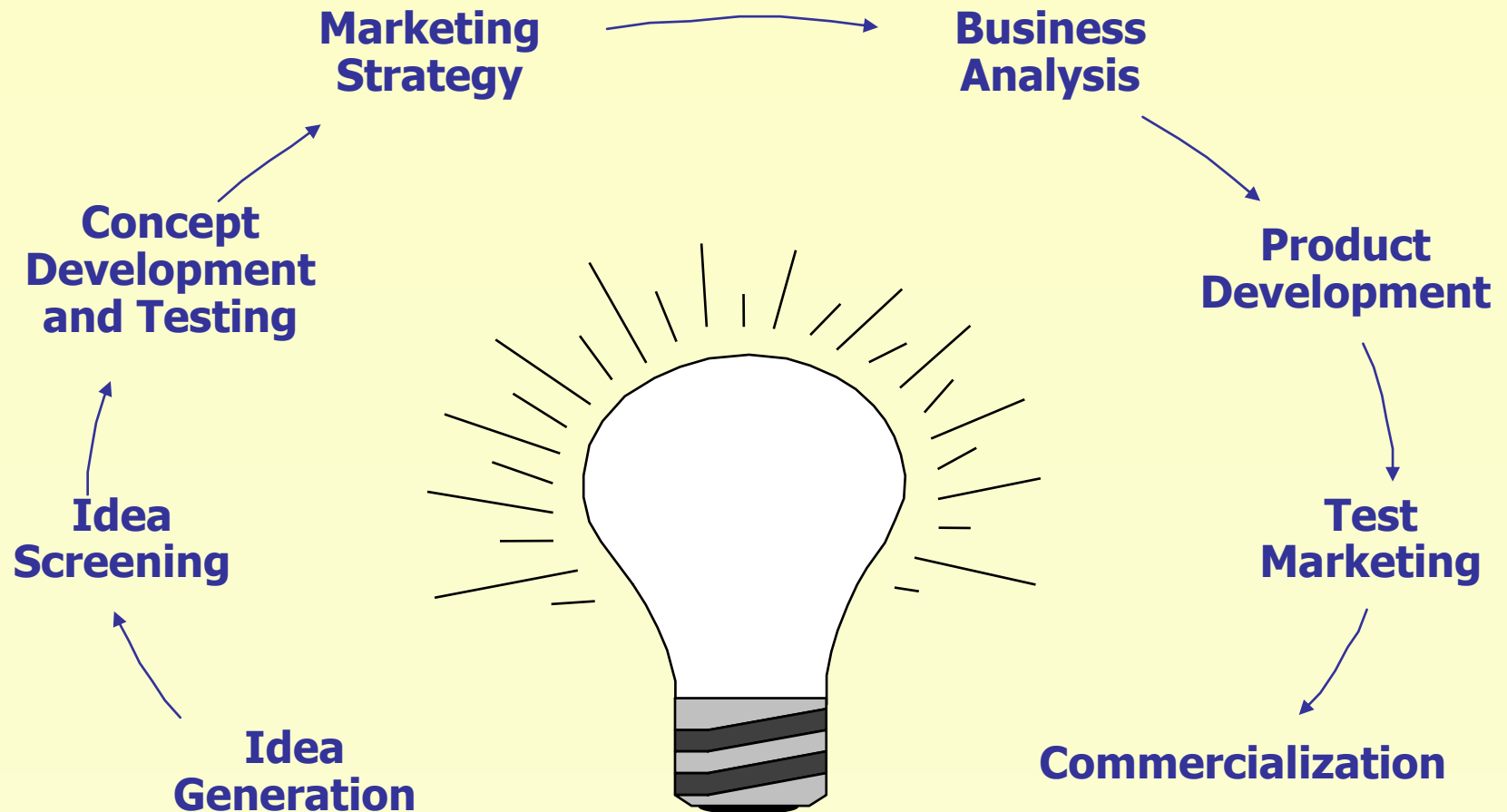


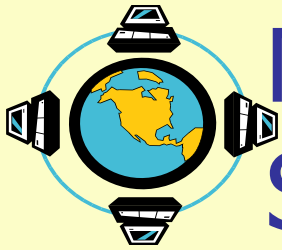
New Product Development Strategy

- ✦ New products can be obtained via acquisition or development.
- ✦ New products suffer from high failure rates.
- ✦ Several reasons account for failure.



Major Stages in New-Product Development





New Product Development Process

Step 1. Idea Generation

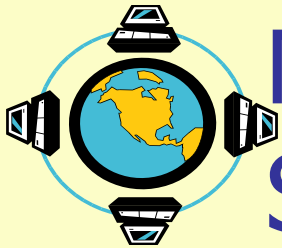
Idea Generation is the Systematic Search for New Product Ideas Obtained Internally From Employees and Also From:

Customers

Competitors

Distributors

Suppliers



New Product Development Process

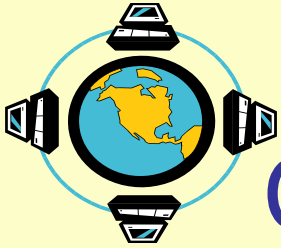
Step 2. Idea Screening

- Product development costs increase substantially in later stages so poor ideas must be dropped
- Ideas are evaluated against criteria; most are eliminated
- + Process to spot good ideas and drop poor ones as soon as possible.



Concept Development

- ✚ Turning an idea to concept calls for asking several questions:
 - Who will use the product? Infants, children, teenagers, young or middle-aged adults, or older adults.
 - What primary benefit should this product offer? Taste, nutrition, refreshment, energy.
 - When will people consume this drink? Breakfast, midmorning, lunch, mid-afternoon, dinner, late evening?



Concept Development

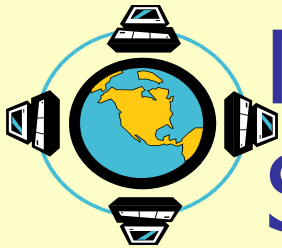
- ✚ Develop several concepts:
 - Concept 1: An instant breakfast drink for adults who want a quick nutritious breakfast without preparation
 - Concept 2: A tasty snack drink for children to drink as a midday refreshment.
 - Concept 3: A health supplement for older adults to drink in the late evening before they to to bed.



Concept Testing

Testing new-product with a group of target consumers to find out if the concepts have strong consumer appeal.

- May be presented to consumers symbolically or physically, or a word or picture description.



New Product Development Process

Step 4. Marketing Strategy

Part One Describes Overall:

- Target Market
- Planned Product Positioning
- Sales & Profit Goals
- Market Share

Part Two Describes First-Year:

- Product's Planned Price
- Distribution
- Marketing Budget

Part Three Describes Long-Term:

- Long run Sales & Profit Goals
- Marketing Mix Strategy



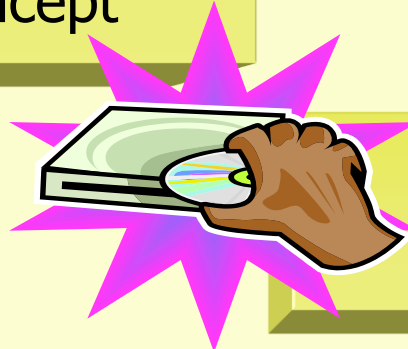
Step 5. Business Analysis

Step 6. Product Development

Business Analysis

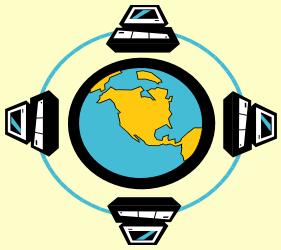
Review of Product Sales, Costs,
and Profits Projections to See if
They Meet Company Objectives

If No, Eliminate
Product Concept



If Yes, Move to
Product Development





New Product Development Process

Step 7. Test Marketing

Standard Test Market

Full marketing campaign
in a small number of
representative cities.

Controlled Test Market

A few stores that have
agreed to carry new
products for a fee.

Simulated Test Market

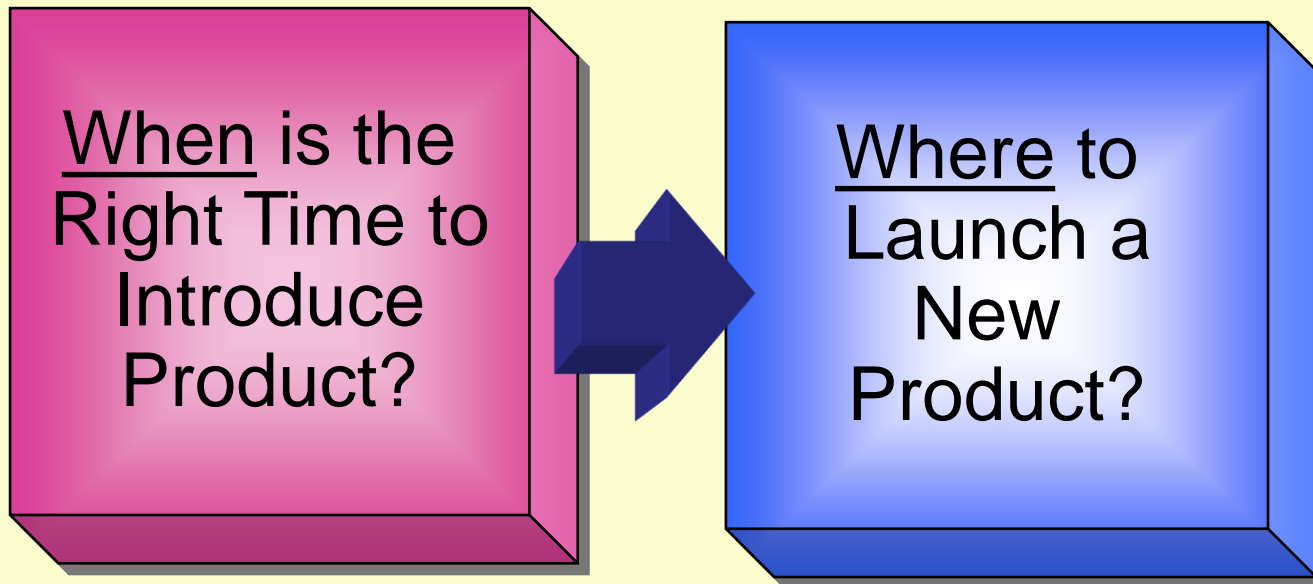
Test in a simulated
shopping environment
to a sample of
consumers.

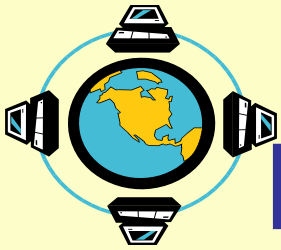


New Product Development Process

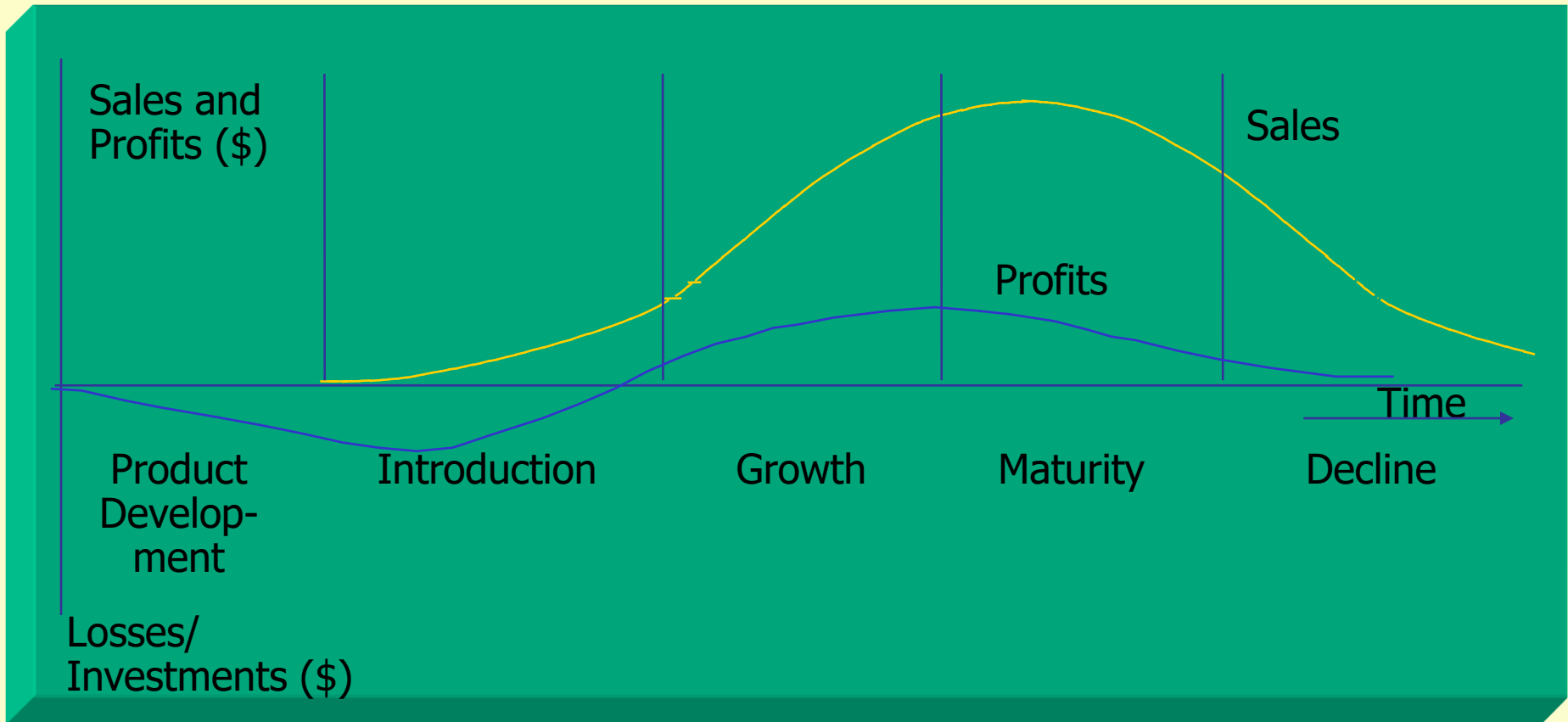
Step 8. Commercialization

Commercialization is the Introduction of the New Product into the Marketplace.

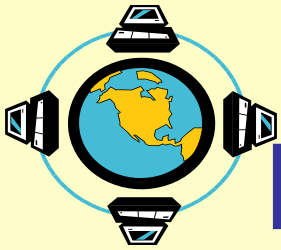




Product Life Cycle (page 236)



Sales and Profits Over the Product's Life From Inception to Demise



Product Life-Cycle Strategies

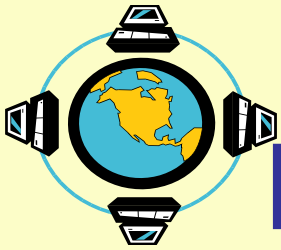
- ✚ The Product Life Cycle (PLC) has Five Stages
 - Product Development, Introduction, Growth, Maturity, Decline
 - Not all products follow this cycle:
 - Fads
 - Styles
 - Fashions



Styles, fashions, and fads.

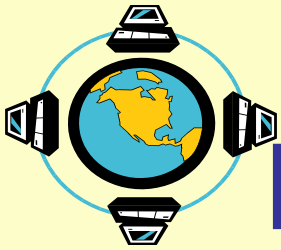
The PLC concept can be applied to what are known as styles, fashions, and fads.

- Style: A basic and distinctive mode of expressions.
 - Style appears in cloths (formal or casual), in arts (realist or abstract)
 - Once style is invented, it lasts for generations, passing in and out of vogue.
- Fashion: A currently accepted or popular style in a given field
 - Fashion tends to grow slowly, remain popular for a while and decline slowly. "Business casuals" of today.
- Fad: A fashion that enters quickly, is adopted with great zeal, peaks early, and declines very quickly



Product Life-Cycle Strategies

- ✚ The product life cycle concept can be applied to a:
 - Product class (soft drinks)
 - Product form (diet colas)
 - Brand (Diet Dr. Pepper)
 - Using the PLC to forecast brand performance or to develop marketing strategies is problematic markets

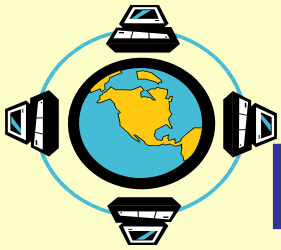


Product Life-Cycle Strategies

PLC Stages

- + *Product development*
- + *Introduction*
- + *Growth*
- + *Maturity*
- + *Decline*

- + Begins when the company develops a new-product idea
- + Sales are zero
- + Investment costs are high
- + Profits are negative

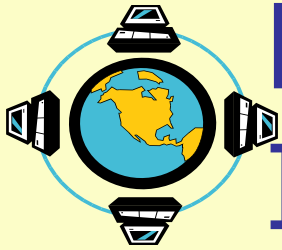


Product Life-Cycle Strategies

PLC Stages

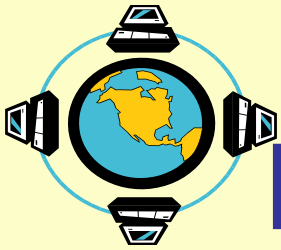
- ✦ *Product development*
- ✦ *Introduction*
- ✦ *Growth*
- ✦ *Maturity*
- ✦ *Decline*

- ✦ Low sales
- ✦ High cost per customer acquired
- ✦ Negative profits
- ✦ Innovators are targeted
- ✦ High promotion cost
- ✦ High cost to attract distributors
- ✦ Little competition



Marketing Strategies: Introduction Stage

- + Product – Offer a basic product
- + Price – Use cost-plus basis to set
- + Distribution – Build selective distribution
- + Advertising – Build awareness among early adopters and dealers/resellers
- + Sales Promotion – Heavy expenditures to create trial

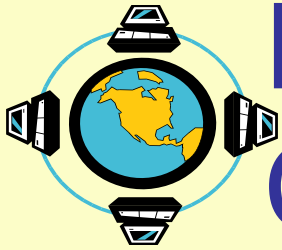


Product Life-Cycle Strategies

PLC Stages

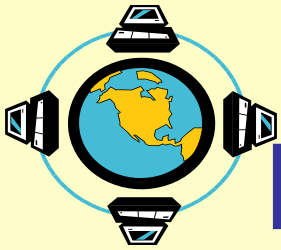
- + *Product development*
- + *Introduction*
- + *Growth*
- + *Maturity*
- + *Decline*

- + Rapidly rising sales
- + Average cost per customer
- + Rising profits
- + Early adopters are targeted
- + Growing competition



Marketing Strategies: Growth Stage

- ✦ Product – Offer product extensions, service, warranty
- ✦ Price – Penetration pricing (setting low price to attract customers)
- ✦ Distribution – Build intensive distribution (stock in as many outlet possible)
- ✦ Advertising – Build awareness and interest in the mass market
- ✦ Sales Promotion – Reduce expenditures to take advantage of consumer demand

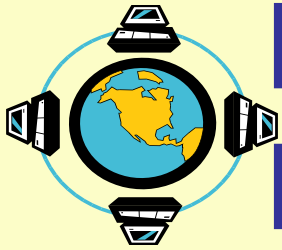


Product Life-Cycle Strategies

PLC Stages

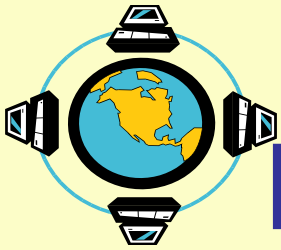
- + *Product development*
- + *Introduction*
- + *Growth*
- + *Maturity*
- + *Decline*

- + Sales peak
- + Low cost per customer
- + High profits
- + Middle majority are targeted
- + Competition begins to decline



Marketing Strategies: Maturity Stage

- + Product – Diversify brand and models
- + Price – Set to match or beat competition
- + Distribution – Build more intensive distribution
- + Advertising – Stress brand differences and benefits
- + Sales Promotion – Increase to encourage brand switching

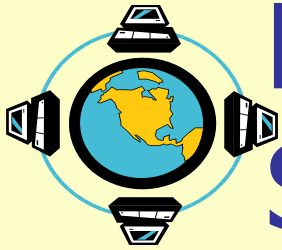


Product Life-Cycle Strategies

PLC Stages

- + *Product development*
- + *Introduction*
- + *Growth*
- + *Maturity*
- + *Decline*

- + Declining sales
- + Low cost per customer
- + Declining profits
- + Laggards are targeted
- + Declining competition



Marketing Strategies: Decline Stage

- + Product – Phase out weak items
- + Price – Cut price
- + Distribution – Use selective distribution: phase out unprofitable outlets
- + Advertising – Reduce to level needed to retain hard-core loyalists
- + Sales Promotion – Reduce to minimal level