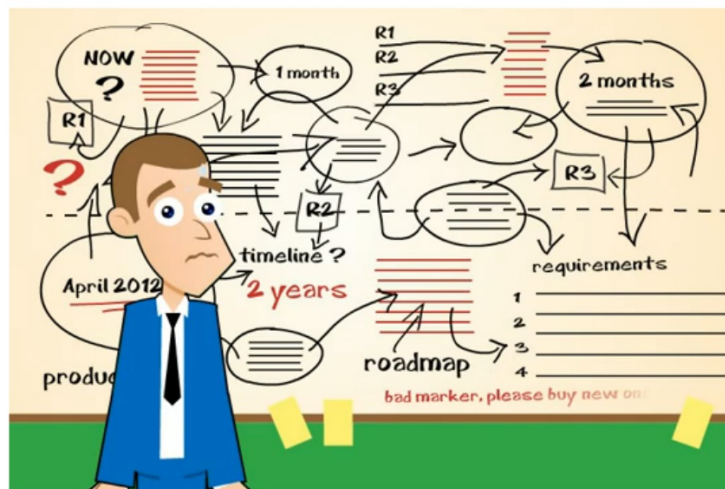


# New Product Development

What are some of the newest products you have seen recently?



## Strategies for Obtaining New-Product Ideas

Acquired  
Companies

Acquired  
Patents

Acquired  
Licenses

Original  
Products

Product  
Improvements

Product  
Modifications

# *Causes of New-Product Failures*

- ❖ One study estimated that as many as 80% of new consumer packaged products fail.
- ❖ Only about 40% of new consumer products are around 5 years after introduction.

- ❖ Why?

- ❖ Overestimation of market size,
- ❖ Product design problems,
- ❖ Product incorrectly positioned, priced, or advertised,
- ❖ Product may have been pushed despite poor marketing research findings,
- ❖ Costs of product development, or
- ❖ Competitive actions.

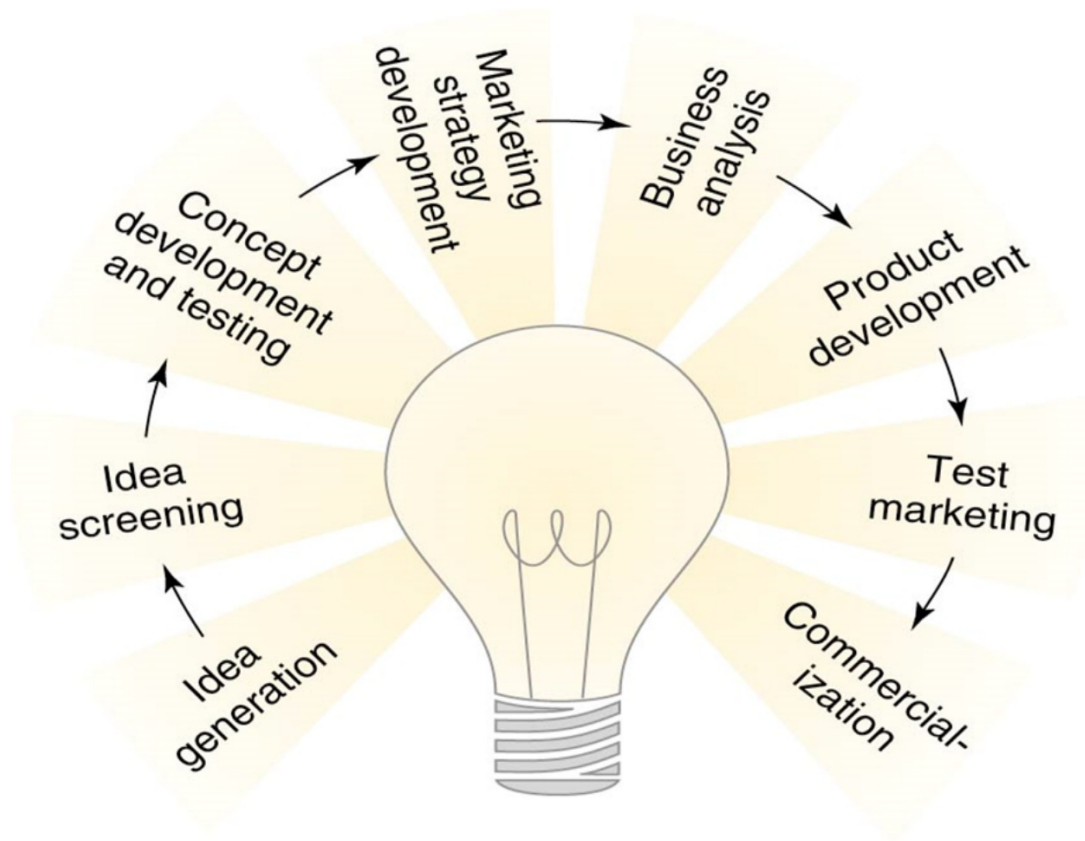


# Improving New-Product Success

- ✦ New-product success depends on having a:
  - ✦ *Unique superior product* (one with higher quality, features, and value in use), and a
  - ✦ *Well-defined product concept* (a defined target market, product requirements, and benefits).
- ✦ To create successful new products, the company must:
  - ✦ understand its consumers, markets, and competitors, and
  - ✦ develop products that deliver superior value to customers.

## Major Stages in New-Product Development

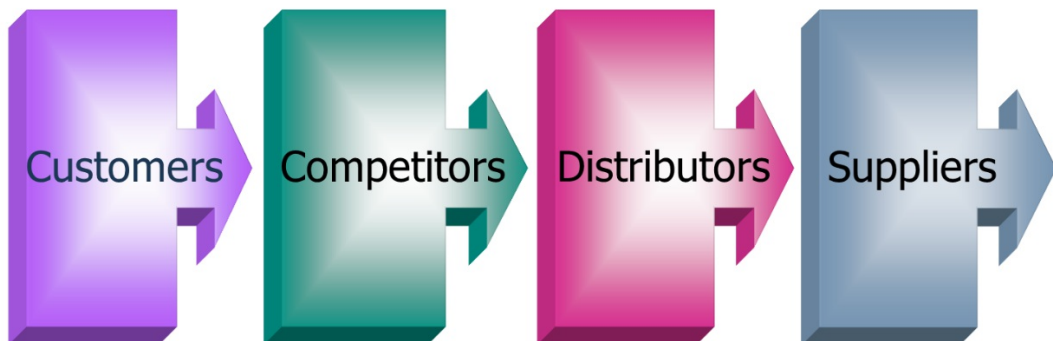
---



# Idea Generation

## *New Product Development Process Step 1. Idea Generation*

Systematic Search for New Product Ideas  
Obtained From Employees and Also From:



## *Idea Screening*

- ✦ Helps spot good ideas and drop poor ones as soon as possible.
- ✦ Many companies have systems for rating and screening ideas which estimate:
  - ✦ Market Size
  - ✦ Product Price
  - ✦ Development Time & Costs
  - ✦ Manufacturing Costs
  - ✦ Rate of Return
- ✦ Then, the idea is evaluated against a set of general company criteria.



## Concept Development

1. Develop New **Product Ideas** into Alternative Detailed **Product Concepts**

**Product Image** is the Way Consumers Perceive an Actual or Potential Product

2. **Concept Testing** - Test the New-Product Concepts with Groups of Target Customers

3. Choose the One That Has the Strongest Appeal to Target Customers



# Marketing Strategy

Part One Describes Overall:  
Target Market  
Planned Product Positioning  
Sales, Market Share, & Profit Goals

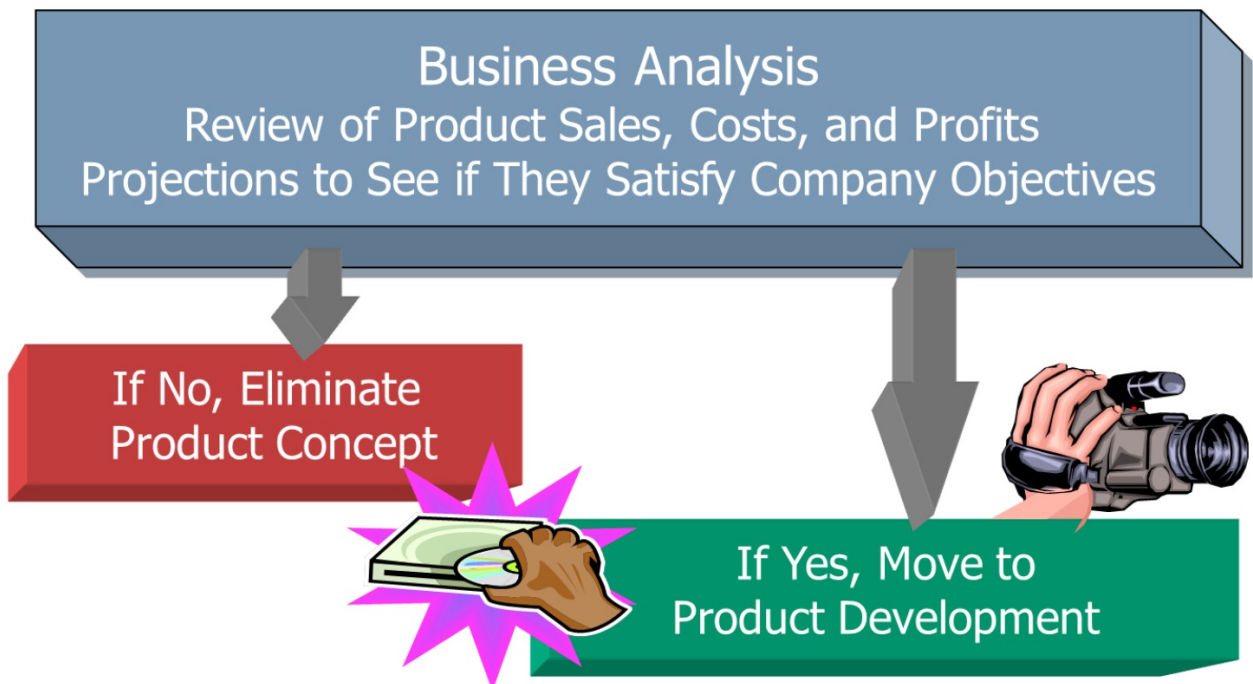
Part Two Describes First-Year:  
Product's Planned Price  
Distribution  
Marketing Budget

Part Three Describes Long-Run:  
Sales & Profit Goals  
Marketing Mix Strategy

## Test Marketing


- ✦ Product and marketing program are introduced into more realistic market settings.
- ✦ Can be very expensive and time consuming.
- ✦ Test the following:
  - ✦ Positioning strategy,
  - ✦ Advertising,
  - ✦ Distribution,
  - ✦ Pricing,
  - ✦ Branding,
  - ✦ Packaging,
  - ✦ Budget levels.

# *Business Analysis & Product Development*



## Commercialization

Introducing the New Product into the Market

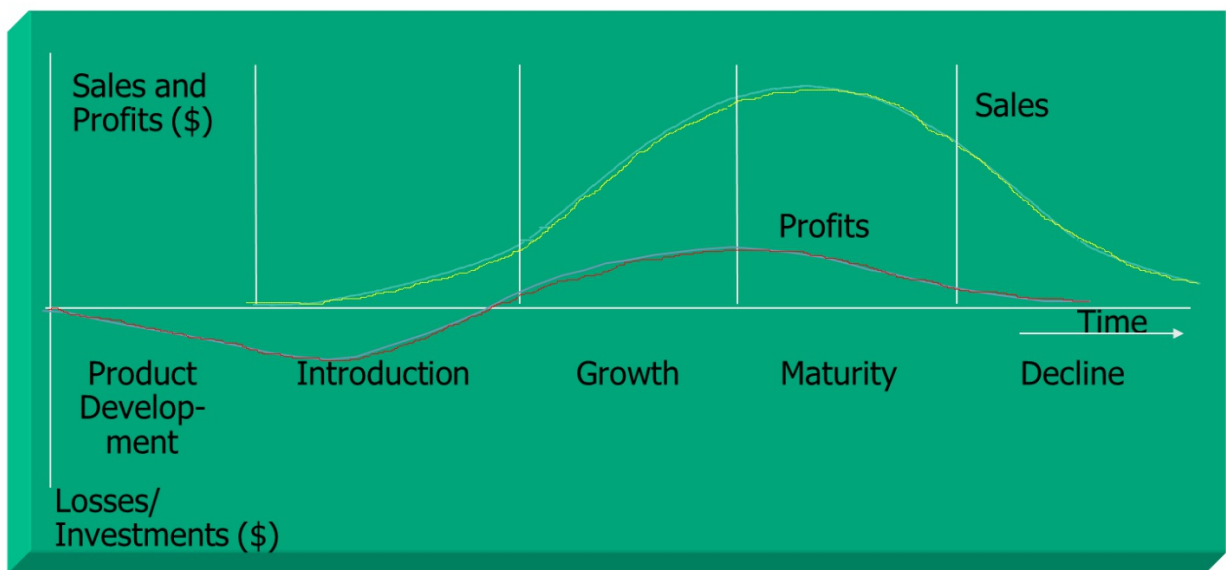


When is the  
Right Time to  
Introduce  
Product?



Where to  
Launch a  
New  
Product?

# *Product Life Cycle*



# *Introduction Stage of the PLC*

## Summary of Characteristics, Objectives, & Strategies

Sales	Low sales
Costs	High cost per customer
Profits	Negative or low
Marketing Objectives	Create product awareness and trial
Product	Offer a basic product
Price	Usually is high
Distribution	High distribution expenses
Advertising	Spending is high to inform consumers

# *Growth Stage of the PLC*

Summary of Characteristics, Objectives, & Strategies

Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objectives	Maximize market share
Product	Offer new product features and models
Price	Remain where they are or fall slightly
Distribution	Increase number of distribution outlets
Advertising	Educating consumers and meeting competition



# *Maturity Stage of the PLC*

## Summary of Characteristics, Objectives, & Strategies

Sales	Begin to slow
Costs	Low cost per customer
Profits	High profits, then lower profits
Marketing Objectives	Maximize profits while defending market share
Product	May modify product
Price	May decline
Distribution	Build more intensive distribution
Advertising	Stress brand differences and benefits

## *Maturity Stage of the PLC*

### **Modifying the Market**

Company tries to increase consumption of the current product

### **Modifying the Product**

Changing characteristics such as quality, features, or styles to attract new users

### **Modifying the Marketing Mix**

Company tries to improve sales by changing one or more marketing mix elements

# *Decline Stage of the PLC*

## Summary of Characteristics, Objectives, & Strategies

Sales	➔	Declining sales
Costs	➔	Low cost per customer
Profits	➔	Declining profits
Marketing Objectives	➔	Reduce expenditure and maintain, harvest, or drop the product
Product	➔	Phase out weak items
Price	➔	Cut price
Distribution	➔	Selective: phase out unprofitable outlets
Advertising	➔	Reduce to level needed to retain hard-core loyal customers