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good for you*

Chapter Nine

New-Product Development and Product Life-Cycle Strategies

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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




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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

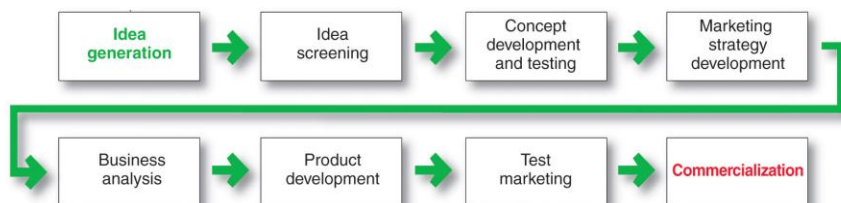


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New-Product Development Process

Major Stages in New-Product Development



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New-Product Development Process

Idea Generation

Idea generation is the systematic search for new-product ideas

Sources of new-product ideas

- Internal
- External



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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



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New-Product Development Process

Crowdsourcing

Inviting broad communities of people—customers, employees, independent scientists and researchers, and even the public at large—into the new-product innovation process.



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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?



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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



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New-Product Development Process

Concept Development and Testing

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



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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



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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



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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
- Shows whether the product idea can be turned into a workable product.



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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

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WHAT I'M UNTHINKING?**



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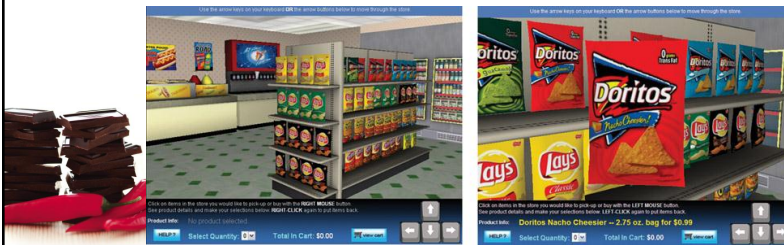
New-Product Development Process

Types of Test Markets

Standard test markets

Controlled test markets

Simulated test markets



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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



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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



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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-based
- Systematic



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Managing New-Product Development

New-Product Development Strategies

Customer-centered new product development new ways to solve customer problems and create more customer satisfying experiences



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Managing New-Product Development

New-Product Development Strategies

Sequential new-product development

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 but may be slow



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Managing New-Product Development

New-Product Development Strategies

Team-based new-product development

Company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness



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Managing New-Product Development

New-Product Development Strategies

Systematic new-product development

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

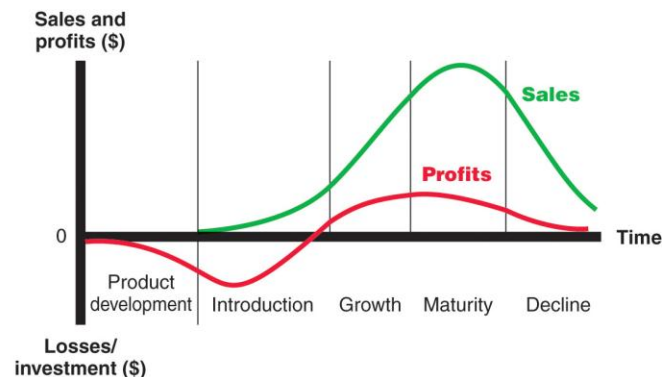


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Product Life-Cycle Strategies

Product Life Cycle



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Product Life-Cycle Strategies

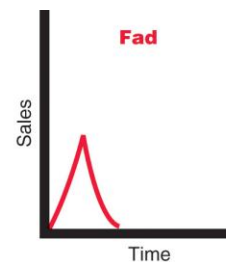
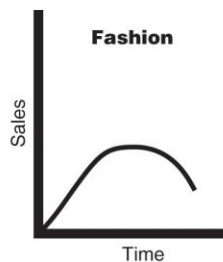
- Product development
 - Sales are zero and investment costs mount
- Introduction
 - Slow sales growth and profits are nonexistent
- Growth
 - Rapid market acceptance and increasing profits.
- Maturity
 - Slowdown in sales growth and profits level off or decline
- Decline
 - Sales fall off and profits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



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Product Life-Cycle Strategies



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Product Life-Cycle Strategies

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



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Product Life-Cycle Strategies

Introduction Stage

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



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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



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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



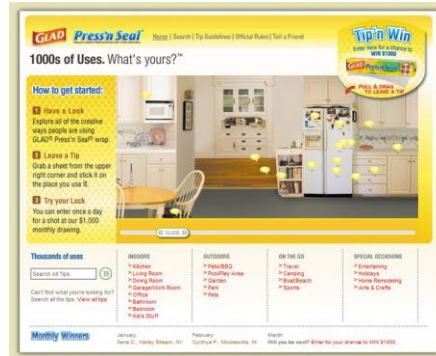
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Product Life-Cycle Strategies

Maturity Stage Modifying Strategies

- Market modifying
- Product modifying
- Marketing mix modifying



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Product Life-Cycle Strategies

Decline Stage

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



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Additional Product and Service Considerations

Product Decisions and Social Responsibility

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



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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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