Chapter 9: New Product Development and Product Life-Cycle Strategies
New Product Development

Learning Objectives

• **Objective 1:** Explain how companies find and develop new product ideas.

• **Objective 2:** List and define the steps in the new product development process and the major considerations in managing this process.
New Product Development

Learning Objectives

• **Objective 3:** Describe the stages of the product life cycle and how marketing strategies change during a product’s life cycle.

• **Objective 4:** Discuss two additional product issues: socially responsible product decisions and international product and services marketing.
Learning Objective 1

• Explain how companies find and develop new product ideas.
New Product Development Strategy

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

Learning Objective 1

• Explain how companies find and develop new product ideas.
Learning Objective 2

• List and define the steps in the new product development process and the major considerations in managing this process.

New Product Development Process
Managing New Product Development
New Product Development Process

Major Stages in New Product Development

Product Ideas

- Idea generation
- Idea screening
- Concept development and testing
- Marketing strategy development
- Business analysis
- Product development
- Test marketing
- Commercialization

FIGURE | 9.1
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.
Crowdsourcing involves inviting broad communities of people—customers, employees, independent scientists and researchers, and even the public at large—into the new product innovation process.
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.
Concept testing refers to testing new product concepts with groups of target consumers.
Marketing strategy development is designing an initial marketing strategy for a new product based on the product concept.

- **Marketing strategy statement** consists of:
  - Target market description
  - Value proposition planned
  - Sales, market-share, and marketing mix
Business analysis is a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company’s objectives.
Product development is developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering.
Test marketing is the stage of new product development in which the product and its proposed marketing program are tested in realistic market settings.
When test marketing is likely

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

When test marketing is unlikely

- Simple line extension
- Copy of competitor product
- Low costs
- Management confidence
Commercialization involves introducing a new product into the market.

- When to launch?
- Where to launch?
- Planned market rollout?
Successful new product development should be:
• Customer centered
• Team based
• Systematic
Customer-centered new product development focuses on finding new ways to solve customer problems and creating more customer-satisfying experiences.
Team-based new product development involves various company departments working closely together, overlapping the steps in the product development process to save time and increase effectiveness.
Managing New Product Development

Systematic New Product Development

• Innovation management system
  • Creates an innovation-oriented company culture
  • Yields a large number of new product ideas

New Product Development in Turbulent Times

• Tempted to reduce spending
• May become less competitive
Learning Objective 2

• List and define the steps in the new product development process and the major considerations in managing this process.

New Product Development Process

Managing New Product Development
New Product Development

Learning Objective 3

• Describe the stages of the product life cycle and how marketing strategies change during a product’s life cycle.

Product Life-Cycle Strategies
Product Life-Cycle Strategies

FIGURE 9.2

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Product Life-Cycle Strategies

• Product development
  • Zero sales and increasing investment costs
• Introduction
  • Slow sales and nonexistent profits
• Growth
  • Rapid market acceptance and increasing profits
• Maturity
  • Slow sales growth and profits level off or decline
• Decline
  • Sales fall off and profits drop
Product Life-Cycle Strategies

FIGURE | 9.3
Product Life-Cycle Strategies

Introduction Stage

• Slow sales growth
• Little or no profit
• High distribution and promotion expenses
Product Life-Cycle Strategies

Growth Stage

• Sales increase
• New competitors enter the market
• Profits increase
• Economies of scale
• Consumer education
• Lowering prices to attract more buyers
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

Modification Strategies

• Modify the market
• Modify the product
• Modify the marketing mix
Product Life-Cycle Strategies

Decline Stage

• Maintain the product
• Harvest the product
• Drop the product
### Table 9.2 – Part 1

#### Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Low sales</td>
<td>Rapidly rising sales</td>
<td>Peak sales</td>
<td>Declining sales</td>
</tr>
<tr>
<td>Costs</td>
<td>High cost per customer</td>
<td>Average cost per customer</td>
<td>Low cost per customer</td>
<td>Low cost per customer</td>
</tr>
<tr>
<td>Profits</td>
<td>Negative</td>
<td>Rising profits</td>
<td>High profits</td>
<td>Declining profits</td>
</tr>
<tr>
<td>Customers</td>
<td>Innovators</td>
<td>Early adopters</td>
<td>Mainstream adopters</td>
<td>Lagging adopters</td>
</tr>
<tr>
<td>Competitors</td>
<td>Few</td>
<td>Growing number</td>
<td>Stable number beginning to decline</td>
<td>Declining number</td>
</tr>
<tr>
<td>Marketing objectives</td>
<td>Create product engagement and trial</td>
<td>Maximize market share</td>
<td>Maximize profit while defending market share</td>
<td>Reduce expenditure and milk the brand</td>
</tr>
</tbody>
</table>
Table 9.2 – Part 2

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Offer a basic product</td>
<td>Offer product extensions, service, and warranty</td>
<td>Diversify brand and models</td>
<td>Phase out weak items</td>
</tr>
<tr>
<td>Price</td>
<td>Use cost-plus</td>
<td>Price to penetrate market</td>
<td>Price to match or beat competitors</td>
<td>Cut price</td>
</tr>
<tr>
<td>Distribution</td>
<td>Build selective distribution</td>
<td>Build intensive distribution</td>
<td>Build more intensive distribution</td>
<td>Go selective: phase out unprofitable outlets</td>
</tr>
<tr>
<td>Advertising</td>
<td>Build product awareness among early adopters and dealers</td>
<td>Build engagement and interest in the mass market</td>
<td>Stress brand differences and benefits</td>
<td>Reduce to level needed to retain hard-core loyals</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>Use heavy sales promotion to entice trial</td>
<td>Reduce to take advantage of heavy consumer demand</td>
<td>Increase to encourage brand switching</td>
<td>Reduce to minimal level</td>
</tr>
</tbody>
</table>
New Product Development
Learning Objective 3

• Describe the stages of the product life cycle and how marketing strategies change during a product’s life cycle.

Product Life-Cycle Strategies
• Product development
• Introduction
• Growth
• Maturity
• Decline
New Product Development

Learning Objective 4

• Discuss two additional product issues: socially responsible product decisions and international product and services marketing.

Additional Product and Service Considerations
Additional Product and Service Considerations

Product Decisions and Social Responsibility

Public policy and regulations regarding developing and dropping products, patents, quality, safety, and product warranties should be considered carefully.
Additional Product and Service Considerations

International Product and Service Marketing

• Determining what products and services to introduce in which countries
• Standardization versus customization
• Packaging and labeling
• Customs, values, laws
New Product Development

Learning Objective 4

• Discuss two additional product issues: socially responsible product decisions and international product and services marketing.

Additional Product and Service Considerations

• Product Decisions
• Public policy and regulations
• Social responsibility
• Products and services