

Product Launch course

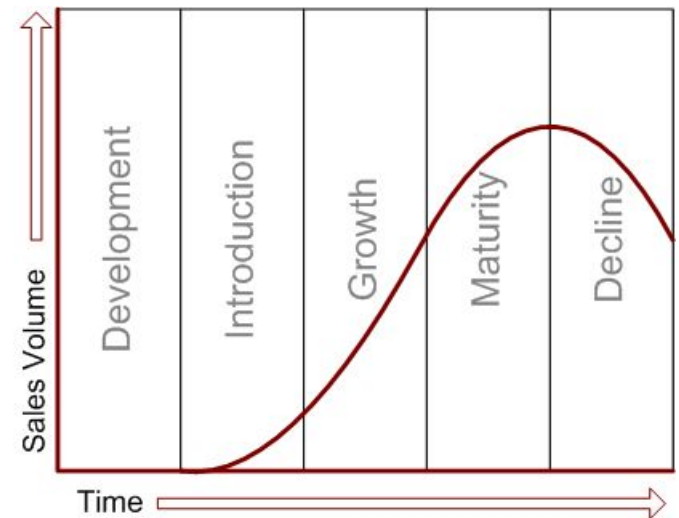
Year 2

2017-2018

Recap

PLC

Idea generation – bring it to the market



This week

Innovation

Ansoff

BCG

Test Exam 1:

Questions 2, 3

Innovation

- **'New' product or an improvement.**
- **To be really innovative: fulfil a new function or stimulate new need.**

Often:

- **a (significant) improvement to the existing product.**
- **fundamentally new for the company.**

New product (service) development (NDP)

NPD is a process which is designed to develop, test and consider the viability of products or services which are new to the market in order to ensure the growth or survival of the organization.

What is a new product/service?

A product/service that:

- opens an entirely new market
- adapts or replaces an existing product
- significantly broadens the market for an existing product

*** Also:**

- An old product/service introduced in a new market
- An old product/service packaged in a different way
- An old product/service marketed in a different way

Types of new products/services

- **New products to the world – innovative products**
- **New product lines – to allow the firm to enter an existing market**
- **Addition to product line – to supplement the firm's existing product/service line**
- **Improvements and revisions of existing product/service**
- **Repositioned products – existing product/service targeted at new market**
- **Cost reduction – new product/service that provides similar performance at lower cost**

Types of new products/services

- * **New products to the world – innovative products** e.g. 'apps 1.0'
- * **New product lines – to allow the firm to enter an existing market** e.g. app about transport by train from a taxi company
- * **Addition to product line – to supplement the firm's existing product/service line** e.g. almost all new items in app such as adding communication
- * **Improvements and revisions of existing product/service** e.g. update app
- * **Repositioned products – existing product/service targeted at new market** e.g. tablets for elderly
- * **Cost reduction – new product/service that provides similar performance at lower cost** e.g. Facetime/Viber/Whatsapp = calls/text via internet account

Why develop new products/services?

- **To create stars and cash cows for the future**
- **To replace declining product/service**
- **To take advantage of new technology**
- **To defeat rivals, maintain/increase market share, keep up with rivals, maintain sustainable competitive advantage**
- **To fill gap in the market**
- **Also Changing demand**
- **Use overcapacity, in order to cover fixed costs.**
- **Government regulations**

Half of the turnover comes from products which did not exist ten years ago.

Return on investment (ROI). Innovations produce 40% of company profit.

**Product development is
a matter of survival !!**

- **To defeat rivals, maintain/increase market share, keep up with rivals, maintain sustainable competitive advantage**
 - Respond to competition (avoid lagging behind)
 - Me-too products. Better to copy than to badly develop
 - Substitutes
 - Achieve sales targets (Philips with flat-screen TV)
 - Add to product line and product mix

What is the difference between product range and product mix?

Product range/line: different types of products from one particular category
e.g. drinks – orange, lemonade, raspberry

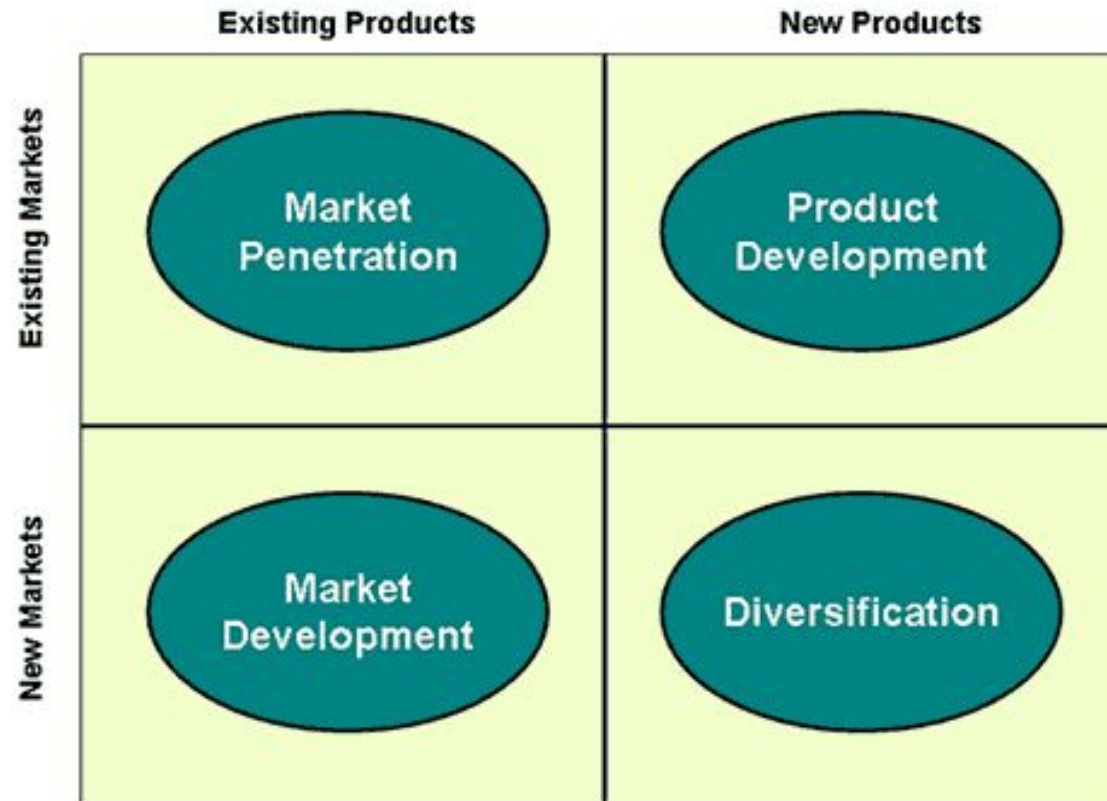
Product mix: different categories of product that are sold e.g. drinks, sandwiches, fruit etc.

New product/service can be used to ...

- **Increase/defend market share** (by offering more choice or updating older products)
- **Appeal to new segments**
- **Diversify into new markets**
- **Maintain the firm's reputation as a leading edge company**
- **Even out peaks and troughs in demand**
- **Make better use of the organization's resources**
- **Improve relationship with distributors**

The Ansoff Growth matrix:

Helps businesses decide their product and market growth strategy.



New product/service planning

The firm assesses ...

- **Its current product/service portfolio
Opportunities and Threats**
- **The firm then determines the type of
product/service which would best fit in
with the corporate strategy (strategic fit)**

Classification of innovations

Based on how much effort it takes the customer to accept the product:

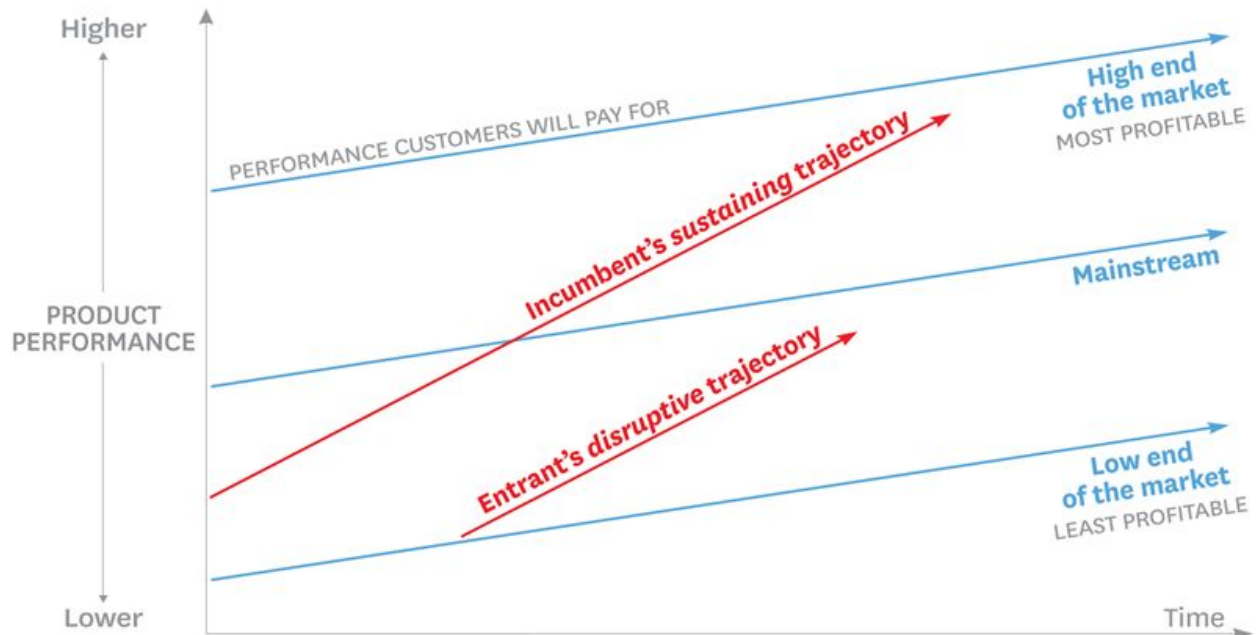
- continuous innovations;
- dynamic continuous innovations;
- discontinuous innovations.

The Innovator's Dilemma

<https://www.youtube.com/watch?v=yUAfIQDllo8>

The Disruptive Innovation Model

This diagram contrasts *product performance trajectories* (the red lines showing how products or services improve over time) with *customer demand trajectories* (the blue lines showing customers' willingness to pay for performance). As incumbent companies introduce higher-quality products or services (upper red line) to satisfy the high end of the market (where profitability is highest), they overshoot the needs of low-end customers and many mainstream customers. This leaves an opening for entrants to find footholds in the less-profitable segments that incumbents are neglecting. Entrants on a disruptive trajectory (lower red line) improve the performance of their offerings and move upmarket (where profitability is highest for them, too) and challenge the dominance of the incumbents.



SOURCE CLAYTON M. CHRISTENSEN, MICHAEL RAYNOR, AND RORY MCDONALD
FROM "WHAT IS DISRUPTIVE INNOVATION?" DECEMBER 2015

Boston Consulting Group matrix

The business portfolio is the collection of businesses and products that make up the company.

The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities.

The best-known portfolio planning method was developed by the Boston Consulting Group: the BCG matrix.

According to the the BCG matrix, the company must:

- (1) Analyse its current business portfolio and decide which businesses should receive more or less investment, and
- (2) Develop growth strategies for adding new products and businesses to the portfolio, whilst at the same time deciding when products and businesses should no longer be retained.

BCG matrix

Relative market share

high

low

Relative market growth

high

(>10% per year)

low

(<10% per year)



Products of Apple /Heineken?

BCG matrix Heineken Continents



Product development process

Better results through good planning.

Strategy development

What objective?

Perform a SWOT because the external environment affects the innovation.

- Proactive strategy (anticipating changes; R&D department)**
- Reactive strategy (me too)**

Make or buy

Companies are acquired, merge or go into partnership.

Set up own Research & Development department (R&D)

Considerations:

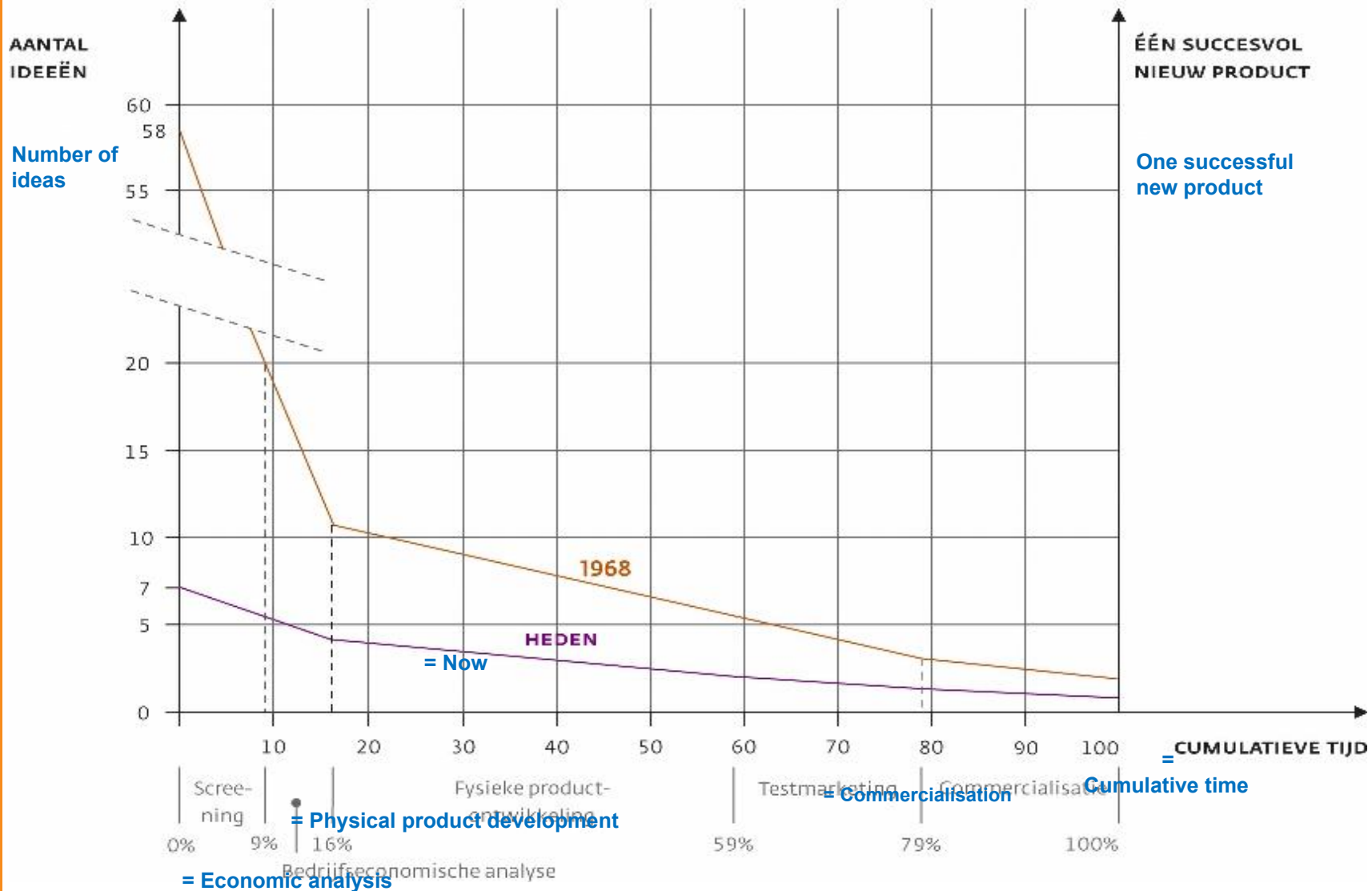
Return (faster profits);

Risk (lower risk);

Know-how (not adequately available in-house).

Mortality curve of new product ideas

Figuur 8.2 Sterftecijve van nieuwe productideeën



Organising product development

Venture team: employees from different departments work (temporarily) together on the new product. **Multidisciplinary.**

Unilever is successful through its multidisciplinary teams.

Most innovations **still fail.**

Reasons for success

1. **A product responds to needs**; sounds logical and is logical, but is often forgotten.
2. Use company's know-how. **Use company's core competencies.**
3. **Superior product.** The new product is better than existing products.
4. Stimulating **entrepreneurial climate.**
5. **Well-organised product development process.**

Time-to-Market

The period of time from when a product idea has general agreement and resources are committed to the project, to when the final product is built and out the door to a customer.



Why improve time-to-market?

- Efficient resource management** — Having a reliable timeline will allow you to prepare in advance for transportation times and costs, build schedules based on part lead times and headcount planning to satisfy the needs in various project phases.
- Predictable schedules and launch dates** — The product development process is long and complicated. If you can accurately predict when your product will ship, you can take advantage of tradeshow, holiday buying seasons and other marketing opportunities.
- Increased total revenue** — The earlier you get your product to market (without cutting corners or compromising quality) the greater the revenue you can generate because your product faces less competition. In addition, you earn revenue for more of the product lifecycle.

Next week

- Adoption Proces – Lavige Steiner
- Adopter categorisation
- Ratio's

- Test exam 1, questions 1, 4, 6

QUESTION 2 (25 points)

These questions require application of the Abell model to the online fashion market on which FashionEsta.com operates.

2a. Name four different segments as these apply to the online fashion market (2 points per correct segment).

Segment

1:.....

Segment

2:.....

Segment

3:.....

Segment

4:.....

Answer 2a:

Any segments - i.e. groups of (potential) customers within the online fashion market - sharing the same need. Competitors, individual customers, needs or products are unacceptable answers.

2b. Name four different needs as these apply to the online fashion market (2 points per correct need).

Need

1:.....

Need

2:.....

Need

3:.....

Need

4:.....

ANSWER 2b:

Any need underlying the online fashion market. Segments, individual customers or products are unacceptable answers.

2c. Name four different technologies as these apply to the online fashion market (2 points per correct technology).

Technology

1:.....

Technology

2:.....

Technology

3:.....

Technology

4:.....

ANSWER 2c:

Any technology underlying the online fashion market. Segments, individual customers or needs are unacceptable answers.

2d. What is the difference between business definition and business scope in the context of the Abell model (1 point for the correct answer).

ANSWER 2d:

Business definition: the combination of all Segments-Needs-Technologies which identifies the market in the context of the Abell model.

Business scope: the combination(s) of Segment(s)-Need(s)-Technology/-ies which a single organisation addresses within the market as defined in the business definition of the Abell model.

QUESTION 3 (15 points)

Name three different reasons why understanding the Product Life Cycle is useful to FashionEsta.com managers in planning the launch and ongoing support for new products and product lines.

(5 points per correct reason and quality of arguments supplied)

Reason 1:

.....

Arguments

why:.....

Reason 2:

.....

Arguments

why:.....

Reason 3:

.....

Arguments

why:.....

REASON 1: The Product Life Cycle helps companies determine what stage a given market is in.

How to Measure the Stage of the Product Life Cycle

Stage	No. of Competitors	Market Growth (%)	Profits	Market Size	Investment
R&D	Unknown	0	0	0	Growing
Product Introduction	Few	Highest	0	Small	High
Growth	Growing Fast	High	Low	Small	High
Maturation	Stable	Low	High	Largest	Stable
Saturation	Stable	None	Lowering	Stable	Declining
Decline	Reducing	Negative	High & Low	Declining	Stopped

REASON 2: The product life cycle can be used to determine likely competitive trends.

Typical levels of competition for each stage in the Product Life Cycle:

Product Introduction Stage

Levels of competition are practically non-existent since the company introducing the product can be the sole supplier.

Growth Stage

The market is still dominated by the product innovator, but other companies have entered the market and developed smaller shares. A single company usually remains the primary force in the market although it may not be the product originator.

Maturation Stage

The leading company usually still holds its leadership position, but its share is smaller than that of all other market competitors together.

Saturation Stage

A host of smaller companies are all engaged in trying to secure a market niche they can dominate. Towards the conclusion of the saturation period, three of four competitors typically emerge to dominate the market. Vigorous marketing allows these competitors to hold the majority share.

Decline Stage

The market leader during the saturation stage may be replaced by a competitor better suited to competing in small, contracting markets. As specialized market segments continue to decline in scale, larger-scale producers cease to perceive them as profitable. Sales typically diminish across the board as products become more obsolete and are replaced by newer technology.

REASON 3: The product life cycle can be used to establish which different marketing strategy will prove best in meeting the unique demands of that stage of the life cycle.

Market factors such as demand and supply are changing constantly as they pertain to a company, market, and industry, so a detailed knowledge of the appropriate product life cycle can make the market strategy more timely and effective.

inholland
university of
applied sciences