

Product Launch course

Year 2
2017-2018

Course reading / learning material

Kotler's 6th edition:

Chapter 8: products , services and brands

Chapter 9: developing new products

**All presentations and hand outs on
Blackboard**

Program

Introduction

Roadmap

Innovation

New-product development strategy

Stages in New-Product development

Product Life Cycle (PLC)

Roadmap: previewing the Concepts

- **Explain how companies find and develop new-product ideas.**
- **List and define the steps in the new-product development process.**
- **Describe the stages of the product life cycle.**
- **Describe how marketing strategies change during the product's life cycle.**

Classic case Study

Apple Computer – 1980s/1990s/now – Innovation at Work

Firm History

Steve Jobs's creativity led to innovation in user friendliness of computers.

LaserWriters and the Macintosh established Apple firmly in desktop publishing market.

Status as market share leader and innovator was lost in the late 1980s after Jobs left the company.

Firm Recovery

Steve Jobs returns in 1997 and revitalizes Apple by first launching the iMac.

The Mac OS X next breaks ground and acts as a launching pad for a new generation of computers and software products.

iPod and iTunes change the face of music and are the hit of the decade.

iPad and iPhone changed the 'world' again ...

Forms of innovation

Continuous

- Improving existing product, e.g. iPhone X, most apps.

Dynamic

- Improving existing product, but consumer has to get used to it, e.g. Windows 8 - XP - 10

Discontinuous

- New products, e.g. self driving cars

Innovation motives

- **New sales targets**
- **Over capacity**
- **Broader product portfolio**
- **Legislation**
- **Changing demand**
- **New technology**
- **Reaction to competitors**

New-Product Development Strategy

Strategies for obtaining new-product ideas:

- Acquisition of companies, patents, licenses
- New product development, product improvements and modifications

New-Product Failures

Only 10% of new consumer products are still on the market and profitable after 3 years.

Industrial products failure rate as high as 30%.

Why do new products fail?

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Why do new products fail?

- Overestimation of market size
- Design problems
- Incorrectly positioned, priced, or advertised
- Pushed despite poor marketing research findings
- Development costs
- Competition

Major Stages in New-Product Development



Go/no go decision

Idea Generation



Internal sources:

Company employees at all levels

External sources:

Customers

Competitors

Distributors

Suppliers

Outsourcing

Idea Screening



Process used to spot good ideas and drop poor ones.

Executives provide a description of the product along with estimates of market size, product price, development time and costs, manufacturing costs, and rate of return.

Evaluated against a set of company criteria for new products.

Concept Development and Testing



Product Idea:

Idea for a possible product that the company can see itself offering.

Product Concept:

Detailed version of the idea stated in meaningful consumer terms.

Product Image:

The way consumers perceive an actual or potential product.

Marketing Strategy Development



Part One:

Describes the target market, planned product positions, sales, market share, and profit goals.

Part Two:

Outlines the product's planned price, distribution, and marketing budget.

Part Three:

Describes the long-run sales and profit goals, marketing mix strategy.

Business Analysis



Involves a review of the sales, costs, and profit projections to assess fit with company objectives.

If results are positive, project moves to the product development phase.

Product Development



Develop concept into physical product.

Prototypes are made:

**must have correct physical features and
convey psychological characteristics.**

Calls for large jump in investment.

Test Marketing



Product and program introduced in more realistic market setting.

Not needed for all products.

Can be expensive and time consuming, but better than making major marketing mistake.

Commercialization

- Decide on *timing* (i.e., when to introduce the product).
- Decide on *where* to introduce the product (e.g., single location, state, region, nationally, internationally).
- Develop a *market rollout* plan.

And very important: control

Market Roll out plan

- **Product:** new
- **Place :** ? ...
- **Price :** ? ...
- **Promotion :** ? ...

Make your market roll out plan:

- Cheap product national
- Expensive product national

Expensive product (also skimming)

e.g.

A I D A = emphasis on Attention and Interest

Product: new

Place : exclusive

Price : high

Promotion : exclusive, 1-1

Cheap product

(also market penetration = quickly lots of sales)

e.g.

A I D A = emphasis on Action

Product: new

Place : everywhere (intensive)

Price : low

Promotion : mass communication

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Organizing New-Product Development

Sequential Approach:

Each stage completed before moving to next phase of the project.

Simultaneous Approach:

Cross-functional teams work through overlapping steps to save time and increase effectiveness.

The Product Life Cycle

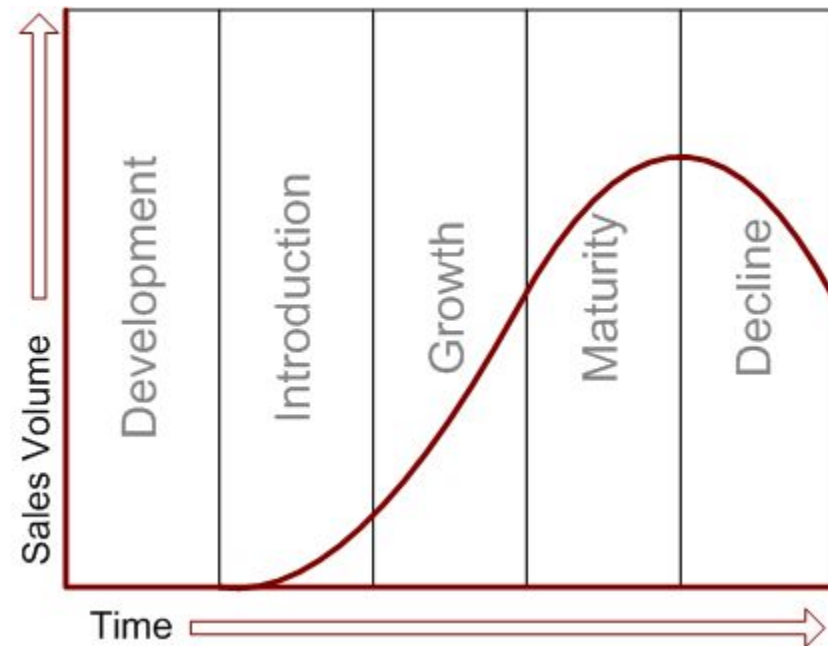
Product development

Introduction

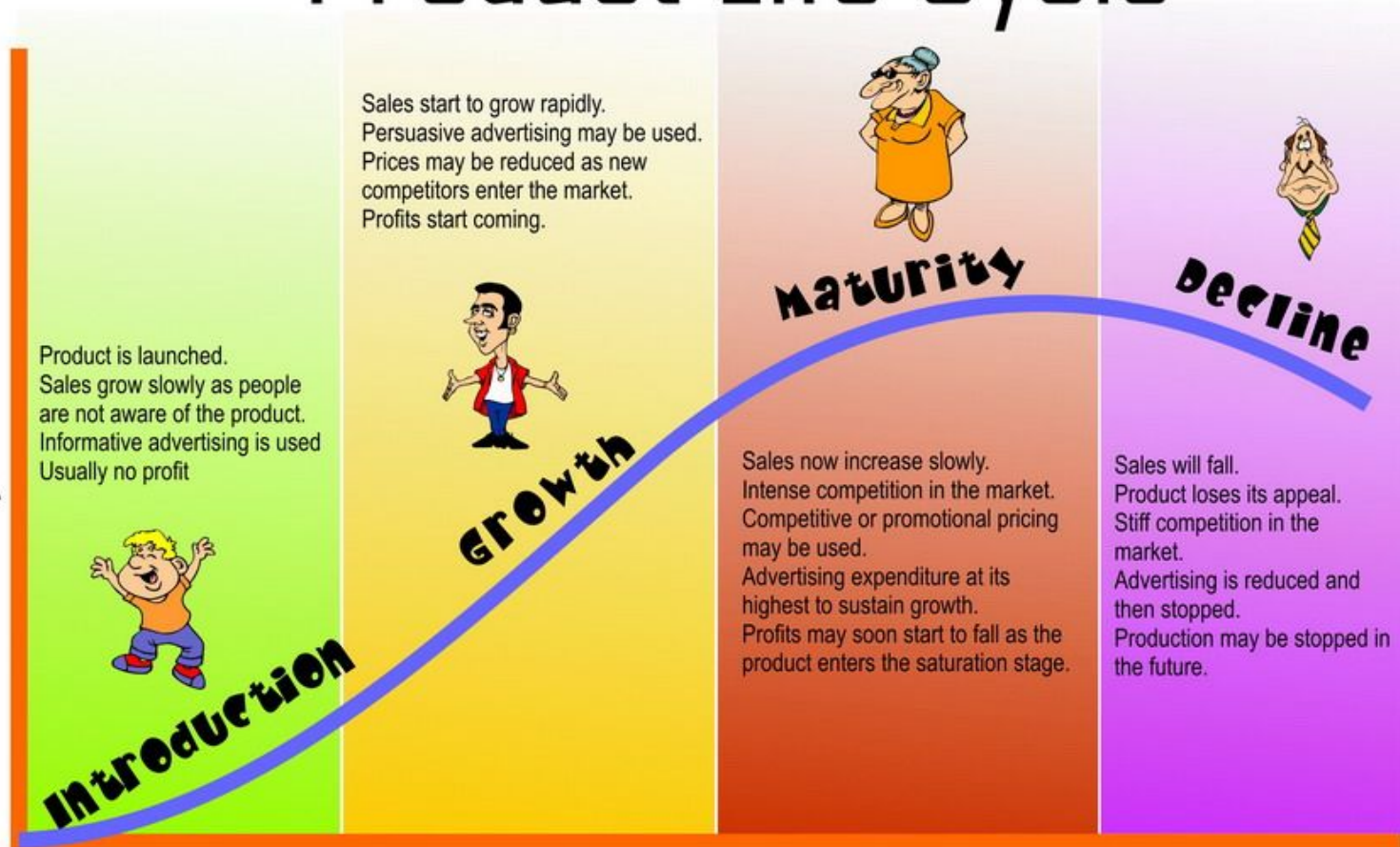
Growth

Maturity

Decline



Product Life Cycle



downloaded from www.dineshbakshi.com
interactive crosswords, quizzes,
mindmaps, flash games.



Product Life-Cycle Applications

Product class has the longest life cycle (e.g., gas-powered cars)

Product form tends to have the standard PLC shape (e.g., dial telephone)

Brand can change quickly because of changing competitive attacks and responses

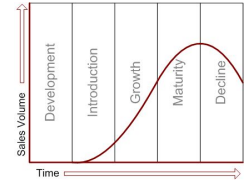
Style is a basic and distinctive mode of expression (e.g., formal clothing, Danish modern furniture)

Fashion is a popular style in a given field (e.g., business casual)

Fad/Hype is a product that enters quickly, is adopted quickly, and declines fast (e.g. Loom)

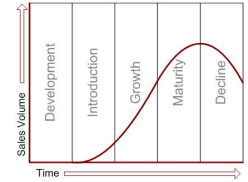


Practical Problems of PLC



- Hard to identify which stage of the PLC the product is in.
- Hard to pinpoint when the product moves to the next stage.
- Hard to identify factors that affect product's movement through stages.
- Hard to forecast sales level, length of each stage, and shape of PLC.
- Strategy is both a cause and result of the PLC.

Introduction Stage of PLC



Sales: low

Costs: high cost per customer

Profits: negative

Marketing Objective: create product awareness and trial

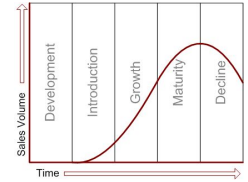
Product: offer a basic product

Price: use cost-plus formula

Distribution: build selective distribution

Promotion: heavy to entice product trial

Growth Stage of PLC



Sales: rapidly rising

Costs: average cost per customer

Profits: rising

Marketing Objective: maximize market share

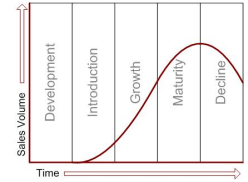
Product: offer extension, service, warranty

Price: penetration strategy

Distribution: build intensive distribution

Promotion: reduce to take advantage of demand

Maturity Stage of PLC



Sales: peak

Costs: low cost per customer

Profits: high

Marketing Objective: maximize profits
while defending market share

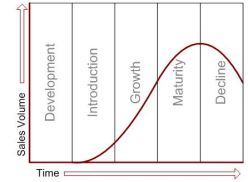
Product: diversify brand and models

Price: match or best competitors

Distribution: build more intensive
distribution

Promotion: increase to encourage brand
switching

Maturity Stage of the PLC



Modifying the Market:

Increase the consumption of the current product.

How?

Look for new users and market segments.

Reposition the brand to appeal to larger or faster-growing segment.

Look for ways to increase usage among present customers.

Maturity Stage of the PLC

Modifying the Product:

Changing characteristics such as quality, features, or style to attract new users and to inspire more usage.

How?

Improve durability, reliability, speed, taste.

Improve styling and attractiveness.

Add new features.

Expand usefulness, safety, convenience.

Maturity Stage of the PLC

Modifying the Marketing Mix:

Improving sales by changing one or more marketing mix elements.

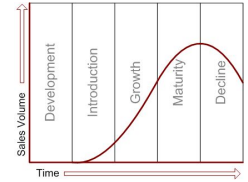
How?

Cut prices.

Launch a better ad campaign.

Move into larger market channels.

Decline Stage of PLC



Sales: declining

Costs: low cost per customer

Profits: declining

Marketing Objective: reduce expenditures
and milk the brand

Product: phase out weak items

Price: cut price

Distribution: selective--phase out
unprofitable outlets

Promotion: reduce to minimal level

Reviewing the Concepts

- **Explain how companies find and develop new-product ideas.**
- **List and define the steps in the new-product development process.**
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Next week

Innovation

Ansoff

BCG

Test Exam 1:

Questions 2, 3

