



8

MARKETING AN INTRODUCTION

Armstrong/Kotler

Developing New Products

and Managing the Product Life-Cycle

Chapter Outline

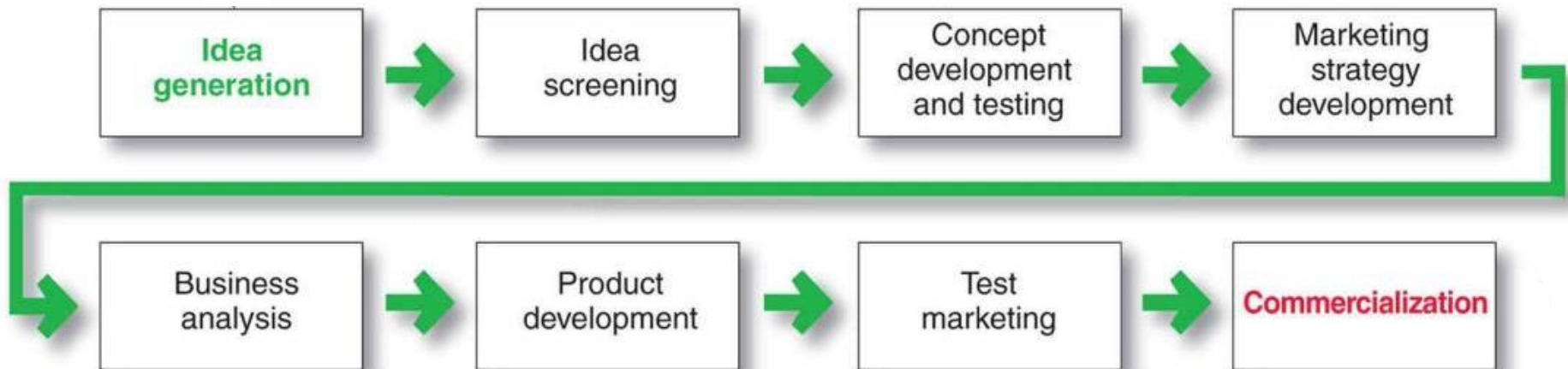
- New-Product Development Strategy
- The New-Product Development Process
- Managing New-Product Development
- Product Life-Cycle Strategies
- Product Decisions and Social Responsibility
- International Product and Services Marketing

New-product Development Strategy

New-product development is the development of original products, product improvements, product modifications, and new brands through the firm's own product-development efforts.



The New-product Development Process



Idea Generation



Internal Idea
Sources



External Idea
Sources

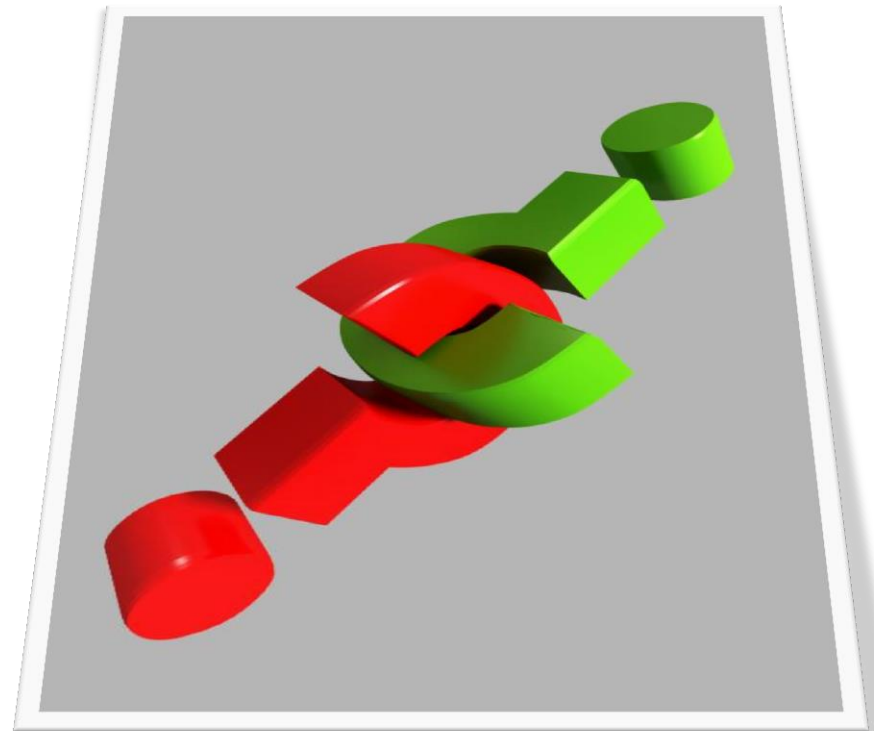
Idea screening

Screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible.



Discussion Question

Proctor and Gamble (P&G) markets many shampoo products including Head and Shoulders, Pantene, and Wella. What criteria might P&G use when screening ideas?



Concept Development and Testing

Product concept is a detailed version of the new-product idea stated in meaningful consumer terms.



Concept Development and Testing

Concept testing is testing new-product concepts with a group of target consumers to find out if the concepts have strong consumer appeal.



Concept Testing Questions

Battery-Powered Electric Car

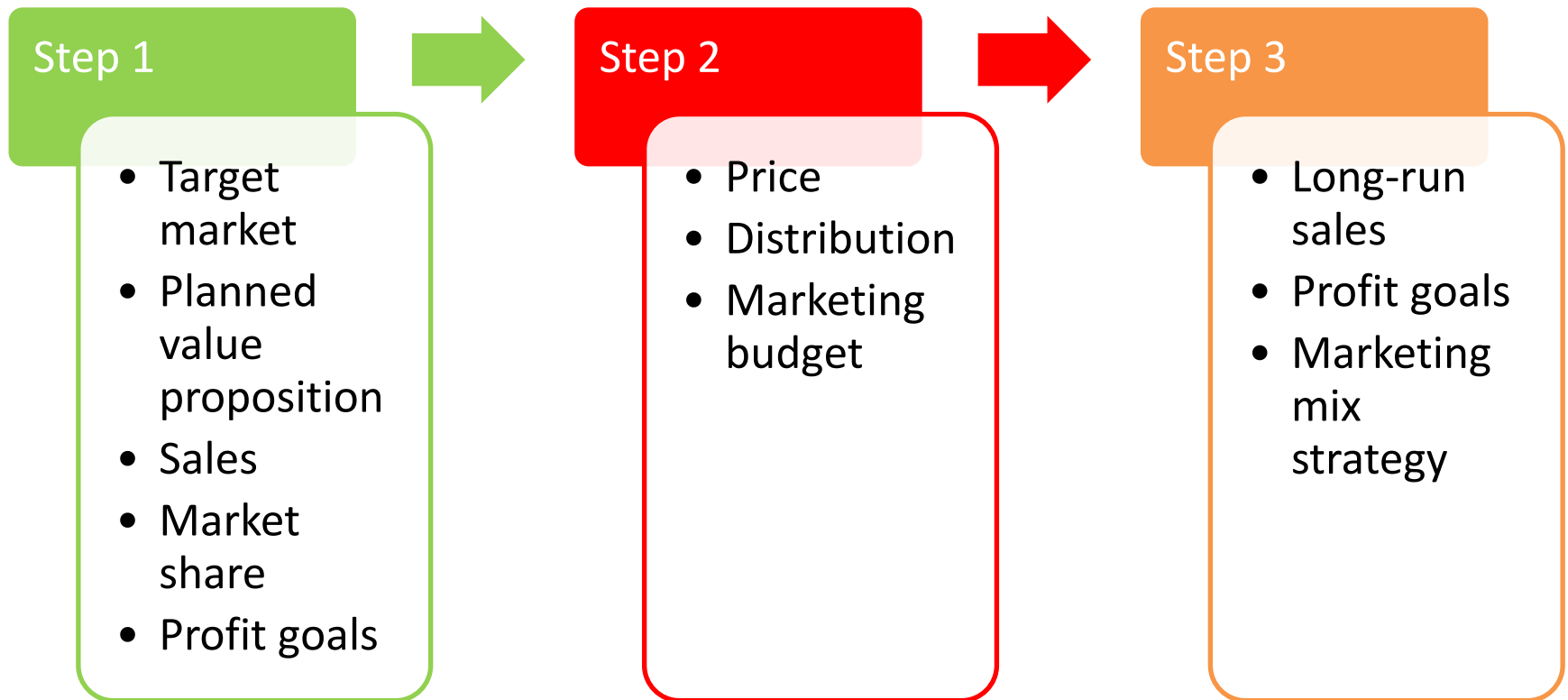
■ **Table 8.1** Questions for Battery-Powered Electric Car Concept Test

1. Do you understand the concept of a battery-powered electric car?
2. Do you believe the claims about the car's performance?
3. What are the major benefits of the battery-powered electric car compared with a conventional car?
4. What are its advantages compared with a gas-electric hybrid car?
5. What improvements in the car's features would you suggest?
6. For what uses would you prefer a battery-powered electric car to a conventional car?
7. What would be a reasonable price to charge for the car?
8. Who would be involved in your decision to buy such a car? Who would drive it?
9. Would you buy such a car (definitely, probably, probably not, definitely not)?

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Marketing Strategy Development

Marketing Strategy Statement



Business Analysis

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.



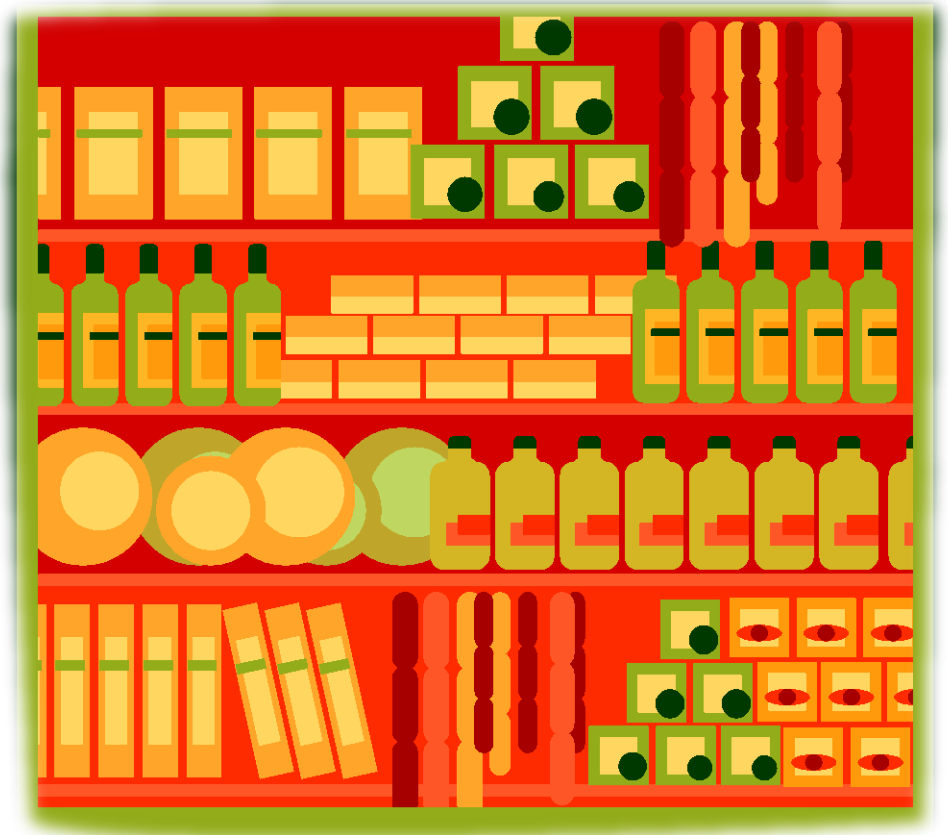
Product development

Product development is developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable market offering.



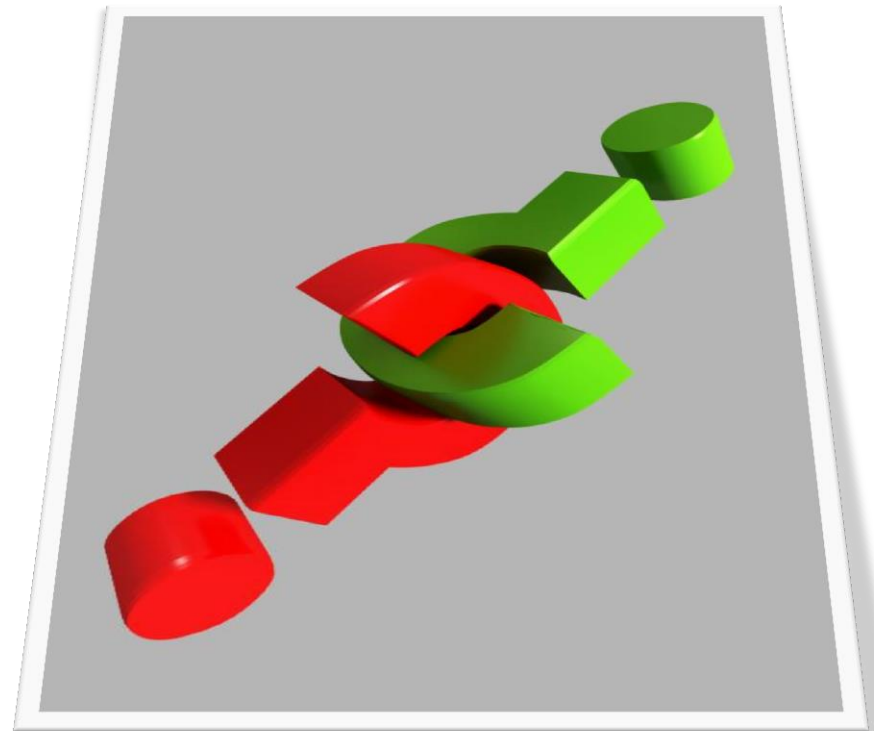
Test marketing

Test marketing is the stage of new-product development in which the product and marketing program are tested in realistic market settings.



Discussion Question

Why might some companies decide NOT to test market their products?

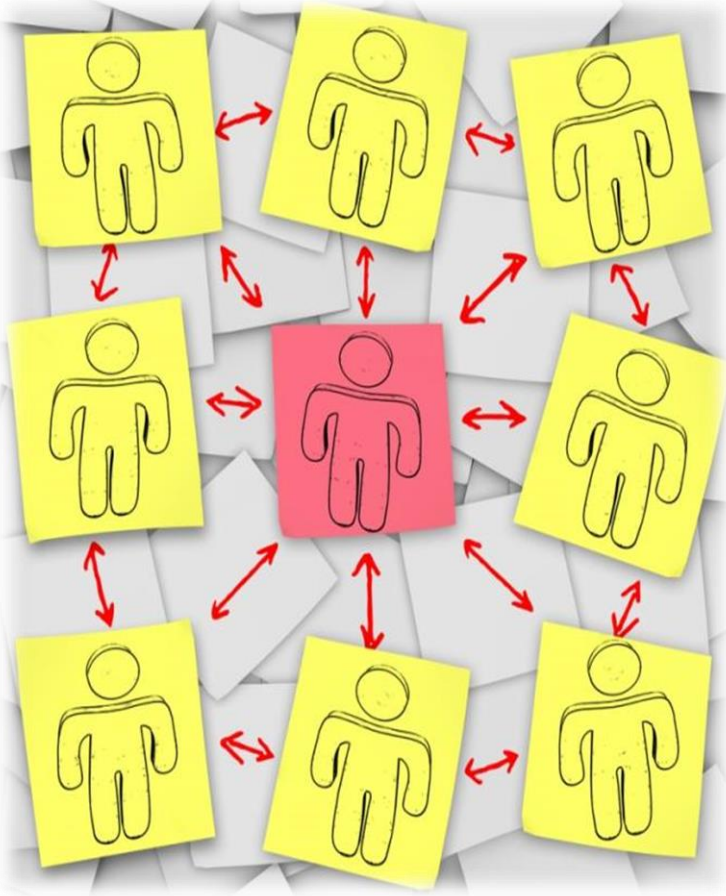


Commercialization

Commercialization involves introducing a new product into the market.



Customer-Centered New-Product Development



New-product development that focuses on finding new ways to solve customer problems and create more satisfying customer experiences.

Team-Based New-Product Development

An approach to developing new products in which various company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

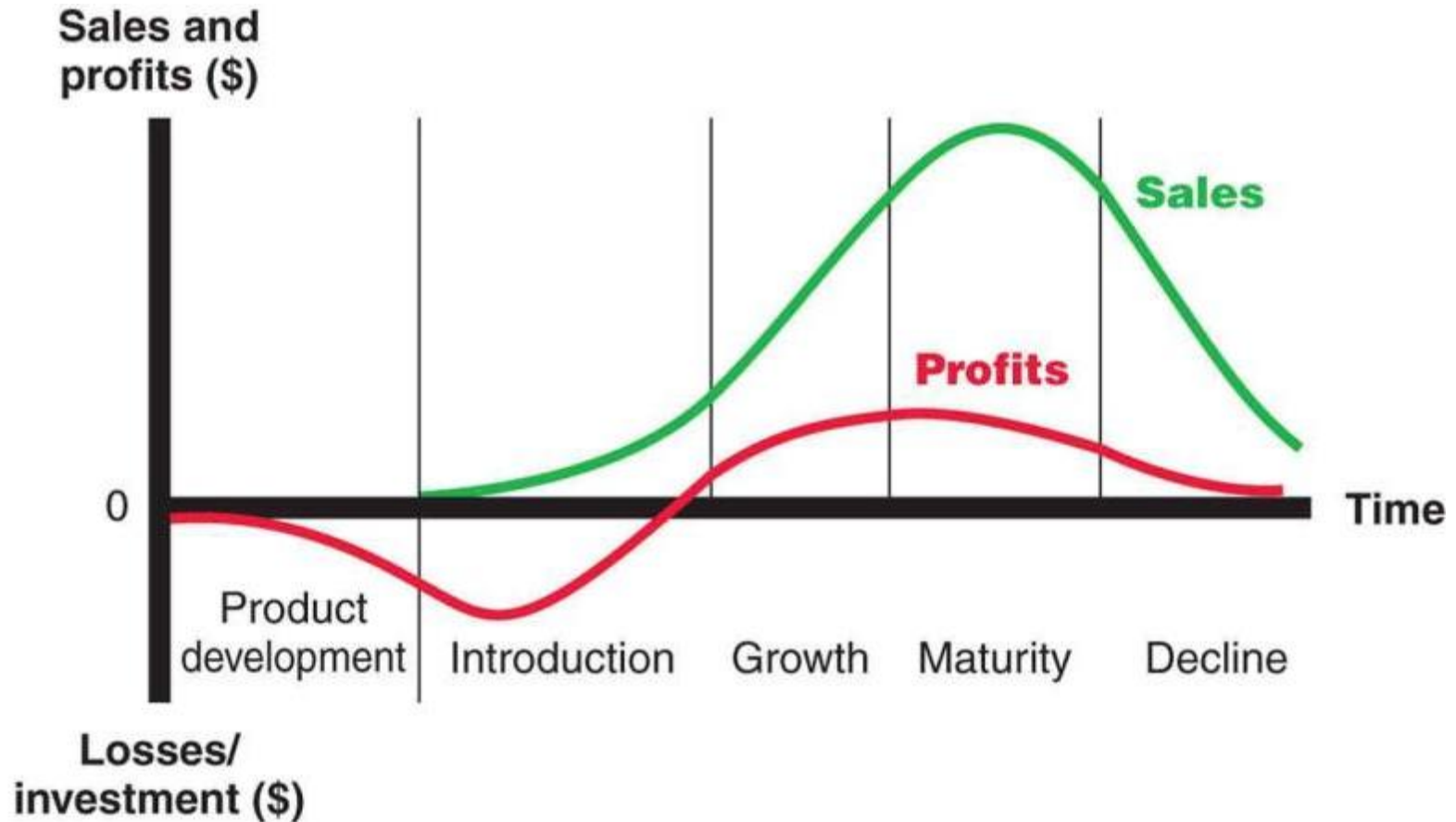


Systematic New-Product Development

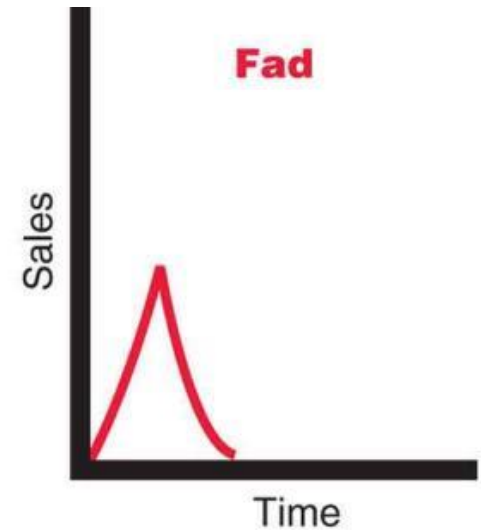
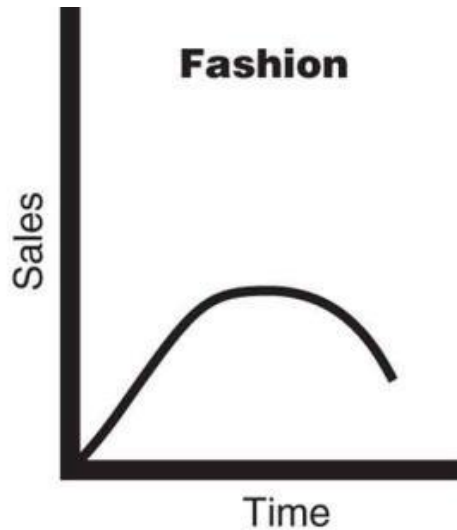
The new-product development process should be holistic and systematic rather than compartmentalized and haphazard.



Product Life-cycle Strategies



Style, Fashion, and Fads



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

Characteristics	Introduction	Growth	Maturity	Decline
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number

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

Characteristics	Introduction	Growth	Maturity	Decline
Marketing Objectives	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Discussion Question

How might a pharmaceutical company who has had the FDA recall one of their drugs, best respond to their image of NOT acting socially responsible?

