

Marketing Management

MGM612

Dr. Ayman Hassan



Lecture - 7- New-Product Development Strategy

Chapter
6

New-Product Development Strategy

Lecture : 7

Dr. Ayman Hassan



In the previous lecture,

We have discussed

- ✓ In the previous lecture, we presented the topic of the Branding, We explained a set of topics, which are as follows:
 1. Brand Definition
 2. The Importance Of Branding
 3. Forms Of Brands
 4. Elements Of A Brand
 5. Types Of Brands
 6. Branding Mechanisms

After studying this chapter you will be able to know all of the following:

- 1. Explain how companies find and develop new-product ideas**
- 2. List and define the steps in the new-product development process and the major considerations in managing this process**
- 3. Describe the stages of the product life cycle**
- 4. Describe how marketing strategies change during the product's life cycle**
- 5. Discuss two additional product and services issues: socially responsible product decisions and international product and services marketing**

New-Product Development Strategy

❖ A firm can obtain new products through:

❖ Acquisition

❖ New product development



- **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.

Why New-Product Development?

Reasons for new product failure

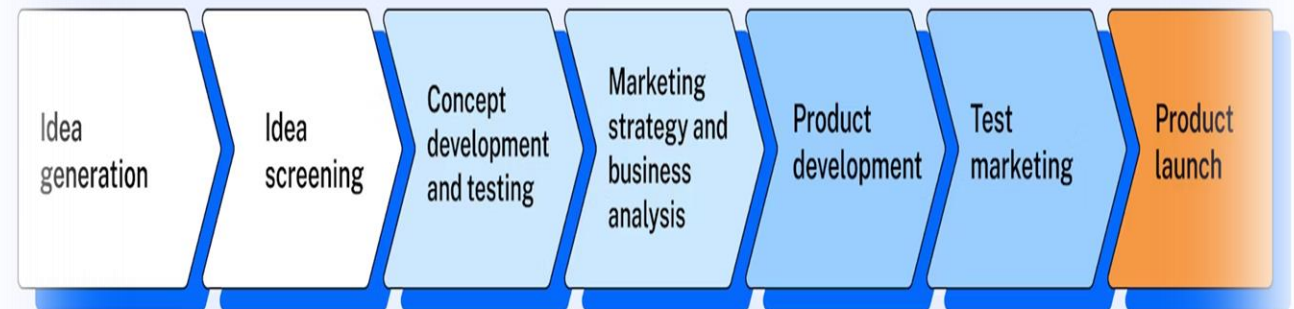
- Overestimation of market size
- Poor design
- Incorrect positioning
- Wrong timing
- Priced too high
- Ineffective promotion
- Management influence
- High development costs
- Competition



Steps of New-Product Development Strategy

1. Idea generation
2. Idea screening
3. Concept development and testing
4. Marketing strategy development
5. Business analysis
6. Product development
7. Test marketing
8. Commercialization

The new product development process



1- Idea Generation

- **New idea generation** : is the systematic search for new product ideas.

- To create a large number of ideas
- Sources of new-product ideas

– **Internal sources** :

refer to the company's own formal research and development, management and staff, and entrepreneurial programs.

– **External sources** :

refer to sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms.

2- Idea Screening

- Idea screening :

Refers to reviewing new-product ideas in order to drop poor ones as soon as possible.

- idea screening :

Is the stage in the new product development process which follows idea (or concept) generation.

It often involves use of scoring models, checklists, or personal judgments and is based on information from experience and market research

3- 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. To find out how attractive each concept is to customers, and choose the best one.

4- Marketing strategy development

- **Marketing strategy development** : refers to the initial marketing strategy for introducing the product to the market.

Marketing strategy statement

Part 1:

- Description of the target market
- The planning product positioning; sales, market share, and profit goals

Part 2:

- Price distribution and budget

Part 3:

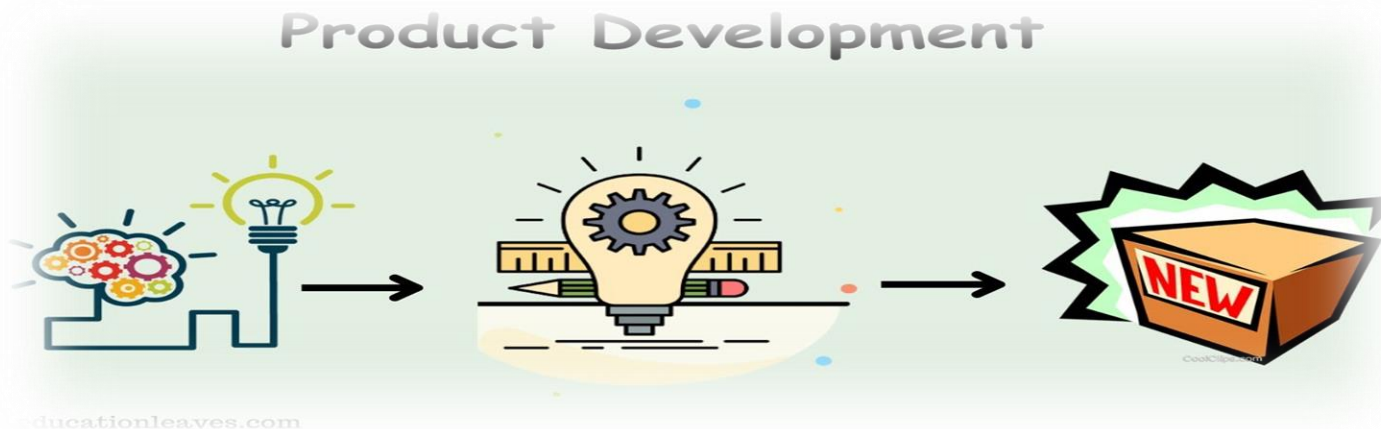
- Long-term sales, profit goals, and marketing mix strategy

• **Business analysis**

- In today's dynamic and competitive business environment, organizations are constantly seeking ways to optimize processes, improve efficiency, and achieve strategic goals.
- Business analysis plays a critical role in this pursuit.
- It helps businesses understand their current state, identify needs, and define solutions that maximize value.
- Business analysis bridges the gap between business goals and practical solutions.
- Involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives.

- 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
- R&D Engineering is a leading provider of manufacturing equipment, testing equipment and tools



- **Test marketing** : Is the stage at which the product and marketing program are introduced into more realistic marketing settings.
- Test marketing provides the marketer with experience in testing the product and entire marketing program before full introduction.
- **Test Marketing, Example**
 - We see test marketing everywhere. It's in the retail stores where companies are offering free samples of their products mainly food items, cosmetics, and perfumes.
 - Their goal is to collect **customer feedback** and use the data to analyze how the product will be received in the market.

7- Test marketing

- 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



7-1 Approaches to test marketing

Approaches to test marketing

- ❖ Standard test markets
- ❖ Controlled test markets
- ❖ Simulated test markets

Standard Test Market

Full marketing campaign
in a small number of
representative cities.

Controlled Test Market

A few stores that have
agreed to carry new
products for a fee.

Simulated Test Market

Test in a simulated
shopping environment
to a sample of
consumers.

Standard test markets

- Small representative markets where the firm conducts a full marketing campaign
- Uses store audits, consumer and distributor surveys, and other measures to gauge product performance
- **Results are used to**
 - Forecast national sales and profits
 - Discover product problems
 - Fine-tune the marketing program



Standard test markets

Challenges of standard test markets

- Cost
- Time
- Competitors can monitor the test as well
- Competitor interference
- Competitors gain access to the new product before introduction

Controlled Market Test

- A controlled market test is generally conducted in chain stores with the product's initial launch. In this test, the new products offered by the brand are introduced with a sales pitch, advertising banner, or test presentation to attract consumers.
 - Panels of stores that have agreed to carry new products for a fee
 - Less expensive than standard test markets
 - Faster than standard test markets
 - Competitors gain access to the new product

Simulated test markets

- Simulated Test Market is a research technique that evaluates the success of a new product/ service before its launch.
- It involves exposing a representative sample of the target market to the product/service in a controlled environment that mimics real-world market conditions.
- In an STM, researchers select participants who represent the demographic and psychographic characteristics of the target market.
- These participants can interact with the product/service in a simulated shopping environment, which includes virtual stores or physical mock-ups.
- They are encouraged to make purchasing decisions and provide feedback on their experiences.
- Provides measure of trial and the effectiveness of promotion
- Researchers can interview consumers

Simulated test markets

- **Advantages of simulated test markets**

- Less expensive than other test methods
- Faster
- Restricts access by competitors

- **Disadvantages of simulated test markets**

- Not considered as reliable and accurate due to the controlled setting

Examples of testing marketing

Here are three hypothetical examples of market testing to help you better understand this concept:

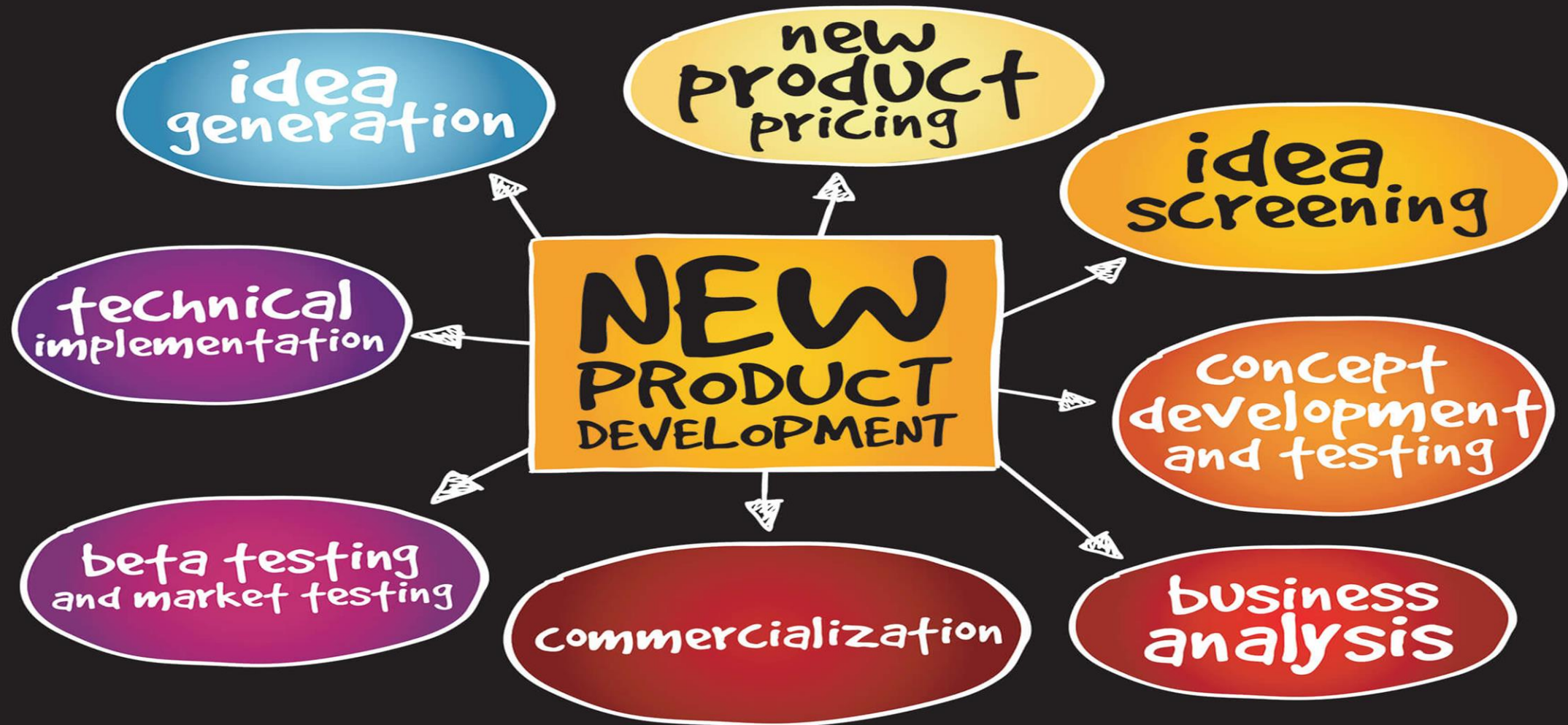
Example 1: Small product launch

Harvey's Hikers, a national hiking supply retailer, is designing a new hiking sock. The marketing team wants to test the product with a group of loyal customers to assess how hikers view the new design. They offer a customer rewards program for repeat customers. Through this program, they offer an exclusive link to purchase the new socks. They use this data to evaluate how the socks perform with their target audience. They can use this data to set a fair price for the item.

Example 2: Usability test

Appliance World wants to test a new microwave design. During the early stages of their design process, they create a prototype. They gather a group of random participants to complete the usability test. During the test, customers use the sample product and moderators compile notes. They assess how customers used the machine, how quickly they figured out the buttons and how many were successful in using the new microwave. They discovered the microwave buttons were challenging to press. They redesign the buttons to make them more user-accessible.

- **Commercialization** : is the introduction of the new product into the market
 - **When to launch**
 - **Where to launch**
 - **Planned market rollout (the widespread public introduction of a new product)**



1. Customer-centered new product development
2. Team-based new product development
3. Systematic new product development

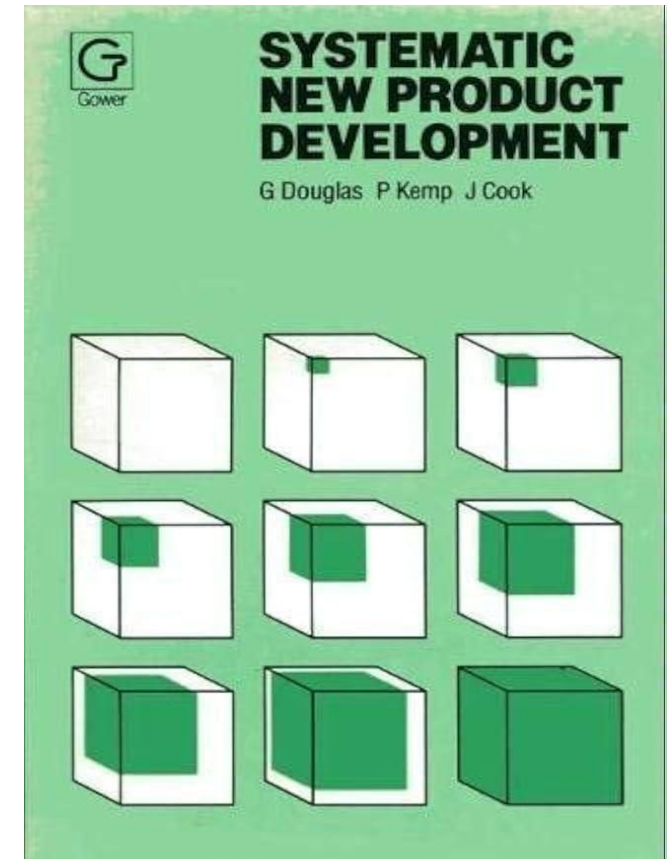


- **focuses on finding new ways to solve customer problems and create more customer satisfying experiences**
 - Begins and ends with solving customer problems
 - The most successful new products are ones that are differentiated

- **Team-based new-product development** is a development approach where company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness.
 - increase tension and confusion
 - is faster and more flexible

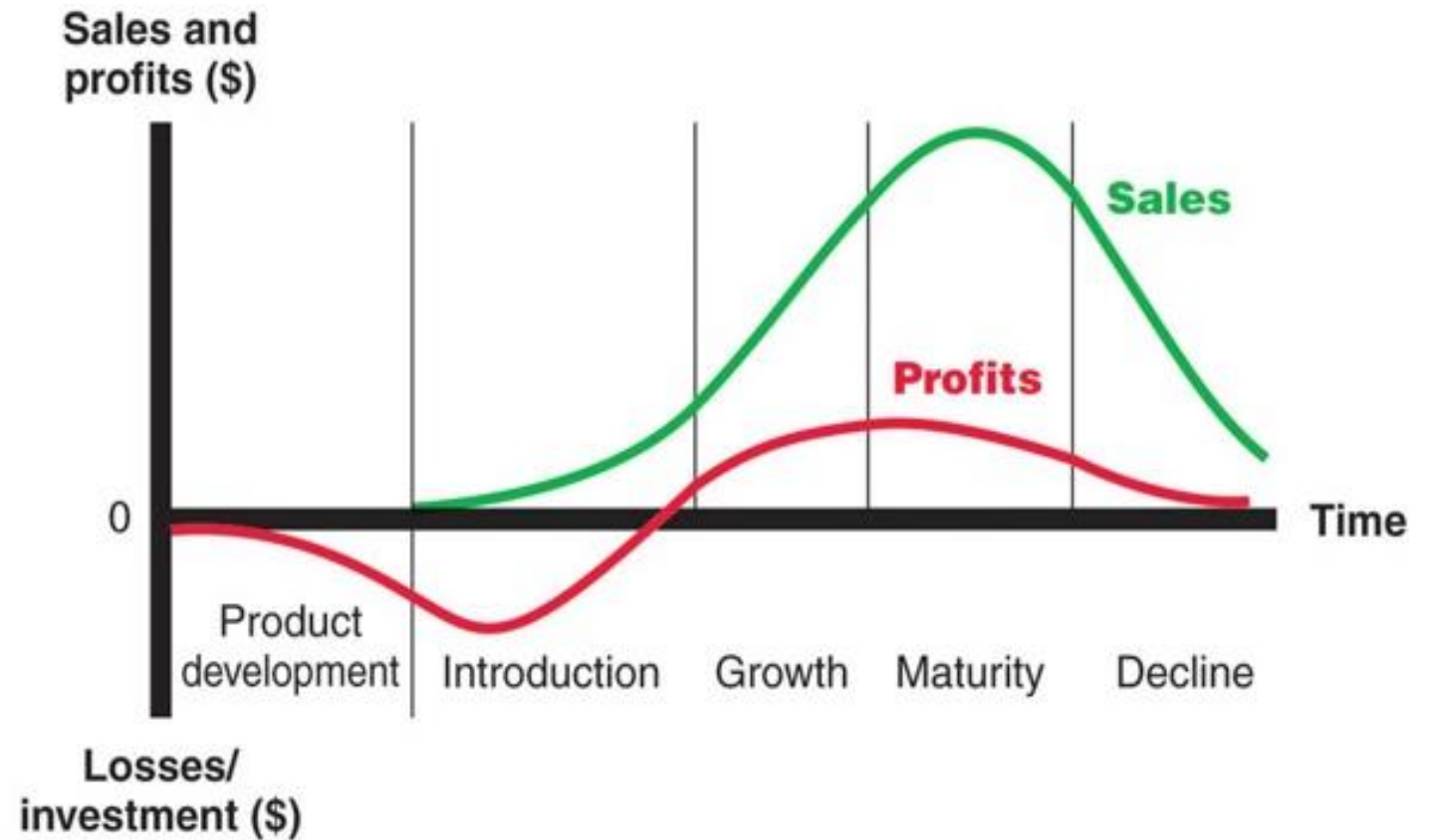


- **Systematic new product development** : is an innovative development approach that collects, reviews, evaluates, and manages new product ideas.
- Creates an innovation-oriented culture
- Yields a large number of new-product ideas

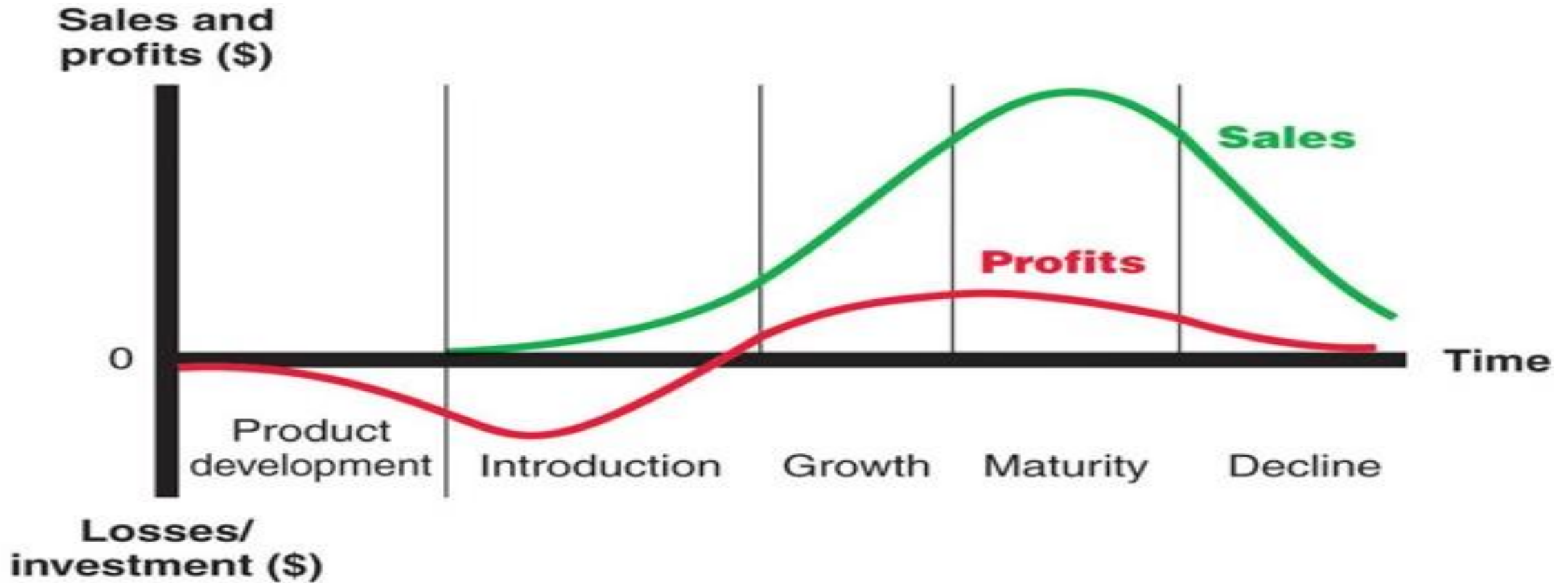


- **Product life-cycle (PLC)** : is the course that a product's sales and profits take over its lifetime:

- Product development
- Introduction
- Growth
- Maturity
- Decline



Note : Sales and profits over the product's life from inception to decline

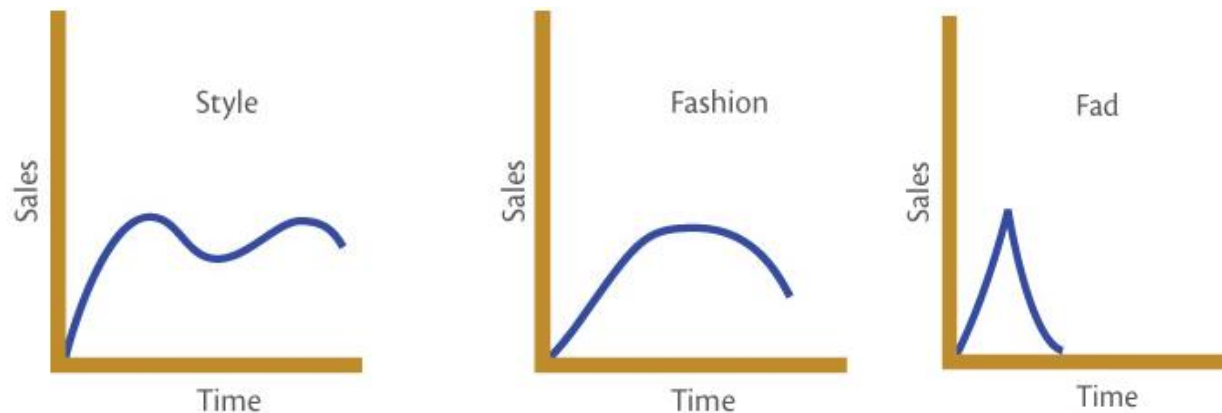


Product life-cycle (PLC) can describe a product class, a product form, or a brand

- Product classes : have the longest life cycles, with sales of many product classes in the mature stage for a long time.
- Product forms : have the standard PLC shape: introduction, rapid growth, maturity, and decline.
- Brands : have changing PLCs due to competitive threats.

Product life-cycle (PLC) can also be applied to styles, fashions and fads

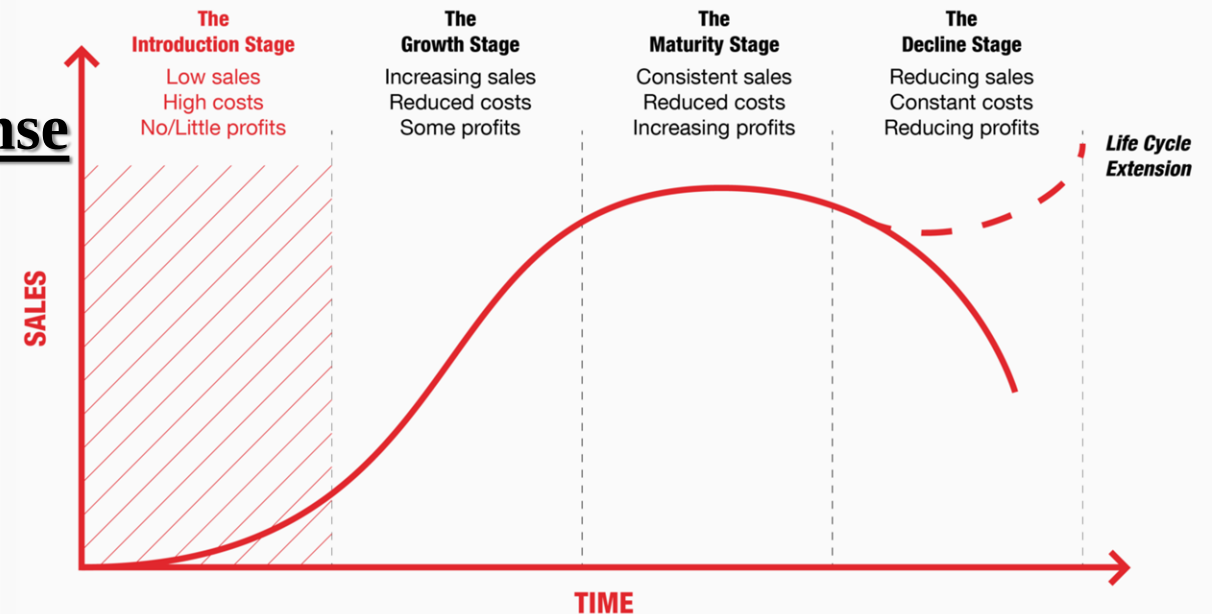
- **Style** is a basic and distinctive mode of expression.
- **Fashion** is a currently accepted popular style in a given field.
- **Fads** are temporary periods of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity.



PLC -1- Introduction stage

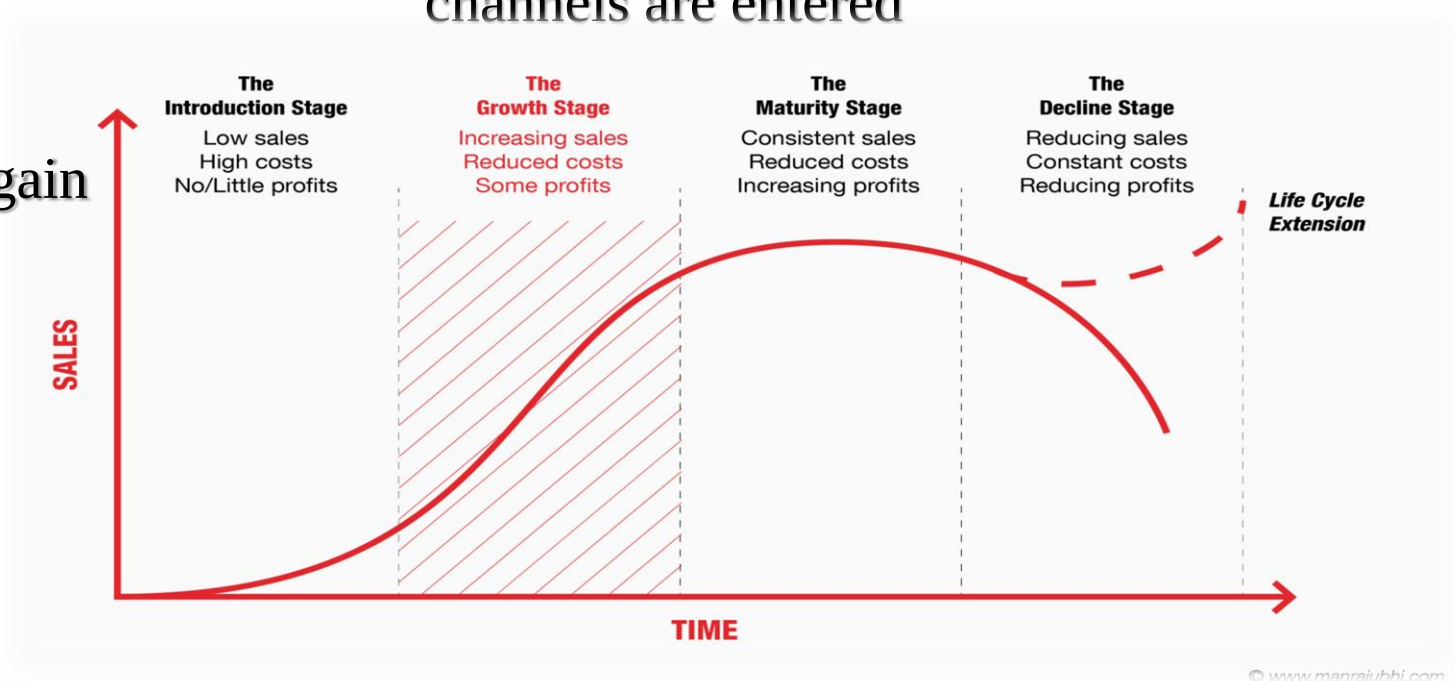
➤ **Introduction stage:** is when the new product is first launched.

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



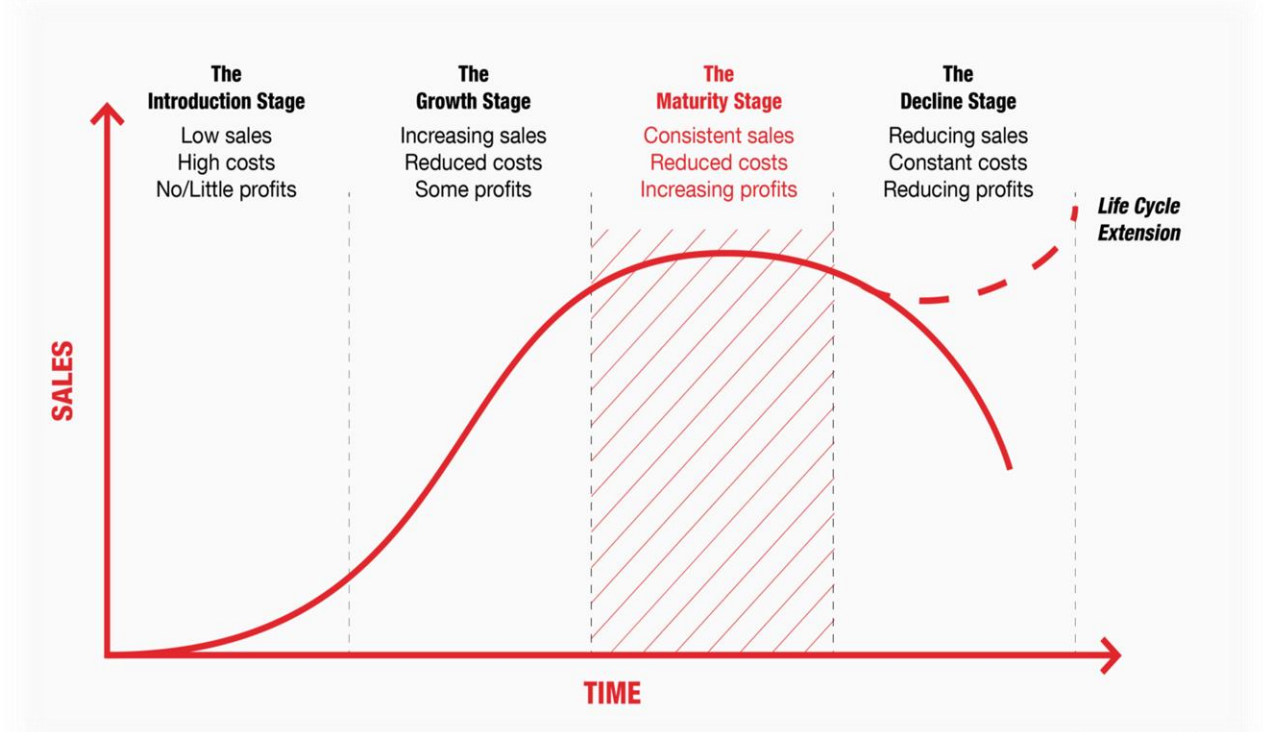
Growth stage is when the new product satisfies the market.

- 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
- Product quality increases
- New features
- New market segments and distribution channels are entered



Maturity stage is a long-lasting stage of a product that has gained consumer acceptance.

- Slowdown in sales
- Many suppliers
- Substitute products
- Overcapacity leads to competition
- Increased promotion and R&D to support sales and profits.
- Marketers consider **modifying** strategies at the maturity stage



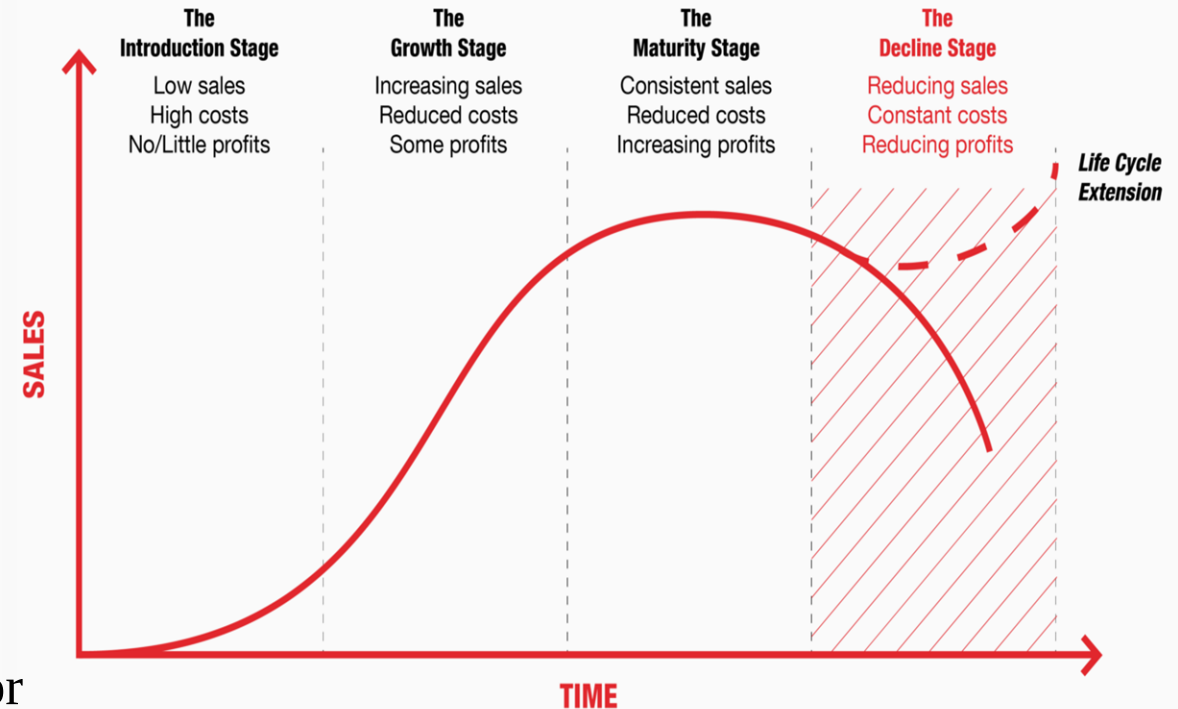
Marketers consider modifying strategies at the maturity stage

- ✓ Market modifying
- ✓ Product modifying
- ✓ Marketing mix modifying

- **Market modifying** : is when a company tries to increase consumption of the current product (New users; Increase usage of existing users; New market segments)
- **Product modifying** : is changing characteristics (quality, features, or style) to attract new users and to inspire more usage.
- **Marketing mix modifying** : is when a company changes one or more of the marketing mix elements.
 - Price
 - Promotion
 - Distribution channels

PLC -4- Decline stage

- **Decline stage** : is when sales decline or level off for an extended time, creating a weak product.
 - **Maintain the product** without change in the hope that competitors leave the industry
 - **Reposition or reformulate** the product in hopes of moving back into the growth stage
 - **Harvest the product** that means reducing various costs and hoping that sales hold up
 - **Drop the product** by selling it to another firm or simply liquidate it at salvage value



Product Decisions and Social Responsibility

Additional Product and Service Considerations

International Product and Service Marketing—Challenges

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 - Customs, values, laws
- For examples , names , labels , and colors may not translate easily from one country to another. A firm using yellow flowers in its logo might fare well in Canada but meet with disaster in Mexico , where a yellow flower symbolizes death or disrespect.



Additional Product and Service Considerations

International Product and Service Marketing—Challenges

- For examples , names , labels , and colors may not translate easily from one country to another. A firm using yellow flowers in its logo might fare well in Canada but meet with disaster in Mexico , where a yellow flower symbolizes death or disrespect.



See you in the next lecture

- [What is Product development? | New Product development](#)
- [Test Marketing | How to Test Market a New Product | starlight analytics blog](#)
- [Types of Product Development Strategies - BigOhTech](#)
- [Systematic New Product Development: Amazon.co.uk: Gordon S. Douglas, Philip Kemp, Jeremy Cook: 9780566024122: Books](#)
- [New-Product Development and Product Life-Cycle Strategies - ppt download](#)



