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New Product Development Strategy

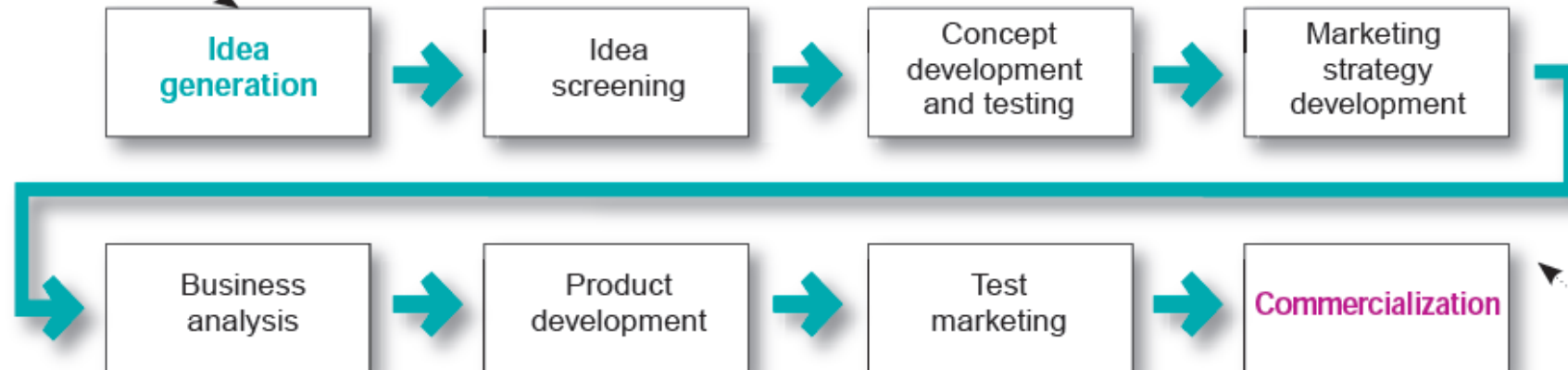
A firm can obtain new products in two ways:

- 1 *Through acquisition:* by buying a whole company, a patent, or a license to produce someone else's product.
- 2 *Through the firm's own new product development efforts.* *new products* means original products, product improvements, product modifications, and new brands that the firm develops through its own research and development (R&D) efforts.

- ❑ New products are important to both customers and the marketers who serve them: They bring new solutions and variety to customers' lives, and they are a key source of growth for companies.
- ❑ Companies face a problem: They must develop new products, but the odds weigh heavily against success.

The New Product Development Process

New product development starts with good new product ideas—lots of them. For example, Cisco's I-Prize crowdsourcing challenge attracted 824 ideas from 2,900 innovators representing more than 156 countries.



The remaining steps reduce the number of ideas and develop only the best ones into profitable products. Of the 824 ideas from Cisco's I-Prize challenge, only a handful are being developed.

● FIGURE | 9.1
Major Stages in New Product Development

▶ Idea Generation

New product development starts with idea generation—the systematic search for newproduct ideas. Major sources of new product ideas include internal sources and external sources such as customers, competitors, distributors and suppliers, and others.

▶ Idea Screening

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

▶ Concept Development and Testing

It is important to distinguish between a product idea, a product concept, and a product image. A product idea is an idea for a possible product that the company can see itself offering to the market. A product concept is a detailed version of the idea stated in meaningful consumer terms. A product image is the way consumers perceive an actual or potential product. Concept testing, Testing new product concepts with a group of target consumers to find out if the concepts have strong consumer appeal.

▶ Marketing Strategy Development

The marketing strategy statement consists of three parts :

- The first part describes the target market; the planned value proposition; and the sales, market-share, and profit goals for the first few years.
- The second part of the marketing strategy statement outlines the product's planned price, distribution, and marketing budget for the first year
- The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and marketing mix strategy

▶ Business Analysis

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

Developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering. Developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering.

▶ Test Marketing

The stage of new product development in which the product and its proposed marketing program are tested in realistic market settings.

▶ Commercialization

Introducing a new product into the market.

MANAGING NEW PRODUCT DEVELOPMENT

▶ Customer-Centered New Product Development

Customer-centered new product development focuses on finding new ways to solve customer problems and create more customer satisfying experiences. Customer-centered new product development begins and ends with understanding customers and involving them in the process.

▶ Team-Based New Product Development

New product development 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

A company can install an innovation management system to collect, review, evaluate, and manage new product ideas.

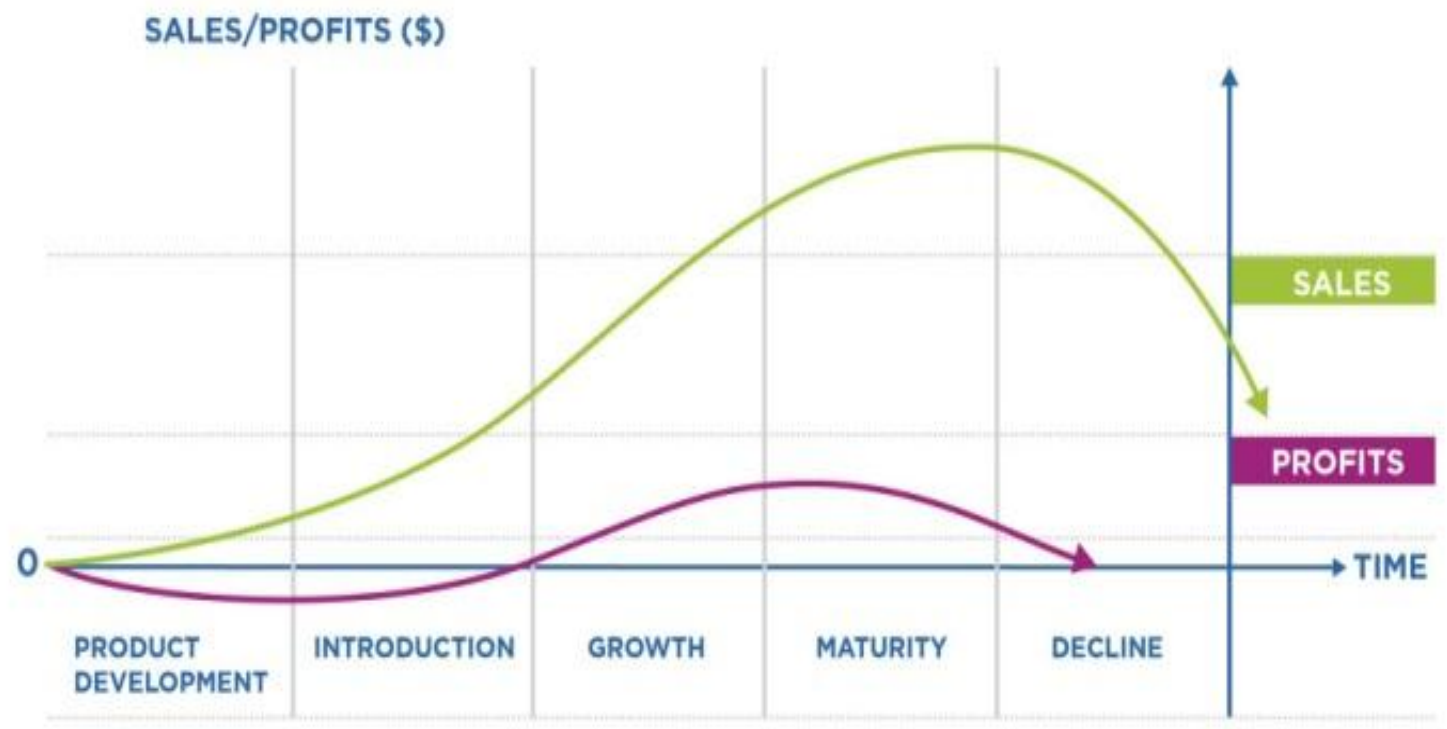
The innovation management system approach yields two favorable outcomes. First, it helps create an innovation-oriented company culture. Second, it will yield a larger number of new product ideas, among which will be found some especially good ones.

▶ New Product Development in Turbulent Times

In difficult times, innovation more often helps than hurts in making the company more competitive and positioning it better for the future.

Product Life-Cycle Strategies

Product life cycle is an important concept in marketing. It describes the stages a product goes through from when it was first thought of until it finally is removed from the market. Not all products reach this final stage. Some continue to grow and others rise and fall.



PRODUCT LIFE CYCLE

The five stages of the PLC

1

Product development

Investment is made, sales have not begun, new product ideas are generated, operationalized, and tested.

2

Introduction

costs are very high, slow sales volumes to start, makes little money at this stage (heavy expenses of product introduction)

3

Growth

when sales are increasing at their fastest rate

4

Maturity

sales volume peaks and market saturation is reached, new competitors enter the market, profits decline. In this stage, business can do something to extend the product's life cycle like modifying the product, new packaging, advertising etc.

5

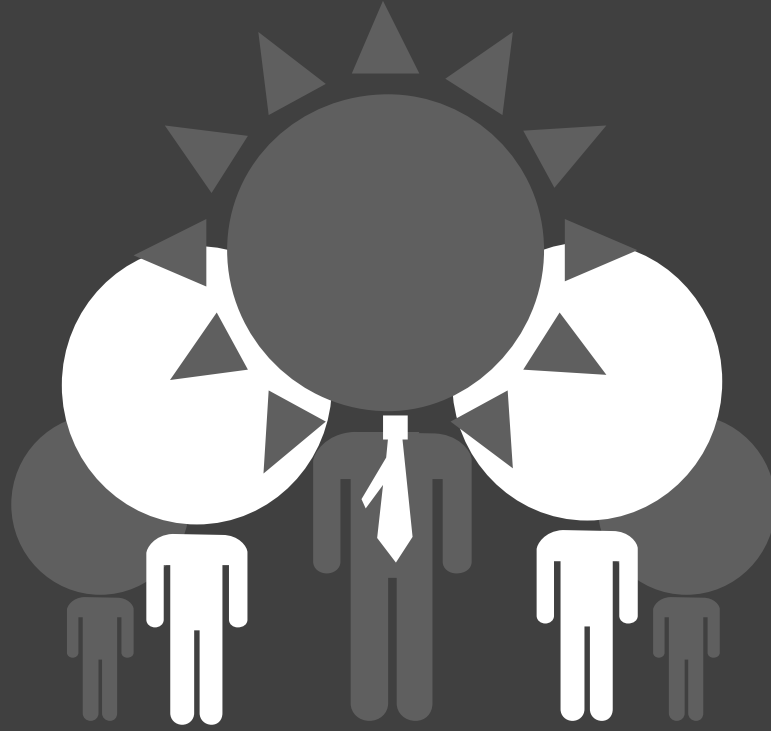
Decline

sales fall off, and profit drops, decide whether to maintain, harvest, or drop the product.

Additional Product and Service Considerations

Marketers must consider two additional product issues:

- 1** *Social responsibility.* This includes public policy issues and regulations involving acquiring or dropping products, patent protection, product quality and safety, and product warranties.
- 2** Involves the special challenges facing international product and services marketers. International marketers must decide how much to standardize or adapt their offerings for world markets.



Thank You !