

Chapter 9

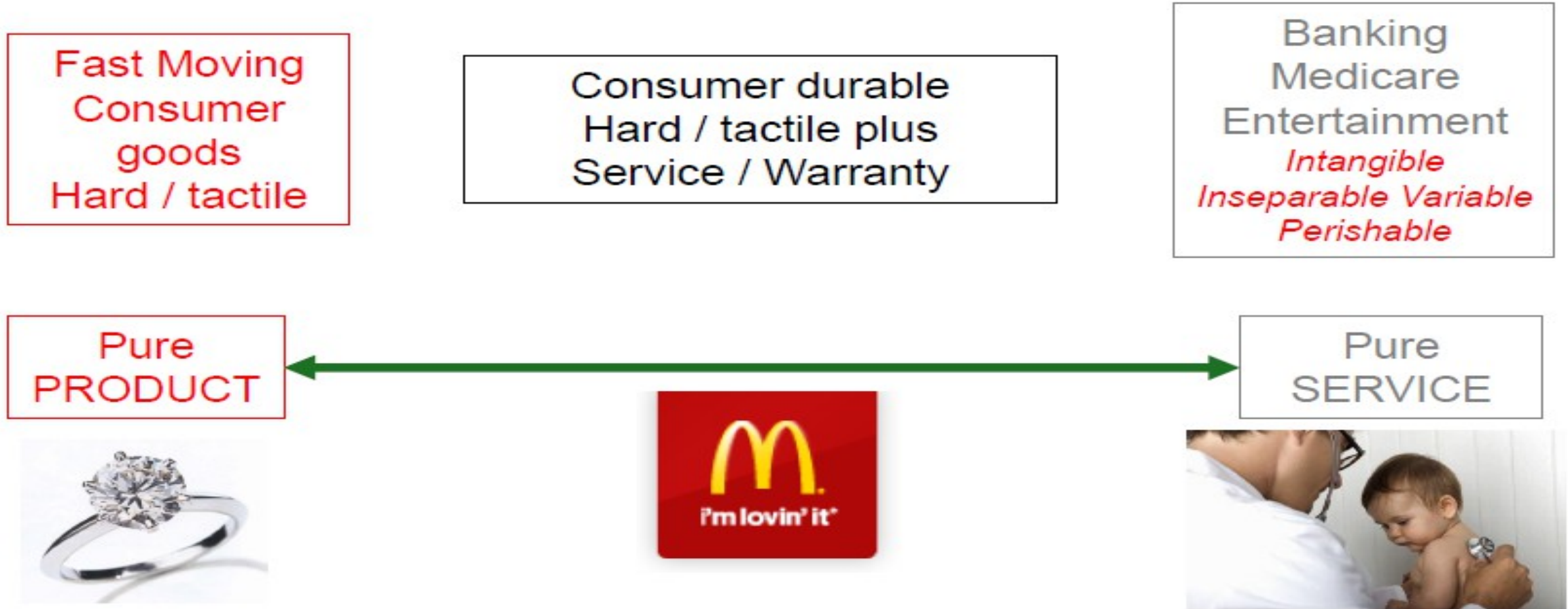
New Product Development & product Life-Cycle Strategies

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Product or Service - can you tell the difference?

Product transition to Services



TOPICS OF THE LECTURE

- 1. New Product Development Process**
 - 2. Product Life Cycle Strategies**
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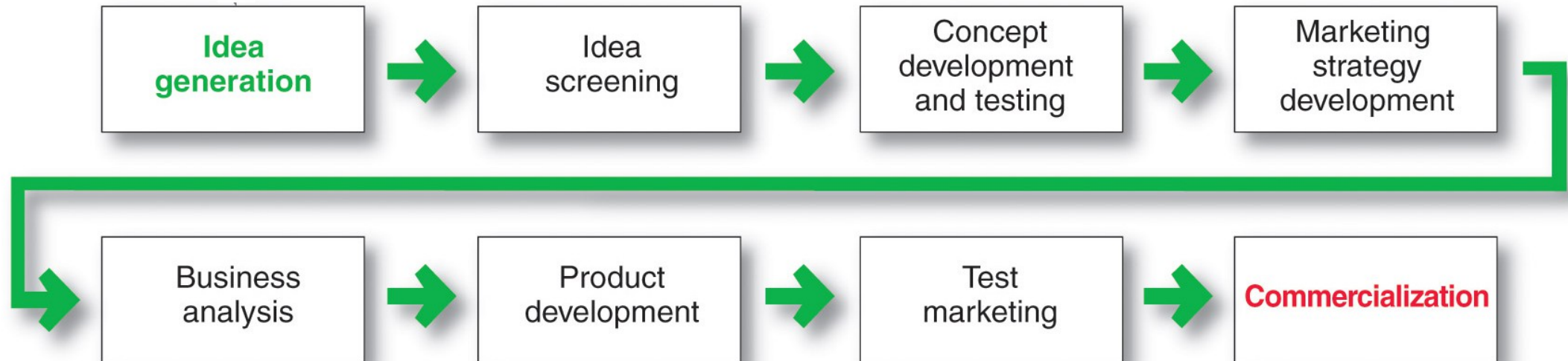
New Product Development Process

Introduction

New products are the lifeblood of a company – more revenue, more growth, more profits.

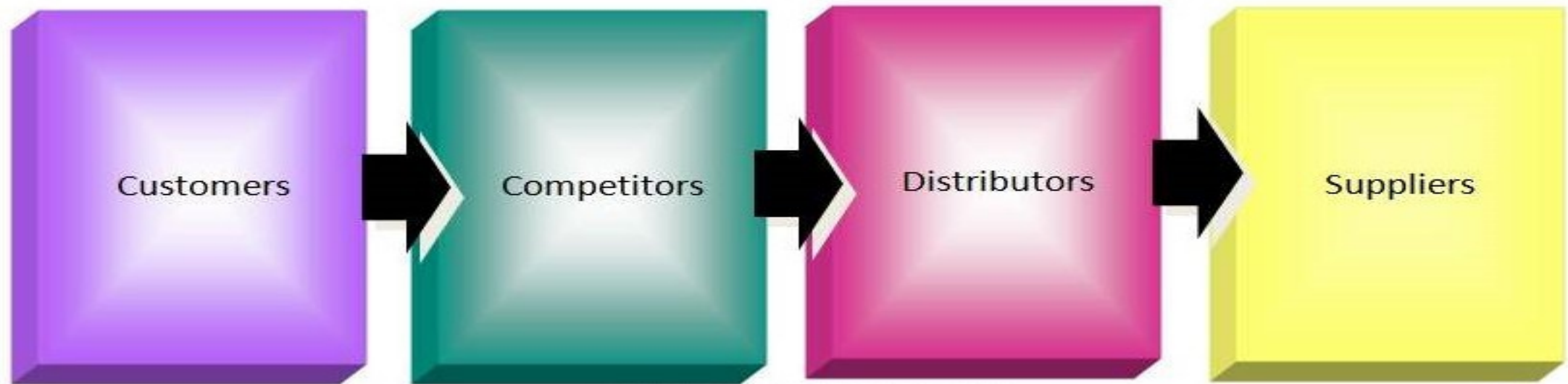
New product development refers to original products, product improvements, product modifications from the firm's own research and development efforts.

New Product Development (NPD) Process

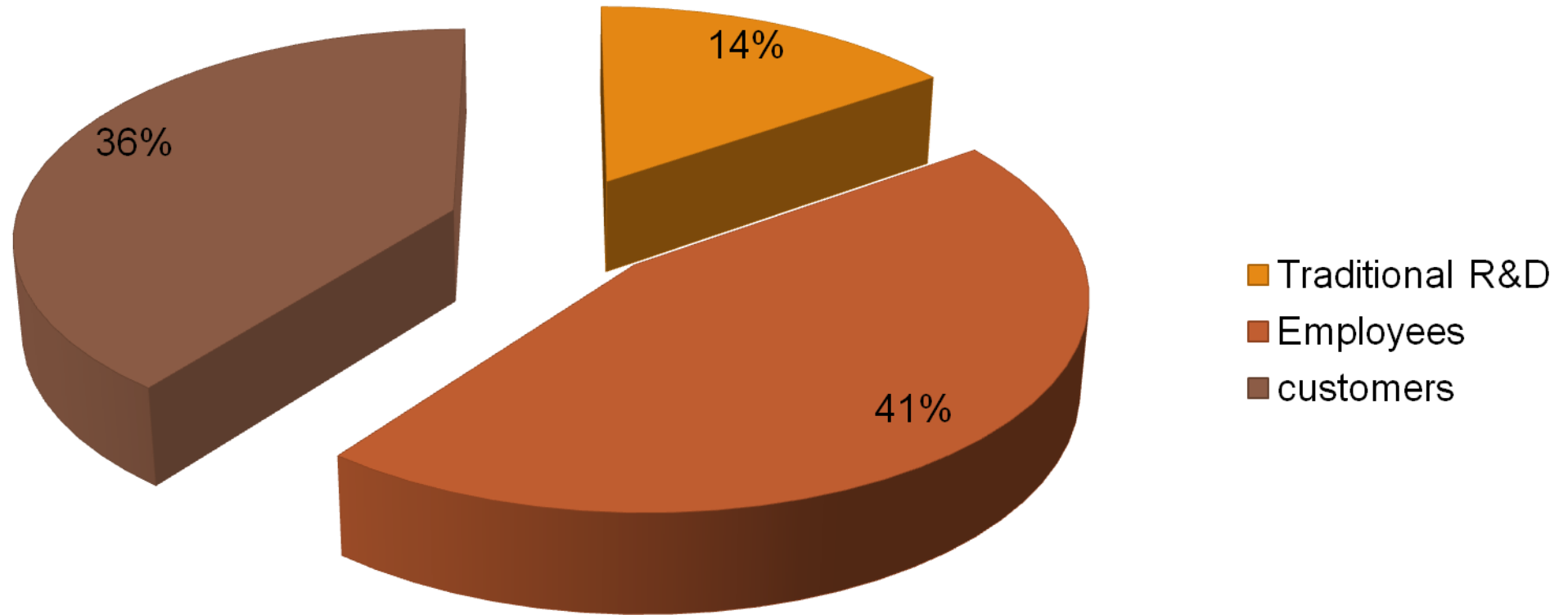


Idea Generation

Idea Generation is the Systematic Search for New Product Ideas Obtained Internally From Employees and externally from:



Idea Sources (750 Global CEOs Responded)



Idea Screening

Process to spot good ideas and drop poor ones as soon as possible.

Three questions to ask yourself during screening process:

- Is there a real need for the product and will customers buy it? – desirability
- Does the company have the resources to make the product a success? – Deliverability
- Will it make money for the company? - Profits

Concept Development

A detailed version of the new product idea stated in **meaningful consumer terms**.

Three questions to ask for concept development (Idea is a nutritious drink in Bangladesh):

1. **Who will use the product?** Infants, children, teenagers, young or middle-aged adults, or older adults.
2. **What primary benefit should this product offer?** Taste, nutrition, refreshment, energy.
3. **When will people consume this product?** Breakfast, midmorning, lunch, mid-afternoon, dinner, late evening?

Concept Development

Develop several concepts:

- **Concept 1:** An instant breakfast drink for adults who want a quick nutritious breakfast without preparation (Tropicana Juice).
- **Concept 2:** A tasty snack drink for children to drink as a midday refreshment.
- **Concept 3:** A health supplement for older adults to drink in the late evening before they go to bed.

Concept Testing

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

Marketing Strategy Development

Comprises of a detailed report of the following parameters:

- 5 year sales targets in terms or revenues and profits.
- Proposed Market share achievements for the next 5 year.
- The target market and the positioning for the product.
- Product's planned price, distribution, and promotional budget

Business Analysis



Product Development and Test Marketing

Product Development: Converting the product concept into a product/service that can be marketed.

Test Marketing: Product and marketing program are tested in realistic market setting.

Commercialization

Commercialization is the introduction of the New Product into the Marketplace.

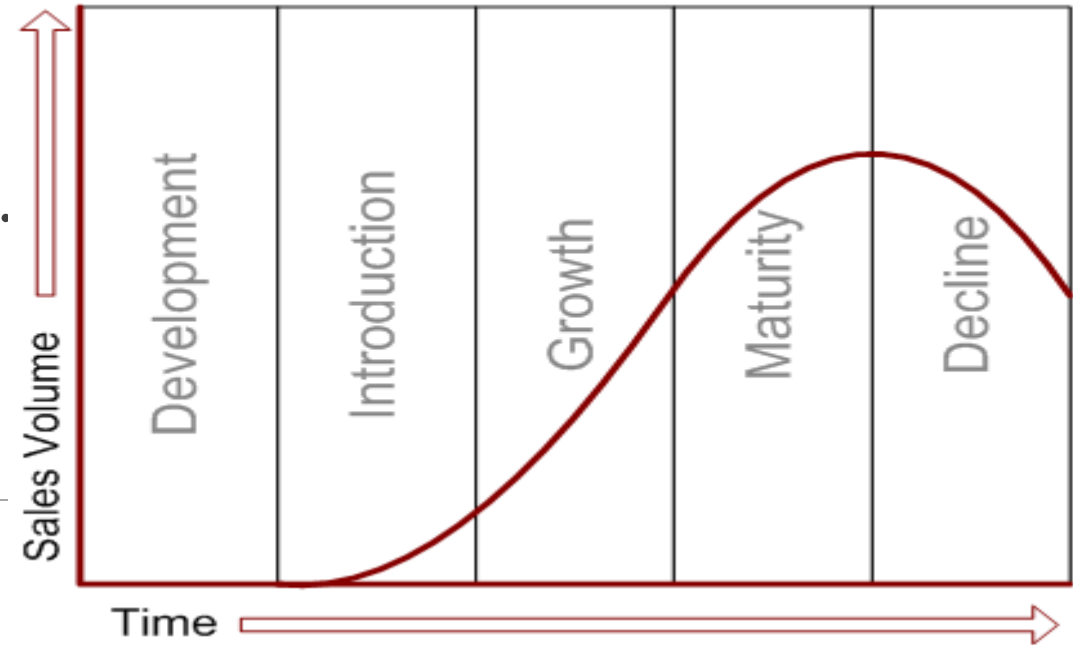
When to launch
the new product?
(Iphone 7)

Where to launch
the new product?

Product Life Cycle & Strategies

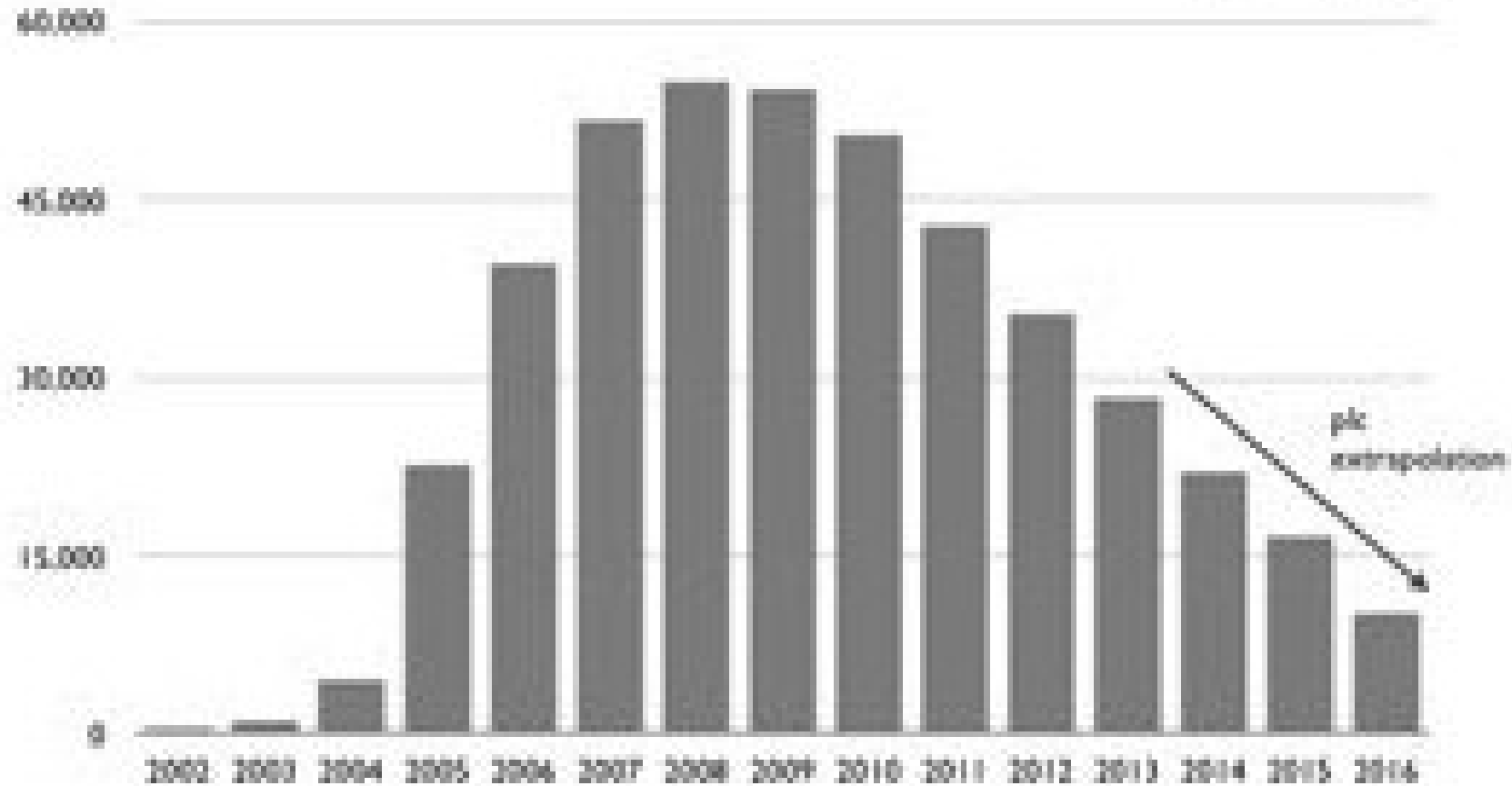
Product Life-Cycle (PLC)

- The product life-cycle theory was developed by Raymond Vernon in 1966.



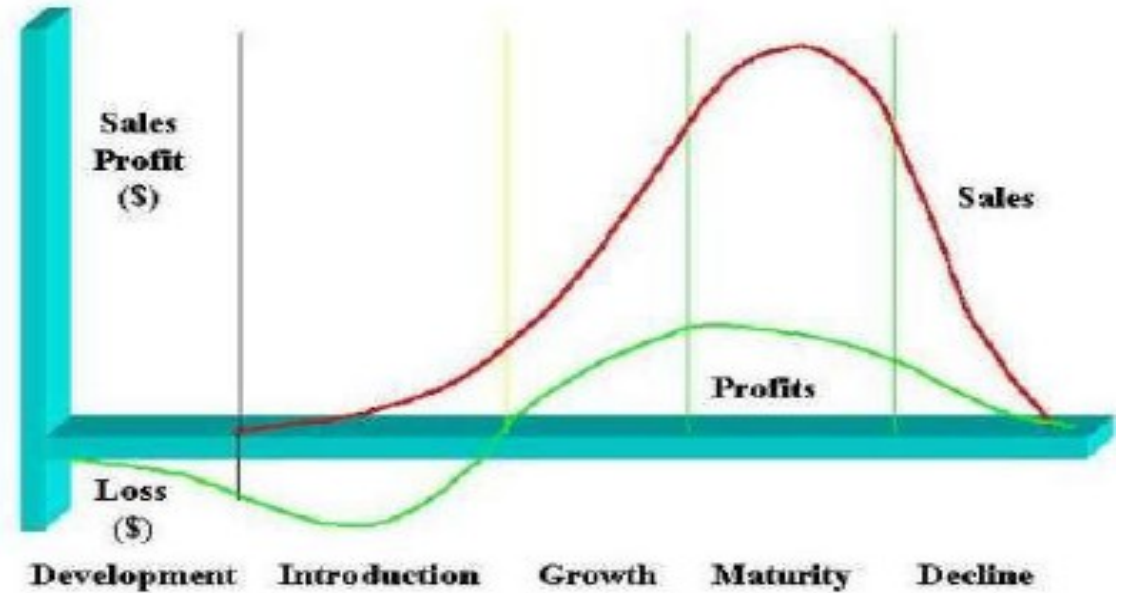
- Some products are introduced and die quickly; others stay in the mature stage for a long, long time.

The iPod Product Life Cycle



Product Life Cycle Stages: **Development**

- A company develops a new product concept
- Sales are zero and the activity is a company (marketing) cost



Product Life Cycle Stages: **Introduction**

- A period of slow sales growth and profit investment
- Key focus of the marketing mix will be **promotion** to 'educate / inform' the consumer
- Development of brand awareness



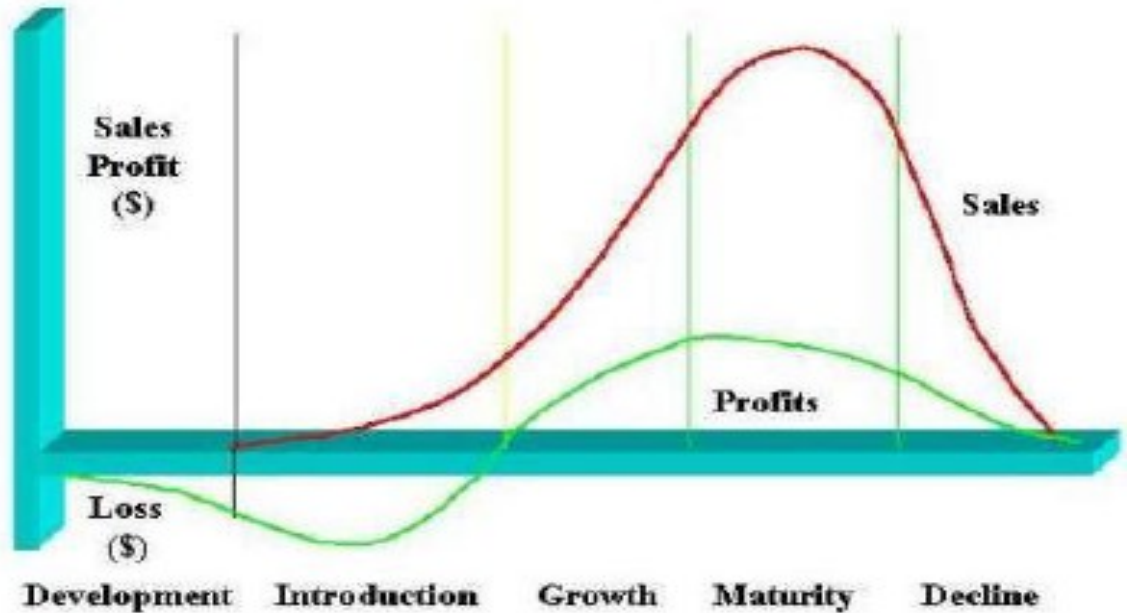
Product Life Cycle Stages: **Growth**

- Rapid market penetration and acceptance
- Critical to address channels to the consumer – focus on **place**
- Market expansion
- Likely to be the phase where concept moves into profit and passes breakeven
- Competitors likely to enter the market space



Product Life Cycle Stages: **Maturity**

- Reaching market potential or saturation
- Profits peak and may be under threat by marketing mix activity required to defend product against competition
- Focus of marketing mix on **product** to develop variants / extensions to maintain product differentiation



Product Life Cycle Stages: **Decline**

- Concept may be 'dated', with competition fierce
- Sales and margins decline, last opportunity to extract value possibly through **price**



Five questions to ask for Product **Rejuvenation**

- Why is the product going into decline?
- Is the environment right for a rejuvenation strategy?
- What does the product name mean to the market?
- Is there still a segment worth reaching?
- Can value be created for customers?

Example: Lucozade Product Rejuvenation: Health to Energy

Health returns with LUCOZADE

"She'll soon be up and about again!" . . .

LUCOZADE
the sparkling glucose drink
REPLACES LOST ENERGY

It's a tragedy when mother's ill—but her illness can be so much easier if Lucozade is there to help. Lucozade contains Glucose to provide energy when it's wanted most, relieves the sick and quells the vomit. And how acceptable is it! The sparkling Lucozade flavor stimulates the appetite and makes it acceptable even to cases of extreme indigestion. But don't wait for illness, help to prevent yourself and your family by keeping ready stocks. Have some Lucozade at your home—and ask for it whenever you go. Find the Dealers and Names on English, Chinese and Japanese.

LUCOZADE
the sparkling glucose drink
REPLACES LOST ENERGY

We create history like this every month.

It's a very Lucozade who keeps their Lucozade with them—and here's a little story that's so true and so real that it's a credit to Lucozade. One day a young girl was out for a walk after a week after a week of illness and she was so tired that she could hardly walk. She met a young man who was carrying a large bottle of Lucozade and she saw that the girl had lost her energy.

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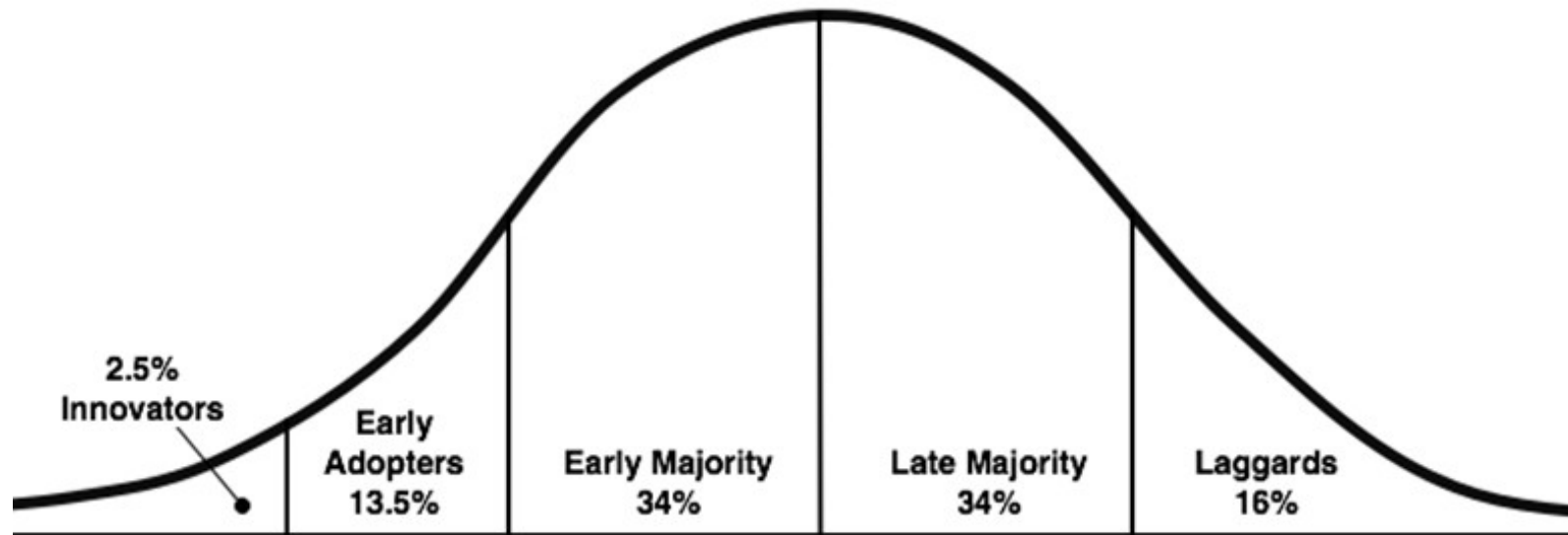
Source: © GlaxoSmithKline <http://www.lucozade.com>

Summary of Product Life-Cycle Characteristics, Objectives and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
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
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 loyalists
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

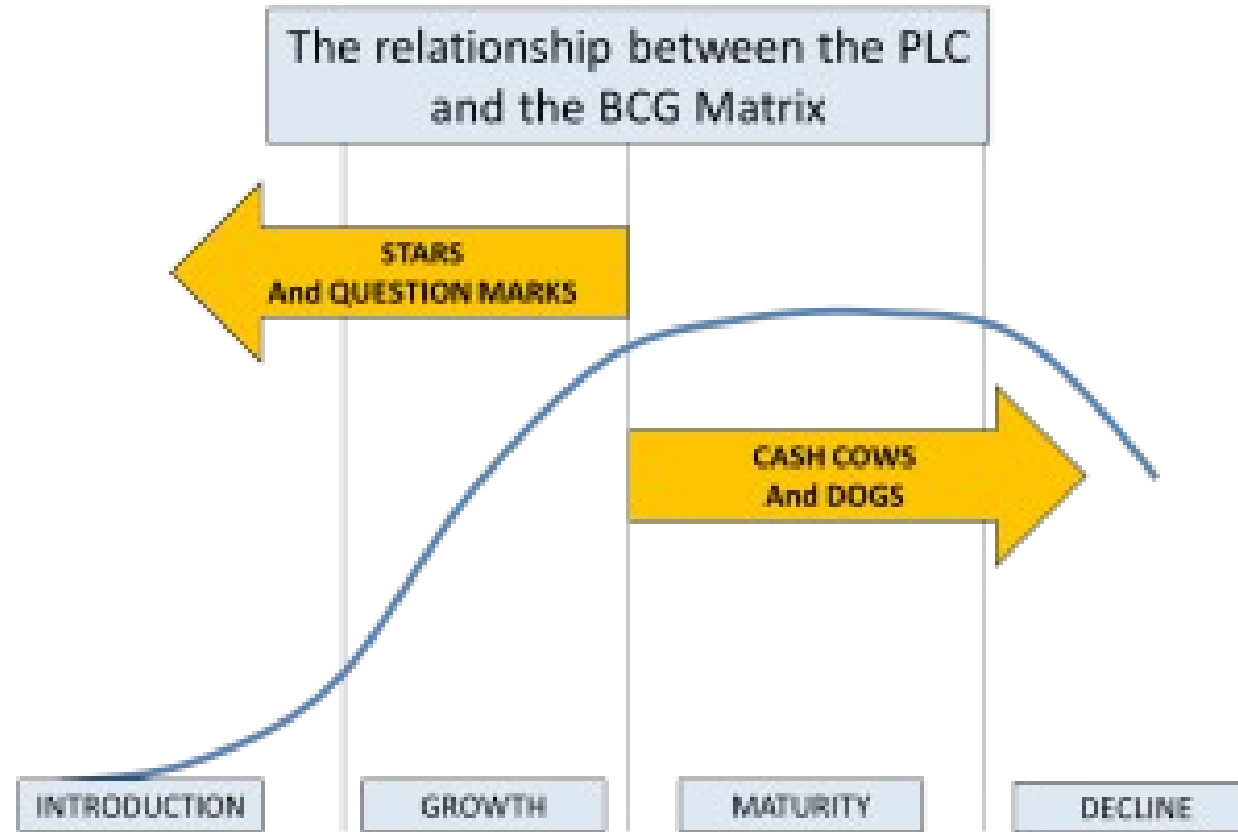
Diffusion of Innovation Theory

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population



Source: Everett Rogers Diffusion of innovations model

The BCG Matrix and The Product Life-Cycle (PLC)



Thank
you