

Who should ultimately design the product? The customer, of course.

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DEVELOPING NEW MARKET OFFERINGS



Developing New Market Offerings

Six categories of new products

1. New-to-the-world products
2. New product lines
3. Additions to existing product lines
4. Improvements and revisions of existing products
5. Repositioning
6. Cost reductions



Challenges in New-Product Development

New-Product Failure

- Shortage of important ideas in certain areas
- Fragmented markets
- Social and governmental constraints
- Cost of development
- Capital shortages
- Faster required development time
- Shorter product life cycles



Organizational Arrangements

New-product deployment requires specific criteria

- The product can be introduced within five years
- The product has a market potential of at least \$50 million and a 15 percent growth rate.
- The product would provide at least 30 percent return on sales and 40 percent on investment.
- The product would achieve technical or market leadership.

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Organizational Arrangements

Organizing New-Product Development

- Product managers
- New-product managers
- High-level management committee
- New product department
- Venture teams



Managing the Development Process: Ideas

Idea Generation

- Interacting with Others
 - Sales representatives
 - Intermediaries
 - Product champion
- Techniques for stimulating creativity in individuals and groups
 - Attribute listing
 - Forced relationships
 - Morphological analysis
 - Reverse assumption analysis
 - New contexts
 - Mind-mapping

Managing the Development Process: Ideas

Idea Screening

- Two types of errors in screening ideas
 - DROP-error
 - GO-error
 - Absolute product failure
 - Partial product failure
 - Relative product failure



Managing the Development Process: Concept to Strategy

Concept Development and Testing

- Product idea
- Product concept

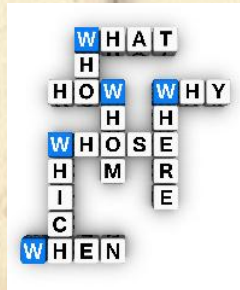
- Concept development
 - Category concept
 - Product-positioning map
 - Brand concept
- Concept Testing
 - Rapid prototyping
 - Virtual reality
 - Customer-driven engineering



Managing the Development Process: Concept to Strategy

Concept Development and Testing

- Questions to measure product dimensions
 - Communicability and believability
 - Need level
 - Gap level
 - Perceived value
 - Purchase intention
 - User targets, purchase occasions, purchasing frequency
- Conjoint Analysis
 - Example: five design elements
 - Three package designs
 - Three brand names
 - Three prices
 - Possible Good Housekeeping seal
 - Possible money-back guarantee



Managing the Development Process: Concept to Strategy

- **Marketing Strategy**
- **Business Analysis**
 - Estimating Total Sales
 - Survival-age distribution
 - Estimating Cost and Profits
 - Break-even analysis
 - Risk analysis



Managing The Development Process: Development to Commercialization

Product Development

- Quality Function Deployment (QFD)
- Customer attributes (CAs)
- Engineering attributes (EAs)
- Customer tests
- Alpha testing
- Beta testing
- Consumer preference measures
 - Rank-order
 - Paired-comparison
 - Monadic-rating



Managing The Development Process: Development to Commercialization

Market Testing

• Consumer-Goods Market Testing

- Seeks to estimate four variables
 - Trial
 - First repeat
 - Adoption
 - Purchase frequency
- Sales wave research
- Simulated Test Marketing
- Controlled Test Marketing

– Test Markets

- How many test cities?
- Which cities?
- Length of test?
- What information?
- What action to take?

• Business-Goods Market Testing



Managing The Development Process: Development to Commercialization

Commercialization

- When (Timing)
 1. First entry
 2. Parallel entry
 3. Late entry
- Where (Geographic Strategy)
- To Whom (Target-Market Prospects)
- How (Introductory Market Strategy)
 - Critical path scheduling (CPS)
- Adoption
 - Consumer-adoption process
 - Consumer-loyalty process
 - Mass-market approach
 - Heavy-usage target marketing



Managing The Development Process: Development to Commercialization

Stages in the Adoption Process

- Adopters of new products move through five stages
 - Awareness
 - Interest
 - Evaluation
 - Trial
 - Adoption

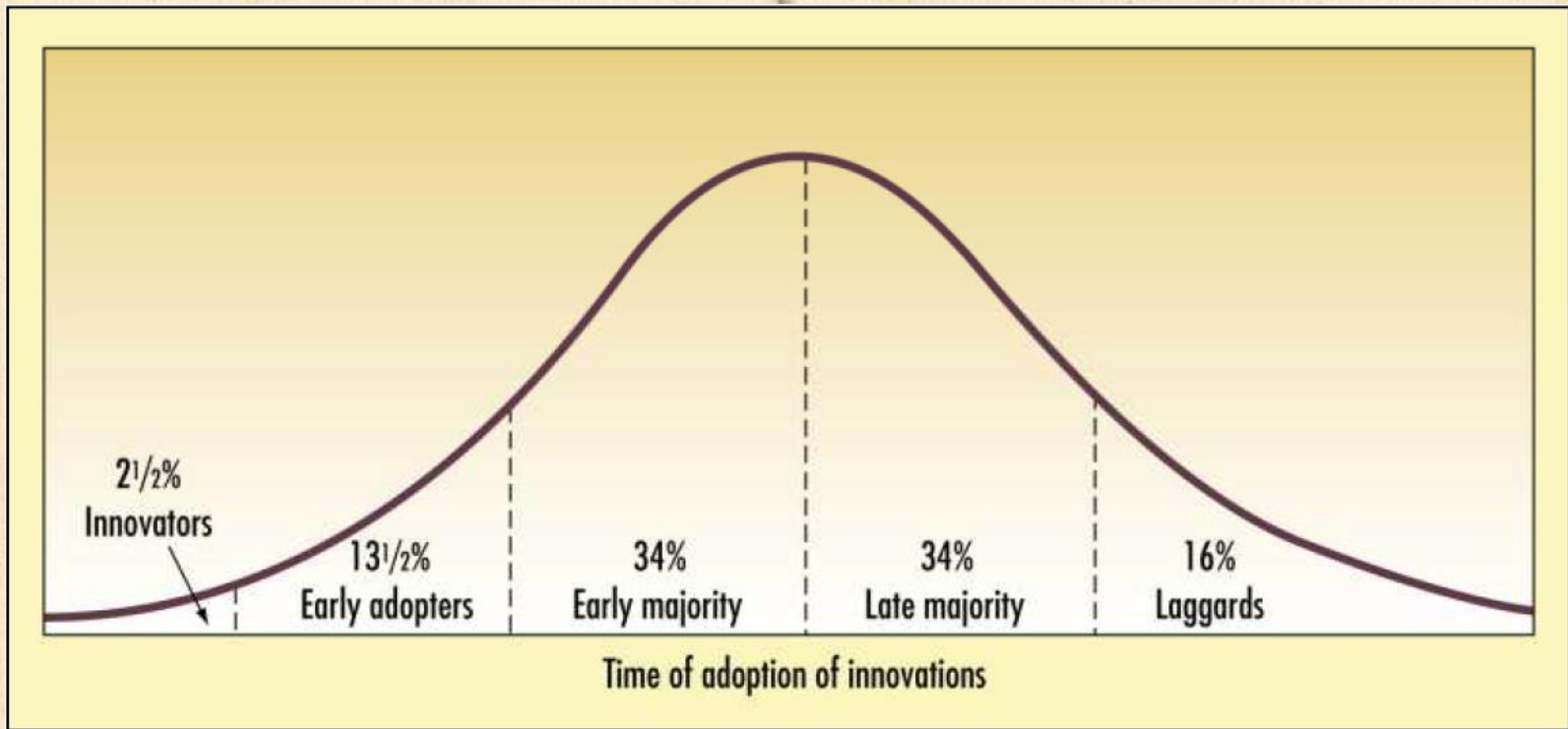


Managing The Development Process: Development to Commercialization

Factors Influencing the Adoption Process

- Readiness to Try New Products and Personal Influence
 - Personal Influence
- Organizations' Readiness to Adopt Innovations
- Characteristics of the Innovation
 - Relative advantage
 - Compatibility
 - Complexity
 - Divisibility
 - Communicability





Adopter Categorization on the Basis of Relative Time of Adoption of Innovation

Reference

- Kotler, Philip, and Kevin Keller. *Marketing Management*. 13th ed. Prentice Hall, 2008.