Chapter Nine

New-Product Development and Product Life-Cycle Strategies

Topic Outline

- New-Product Development Strategy
- New-Product Development Process
- Managing New-Product Development
- Product Life-Cycle Strategies
- Additional Product and Service Considerations
New-Product Development Strategy

Two ways to obtain new products

**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

New-Product Development Process

**Major Stages in New-Product Development**

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
New-Product Development Process

Idea Generation

Idea generation is the systematic search for new-product 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.

Idea Screening

• Identify good ideas and drop poor ideas
• R-W-W Screening Framework:
  – Is it real?
  – Can we win?
  – Is it worth doing?
New-Product Development Process

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.
New-Product Development Process

Marketing Strategy Development

• Marketing strategy development refers to the initial marketing strategy for introducing the product to the market
• Marketing strategy statement includes:
  – Description of the target market
  – Value proposition
  – Sales and profit goals

New-Product Development Process

Business analysis

Business analysis involves a review of the sales, costs, and profit projections to find out whether they satisfy the company’s objectives
New-Product Development Process

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
- Shows whether the product idea can be turned into a workable product.

Test Marketing

Test marketing is the stage at which the product and marketing program are introduced into more realistic marketing settings

Provides the marketer with experience in testing the product and entire marketing program before full introduction.
New-Product Development Process

Commercialization

Commercialization is the introduction of the new product:
- When to launch
- Where to launch
- Planned market rollout

Managing New-Product Development

Successful new-product development should be:
- **Customer centered**: new products as new ways to solve customer problems and create more customer satisfying experiences
- **Team-based**: Company departments work closely together in cross-functional teams
- **Systematic**: uses innovative development approach that collects, reviews, evaluates, and manages new-product ideas.
Product Life-Cycle Strategies

- **Product development**
  - Sales are zero and investment costs mount
- **Introduction**
  - Slow sales growth and profits are nonexistent
- **Growth**
  - Rapid market acceptance and increasing profits.
- **Maturity**
  - Slowdown in sales growth and profits level off or decline
- **Decline**
  - Sales fall off and profits drop