

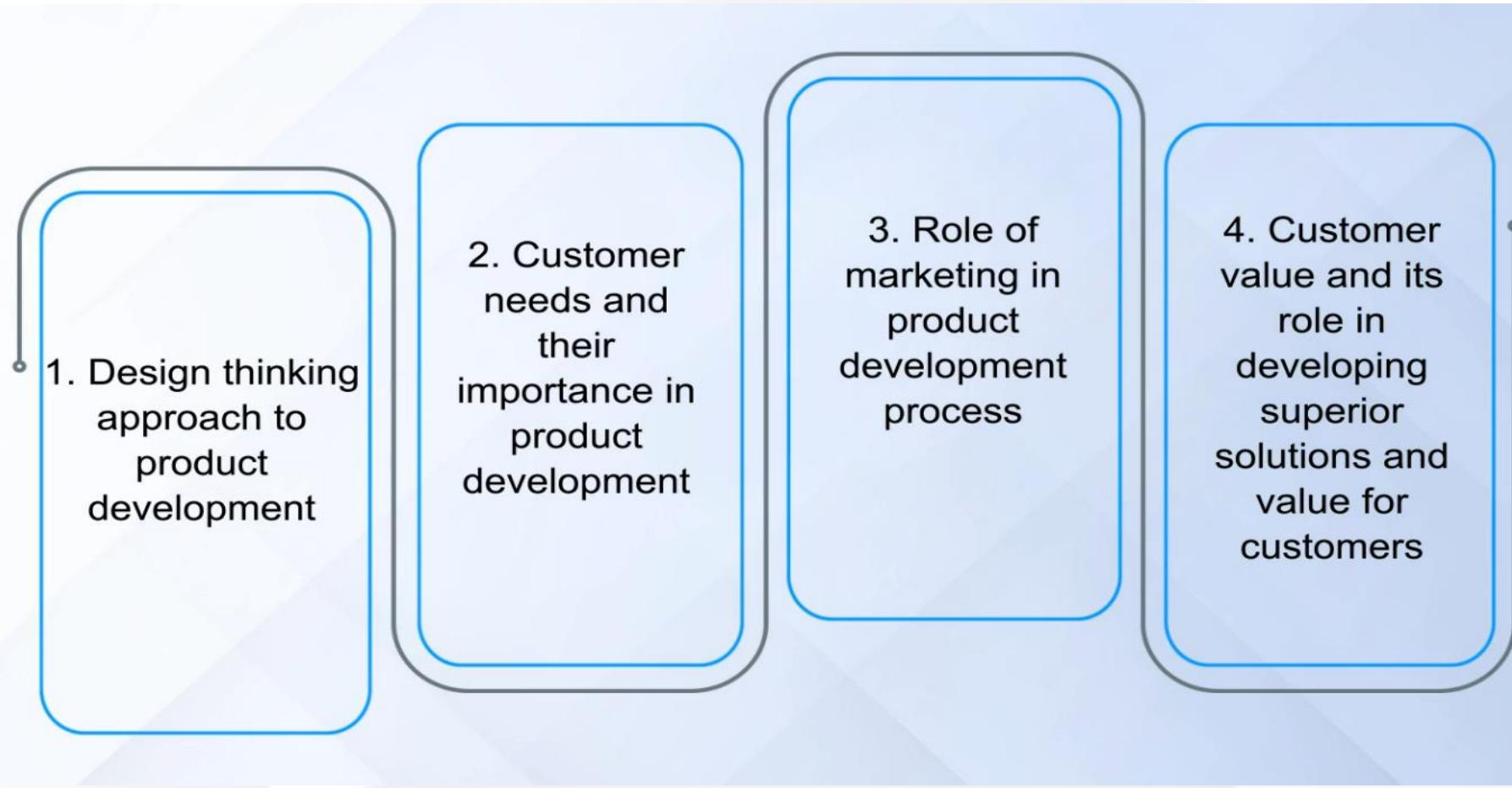


# PM: Product Management and Development

## Week 2– Product Development Process

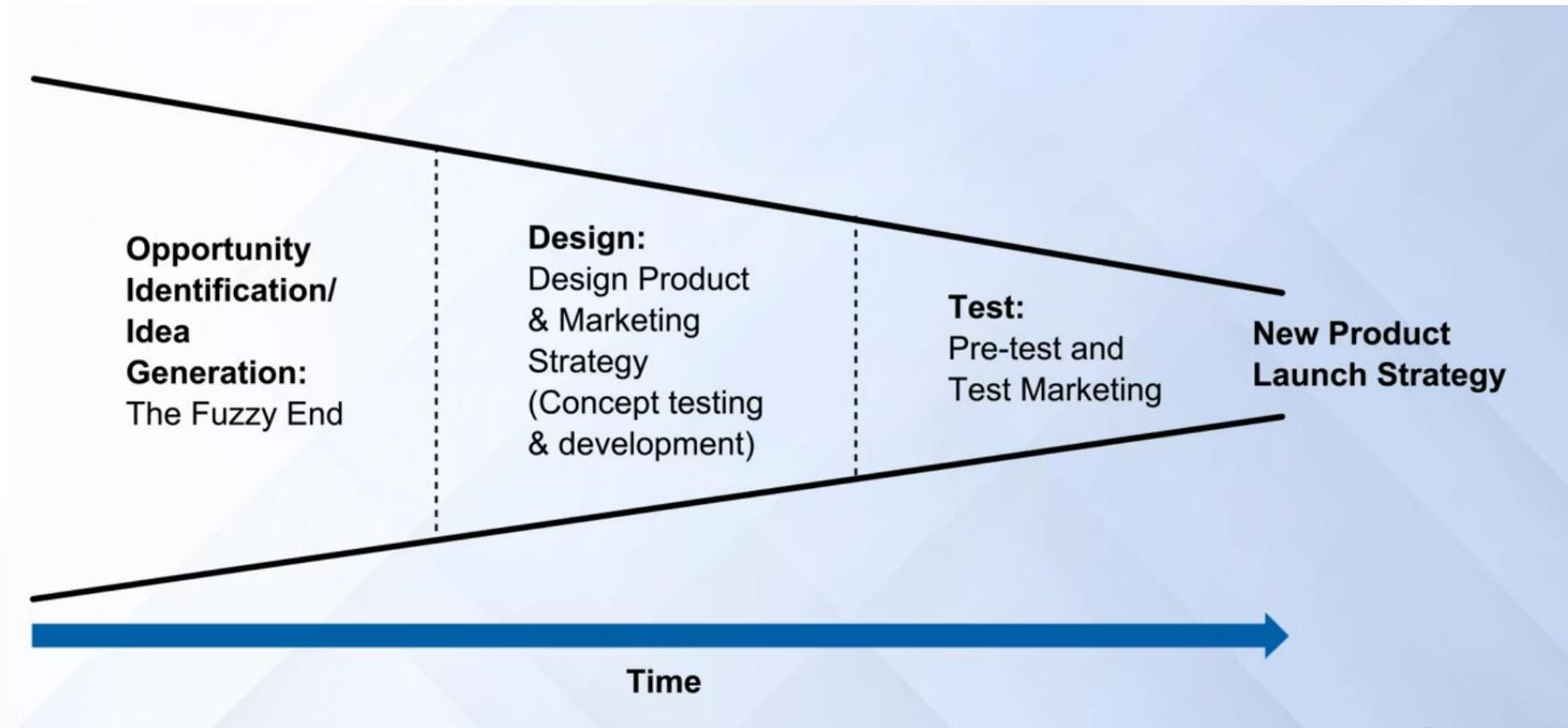
# Module Overview

# Learning Outcomes

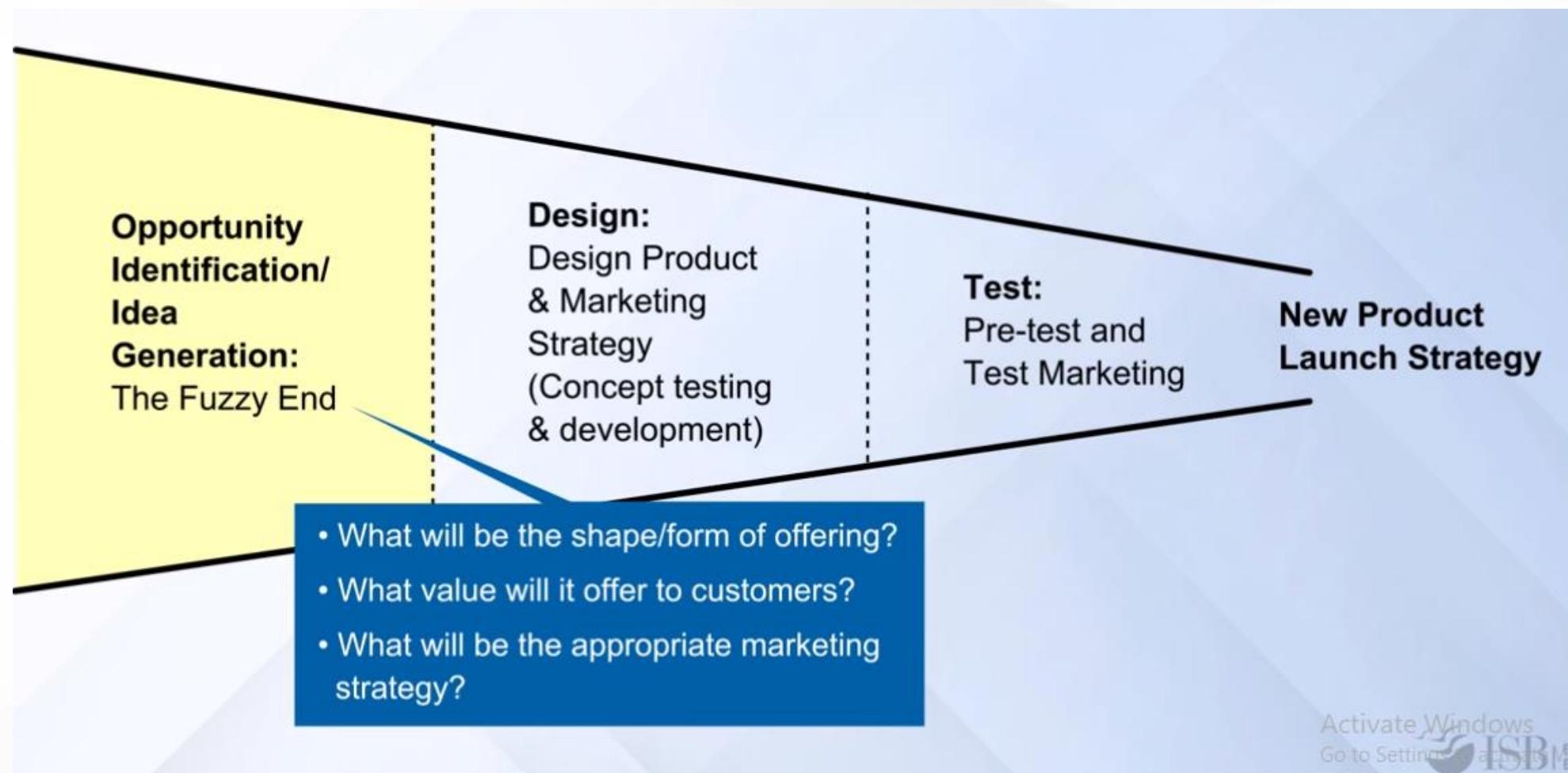


# New Development Process: Overview

# New Product Development Process

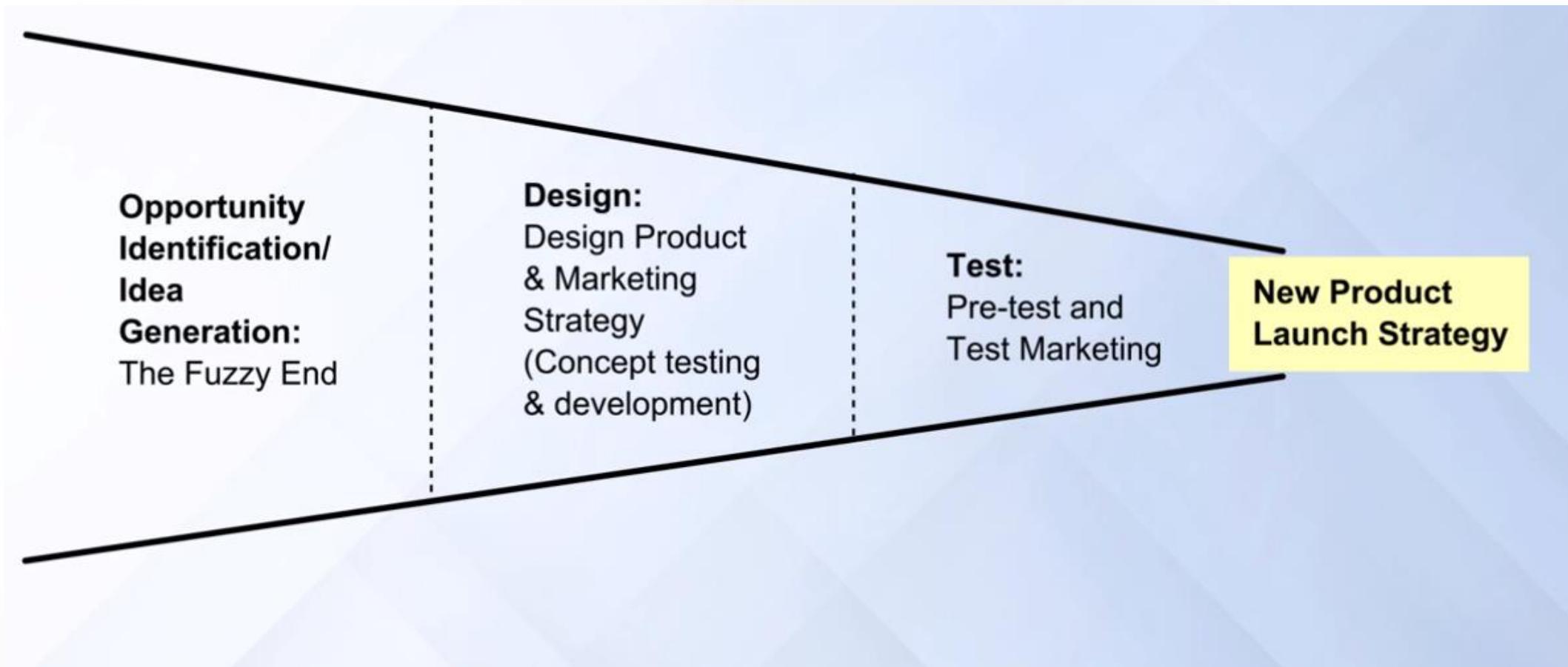


# New Product Development Process



Activate Windows  
Go to Settings > Update & Security  


# New Product Development Process



# Design Thinking Approach



# Stage 1- Start with an Idea or a Market Opportunity



Starts with an idea/market opportunity

# Converting the idea into a Product

How to convert the idea into a successful product/service?

Can the product be commercialised?

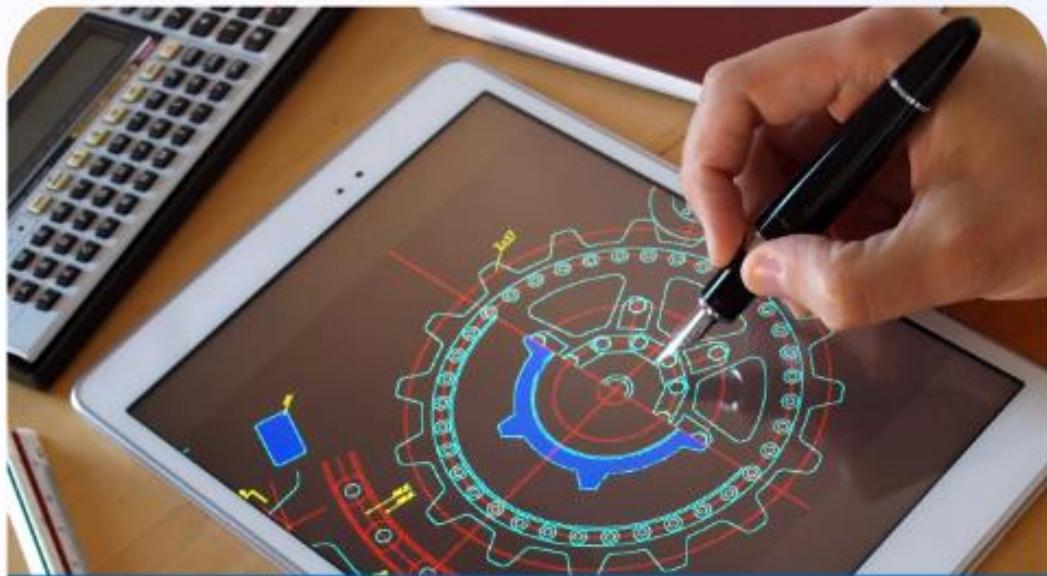
How can the product be commercialised?

# Opportunity Identification- Idea Generation



Consider offering a new environment friendly product that addresses a specific consumer need.

# Stage 2 -The Product Design Stage



**Design the product and its marketing strategy**

# Concept Testing and Development

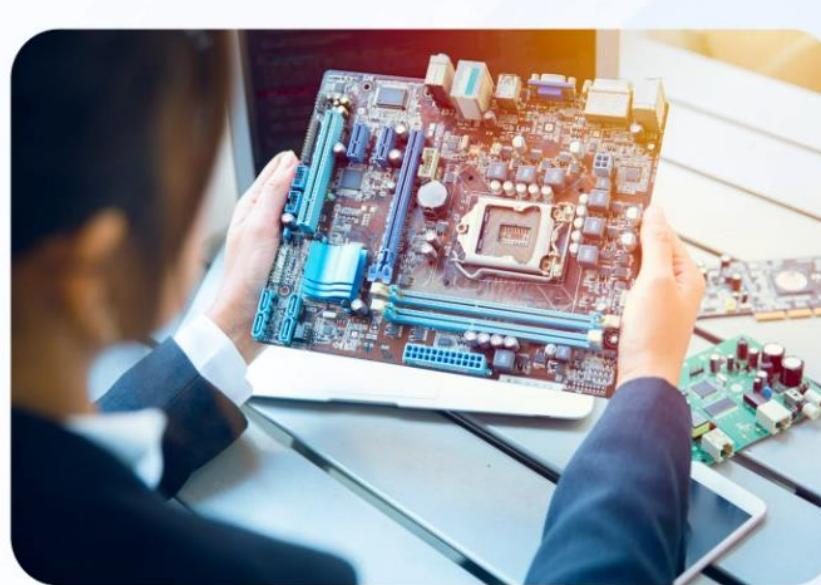


Process is called Concept Testing  
and Development

# Stage 3 - Pre-test Marketing methods

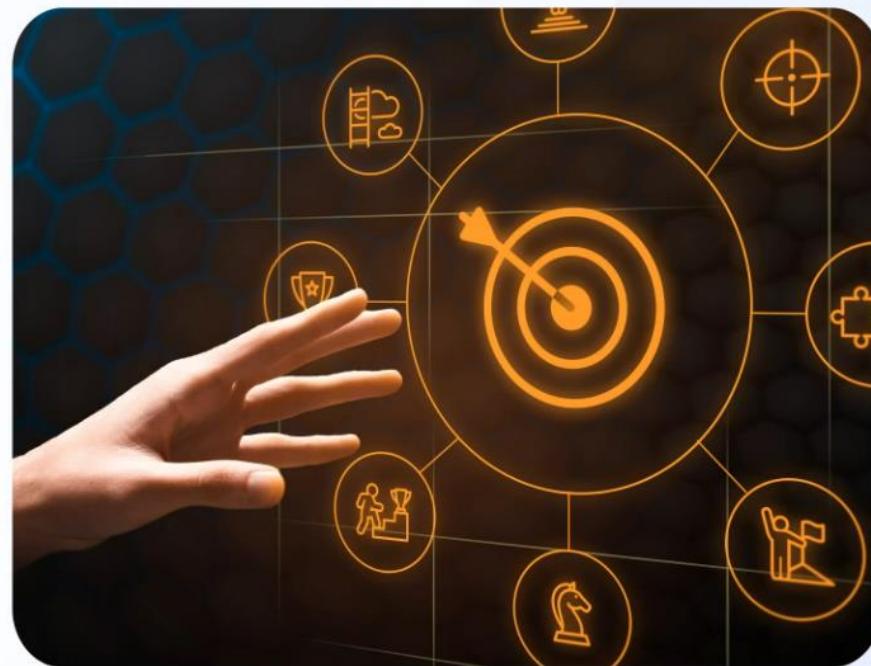


# Test Marketing and Launch



- Tests the final product and its marketing strategy before launch
- Test stage is the final test to reduce risk of failure

# How to Position the Concept?



Targeted set of people find your offering  
better than other alternatives

# Market Dynamics



# New Product Development-Challenges



- Important for company growth
- Costly to develop
- High rate of failure

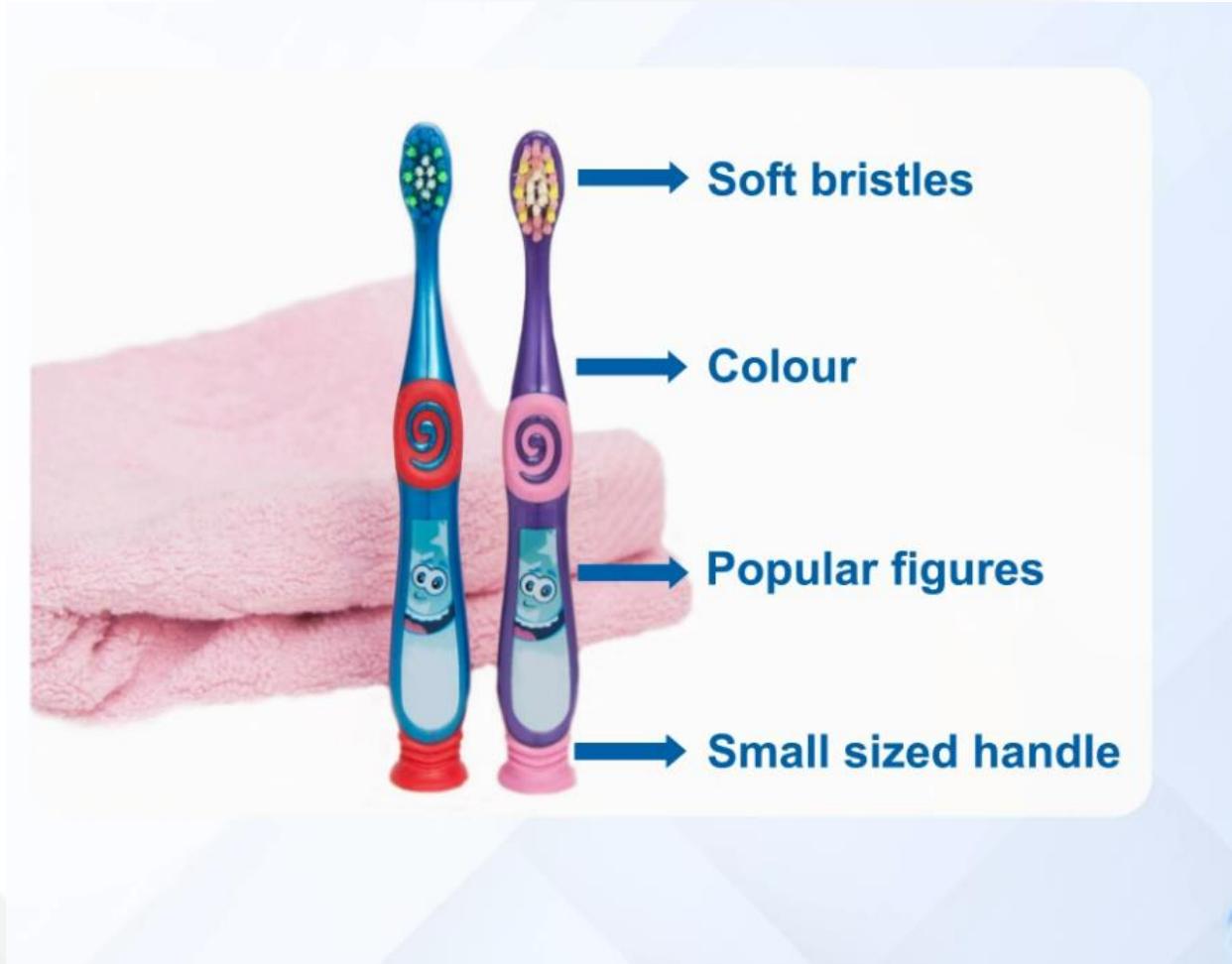
# Customer Needs and Behaviour

# Example 1: Kids' Toothbrush



- **Market Situation:** Category of children's toothbrush does not exist
- **Task:** What would the toothbrush look like?

# Kids' Toothbrush: Initial Design

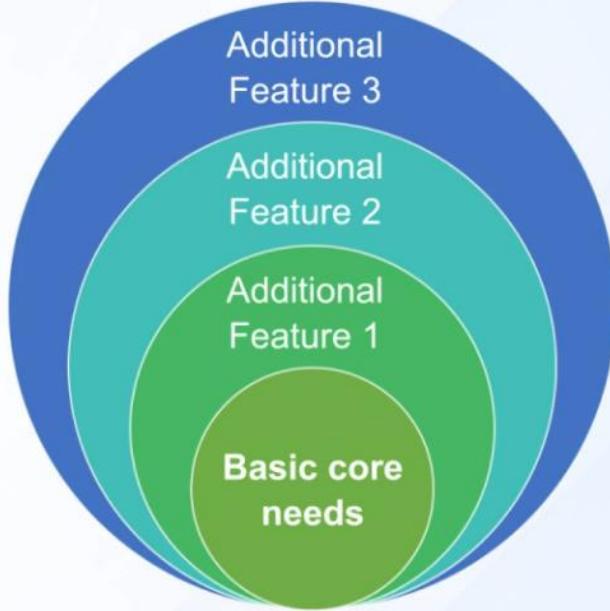


# Kids' Toothbrush: Redesigned



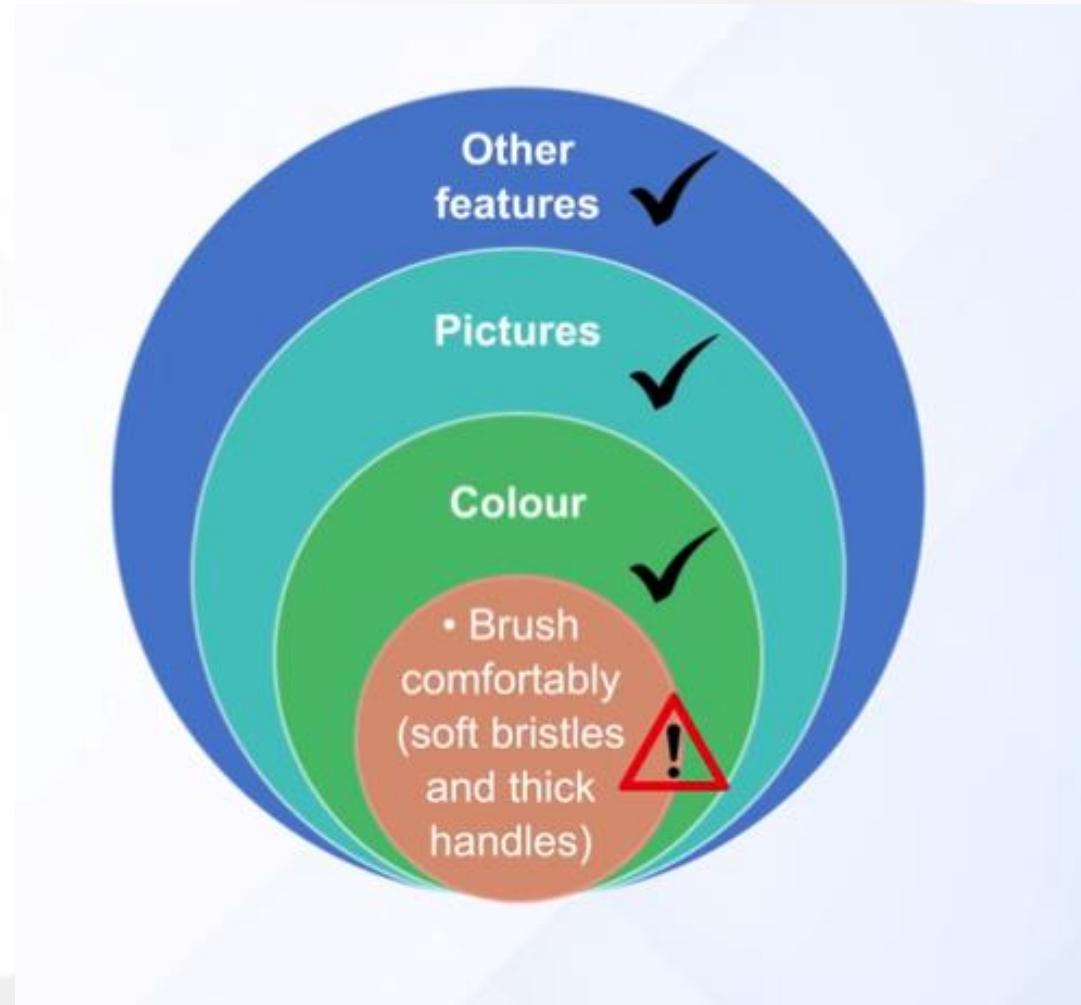
The redesigned toothbrush with thicker handles was a success.

# Customer Needs

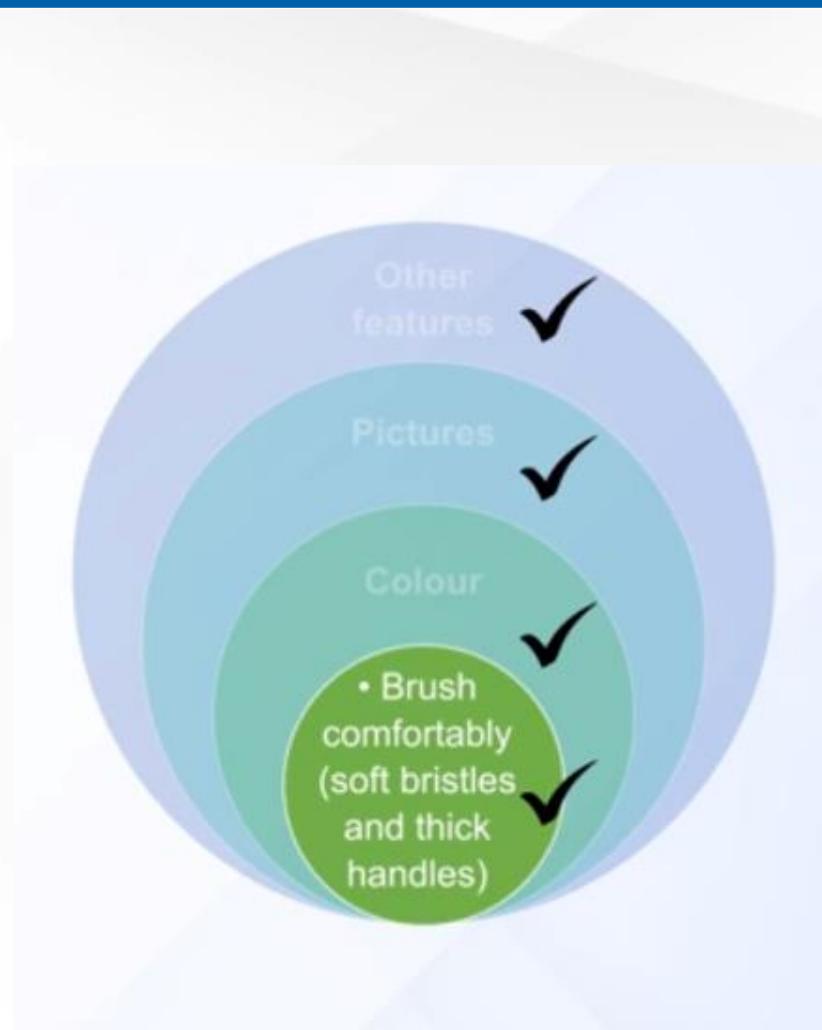


Satisfaction of the basic need is a necessary condition for success but generally not sufficient.

# Toothbrush: Customer Needs



# Toothbrush: Customer Needs



## Example 2: Milkshake for a Fast Food Joint



- **Task:** Develop a new milkshake product
- **Aim:** To increase the sales of this category
- **Challenge:** How would you design this product?

# Milkshake Product: Initial Design



# Milkshake for a Fast Food Joint



Early morning visitors -

- Salespeople
- Early workers who drove long distance



Late afternoon visitors -

- Young children accompanied by parents for a meal after school

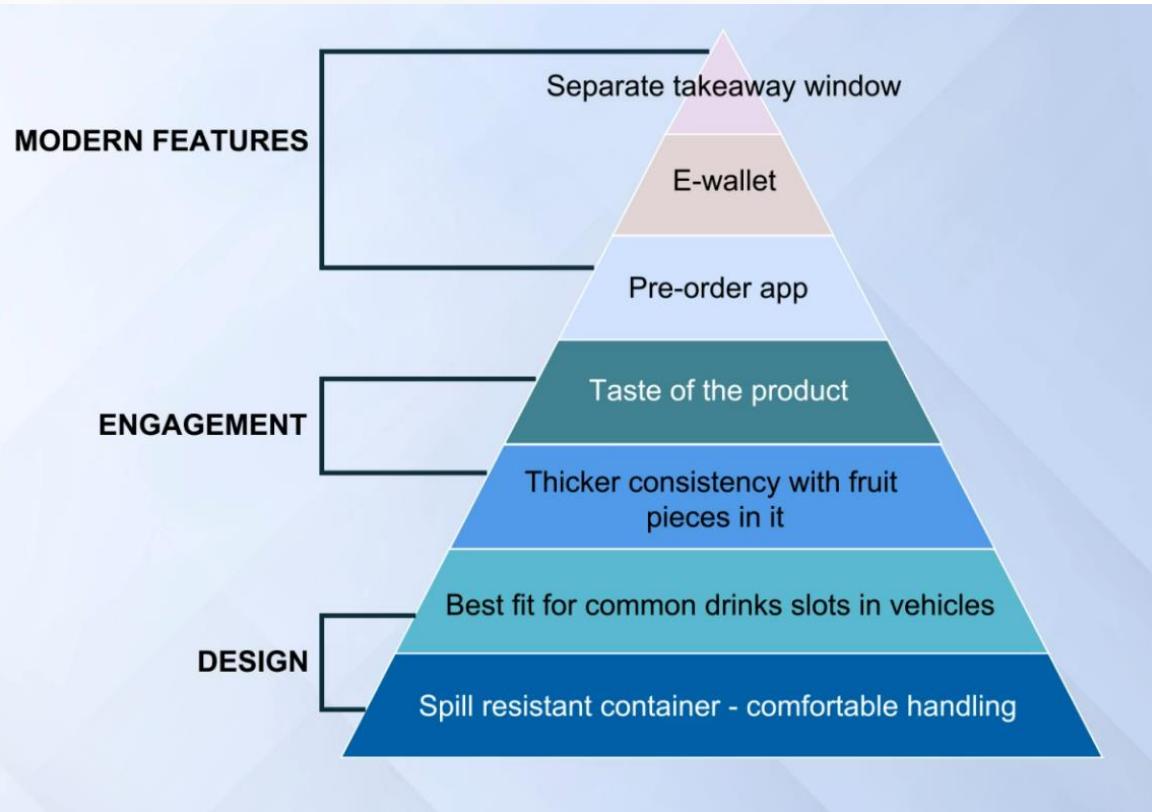
# Needs of Customer Group I



- ✓ Consumed milkshake while driving
- ✓ Buy it quickly
- ✓ Last longer

x Did not want the milkshake to be too filling

# Customer Group I



# Customer Group II



- Thick consistency
- Time-consuming

- Thinner consistency
- Tastier
- Healthier

# Customer Needs and Behaviour



- Assumption is risky
- Market research helps understand consumer needs and behaviour.

# Types of Needs

## Existing Need

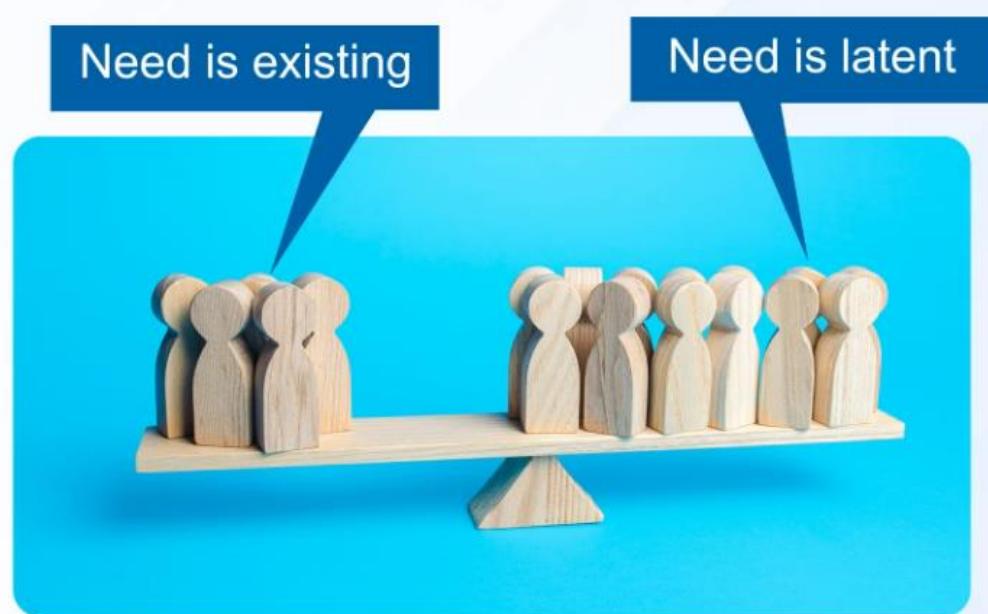
- Present in the mind of consumers
- Can be expressed easily
- Understood with help of survey/interview
- **Get correct answers to direct questions**

## Latent Need

- Unrealised in customers' mind
- Unwilling to express
- **Cannot get correct answers to direct questions**

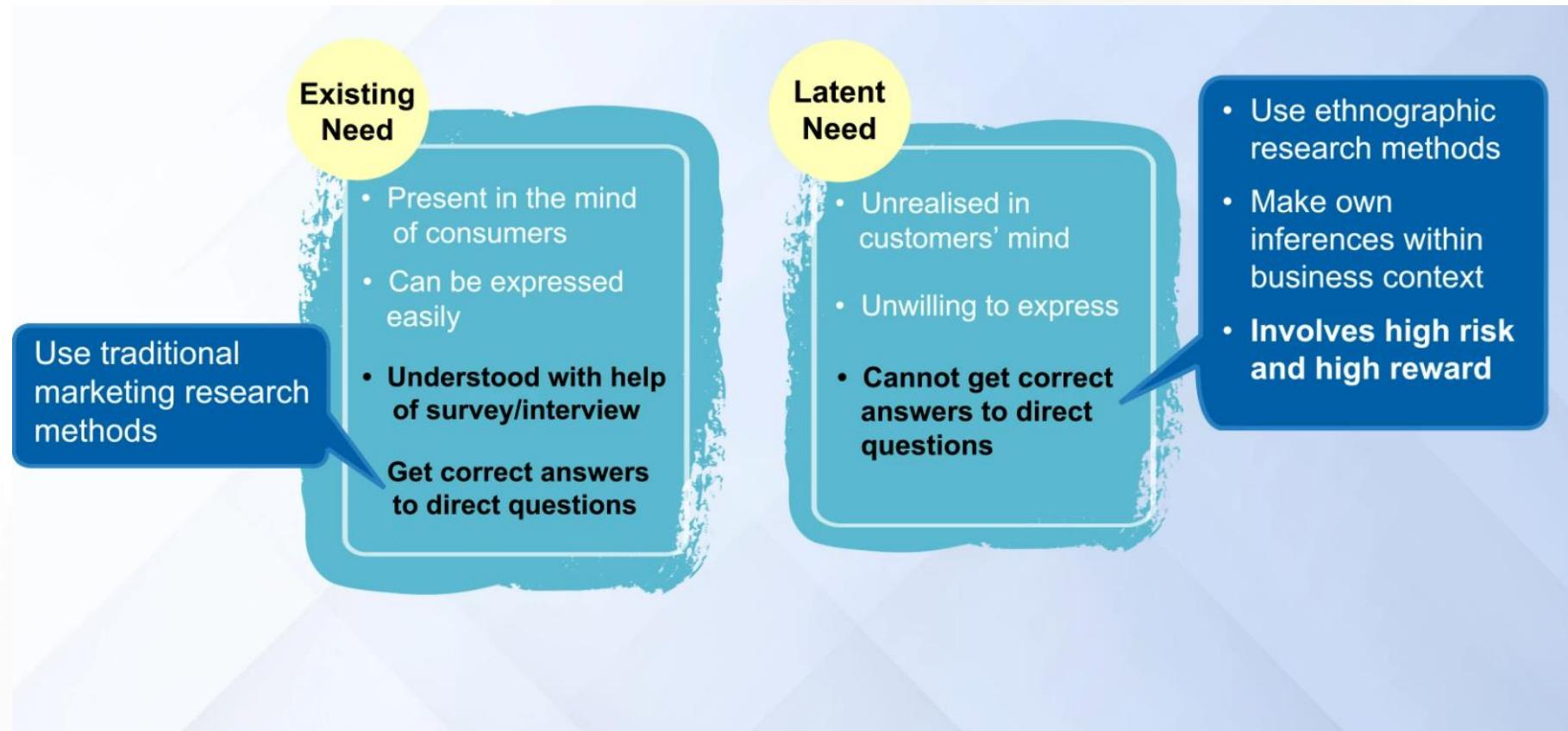
Categorised based on company's ability to get correct answers

# Types of Needs



- If most of targeted consumers have the need as latent then it is **latent need**.
- A **latent need** today would become **existing need** over time.

# Types of Needs

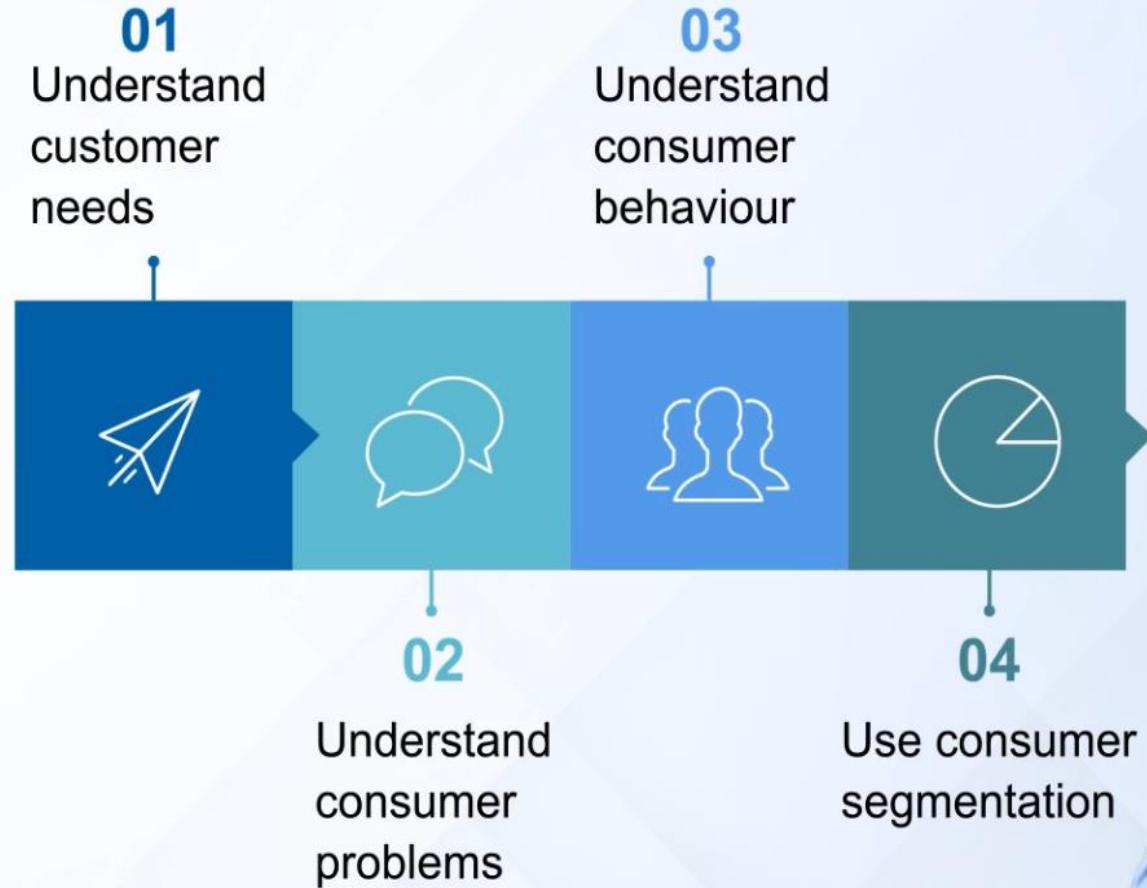


# Role of Marketing

# Marketing Management Process



# Marketing Management Process



# Targeting Decision



# Targeting Decision

The diagram shows a cluster of green 3D human-shaped figures enclosed in a green circle, labeled 'A' in a blue box at the top left. To the right, a thought bubble contains the text: "What do Segment A think about competitors?". Below the cluster, a blue box lists three bullet points:

- Consider competitors
- Consider competitor position in consumer's mind
- Use marketing research method to create perceptual map

© ISB

# Poor Brand Positioning



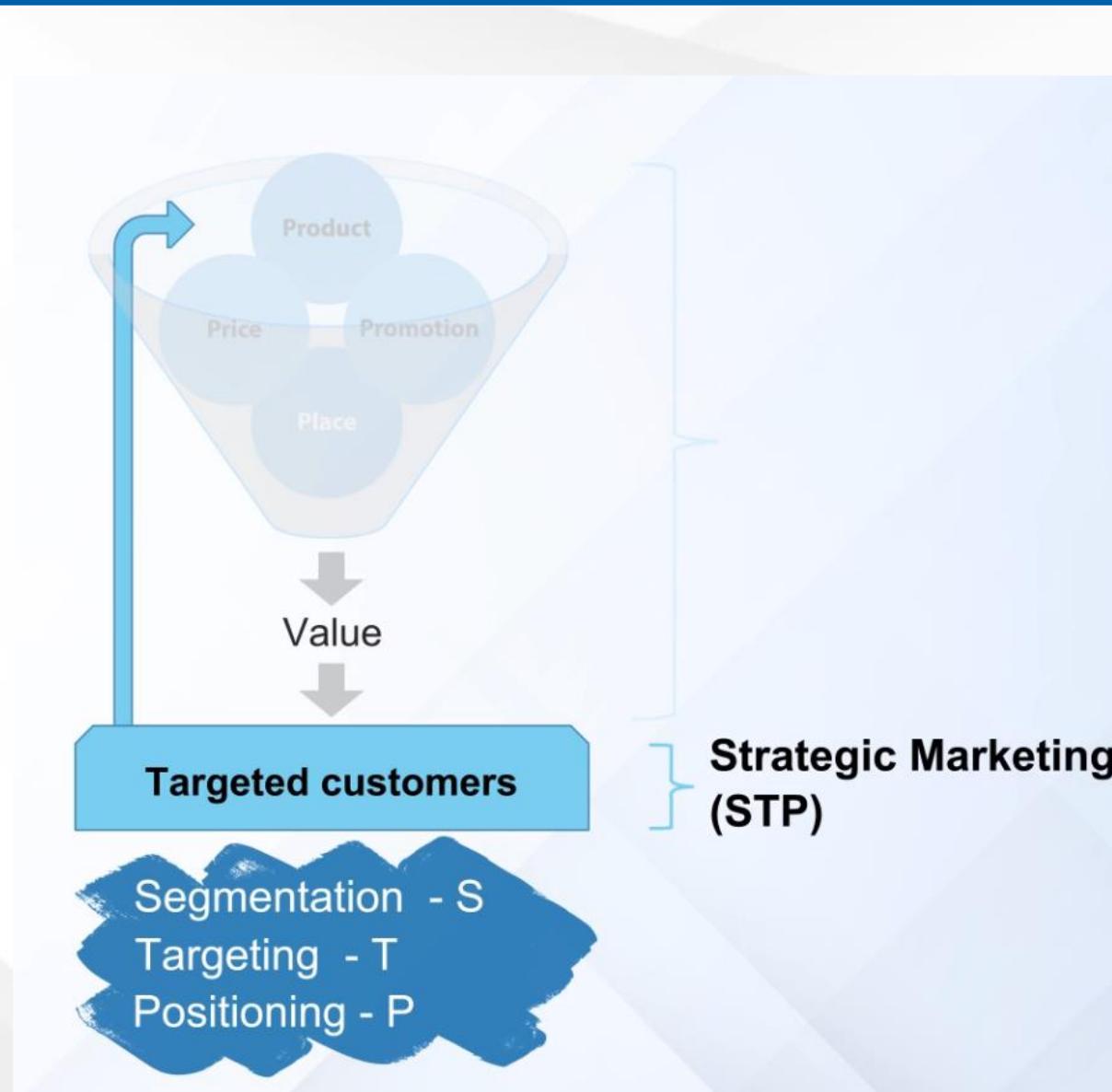
- Dominated by other brands on key factors
- Brand fails in the market

# Brand Positioning Strategy

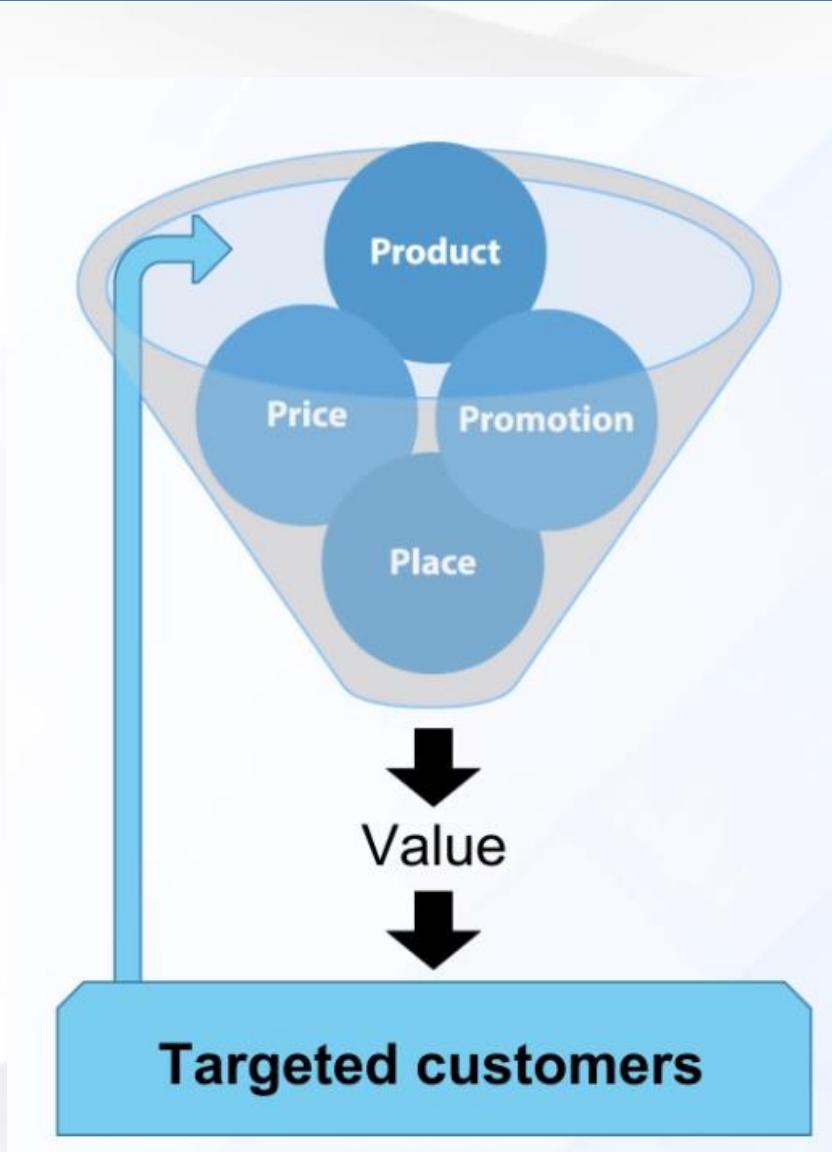


How should consumers choose product over other competitors?

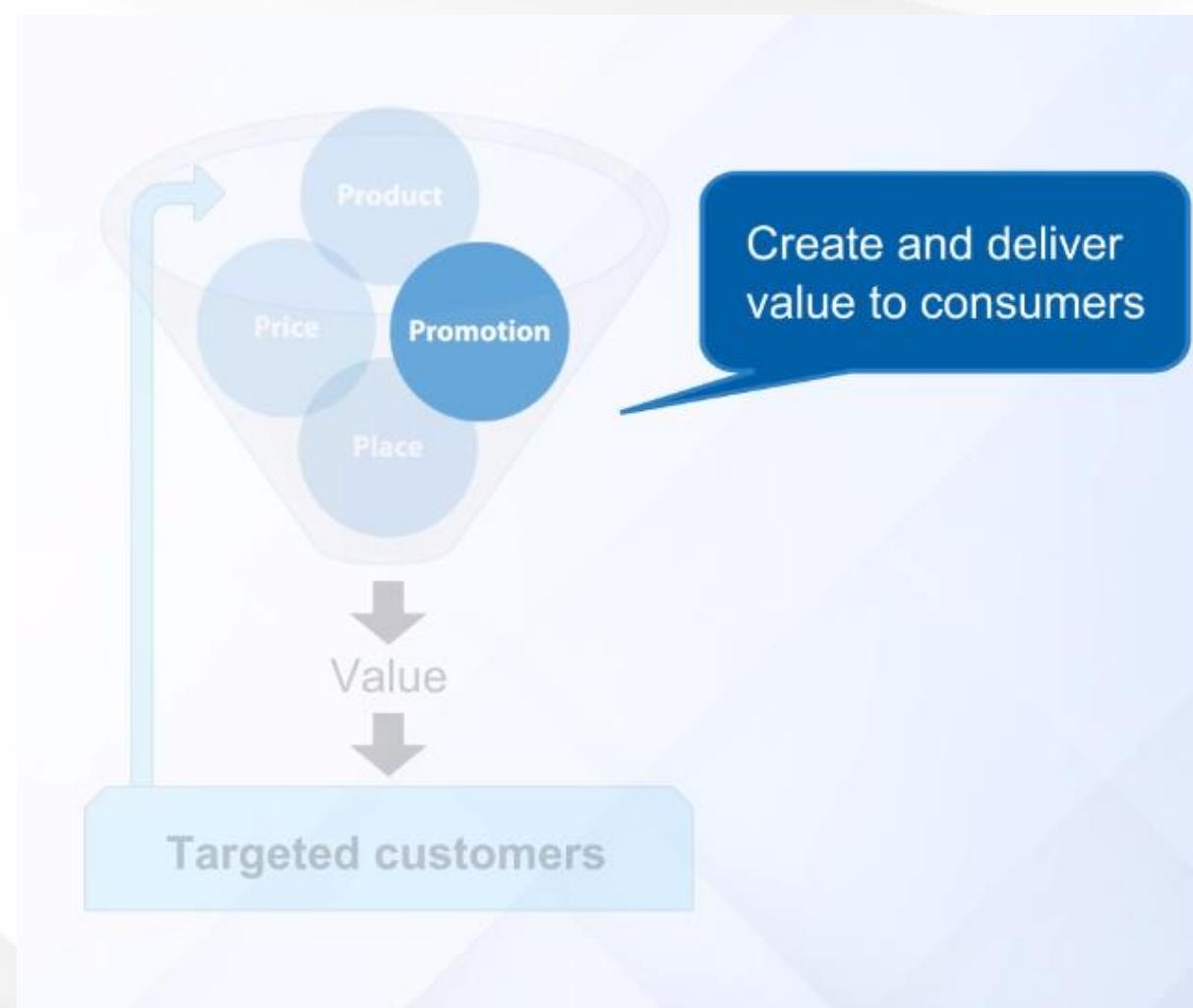
# Strategic Marketing



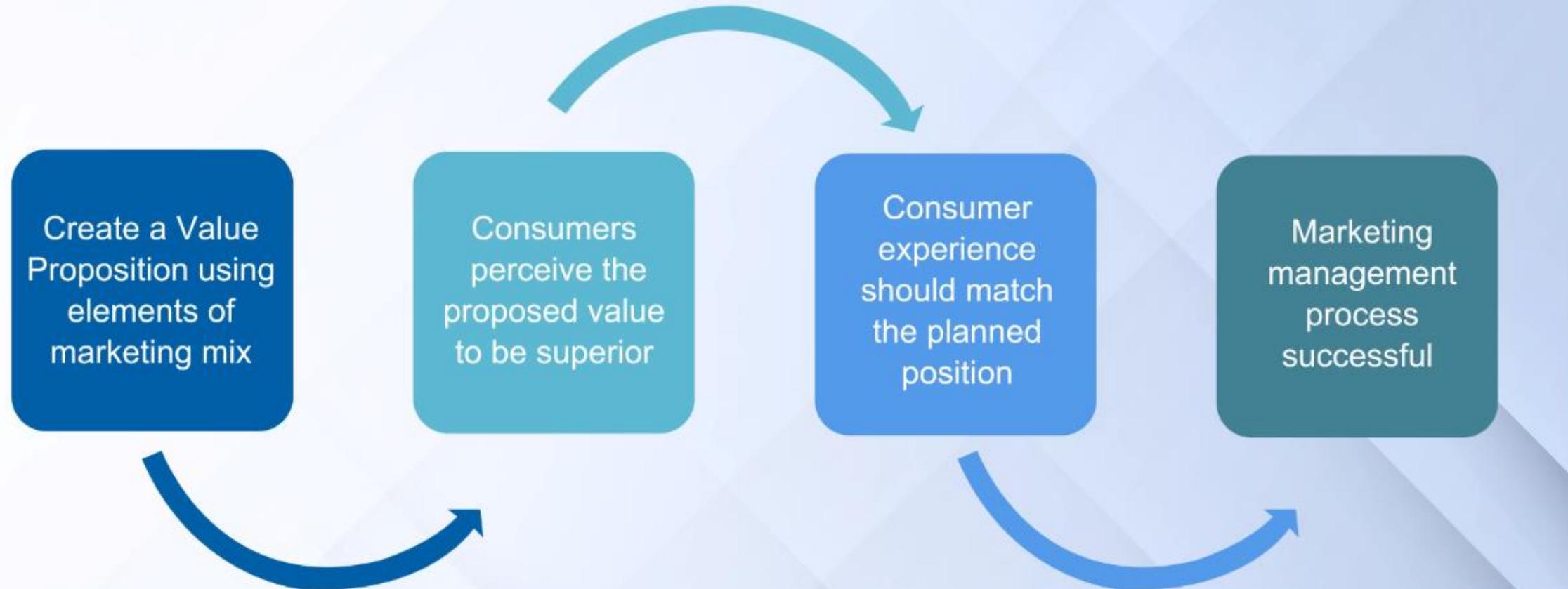
# Marketing Mix



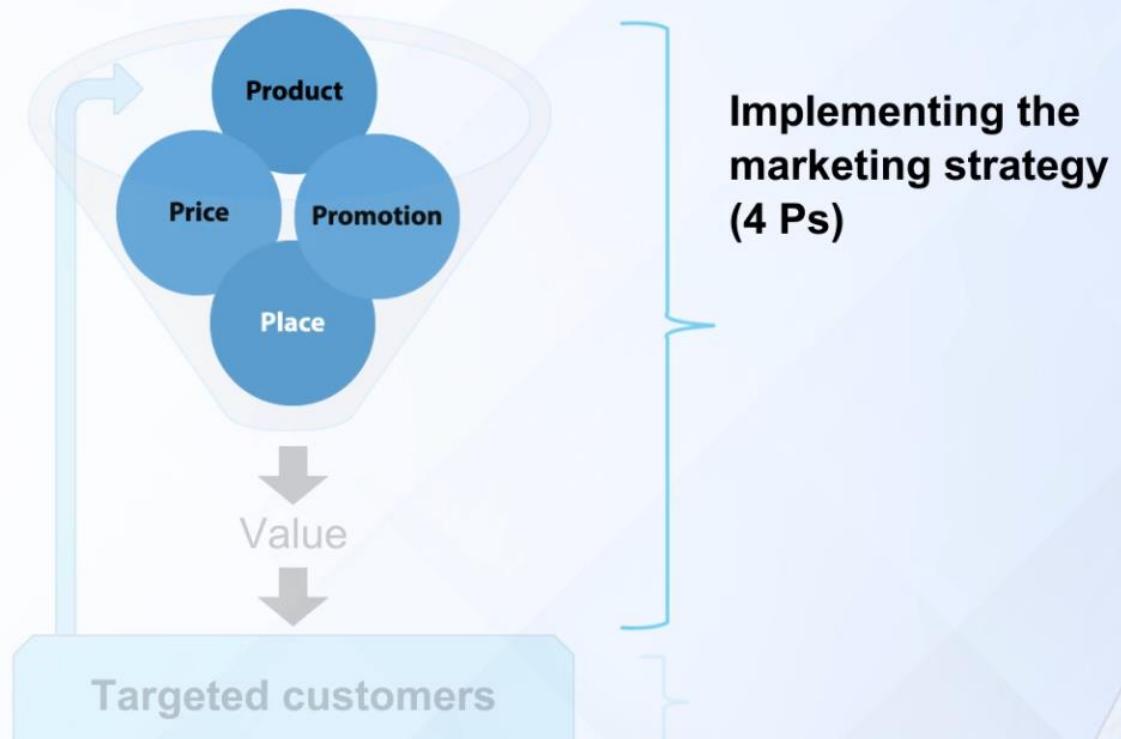
# Marketing Mix



# Value Proposition



# Marketing Strategy



# Marketing Strategy- 4Ps Example

Made decisions  
regarding product

01



Positioned the products  
to be perceived as a  
fashion accessory

02



Gave  
reasonable  
pricing

03

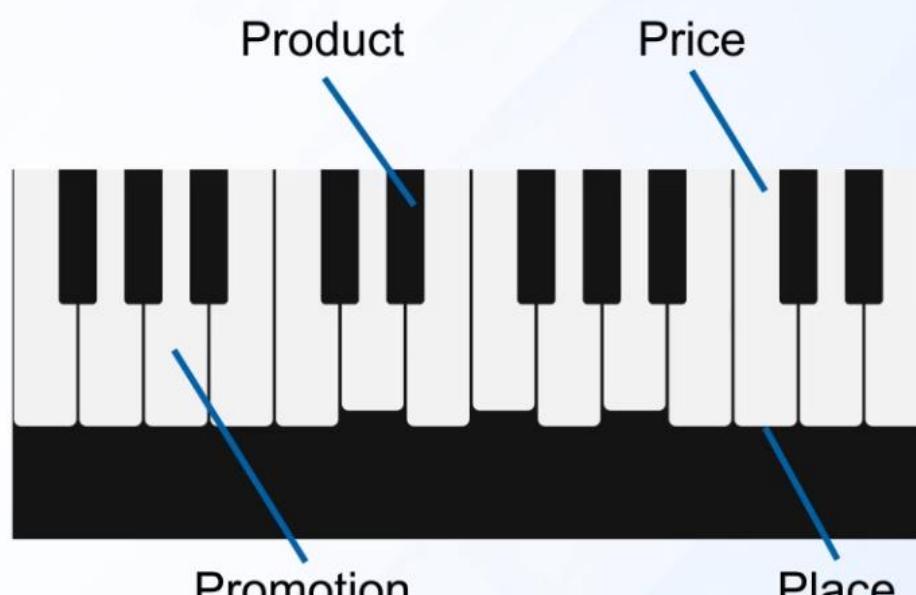


Chose retail outlets to  
convey the sense  
of fashion

04



# Value Proposition- Example



**Music is like value proposition**

# Key Learnings

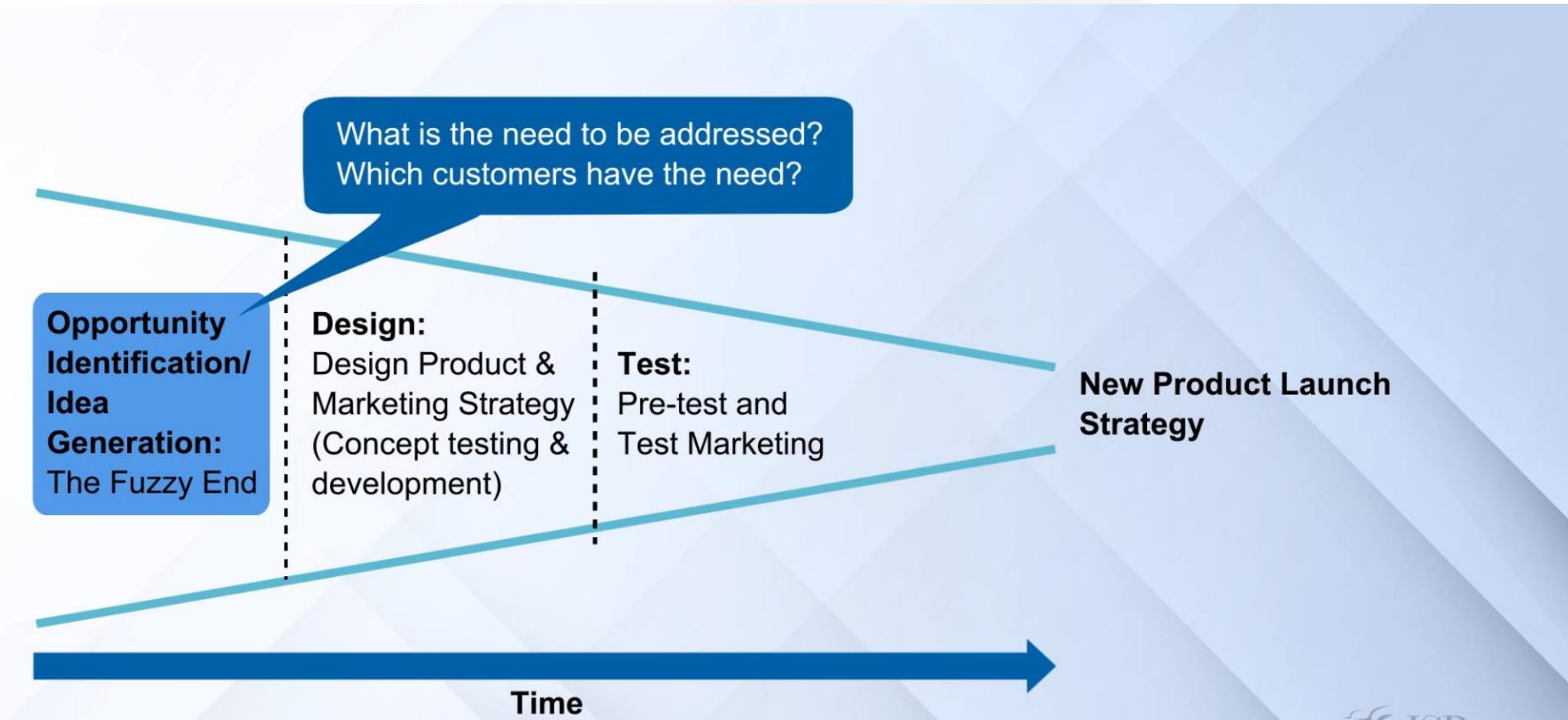
All the elements of marketing mix must convey the same position.

They must be consistent to reach same positioning goal.

A company can control the value it offers to the consumers.

Advent of digital domains have made positioning in a desired manner very difficult.

# First Stage- Product Development Process

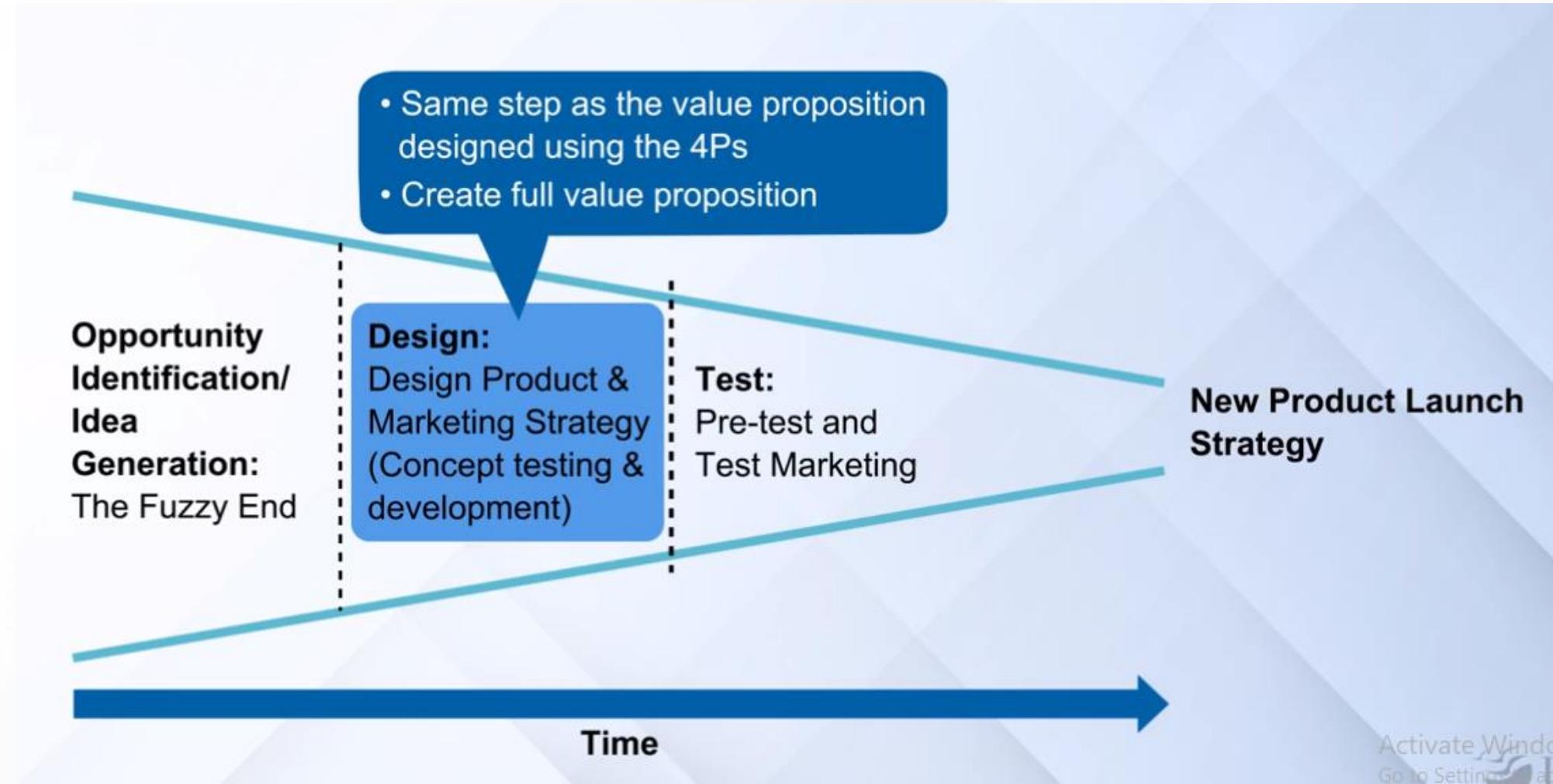


# Strategic Marketing Mapped to Product Development



1. Analyse customer needs
2. Divide them into groups called segments

# Second Stage – Product Development Process



# Value for Customers

# Customer Value- An Example



Select a store

Check material/design

Compare with other options

Buy if it is an overall best deal

Purchase the one that in your perception, offers you the most superior value

# Customer Value- An Example



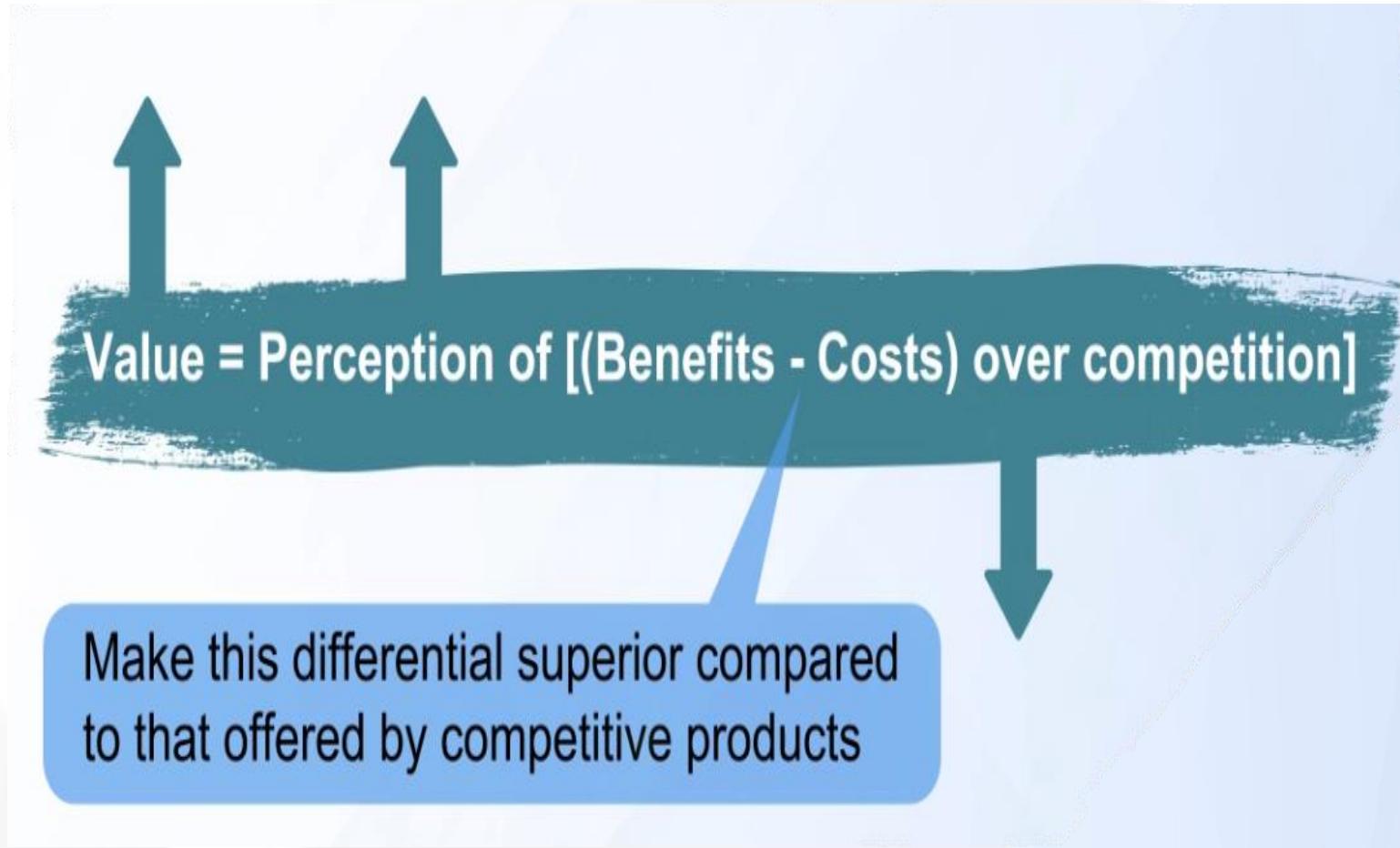
- Design stage is aimed to offer a superior value solution to the customers
- Customers always choose the option that gives them the highest value

# Concept of Value



The **perceived monetary** worth of the **benefits** received by customers in exchange for the **price paid** for a product offering, taking into consideration the available **competitive offerings** and prices.

# Concept of Value

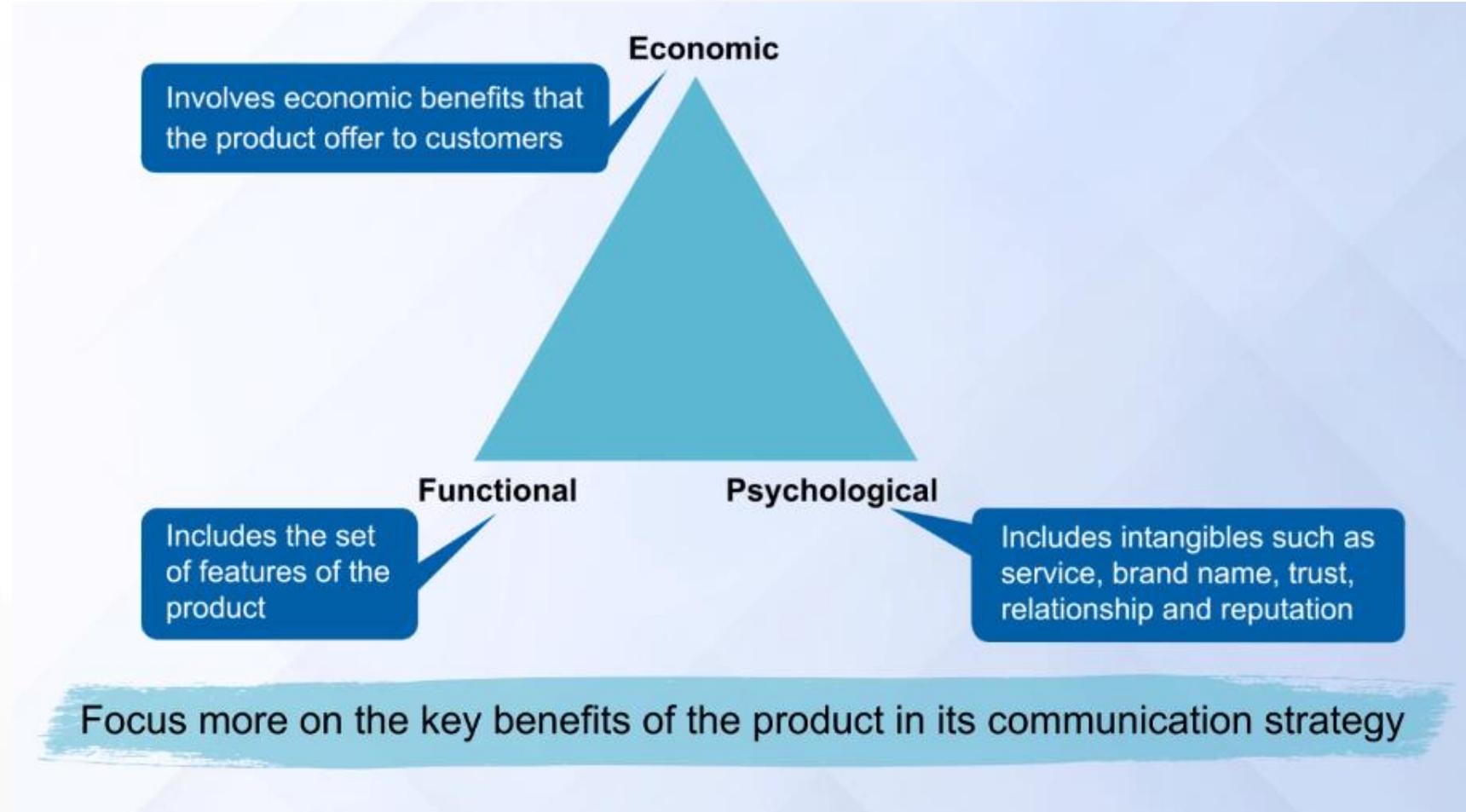


# Creating a Perception of Superior Value



- Increase customer perception of value for the product
- Make competitive offerings look expensive

# Customer Benefit Dimensions



# Reducing Cost Of Purchase- An Example



How can a company reduce costs for its customers to create superior value?

# Reducing Cost Of Purchase



**Website is not available  
at this time**

Sorry for the inconvenience

Company does  
not have web  
presence

- Cost of information search goes up
- Perceived value goes down
- Sales decreases

# Reducing Cost Of Purchase



Company  
sends car for  
test drive

- Perception of cost of purchase goes down
- Perceived value goes up

# Reducing Cost of Purchase



Customer comes  
to dealership for  
purchase of car

- Dealership offers financing
- Dealership offers paperwork support
- Perception of cost of purchase goes down

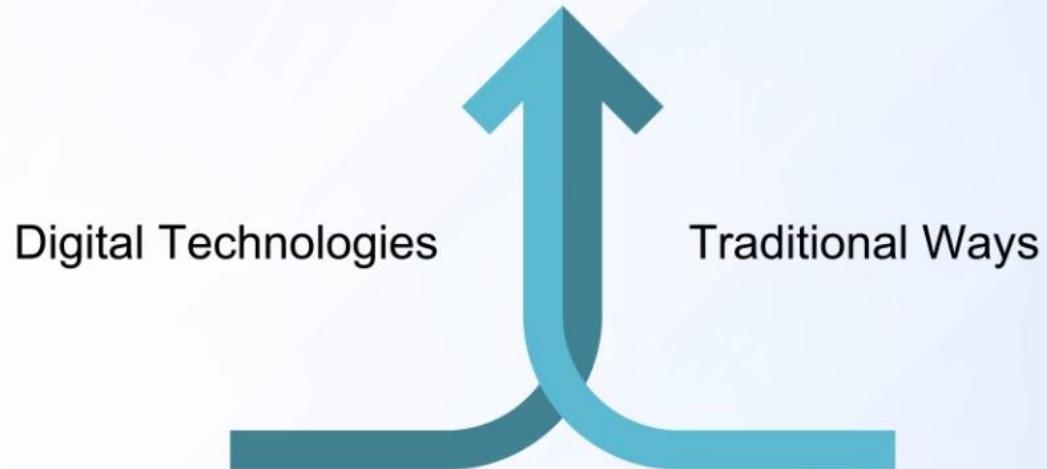
# Reducing Cost of Purchase



Customer purchases the car

- Dealership reminds servicing schedule
- Dealership maintains records
- Dealership offers upgrades after few years

# Value Creation



- Provide superior solution to consumers using available technologies
- Visually inspect how alternative solutions compare on key attributes

# Value Curves



Key attributes determining  
consumer choice

# Value Curves



# Value Curves



Cost of procurement, quality of product,  
ease of use, availability, level of  
technical support and disposal

# Value Curves



# Examples of Creating Value for Customers

# Example of Customer Value Creation: The Sale of Eggs



- Regular eggs sell at low prices
- New varieties sell at higher prices
- Price differences are mainly based on consumer perceptions

# Consumer Perceptions

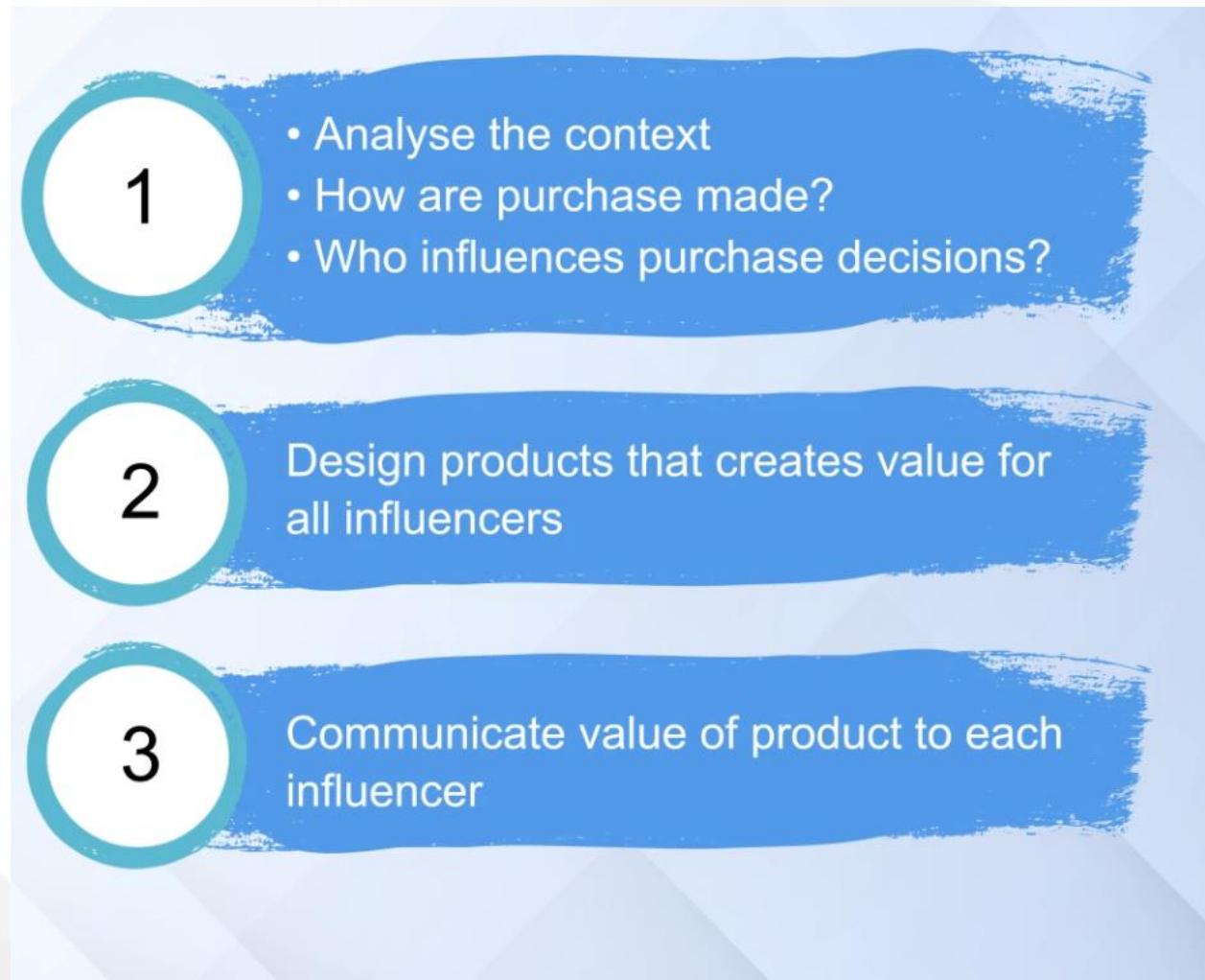


- Create differentiated value propositions for hyper-competitive category
- Create the perception of **superior value** in the minds of targeted consumers

# Value Creation



# Customer Value (B2C)



# Customer Value: Ethicon



Ethicon's products were of the highest quality products, but the expense deterred the purchasing party.

# B2B Decision Making Unit



- Convince all the influencers/members of the DMU
- Each influencer has a different motivation for purchase

# Varying Level of Influence



## Situation:

- Stakes in success is very high
- Patients are high profile

## Needs of Patients and Doctors:

- Want best products for surgery
- Not price-sensitive

## Big Picture:

The purchasing manager has to comply if a surgeon insists on using a specific high-quality product

# SGPGI Without Ethicon



# SGPGI With Ethicon



# Case Study: Johnson & Johnson –The Problem



- Different requirements for different doctors
- Accumulation of unused inventory
- Losses due to product expiry, and wear and tear

# Case Study: Johnson & Johnson- The Solution



# Customer Value Issue: Yebhi



# Yebhi: Value Planned vs. Value Realised



# Customer Experience in Nanosecond World



- User experience is critical
- Superior value creation has become more challenging

# Customer Value Issue: Example 2



- Extra clicks required to make an informed choice
- Force consumers to buy using only its app

# Creating Superior Value: Summary



The key to creating value is having a deep understanding of customers' needs and behaviour.

# Summary

# Product Development- An Overview



# Product Development- An Overview

## Generating Ideas



- Types of consumer needs
- Marketing management process
- Role of marketing in product development process

The Fuzzy Front End

# Product Development- An Overview

## Generating Ideas



- Customer value and its importance
- Creating superior value for customers
- Examples of B2C and B2B contexts

The Fuzzy Front End



**ISB** | Executive  
Education