Ch: 15 - Introducing New Market Offerings

Topic 1: Title Slide

Hello everyone, my name is Chintan Jikkar, and today I'll be presenting a summary of Chapter 15 from *Marketing Management.* This chapter dives into how companies develop and bring new products to market by understanding both the creation process and consumer adoption.

{{Can anyone think of a new product they use regularly that wasn't around 10 years ago?" Don't answer, it's rhetorical! But we all know if we did start listing, we could go through the whole lecture and still have things to add to the list.}}

Before we start here's a quick overview of what we'll cover during this chapter's review.

Topic 2: WHY?

We'll begin by discussing why companies develop new products in the first place. Innovation helps companies stay competitive, meet changing consumer needs, and enter new markets. New products also generate revenue, build brand loyalty, and can transform industries, as we saw with the smartphone.

Topic 3: Types of New Products

Let's start with the three different types of new products companies introduce to meet various market needs:

- First are **Major Innovations** these are the big breakthroughs, like the launch of the first smartphone or the electric vehicle. Major innovations create entirely new markets or dramatically change existing ones, often driving huge shifts in consumer behavior.
    - Example: The Tesla Model S introduced as a high-performance electric car, revolutionizing the perception and demand for electric vehicles in the luxury and mainstream car markets.
- Then comes **Minor Modifications** these are small but important improvements to existing products, like a new camera on a smartphone or the annual car model updates. Minor modifications aren't revolutionary, but they keep the product competitive and appealing, giving consumers a reason to upgrade or stay loyal. Afterall these changes are typically in response to consumer feedback or minor technological advancements.

- Example: Nike releasing updated versions of popular sneaker models, like the Air Max series, with new color schemes or minor technological tweaks for enhanced comfort and style.

- Lastly **Product Line Extensions** add variety within an existing product line, like new flavors, colors, or sizes. These extensions help reach different consumer segments without developing an entirely new product.
  - Example: Oreo launching new flavors and variations like its newest creation in collaboration with *Coca Cola* (e.g., Birthday Cake, Double Stuf, and Thins) to extend the Oreo cookie line and appeal to different tastes.

Each type varies in risk and market impact, so understanding these distinctions helps in planning the right approach. But before launching, it's essential to understand the market thoroughly. Let's see how market research supports this process.

Topic 4: Understanding the Market

Now that we've covered the types of new products, let's look at how companies figure out what consumers actually want. This is a critical part of ensuring a product's success. Two main tools help companies do this:

- **Conjoint Analysis** is a method used to understand which features matter most to consumers. By focusing on these insights, companies can make sure they're delivering what consumers value most.
  - An electronics company might use conjoint analysis to determine if customers prioritize battery life, camera quality, or screen size in a new smartphone model. Results help the company design a product aligned with customer preferences.
- **Scenario Planning** is all about preparing for possible changes in the market by modeling different future scenarios. Companies can plan for different 'what if' situations, like an economic downturn or a sudden trend shift. By preparing for these possibilities, they can adapt quickly, keeping their products relevant no matter what happens.
  - An energy company might develop scenarios for different regulatory landscapes and shifts toward renewable energy. These scenarios help them prepare for potential changes in policy and market demands.

These insights guide the product's design, positioning, and even its target audience. With this groundwork, the next step is understanding how consumers actually adopt new products.

Topic 5: The Consumer Adoption Process

The adoption process is like a journey, with five stages that moves from **Awareness** to **Adoption**:

1. **Awareness** comes when the consumers first learn about the product. They might see an ad, hear about it from a friend, or spot it online.
    a. Since I'm an Apple fanboy I will use the Apple Watch as an example to better explain this process. When the Apple Watch was first announced, consumers saw ads, press releases, and news stories that built initial awareness of the product.
2. **Interest** Once they're aware, they start becoming curious. They might research online, watch reviews, or visit a store to check it out.
    a. After learning about the Apple Watch, people who were interested in wearable tech might research its features, check reviews, or visit an Apple Store to see it firsthand.
3. **Evaluation** is when the consumers weigh whether the product is right for them. They might compare it to alternatives or ask themselves, 'Does this fit my needs?'
    a. Potential Apple Watch buyers might weigh its fitness tracking features and seamless integration with other Apple devices against the price and whether it fits their lifestyle.
4. **Trial**: If they're convinced, they give the product a try. This could be a free trial, a test drive, or just exploring it more deeply to get a feel for it.
    a. Apple sometimes offers the Apple Watch for trial in-store or allows a return period after purchase. This lets consumers try out the watch's functions and see if they like using it day-to-day.
5. **Adoption**: Finally, if they're satisfied, they make a commitment and start using the product regularly.
    a. A consumer finally buys the Apple Watch, uses it regularly to monitor health and receive notifications, and perhaps even buys accessories for it, making it a part of their daily life.

Factors like **relative advantage**, **simplicity**, and **compatibility** influence adoption. Companies use this knowledge to address consumer concerns and support each stage of the journey.

Topic 5: Adopter Categories

Consumers don’t all adopt new products at the same pace; they’re divided into five adopter categories based on when they’re likely to try something new:

1. **Innovators**: are the risk-takers, the first to try anything new, even if it’s experimental. They’re often passionate about technology or innovation and enjoy being the first.
2. **Early Adopters**: aka trendsetters, are influential opinion leaders in their social circles. They help products gain credibility and encourage others to try them too.
3. **Early Majority**: are more practical and wait to adopt until the results prove that the product works well.
4. **Late Majority**: adopts a product only once it’s widely accepted and proven and are more skeptical and cautious.
5. **Laggards**: are the last to adopt, often sticking with familiar products unless they’re left with no choice.

By understanding these categories, marketers can tailor strategies to appeal to each group, encouraging widespread adoption and credibility.

{{Who here considers themselves an early adopter?}}

Topic 6: The New Product Development Process

To reduce risks, Kotler & Keller outline an eight-stage new product development process that a company goes through to bring a product to life:

1. **Idea Generation**: is the brainstorming phase, where companies gather ideas from employees, customers feedback, and emerging market trends.
2. **Idea Screening**: This is where companies filter ideas to focus only on those with the most potential and alignment with company goals, so as to avoid unnecessary costs on weak ideas.
3. **Concept Development & Testing**: In this phase, they create a basic version and test it with real customers to gather feedback.
4. **Business Analysis**: At this stage, the company assesses costs, revenue projections, and overall financial viability to decide if it’s worth pursuing.
5. **Product Development**: is when they create a working prototype and finalize the design. This step takes considerable time and resources, especially for complex products.

6. **Market Testing**: Before making a full launch, the product is introduced in select-controlled areas, where they gauge the customers' reaction and fine-tune the final details.
7. **Commercialization**: Finally, the product is launched on a larger scale to the entire market with full marketing support, implementing full-scale production and distribution.

Each stage is essential as it builds on the previous one to minimize risks and ensure the product aligns with what consumers need.

Topic 7: Product Life Cycle (PLC) Management

Once launched, a product goes through a predictable life cycle what is known as the **Product Life Cycle (PLC)**, which helps companies manage products profitable and relevant at different stages:

- **Introduction**: is the launch phase. The main goal is to build awareness and encourage initial trials, so companies often invest heavily in marketing. Sales are low, and profits might be negative due to high promotion costs.
    - When Apple introduced the iPod in 2001, it was a revolutionary product in the personal music player market. It allowed users to carry "1,000 songs in their pocket" with ease. Initial sales were slow, as the concept of digital music players was still new to many consumers. Apple focused its marketing on early adopters and emphasized the iPod's unique design and usability to create awareness and excitement.
- **Growth**: once sales start to rapidly increase more consumers become aware of and adopt the product. Companies expand distribution and may introduce new features to stay competitive.
    - As the iPod gained popularity, sales began to surge. The product became more widely accepted, and Apple released improved versions, such as the iPod Mini and iPod Nano, to appeal to a broader audience. Competitors like Microsoft and Sony also entered the market, launching similar products. Apple's marketing campaigns like the iconic "Silhouettes" ads focused on the iPod's sleek style and ease of use, helping it capture a substantial share of the growing market.
- **Maturity**: Here, growth slows down, and the product faces more competition. Companies focus on differentiating their product to keep it appealing and might reduce prices to attract more buyers.
    - By the mid-2000s, the iPod reached the maturity stage. Sales were high, but growth was slowing as the market became saturated, with many people already

owning a digital music player. Apple continued to release newer models, like the iPod Touch, with additional features such as Wi-Fi and the ability to download apps. However, as smartphones with built-in music players (like the iPhone) became more popular, Apple had to differentiate the iPod with added value and unique features to maintain interest.

- **Decline**: Finally, sales drop as demand decreases, often due to newer products or changes in consumer preferences. Companies may choose to phase out, discount, or reposition the product.
    - Eventually, the iPod entered the decline phase as consumers increasingly preferred smartphones over standalone music players. Apple gradually reduced its focus on the iPod, cutting back on new models and marketing efforts. In 2022, Apple officially discontinued the iPod, recognizing that the demand had significantly diminished as streaming services and smartphones had taken over.

Each phase requires different strategies to maintain profitability and manage product longevity.

Thank you for listening—I hope this gave you a clear view of how new products come to life in the market!