

POM

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1 Introduction to Marketing

What is marketing? Well, one can talk about this in various different way, but let's start with the word itself.

Market + ing

As the word implies, it can be seen as "doing the market", or, trying to be better with dealing markets. Therefore one can say that marketing is

Any transaction between Producer and Consumer to Promote trading

That makes marketing to be seen as "Trading Obstacles Elimination Process". What kinds of obstacles are there? More specifically, what can be seen as obstacle? Obstacle is anything that separates from Producer and consumer (Under condition that, of course, consumer wants to consume and producer want to produce). It can be relabeled as "Distance obstacle factor". There are 4 main factors.

- form
- ownership
- placement
- time

The main task of marketing therefore can be seen as eliminating these factors. For this 4 possible following tasks can be stated.

- Make product that consumer wants
- Make it noticeable by people
- Solve the possible causes that make buying difficult.
- Keep the continual trading relationship.

To actually solve this task, we have **4P & STP**. Also we wish to have an overall management system to sustain these tasks. This system is called "Market Research Monitoring"

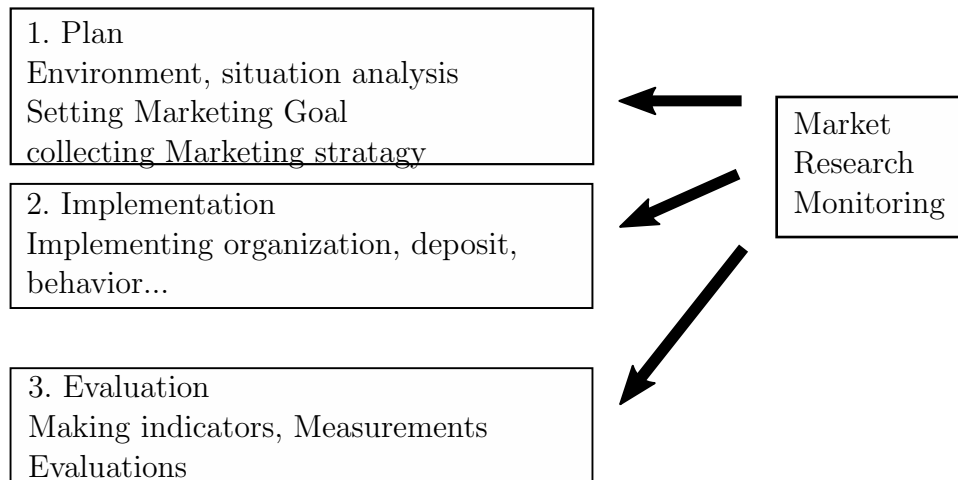


Figure 1: Marketing Management System

This system has key 4 noticeable character.

1. Recursive Plan - Implementation - Evaluation (Non - Stop)
2. Not iterative, but parallelizable & both - directive.
3. Continual monitoring & improvising
4. Happens within brand/category level

There are 3 main orientation in modern marketing. These are what direction of marketing should be :

1. Customer orientation
 - What do customer want?
 - How do they react?
2. Long - Term orientation

- Long term relationship with customers
- Strategic brand management

3. Synergy orientation

- synergy within level of business strategies
- synergy within Mix or mix elements

throughout the history, there has been a lot of different marketing philosophies. These philosophies can be understood as Marketing concept. Here are main 3 of them.

- Production oriented
- Salesmanship oriented
- Customer oriented

1.1 Importance of CSM

Benefit of CSM is rather trivial:

- repetitive purchase
- Price elasticity reduced
- Less cost consumption by failure of products
- Less price of keeping consumers
- Business reputation
- Endorsing atmosphere of business members

However it is not obvious that CS produces greater **Net Profit**. But that turns out to be the case. Analysis done with years of data and Time series regression analyses.

$$ROI_t = -1.10 + 0.75ROI_{t-1} + 0.40CS_t$$

Also, model of Expectation confirmation tells us several things.

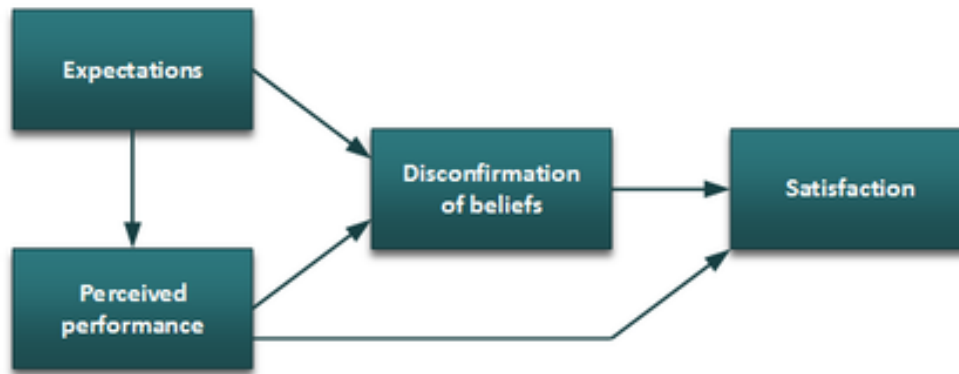


Figure 2: Model of Expectation confirmation theory

1. Product, service quality management is very important.
2. Managing expectation is important
3. Overall management is important (Law of multiplication)

To be doing CSM is equivalent to "Market oriented business". Then, the core competence should be endorsed.

$$\text{CS core competence} = \text{MarketOrientation}$$

To be market oriented, you need to collect a lot of data, disseminate them, and utilize them.

Therefore overall, one can make CSM index with two Variable

1. Consumer satisfaction index
2. Market oriented index

Theses are key points of Consumer satisfaction marketing, which is crucial.

2 Environmental Analysis & Setting Marketing Goal

As we have already discussed, within our first step of marketing management system there are 3 main substeps.

- Environmental & Situational analysis
- Setting marketing goal
- Collecting marketing strategies (STP & Mix)

2.1 Marketing Goal

1. Financial Goal (Quantitative goal)
 - Appearance goal (sales & market share)
 - should we build? keep? shrink? shut off(demarketing)?
 - type that pushes Growth goal
 - Net Profit goal (business profit)
 - Reduce first cost?
 - Increase price?
2. Market Goal (more customer - oriented goal than previous one) (Quality goal)
 - Increase Customer satisfaction
 - Increase brand value
 - Develop new item

Out of all these different goals, deciding what is necessary is dependent entirely on the situation of the business. Yet, one of the most frequent marketing goal is **Financial Goal**, and especially **Growth goal**. Growth goal can be differentiated into 4 areas, give by the chart.

	Existing Market	New market
Existing Product	penetrate market	Develop market
New Product	Develop new product	Diversification

2.2 Marketing Environment

If I were to do a business, you can consider the following two cases:

1. Market is really good, but I'm really bad.
2. I am really good, but market is really bad.

Which senario is better? If you think 1st one is better, you are **Industrial Structuralist**. According to Porter, there are 5 forces that will effect your business.

1. Threat of New entrants
2. Threat of Substitutes
3. Power of customers
4. Power of suppliers
5. Competitive rivalry

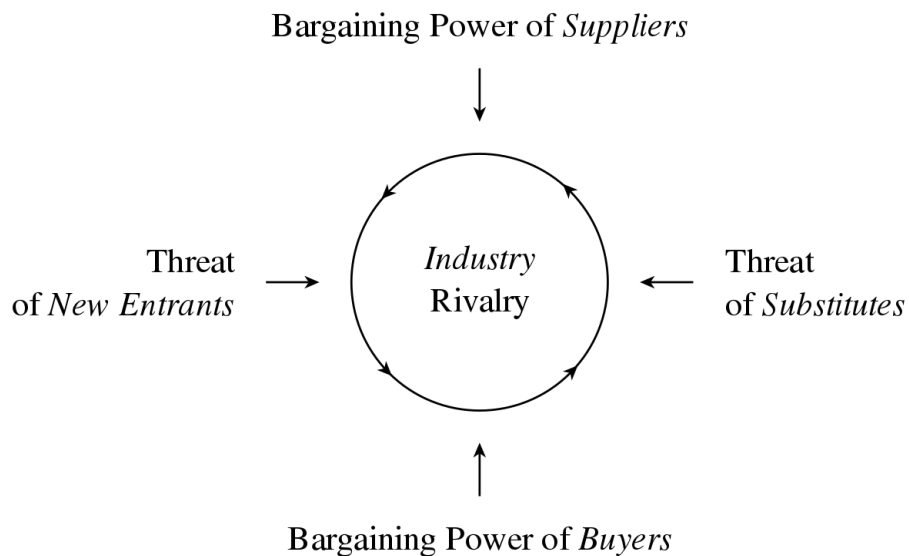


Figure 3: Porter's Five Forces

In industrial structure view, you have your environment considered as an outside.

2.2.1 Outside Environment

1. Macro Environment

- Economy
- Tech
- Socio - culture
- Politics
- Law

2. Micro Environment

- Supply
- Demand
- Competition
- Customer
- Business relation

Also you can stand in the position that how well you do in the market is more impactful than your environment. This is called **Resource-Based View** . In this view, you can consider your environment as Inside view.

2.2.2 Inside Environment

Core competence

1. Condition of Core competence: (source of continual competition frontier -position)
 - Needs to be better than competitors
 - Needs to be difficult to follow.
 - Needs to be not - purchasable.
 - Can be implemented to a lot of different businesses

2. Types of Core competence:

- Form : production line, distribution line, etc...
- Formless : Brand, data, formulas, etc...

Inside situation

1. Business Successfulness

- Financial result (profit, cash flow, debt rate ...)
- Market result (market share, customer's evaluation, brand power)

2. Distribution of usable resources

3. Prior strategy

Now, when do we really do our environment analysis? Assume that Market goal was made in the spring, and evaluation is ought to be done at winter. What is the most appropriate time for Environmental analysis? → **Always**. We collect and watch the data every time, so it can be used anytime.

What is important about theses analysis is the relative change rate. It is almost always about how stuff "change", not how stuff "is".

2.3 SWAT Analysis

Factors that engage with your business can be classified into 4 different parts

	Positive Factor	Negative Factor
Inside Env	Strength	Weakness
Outside Env	Opportunity	Threat

Things to Consider about SWAT analysis:

1. Collect, collect, collect DATA!
2. Don't just list and stop, think about their importance.
3. Make their CROSSSECTION

		내 부 환 경	
		(+) Strength	(-) Weakness
외 부 환 경	(+) Opportunity	OS	OW
	(-) Threat	TS	TW

Figure 4: Crossection of SWOT analysis

For example, OW represents how you would manage the opportunity despite your weakness.

We talked about different types of Growth goal. Now it is time to think about more fundamental type of question: Will we grow this business at all? To answer this, we do a portfolio analysis.

2.4 Product Portfolio Analysis Model

2.4.1 Basic Model

Basic model of portfolio analysis consists of two axis, both of which representing some kind of measure of performance that describes the business.

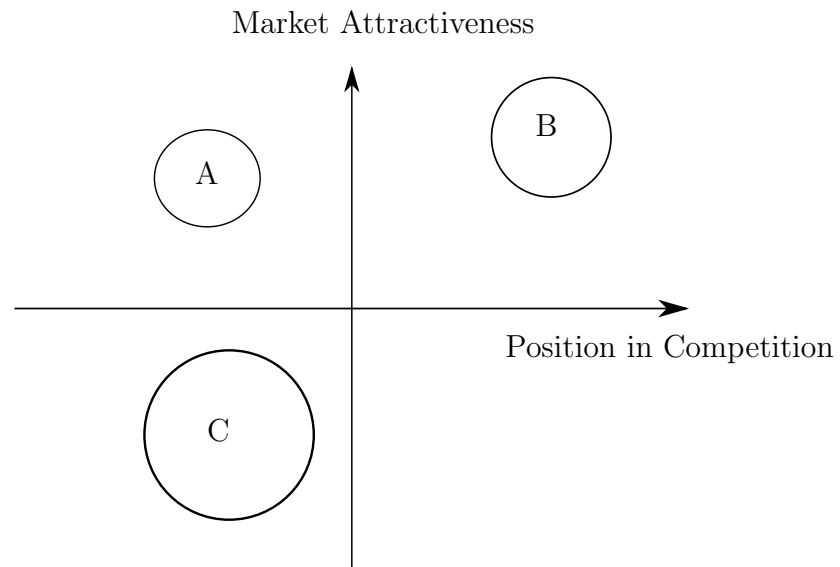


Figure 5: Basic Model

2.4.2 BCG

The Purpose of BCG model: Set the balance of Cash Flow.

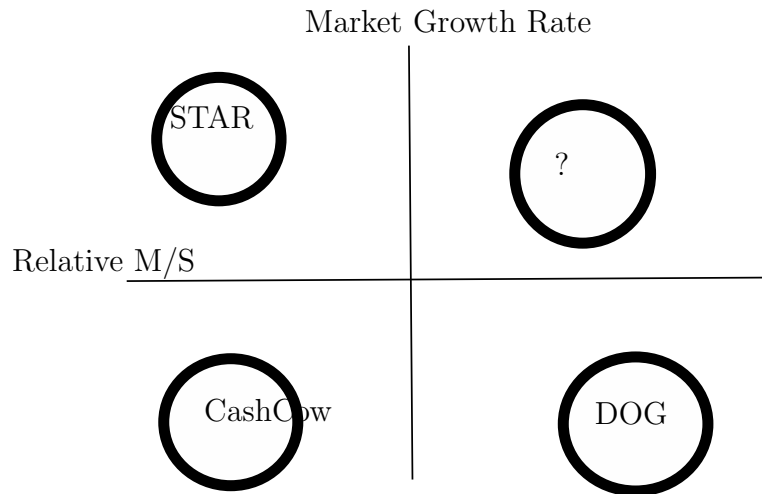


Figure 6: BCG model

Problem of BCG Model

- Way too simple x, y cord.
- Vague definition of market.
- Vague borderline of MGR, H/L
- Considers only present state.
- Can be too drastic.
- Don't consider any synergic possibilities.

3 Marketing Research

3.1 Marketing research Steps

1. Analyzing situation step

- Changes in Inside, outside Environments
- Strength, weakness of our, opponent companies
- catching opportunities/analyzing market character
- analyzing consumers

2. Collecting strategies step

- Researching consumer's recognition
- Marketing test (concept, elasticity of price, prediction of demand, effectiveness of ad)

3. Execute strategies step

- Ad tracking (ad acceptance rate, recognition rate, product recognition rate ...)
- New product tracking (recognition, preference ...)

4. Evaluate step market share, mind share, brand equity, satisfaction etc...

How do we get the data?

1. Search for it (online, researches...)
2. Make them!
3. Buy them! (or let others make them)

3.2 Marketing Research Process

1. Decide whether we need to research
2. Specify why we need to research (specifically research for what?)
3. Types of research construction
4. Data Source (Do we make them? search for it? etc..)
5. How do we collect our data?

6. Extract samples and collect Data (what is our sample group? how? how many?)
7. Analysis of our data (coding, correlational analysis, causal analysis...)
8. Organize the result.

3.2.1 Type of research construction

1. Exploratory research
 - "Why do we lack net profit?"
 - "would single family's consuming mind different?"
2. Descriptive research (much more enumerative and analytical, more to correlational study)
 - "Is the reason of lack of net profit differ by different areas?"
 - "Is the single family consumer sentiment differ by different age?"
3. Causal research (not much correlational, more causality research)
 - "Is price discount better than quantity discount?"
 - "Is minimalization better than advancing?"

3.2.2 Data source

1. Secondary Data
 - Inside data (Business related data..)
 - Outside data (통계청, 국책연구소, 민간경제연구소, 상공회의소 등...)
2. Primary data
 - survey, test (Field, Laboratory, fMRI)
 - Observation and interview
3. New raw Data
 - Purchase Data

- clickstream Data
- UCC, SNS Data
- Big data (3V's: volume, variety, velocity)

3.2.3 Example: Coke or Pepsi?

Pepsi Challenge

"New coke" blunder

Despite all the research, why did so many people hate New coke?

"are you sure that taste only comes with tongue?"

By doing fMRI study of brain, one can find out that while blind testing, VMPFC of brain was triggered, while drinking coke, DLPFC and Hippocampus was triggered.

3.2.4 Method of collecting Data (Survey)

1. Collecting Method

- face-to-face/or not
- mail, phone
- online
- mobile

2. Sampling

- sampling frame (list of things you draw a sample from)
- method of sampling (random sampling/easy sampling)
- sampling size

3.2.5 Research Analysis

1. Statistical Analysis

- univariable analysis
- multivariable analysis
- non - parametric analysis

2. Analyzing meaning

- correlational
- Causal

4 Consumer Behavior Analysis

4.1 Frame of Consumer behavior analysis

1. Understanding consumer's Perspective

- who? (who is our customer?)
- what would they want?
- How would they react? (to this product?)
- why?

For consumer, there are 5 steps that takes place per every purchasement. 2.
5 Decision making steps

1. facing the problem
2. searching for information
3. look for alternative
4. Buying the product
5. Action after purchase (usage and feedback)

Who would face the problem? Not necessarily the one who uses. They can be his/her parents, related people, friends, ... etc..

In similar fashion, who would search for alternative? Who would actually purchase? Above steps can be done by all separate people. The 2. can be questioned by 1. therefore 20 questions can arise in total. However, the 1. can be much more descriptive.

Personal traits can be influential to individual decision steps. This can be,

- Memory

- attitude.
- etc...

Moreover environmental traits can be also influential. This can be:

- Demographical statistic
- Economic situation
- Socio - cultural
- Technological env.
- Law - related env.

Therefore theses factors play great role on understanding consumer's behaviors.

4.2 General Characteristics of Consumer Behaviors

Every consumer is human, therefore behaves in very "generalizable" way. It is natural to think that people behave in calculative, rational way. But this turned out to be very wrong.

1. Decision making method routinized
 - Extensive problem solving (Searching for all possible info)
 - Limited problem solving (not thinking carefully)
 - Routinized behavior
2. Behaviors within relationships(Between other objective beings)
 - Reference group influence (e.g. by pressure, I'm now fine with alcohol)
 - Trickle down Effect There are differences between social hierarchy within behavior of consumers. So called "lower class" tends to follow "higher class"

- Social modeling (People tends to follow other people in general. especially who they admire) Why is it that, despite not believing the model is only working for "money", the influence is still there. This works for other examples not bounded by human models.



Figure 7: Wine bottle with image of Picasso sells dramatically

3. Expected Irrationality (We are very irrational indeed, but we are irrational in very rational way. Therefore, pre-calculatable)
 - Heuristics and biases

- Emotional decisions
- Non conscious behaviors (Done without conscious)

Theses behaviors can be (in a way) predicted by marketers, making marketing process much efficient. How many of us make un-rational decisions? about 80%(says our professor).

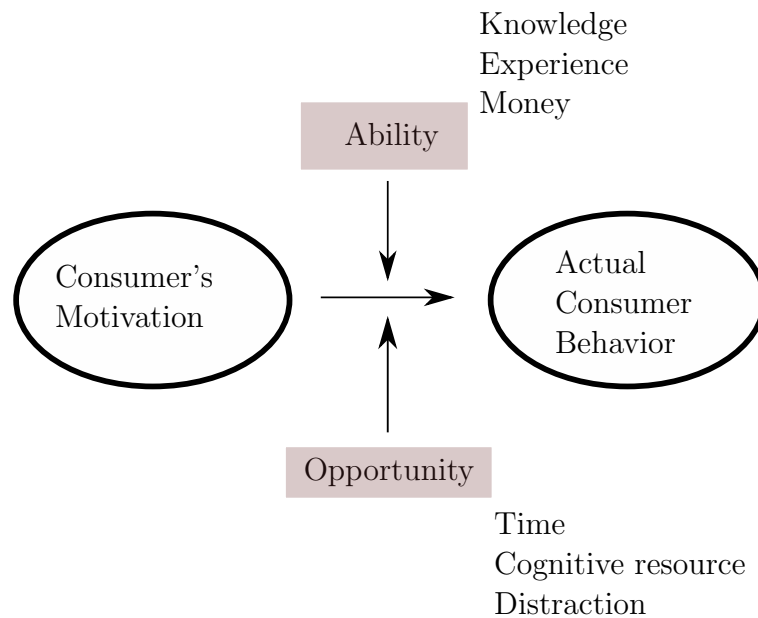


Figure 8: What drives consumer Motivation?

4.2.1 Consumer Behavior's Megatrend (keyword)

- Consumer rights
- Produmer (producer and both consumer)
- Life's quality (well being, health, prestige, small luxury)
- Green Friendly (ethical, green, shared consumption)
- High-Tech (Mobile, AI, IoT, VR, Robot)
- Decision disorder (info overload, decision curator)

5 Segmentation and Targeting

Now we collect strategies. We will start with STP. In this section, we will look at S and T.

5.1 Segmentation

Definition: splitting the market into few 'segments', to be considered later. But do we really need market segmentation?

5.1.1 Necessity of Market Segmentation

First, the customers are very different. → You can be very precise to customer's needs.

Also, the company has very limited resources. → You can choose and focus on one point.

And finally, there are just too much competition. Segmenting makes different opportunities stand out very easily. Plus, you can also act very quickly to changes.



Figure 9: Target market : Easily enjoying liquor, for age 20 ~30, woman, lives in cities.

5.1.2 Standards for Market segmentation

- Geological variable → weather, pop density, areas
- Demographic variable → age, gender, income level, educational, job
- Psychological variable → Values, personality traits, motivation, lifestyle
- Behavioral variable → Pursuit of convenience , amount of usage, preferences, bargaining

Geological, Populational-statistical Variable (i.e. Demographic variable)

- Sometimes define the demand for entire category!! (weather, population, age, gender, income level)
- Creates **subculture** (Generation wise, jobwise, area wise culture)
- Customer Profile elements → "accessibility" (who are they? How do we(company) approach them?)

Example: Cookies (HaeTae and Lotte)

Do cookies really need market segmentation?

You can make an argument that everyone likes cookies. Almost everyone consumes cookies. Yet, there seemed to be **geological difference** between areas. Why is that? Even though heavy consumers are children, it seemed like area's conflict seemed to be engaged: Therefore focus on the **distributor**. Things are getting better nowadays. link: <http://www.donga.com/news/article/all/20030826/7976875/1>

Psychological Variable

- Effects almost every aspect of consumer's behavior (values, personality traits, lifestyle etc...)
- One of the Customer's profile's elements : → Appealing methods (How do we invoke consumer's motivation to buy?)

Question: How do you segment market by personal values?

LOV Segmentation

1. Main Value measurement

- Rokeach survey (36 value items)
- List of value (LOV) (9 value items)

2. Rounding off by main values → **Factor analysis**

3. Making Segments → **Clustering analysis**

Question: How do you exactly do factor analysis?

After factor analysis, you make clustering by looking at the data.

Behavioral Variable

- Craving product benefit
- Heavy user/ Light user
- Reaction Step: (recognition → knowledge → preferable → buying experience → recursive purchase) Example : if everyone likes it and nobody buys it, there must be purchase obstacle.
if nobody knows it, must let them know first.
if everyone know it but nobody likes it, change their attitude.
etc etc...
- Price sensitivity
- Usage situation: (Where do people use our product?)
- Accepting innovative product (Would they buy beta version?)

In what variable do we use to segment market?

* **Let's think...**

1. Using any standard, market does get segmented. (Now is it just matter of your choice?)
2. You simply can't use all the standards, because it isn't profitable and way too complicated. → **use right amount**
3. Thus you need **Efficient market segmenntation**

5.2 Effective Market Segmentation

Effectiveness:::

1. Measurable
2. Accessible
3. Substantial (Segmented by 99 : 1 is just meaningless. There has to be meaningfulness)
4. Differentiable by segments (if strategies among segments are equal, it is meaningless)

→ Yet, **per variable, Effectiveness is different.**

5.2.1 How do you deal with that? Wedel & Kamakura's

	General character variable	Product related variable
Observable	Demographical	Usage, Use situ, Royalty
Non Observable	Per Trait, LOV, lifestyle	Preference, recognition of product

	G/O	G/NO	P/O	P/NO
--	-----	------	-----	------

Then what??

- Use Multiple Variable
- Actionable Variable
- use high - Accessible variable to make profile.

5.3 Steps for Market Segmentation

1. Collect Data
2. Measure variable by marketing search
3. Segment by actionable variable

4. Make Profile for each segmented market.

Toothpaste Market:

Product benefit can be very different

5.4 Time variant Segmentation

How do you segment markets real- time? Well, after fully knowing the method, you still don't know what will come out as an result, nor what is really efficient. Knowing certain stuff beforehand can be described as **a priori segmentation**, other is **a posterior segmentation**

"A priori" Market seg

vs

"a posterior" Market seg

* How many standards?

* How many level of seg?

* How many segs are there?

Did you know this beforehand?

Figure 10: Different segment

For example LOV, you knew how you choose the segmenting method, but you didn't know the result. The result of 4 factor can be considered as a posterior.

6 Targeting

Ok. you've segmented the market. (that was hard) Now you have to choose what part of segment you are going to be engaging in.

6.1 Standards for Target segment's Decision

1. Segment's attractiveness

- Outside conditions (market size, potential, growth rate, product's life cycle, seasonal)
- Structural condition (competition difficulty, threat of alternatives, power of buyer/producer, Wall of entrance(진입장벽))
- Environmental condition (Economy, society, ...)

2. Relative competitive position within the segment

How well will your company do when you enter the segment? To answer this, you need to know how much strength you have (competence) against others, for these following example categories:

- differentiated strength?
- Price strength?
- Operative strength?

The way "competition" is defined can be varied by level

- By brand (e.g: Digital Camera 1 vs Digital Camera 2)
- Form of product e.g: Digital Camera vs DSLR vs Mirrorless
- Fundamental convenience (e.g: D.c vs Phone)

Example: Asking frontier brand's most fearful competitor

- chamisul → samsung TV
- Lineage → America Drama
- sulwhasu → Korean medic
- Bakcas → Starbucks
- Nike → Nintendo

Marketing Myopia → look at the market from long distance. (would above competition make sense?) the fundamental values can be provided by much different product. Therefore beware of not - knowing your place or your competitors.

3. Compatibility

with...

- company resources
- company's mission & culture
- existing market, existing marketing mix.

Now all these standards can be calculated and weighted - summed, so one can decide which market segments to enter.

Then, Target market can be treated

- as differentiated into one or more segments.
- or treated as same or different

6.2 Treating Segments differently: How much?

The more you differentiate your treatment to targeted market, the more you'll earn, but also more you'll investigate. Therefore one has to find the right balance.

7 Positioning

Definition: finding position inside consumer's **mind**

- competitive differentiation consumer perceive
- problem of competitive structure's overall harmonizing marketing mix.
- Not reality, just perception
- Can define direct competitors
- Can grasp market opportunities

7.1 Positioning Map

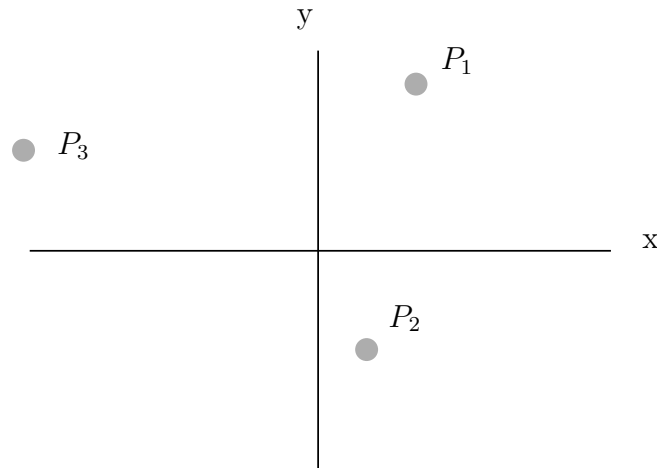


Figure 11: Structure of positioning map

7.1.1 Making of positioning map

1. Multi Attribute Model (MAM) → what constitutes a product is used as axis. (and how good they are per product of different companies)

2. Multi Dimensional Scaling (MDS) → Asking consumers for unknown axis, and trying to search for axis.

1. MAM

- grasp main character of products.
- Per product, find the values for characters.
- Factor Analysis
 - figuring out the underlying dimensions
 - find the scale value per theses basis dimension.
- Make positioning map.

2. MDS

”Making positioning map under recognition of consumer’s similarity”

Ask customer’s their measure of similarity of different products.

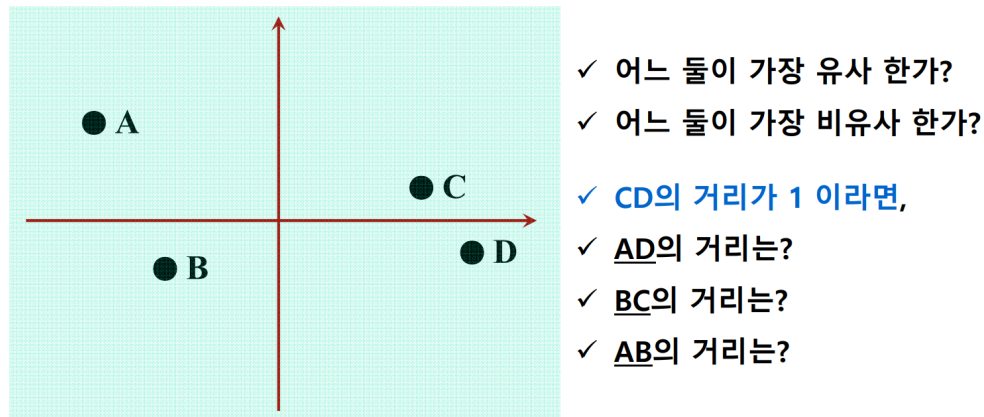


Figure 12:

7.2 Positioning Strategy

Here we will talk about:

1. Overall Quality - Price positioning

2. Specific POD(point of difference) positioning
3. condition of Efficient positioning

7.3 Overall Quality - Price positioning

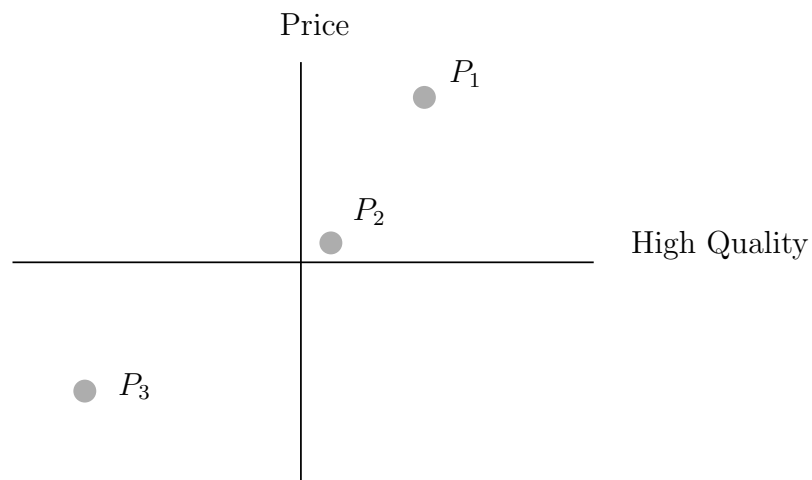


Figure 13: Simple MAM with price, quality axis.

7.4 Specific POD(point of difference) positioning

- property POD
- Service POD
- User POD
- Usage situation POD

Many time, positioning is done with specific property POD
 But sometimes, user specific POD is made. (폴무원:(환경친화적인 당신은)
 이미 폴무원입니다)

7.5 Efficient POD condition

1. POD's dimension is important
2. That difference must be perceived meaningfully

Meaningful POD vs not! meaningful POD

1. Work in existing field, → make strategies within known map
 - difference within already existing dimension
 - comparing quality between other competitors ("alignable" difference) examples could be (cheaper, bigger, tastes better, stronger, faster etc...)
 - Property based POD is almost all this case
2. Change the existing field → taking strategies to change the existing map
 - Have property that no others have. : (nonalignable difference)
 - Changes structure of Positioning map by introducing new axis!

7.5.1 Case 1. Make strategies within known map

Here, the specific dimension is very important, but the problem is that "challenger's" claim isn't well informed. Specifically,

- Most of the difference is ignored (Prototype effect)
- Especially qualities that aren't directly noticeable.

Then how do we solve this problem? 3 possible approaches :

- noticeable Property (Searchable property vs Experienceable property vs trust based property)
- Enough difference
- Enumerable difference

7.5.2 Case 2. POD engaging New property dimension

New property must be meaningful one. But making consumer recognize their importance is not EASY. Then how do we solve this problem?

- Density principle
 - make perception's density higher. (variants, voice, shelf space)
- Synergy principle
 - across ads & over time, linearity within contents
- Categorization effect
 - Category label (subcategorization) : put category on our product within this market, and label it so that others can perceive it.

7.6 Positioning Step

1. Analyze current position (Make positioning map)
 - MAM or MDS
2. Choose goal position
3. Execute Repositioning strategies
4. Evaluate transformed position (Make positioning map again!)

8 Product Life Cycle

Product viewed as Life(metaphor)
Birth → growth → maturity → decline → death

: to know what stage our product is, to take action accordingly.

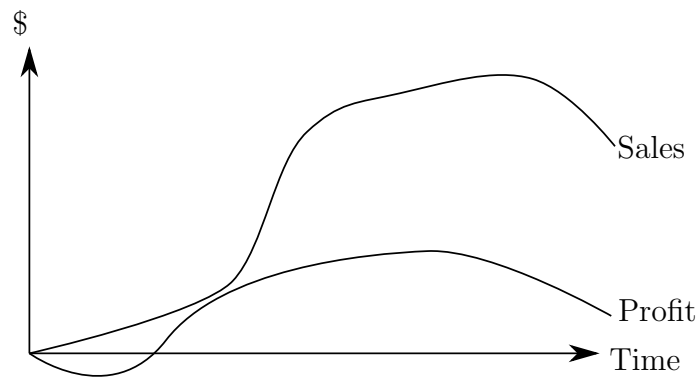


Figure 14: Graph of Product life cycle

Marketing goal must be very different according to the stage of PLC they are in. **Example:**

Entering Stage : Create AW & trial Growing Stage L Maximize MS Mature

Stage: Max profit & MS Decline Stage : Reduce Expenditure

8.1 Unit of analyzing PLC

1. Product class
2. Product form
3. Brand
1. Hard to predic "which stage" & "how long"
2. Self - fulfilling prophecy (: If you decide on which stage you are in, you will be in that stage)

9 Product Management & NPD (new product development)

9.1 Product Management Basic

A. Concept of Product.

1. Core Product
2. Actual Product
3. Augmented Product



Figure 15: Examples of Core products (From www.marketingteacher.com)

If we were to differentiate from the enemy company, there are these 3 options to be made.

B. Product Classification

1. Industrial goods vs Consumer goods
2. Durable goods vs non-durable goods vs services
3. Convenience goods vs Shopping goods vs Special goods
4. Exploratory based vs Experience based vs Trust based

C. Product mix

- Width of Product mix → number of product line within company
- Product line → category of related product
- Length of Product line L → number of Brands per one product line
- Depth of Product line. → number of items in one brand.

Example : P&G product Mix.

Baby Care	Fabric care	Oral care	Skin care	hair care	home care
Luvs Pampers	Tide Crest Cheer Bounce Downy	Ivory oral- B Scope Fixodent	Head&Shol SK-II Gillette Olay	Febreze Pantene Old spice	Cascade Dawn

D. Level of New Product.

By the quality of improvement by new product, we can classify the new product's level

1. Simple Renewal
this can be caused by...
 - Increased price
 - simply renew the feeling
 - etc...
2. Product Variants / Improvement (Just improving a bit)
3. Product line-up (What do you mean by lineup?)
→ Constituted by product quality & price. (i.e. New item is much better and expensive. This is different by case 1)
4. New Product - New line /Category (**new** is to be taken relative to myself.)
 - Continuous innovation
 - Dynamically continuous innovation.
 - Discontinuous innovation

9.2 Main Content within Product management

- Managing individual products. (renewal, morphism, improvement)
- Decisions within product line (i.e. portfolio management with multiple items)

So why do we need Product length/depth?

- Consumer's need is very different.
- People crave for diversity. (we never consume one food)
- Price sensitivity differ.
- Inhibit other company's competitive entry.
- Positioning (Making Subcategory (This is necessary for "density" condition.))

But what are some considerations?

- Increase of Cost. (making diverse product inevitably increases price.)
 - Distribution's cooperation.
 - confusion of consumer's recognition
 - Cannibalization / Synergy
 - Enough Resources and management capacity
- Managing NPD

9.3 Developing New product

- Managing NPD
- Market Testing NP

9.3.1 Is making New product actually necessary?

It is

1. Resource of Company's Growth. (i.e. you can't make consumers buy a single thing forever!)

2. Method of Market's Attack and Defense (as a matter of competition.)

- Flanker Brand (As a defense to attacker in a market (they will have cheaper - item attack) , usually make cheaper item to defend)
- Fighter Brand (As an attack)
- Decoy Brand (as a trap)
 - e.g. : Magazine Economist has 3 options for subscription
 - online (59\$)
 - offline (125 \$) → this item is decoy brand
 - online + offline (125\$)

3. At mature market, make alternative need by making new product.

4. As a leader of industry, need to keep the reputation.

And importantly,

Pioneer Advantage

9.4 Why would some New product fail?

- Null of differentiated convenience
- Change of consumer's utility
- Targeting/ positioning problem
- Timing of release
- Error within demand estimate
- etc etc...

9.5 Management system for developing new product

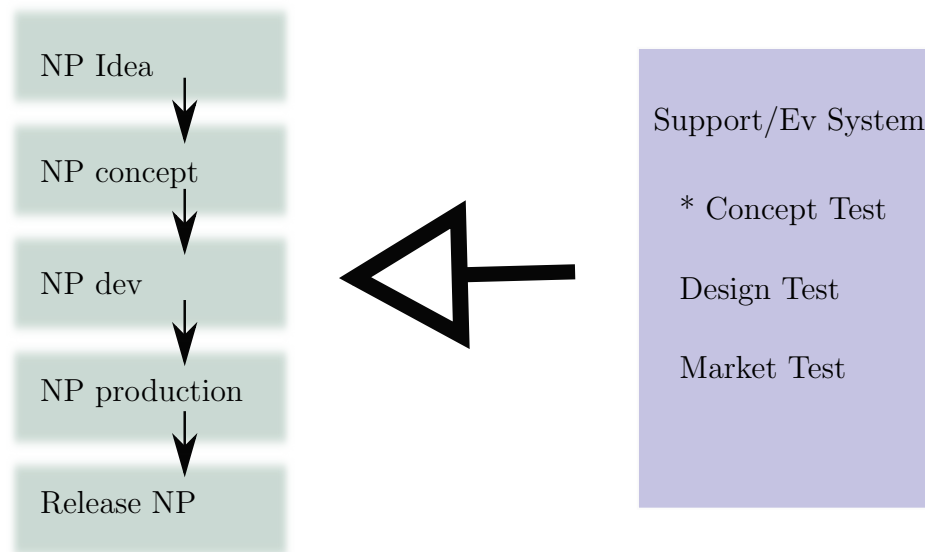


Figure 16: New Product Development Managing System

9.5.1 Deciding New Product idea

There are a lot of different origin of ideas and many methodologies. From there, we extract the ideas, which we then decide what idea we will choose.

It is important to produce many ideas (Because this is very cheap!)

→ **Thus, Diversify origin and Methodology.**

Where do we get the idea? (Origin of ideas)

- Customers
- Competitor
- Inside community

– R&D

- Idea Team
- Idea institution
- Distributor, Selling member
- Socialnet Data

How do we make the data? (Methodology)

- Brainstorming
- FGI
- Town watching
- Trend analysis
- Attribute Listing
- etc etc...

Make the chosen idea more specific.
→ Product Concept

9.5.2 Idea Into Product concept

Definition:

Product idea **described as manner of consumer's perspective**, such as product's shape, character, utility, convenience, price etc...

- What property and character? (Product attributes)
- Gives what? (consumer Benefit Proposition)
- Usage situation
- For whom? (Target consumer)
- Price and distribution? (Marketing mix)
- etc ..

9.5.3 Concept Test, Design Test

As we make concept and design, we need to test them simultaneously.]

Conjoint analysis : make a lot of profile

→ choose the feasible profile and ask them for which is most reasonable.

Purchase intention

Also, make standard evaluation chart beforehand.

Test standard:

- Technological feasibility
- Trade feasibility

At NPD's beginning Step, everybody's participation is important!

* Potential net profit model.

1. Transforming "purchase intension" / preference chart
2. Making selling formation model (46 min 판매형성 모형)

$$P = A_w A_v \sum B_c$$

1. lab test
2. Pro test
3. Customer test (Conjoint analysis)

9.5.4 Test market

1. Purpose :
 - much precise net profit estimate
 - getting diagnostic information
2. Types :
 - National - scale market reenactment
 - Experimental method (mini test market)
3. Weakness

- High price
- Competitor's recognition and disturbances
- Delay of release

9.5.5 Pre - test market

1. Purpose,

- Appropriate prediction made (75% and above)
- Reasonably accurate tests
- Not much time consuming
- Relatively low price

2. Typs :

- Non- durable model (e.g. ASSESSOR)
- Durable model (e.g. Information Acceleration)