

# Ch. 10: New Product Development

# Marketing Strategy Overview

## – Basic Structure

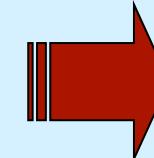
Analyze the environment and set the strategy

Company  
(strengths &  
weaknesses)



Customers

Competition



Segment the market  
Target your customers  
Position your product

Product

Price

Promotion

Place

Leveraging real tools to implement strategic objectives

# Preview

- The benefits and attributes of a product
- Product mixes, product lines, and product item
- Types of products
- New products
- NPD process
- Test-marketing

Pitiful is the person who is afraid of taking risks. Perhaps this person will never be disappointed or disillusioned perhaps he won´t suffer the way people do when they have a dream to follow. But when the person looks back-she will hear her heart break.

- Paulo Coelho



# Product

- Anything that satisfies consumer needs
- “Bundle of *benefits*” vs. “Bundle of *attributes*”

- Example: Cars

## Benefits

- Economic transportation → Price
- Sporty feeling → Engine capacity, Horsepower, styling
- Luxury → Heated leather seats, GPS

## Attributes

- Consumers focus on attributes as a way to achieve benefits

# Products

- Product mix
  - All product lines offered by a company (all products offered by P&G)
- Product line
  - Group of closely related products (laundry detergents from P&G)
- Product item
  - A specific product within a product line (Tide with bleach laundry detergent)
- Product Form
  - How the product is presented
- SKU (Stock keeping unit)
  - Each size of a product item (77 oz vs 52 oz size of Tide with bleach)



# Classifying products

- Nondurable goods
  - Immediately consumed (over a few uses)



- Durable goods
  - Lasts over many uses



- Services
  - Intangible



- *Which of these are high vs. low involvement purchases?*

# Consumer products

Inexpensive, purchased frequently, widely available

## Convenience Products



More expensive, purchased infrequently, more shopping time

## Shopping Products



Very expensive, uniqueness and status emphasized

## Specialty Products



Level of Effort expended

Unsought products: Consumers unaware of need or not seeking solution

# What is a new product?

- New compared with existing products
  - Functionally different from what currently exists
- New (in legal terms)
  - Introduced to market in last 6 months
- New from the company's perspective
  - Line extension, technological innovation, brand extension to new product category
- New from consumer's perspective
  - Degree of learning required by customer



# Toy Story

## Consumer Insights:

1. Kids were spending more and more time on computers, and creating custom avatars, but they never got a tangible outcome to play with or show off.
2. Also, kids loved drawing and making things, but became easily frustrated because their skills hadn't caught up with what they saw in their minds.
3. Although kids had access to a few products with customizable options, such as Build-a-Bear, they didn't have any truly do-it-yourself toys.

# IDEO: Product Innovators



<http://www.ideo.com/work/long-haul-travel-experience/>

# New Product development: Its hard to forecast the future

- “I think there is a world market for maybe five computers.”

*Thomas Watson, chairman of IBM, 1943*

- “There is no reason anyone would want a computer in their home.”

*Ken Olson, chairman and founder of Digital Equipment Corp., 1977*

- “Who the hell wants to hear actors talk?”

*H.M. Warner, Warner Brothers, 1927*

- “Well informed people know it is impossible to transmit the voice over wires, and even if it were possible the thing would have no practical value”

*Editorial in the Boston Post, 1865*

# Product development risks

- Failure rates
  - "...no more than 10% of all new products or services are successful – that is, still on the market and profitable after three years" - Marketing Management (2003)
  - 95% of new consumer products in US fail; 90% of new consumer products in Europe fail - Nielsen BASES and Ernst & Young study (2002)
- Costs
  - Introducing a new national brand can cost \$20 million – Marketing Management
  - According to New Product News "It probably costs \$100 million to introduce a truly new soft drink nationally



# Why do products fail?

- Too small a target market



# Why do products fail?

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- Insignificant point of difference

In 1996 McDonald's decided to design a new menu item that would appeal to a more sophisticated, adult demographic — the result was the Arch Deluxe burger. The general public couldn't distinguish the new sandwich enough from the classic Big Mac to make it a hit.



# Why do products fail?

- Too small a target market
- Insignificant point of difference
- Poor product quality

Replaces traditional dashboard knobs and buttons with a touchscreen. Drivers control climate, navigation, entertainment, phone calls and other functions, using touch/voice commands.

23% of new owners have problems with MyFordTouch

MyFord Touch



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- Poor use of research



Earing Magic Ken

# Data Collection Gone Wrong: New Coke

- Launched in 1985 with a sweeter, smoother taste
- Marketing research
  - Pepsi challenge
  - 2 years and \$4 million spent on research
  - 200,000 taste tests, 30,000 on the final formula
  - 60% of consumers chose the new Coke over the old Coke and 52% chose it over Pepsi
- Consumer reaction
  - 1500+ angry phone calls, sacks of complaint letters
  - Protest demonstrations, class action suits threatened
- What was the problem?
  - Too narrow a definition of the problem
  - Research considered only taste not how consumers felt about the entire branded product



## New Coke

# Why do products fail?

- Too small a target market
- Insignificant point of difference
- Poor product quality
- Poor use of research
- Bad timing      [Edsel](#) [GO CORP Tablet](#)
  - “Being early is the same as being wrong”



GO  
Corporation  
Tablet



VS



# New Products Must Relate Appropriately to Old Products



Originally called “horseless carriages” so people could understand the product



# Why do products fail?

- Too small a target market
- Insignificant point of difference
- Poor product quality
- Poor use of research
- Bad timing
- Poor execution of the marketing mix

Netflix attempted to launch Qwikster in 10th paragraph of letter apologizing for another marketing gaffe (unilaterally increasing prices)



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- No economical access to buyers
  - New products have to justify their retail locations



# Consumer Disconnect

Coors Rocky Mountain  
Water



Colgate Stir-fry



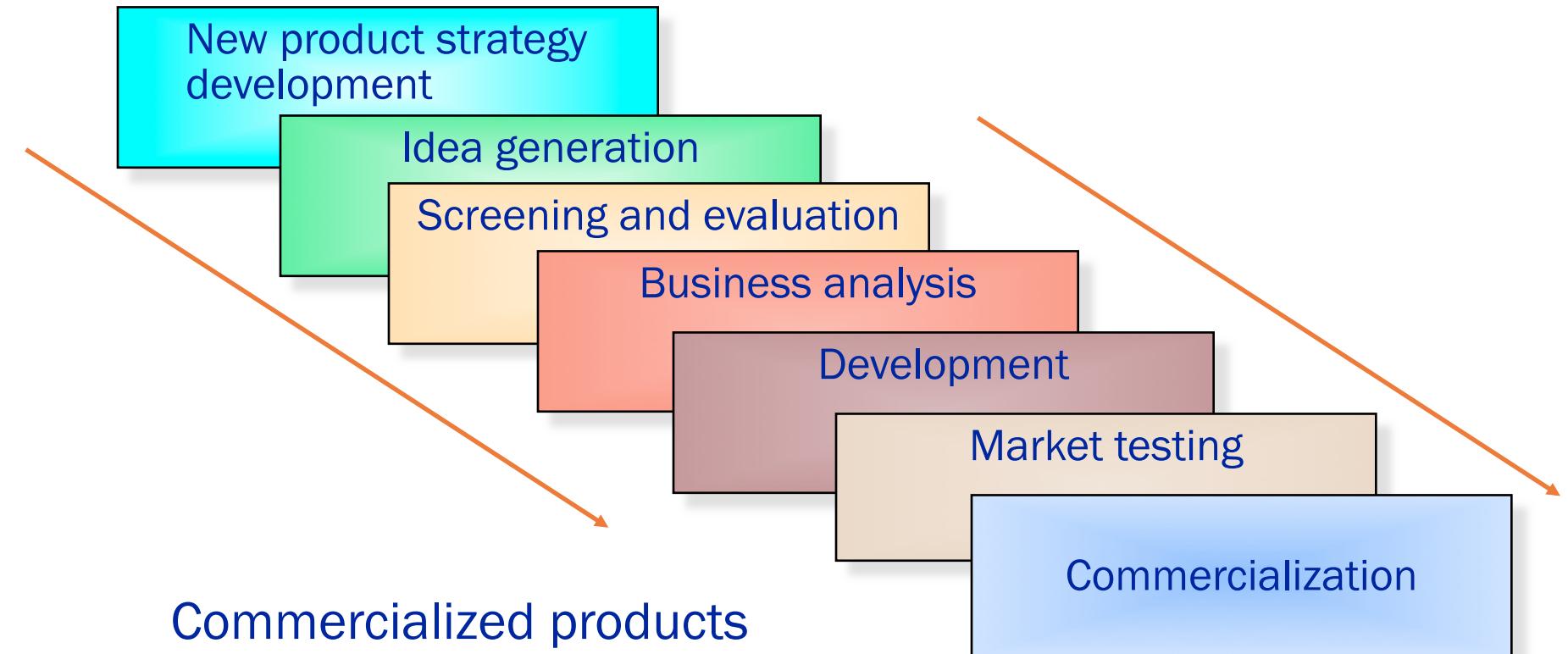
Disposable  
Underwear



# Why new products succeed?

- Top-management commitment
- Start with the consumer – not the factory
- Intelligent use of research
- Exploit a competitive advantage
- Speed to market

# New Product Development process



# Idea Generation: Sources



- Technology
- Market needs and user solutions
  - *Tide Pods* (people don't like mess of pouring)
- Competitors and other firms
  - Facebook → Google+, Diaspora
- Management and employees
  - TI's Speak 'n' Spell toys
- Environmental changes
  - TSA approved locks for travel



# Screening and Evaluation

- Internal
  - Professional Product testers
- External: Concept testing
  - The product is a lightweight electric scooter that can be easily folded and taken with you inside a building or on public transportation.
  - The scooter weighs about 25 pounds. It travels at speeds of up to 15 miles per hour and can go about 12 miles on a single charge.
  - The scooter can be recharged in about two hours from a standard electric outlet.
  - The scooter is easy to ride and has simple controls — just an accelerator button and a brake.



# New Product Development process

- Business analysis
  - Last checkpoint before significant investment
    - Create a strategy to bring to market
    - Financial analysis
- Development
  - Prototype of product

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- Testing
  - Internal and with consumers



# Test marketing

- Standard
  - Full marketing campaign in a few cities
- Controlled
  - Limited to a few stores
- Simulated
  - Testing in a simulated marketing environment
    - Qualified consumers are shown TV or print ads and given money to buy or not buy

# Benefits of test marketing

- Yields a more reliable forecast of future sales than no testing.
- Can pre-test alternative marketing plans.
- May discover a product fault missed in the product development stage.
- Discover clues to distribution problems.

Dallas-area locations will test market a new plastic wrap developed by supplier Fresh Del Monte Produce to keep single bananas yellow and firm for five days — more than double the two-day shelf life for an unwrapped banana.



# Problems with test marketing

- Problem of obtaining a set of markets that is reasonably representative of the country as a whole.
- Problem of competitive knowledge of your test. Maybe they don't know (care) what else is out there
- Problem of translating national media plans into local equivalents.



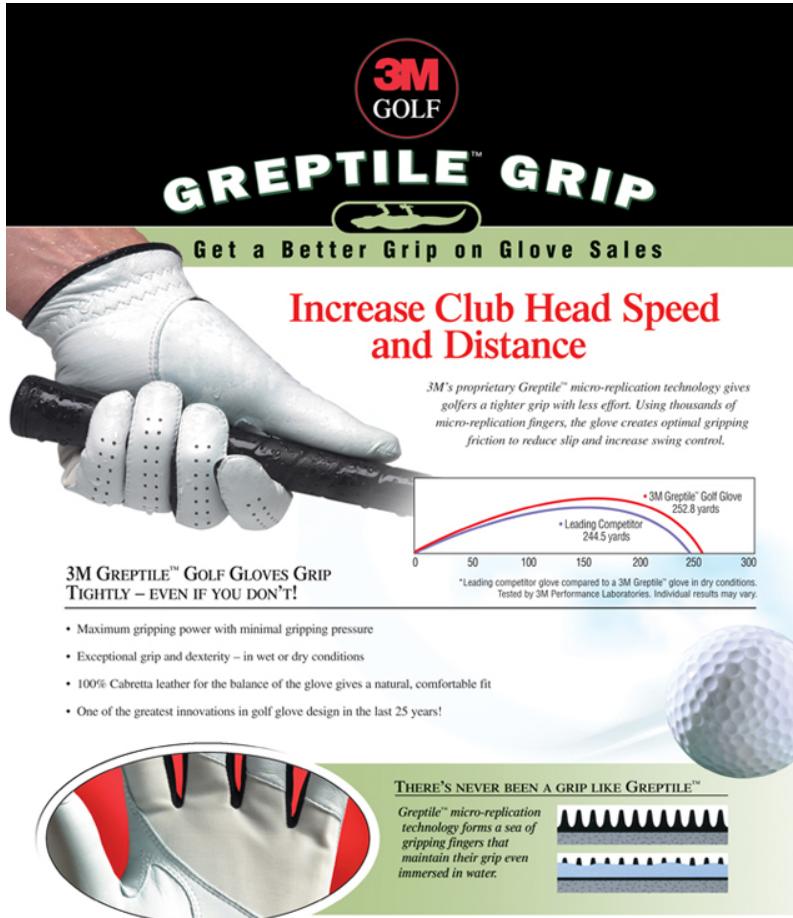
# How Do I test Market?



# Actions from test marketing

- High trial, high repurchase rate                                  GO
- High trial, low repurchase rate                                  Drop or redesign product
- Low trial, high repurchase rate                                  Increase advertising and sales promotion
- Low trial, low repurchase rate                                  Drop product

# 3M Greptile Glove



The advertisement features a black background with a white and green horizontal bar. At the top is the 3M Golf logo with the words "GREPTILE™ GRIP". Below it is a photograph of a hand wearing a white golf glove gripping a golf club. The text "Get a Better Grip on Glove Sales" is on the green bar. In red, it says "Increase Club Head Speed and Distance". A graph compares the distance of a 3M Greptile glove versus a leading competitor. The graph shows a red curve peaking at 252.8 yards compared to a blue curve at 244.5 yards. The text below the graph states: "3M's proprietary Greptile™ micro-replication technology gives golfers a tighter grip with less effort. Using thousands of micro-replication fingers, the glove creates optimal gripping friction to reduce slip and increase swing control." A list of benefits follows: "3M GREPTILE™ GOLF GLOVES GRIP TIGHTLY – EVEN IF YOU DON'T!" • Maximum gripping power with minimal gripping pressure • Exceptional grip and dexterity – in wet or dry conditions • 100% Cabretta leather for the balance of the glove gives a natural, comfortable fit • One of the greatest innovations in golf glove design in the last 25 years! At the bottom left is a close-up of the glove's finger area with red accents. To the right is a golf ball. The text "THERE'S NEVER BEEN A GRIP LIKE GREPTILE™" is above a diagram showing a cross-section of the glove's finger tips with a wavy pattern.

Revolutionary Gripping Technology, another 3M Innovation!

# BabyBjörn's High Chair



# Think About

- Who are some target segments for the Each Product
- What do you suspect was the source for idea?
- What is the key point of difference?
- Does this product have potential and Why or Why Not?

# Review

- What is the New Product Development process?
- Categories of products
- What are some problems with test marketing?
- What constitutes a new product?
- Why do new products fail or succeed