

Chapter 11 - Developing and Managing Products

1. Why is the term new product confusing?
 - a. because its meaning varies widely and has several correct definitions
 - b. because a new product is an old product updated
 - c. because it is a venture product
 - d. because all new products carry the same level of newness

ANSWER: a

2. What is a new product?
 - a. a product that is new to the world
 - b. a product that is new to the market
 - c. a product that is new to the producer
 - d. a product that is new to the producer or seller, or new to the world

ANSWER: d

3. When the manufacturer of L'Oreal shampoo introduced shampoos designed specifically to appeal to preteens, which of the following best describes the product?
 - a. not considered new, because the product was not discontinuous
 - b. easily sold to many foreign countries using the same, popular L'Oreal brand name
 - c. an example of inventing a product and then trying to create a need
 - d. a new product because it was an improvement or revision of an existing product

ANSWER: d

4. In its early years of operation, MGP Ingredients Inc. sold ethanol and animal feed. A steep drop in its sales led the company to focus on developing the first low-carb wheat proteins and starches. What would these low-carb products be an example of?
 - a. a repositioning strategy
 - b. a new product line
 - c. an addition to an existing product line
 - d. a discontinuous innovation

ANSWER: b

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5. Victorinox has long manufactured Swiss Army knives and recently developed a line of upscale Swiss Army watches. Which strategies did Victorinox use to create new products?
- a. new-to-the-world product
 - b. new product line
 - c. repositioned product
 - d. discontinuous innovation product

ANSWER: b

6. Which of the following is NOT considered a new product?
- a. a 2017 model-year GE oven with the same style, parts, and colour as the 2009 model
 - b. the addition of a management consultant service to a company that once specialized in investment management
 - c. a rebranding of Lego products
 - d. a flavour of Ben & Jerry's brand ice cream that was popular 5 years ago

ANSWER: a

7. The maker of Kandoo has added Kandoo Baby Wipes to its product line. Is this a new product?
- a. Yes, additions to the product line are new products.
 - b. No, it is only a product addition.
 - c. Yes, this is a discontinuous innovation.
 - d. No, this is not a product improvement.

ANSWER: a

8. When Glade brand air freshener began marketing a clean linen-scented air spray, how could the action be classified?
- a. as a repositioning strategy
 - b. as a new product line
 - c. as an addition to an existing product line
 - d. as a discontinuous innovation

ANSWER: c

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9. Oakley, a manufacturer of protective eyewear for various kinds of sports, has introduced sunglasses that play music. The glasses weigh a little over a pound and can hold up to 120 songs. What are these sunglasses an example of?
- a. a repositioning strategy
 - b. a new product line
 - c. an addition to an existing product line
 - d. a discontinuous strategy

ANSWER: c

10. For years, the Lacoste brand of clothing has targeted 40-something male consumers. Today, it targets both male and female fashion-conscious consumers in their 20s with everything from moon boots to shearling coats. Which strategy is being implemented?
- a. niche
 - b. new-product-line
 - c. retargeting
 - d. repositioning

ANSWER: d

11. A U.K. based drink called Lucozade was originally targeted toward people who were suffering from a cold as a “pick me up”. It has since been sold as an energy drink to those who love to play sports. By essentially selling the same product to a new target segment, Lucozade used which strategy?
- a. brainstorming
 - b. repositioning
 - c. screening
 - d. reciprocity

ANSWER: b

12. When General Mills changed the formula for its Oatmeal Crisp cereal, it added ingredients to reduce the risk of high blood pressure, to lower cholesterol, and to reduce the risk of stroke, thus providing greater value to the consumer. Since it was not trying to reach a new target market, which new product strategy was General Mills using?
- a. improved product
 - b. discontinuous innovation product
 - c. repositioned product
 - d. new product innovation

ANSWER: a

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13. TechSys is in the process of developing a new cell-phone. They must first aim to link the new-product development process with the objectives of the marketing department, the business unit, and the corporation. What is this process also known as?
- a. screening and concept testing
 - b. establishing the new-product strategy
 - c. developing a business analysis
 - d. building a prototype

ANSWER: b

14. What links the new-product development process with the objectives of the marketing department, business unit, and corporation?
- a. product-review committee
 - b. concept test
 - c. new-product strategy
 - d. product strategy bridge

ANSWER: c

15. A new-product strategy can be best described by which of the following?
- a. It links the new-product development process with the objectives of the marketing department, the business unit, and the corporation.
 - b. It is part of an organization's takeover strategy.
 - c. It specifies the roles existing products play in the organization's overall plans.
 - d. It is part of the overall marketing distribution.

ANSWER: a

16. Which of the following is NOT a likely source of new product ideas?
- a. customers
 - b. employees
 - c. financial lenders
 - d. competitors

ANSWER: c

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17. Which of the following goes one step further than applied research by converting new technology applications into marketable products?
- a. basic research
 - b. product modification
 - c. marketing development
 - d. product development

ANSWER: d

18. According to the text, what should be used to determine whether a company has a balanced portfolio of products and, if not, what new-product ideas are needed to offset the imbalance?
- a. internal product development venture teams
 - b. outside consultants
 - c. marketing development departments
 - d. status quo committees

ANSWER: b

19. The CEO of a cell-phone company, Teresa Bilodeau, and her colleagues sat around a conference table and came up with as many ways as they could to extend the battery life of their handsets. The practicality of the ideas was not taken in to account. What is this process known as?
- a. screening
 - b. a focus-group interview
 - c. brainstorming
 - d. diffusion

ANSWER: c

20. Mosaic Labs has developed a chemical compound that prevents mildew in even the most humid climates. The week after the compound was invented, a group of the firm's employees got together and listed ways the product might be used. What is this an example of?
- a. focusing grouping
 - b. brainstorming
 - c. concept testing
 - d. screening

ANSWER: b

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21. The same manufacturer produces Hanes, Playtex, and Bali clothing for women. This manufacturer assembled a group of nine regular customers and asked them to discuss what they like and do not like about its current product line for full-figured women and to suggest new-product ideas, such as jewellery, wide shoes, and belts. Which research technique did the manufacturer use?
- a. a focus group
 - b. a brainstorming session
 - c. a product-review committee
 - d. a venture team

ANSWER: a

22. Rhonda Ausman and her team at a publishing company came up with lots of new ideas around the new cover for a marketing textbook. After these ideas were generated, what is the next thing that Rhonda and her team must do?
- a. applied diffusion
 - b. business analysis
 - c. test marketing
 - d. idea screening

ANSWER: d

23. At what stage of the new-product development process are most new-product ideas rejected?
- a. test marketing
 - b. business analysis
 - c. idea screening
 - d. idea generation

ANSWER: c

24. Top managers at a company that publishes regional magazines considered making maps, but then decided maps were not within the company's corporate mission. Which stage of the new-product development process did its new-product development process reach?
- a. idea generation
 - b. idea screening
 - c. business analysis
 - d. customer testing

ANSWER: b

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25. A European dairy, which is famous for its rich ice creams, has introduced basil-, tomato-, and oregano-flavoured ice creams. In the process of developing these new flavours, the dairy surveyed world-famous chefs to determine which non-traditional flavours had the greatest level of marketability. This survey would have happened during which stage of the product development process?
- a. concept testing
 - b. brainstorming
 - c. basic research
 - d. idea screening

ANSWER: d

26. Many years ago, Athens, Greece, was viewed as a necessary part of any tour of Europe. Then the city developed an image of a smoggy city choked with traffic. The Greek government realized package tour operators were unimpressed by the proposal to paint the facades of the buildings in Athens. During which stage of its attempt to reposition Athens as a culture-filled destination for conventions would this have occurred?
- a. screening and concept testing
 - b. establishing the new-product strategy
 - c. exploring opportunities
 - d. developing a business analysis

ANSWER: a

27. After Mattel evaluated many new products to add to its Barbie product line and before any prototype was created, the toy manufacturer instructed a committee to select three of the ideas to present to a group of consumers. The consumer group was asked to evaluate the three product ideas in terms of their marketability. What is this stage of new-product development called?
- a. prototype screening
 - b. concept testing
 - c. market testing
 - d. idea diffusing

ANSWER: b

28. Before the introduction of a timekeeping spreadsheet for salespeople, a sample of salespeople were able to try a prototype. What is this stage of new-product development called?
- a. prototype innovation
 - b. concept testing
 - c. market testing
 - d. idea diffusion

ANSWER: b

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29. What is the purpose of the screening and concept testing stage of the new-product development process?
- a. to eliminate undesirable ideas and predict consumer acceptance
 - b. to refine the promotion campaign to be used with the new product
 - c. to determine how long the test market should be run
 - d. to generate new-product ideas

ANSWER: a

30. Which tests evaluate new-product ideas usually before any prototype has been created?
- a. concept tests
 - b. simulated market tests
 - c. market tests
 - d. user tests

ANSWER: a

31. Now that the design of a new smart-fridge has been finalized, Igloo must now estimate preliminary demand, cost, sales, and profitability. What stage of the new product development process is this?
- a. prototype screening
 - b. idea generation
 - c. concept testing
 - d. business analysis

ANSWER: d

32. Middleton has developed the Flybar 1200, an extreme pogo stick that propels users more than 1.5 metres into the air. A group was assigned the task of estimating preliminary demand for the product, costs (including issues with liability), sales, and future profitability. During which stage of its new-product development process would this have occurred?
- a. business analysis
 - b. concept testing
 - c. screening
 - d. test marketing

ANSWER: a

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33. In which stage of new-product development would the technical feasibility of manufacturing the new product as a prototype be examined?
- a. screening
 - b. development
 - c. market testing
 - d. concept testing

ANSWER: b

34. What is required for the development stage of the new-product development process to work best?
- a. simultaneous product development
 - b. laboratory testing
 - c. test marketing
 - d. the new-product paradigm

ANSWER: a

35. Noam Finkelstein has recently introduced a limited run of his new book in a suburb of Toronto to determine the reactions of potential readers. What is this also known as?
- a. use testing
 - b. test marketing
 - c. concept testing
 - d. laboratory testing

ANSWER: b

36. Sara Lee, the maker of Ball Park hot dogs, has decided to introduce its new Ball Park hot dog buns in a limited market consisting of only four cities and to closely monitor the reactions of potential customers to the product and marketing program. What is Sara Lee going to use?
- a. market profitability analysis
 - b. market development analysis
 - c. concept marketing
 - d. test marketing

ANSWER: d

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37. When selecting a test market city, what should a researcher look for?
- a. a city where the demographics and purchasing habits mirror the overall market for the product
 - b. a city that has media spill over from other cities to increase media alternatives
 - c. a city that is as large as possible
 - d. a city that has a large upper class

ANSWER: a

38. An electronics store is currently seeing how Edmontonians react to a retail concept called Studio D, which is targeted to women. Edmonton is the only city in which Studio D stores were introduced. The store will monitor the reactions of customers to the store. What is the store using to determine consumer reaction to a new retailing concept?
- a. diffusion analysis
 - b. dual distribution
 - c. test marketing
 - d. laboratory testing

ANSWER: c

39. The maker of Lysol disinfectant tested consumers' reactions to its Lysol Sanitizing Wipes by getting consumers to look through a newspaper with grocery store ads, make out a grocery list, and then "shop" in a mock store filled with real products, including the new cleaning product. What is this an example of?
- a. a simulated (laboratory) market test
 - b. a concept test
 - c. a use test
 - d. a juried consumer test

ANSWER: a

40. The maker of Skittles candy tested and prepared hundreds of batches of candy for taste-testers, who were employees of the company. The taste-testers were instructed to identify the best formula for mint-flavoured Skittles. What type of test was used?
- a. adoption-rate
 - b. concept
 - c. laboratory
 - d. market

ANSWER: c

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41. Typical Apple users were shown advertising and other promotional materials for the new Apple iPhone as well as actual handsets. In addition their reactions to the handsets were recorded in an actual Apple store. What is this also known as?
- a. adoption-rate
 - b. concept
 - c. simulated (laboratory) market
 - d. consumer test

ANSWER: c

42. What is the final stage in the new-product development process?
- a. product development
 - b. market testing
 - c. commercialization
 - d. simulated marketing

ANSWER: c

43. Samsung has test marketed its latest TV and is now ready to begin mass manufacture and distribution. What stage of the new product development process is Samsung in?
- a. commercialization
 - b. product testing
 - c. market analysis
 - d. simulated marketing

ANSWER: a

44. Parris Laboratories has ordered production materials and equipment needed to make its new slow-release chlorine emulsion for swimming pools in its Rossville plant. Which stage of new product development is Parris Laboratories entering?
- a. diffusion analysis
 - b. product testing
 - c. product prototyping
 - d. commercialization

ANSWER: d

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45. In the long run, products fail because of a poor match between which of the following?

- a. advertising and personal selling
- b. limited resources and unlimited consumer wants
- c. product characteristics and consumer needs
- d. prices and consumer demand

ANSWER: c

46. What is the main goal of the global product development process?

- a. to come up with a single standard product or product line suitable for all global markets
- b. to develop every product for potential worldwide distribution and adaptation to other countries
- c. to come up with new-product ideas in North America and use global markets as test markets
- d. to repeat the steps in the process with marketing teams in each and every foreign country targeted

ANSWER: b

47. Surj has just completed his trial of the Microsoft suite of programs. He is now happy to fully purchase the product. What would he be classified as?

- a. a laggard
- b. an adopter
- c. an innovator
- d. a diffuser

ANSWER: b

48. Pam has just purchased her first cell phone. Although cell phones have been available for a long time, cell phones are new to Pam. Which of the following best described Pam?

- a. a laggard
- b. an innovator
- c. part of the late majority
- d. a diffusor

ANSWER: a

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49. Haim is passionate about new technology and embraces products relatively early in their life cycle. He is also community oriented, and his friends often check with him before making big purchases. What would Haim be classed as?
- a. an early adopter
 - b. an innovator
 - c. part of the early majority
 - d. part of the late majority

ANSWER: a

50. Because Laurence did not know companies sold pet insurance so that owners could pay for operations on their pets in the event of a sickness or accident, he paid almost \$4,000 to have his dog's broken hip replaced. Once he discovered such a product existed, how did he perceive the insurance?
- a. as a heterogeneous shopping product
 - b. as a diffusion
 - c. as a product diversification
 - d. as an innovation

ANSWER: d

51. Mandeep felt pressured in to buying a cellphone because most her friends already had one. What would Mandeep be classified as?
- a. a staller
 - b. an early adopters
 - c. part of the early majority
 - d. part of the late majority

ANSWER: d

52. What is the term for the spread of a new idea from its source of invention or creation to its ultimate users or adopters?
- a. diffusion
 - b. circulation
 - c. transmission
 - d. dissemination

ANSWER: a

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53. Which of the following statements about product adoption categories is true?
- a. Early adopters are rarely opinion leaders.
 - b. Laggards are the second group of consumers to adopt a new product.
 - c. There are three categories of consumers who will adopt computer products.
 - d. The dominant characteristic of members of the late majority is skepticism.

ANSWER: d

54. Maeva is eager to try new ideas and products. As a lawyer, Maeva has a high income and is very cosmopolitan. What would she be classified as?
- a. an early adopter
 - b. an innovator
 - c. part of the early majority
 - d. part of the late majority

ANSWER: b

55. A company has learned that members of its target market are likely to collect more information and evaluate more brands than early adopters. They are cautious and thoughtful and do not try the product without asking someone else. The customers' dominant characteristic is deliberateness. In terms of the diffusion process, who are these customers most likely to be?
- a. innovators
 - b. laggards
 - c. early majority
 - d. late majority

ANSWER: c

56. Among the late majority group, from what does adoption of a product primarily result?
- a. word-of-mouth communications
 - b. print advertising
 - c. advertising in nontraditional media
 - d. sales promotions

ANSWER: a

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57. In the adopter categories, the final 16 percent to adopt are similar to innovators in that they do not rely on the norms of the group but are independent because they are tradition-bound. They tend to have the lowest socioeconomic status, are suspicious of new products, and are alienated from a rapidly advancing society. What are they called?
- a. generics
 - b. late majority
 - c. decliners
 - d. laggards

ANSWER: d

58. Market researchers have determined nine categories of lifestyles for computer users. One of the categories is described as “Mouse Potatoes,” who like the Internet for entertainment and can’t wait to buy the latest in “techno-entertainment.” In terms of the diffusion process, how would “Mouse Potatoes” be classified?
- a. as early majority
 - b. as late majority
 - c. as late adopters
 - d. as innovators

ANSWER: d

59. A European dairy, which is famous for its rich ice creams, has introduced basil-, tomato-, fennel-, and oregano-flavoured ice creams. Which of the following product characteristics would most likely influence the market success of these new flavours?
- a. compatibility
 - b. comparability
 - c. complexity
 - d. competitive advantage

ANSWER: a

60. Market researchers have determined nine categories of lifestyles for computer users. One of the categories is described as “Hand-Shakers,” who are typically low-level managers who do not possess any computer skills but rather allow their assistants to provide all necessary technological knowledge. In terms of the diffusion process, how would “Hand-Shakers” most likely be classified for office technology?
- a. laggards
 - b. early majority
 - c. late majority
 - d. late adopters

ANSWER: a

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61. Oakley, the manufacturer of protective eyewear for sports enthusiasts, has recently introduced Oakley's Thump, UV sunglasses that allow the wearer to store and listen to 120 different songs. Which of the following product characteristics would likely exert the greatest influence on the market success of these new glasses?
- a. comparability
 - b. complexity
 - c. tangibility
 - d. competitive advantage

ANSWER: b

62. Which of the following is NOT a characteristic that would slow the rate of adoption of new products?
- a. product complexity
 - b. lack of opportunity to try out the product
 - c. high compatibility with existing products
 - d. lack of relative advantage over substitute products

ANSWER: c

63. Canesta has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants. In a meeting with Canesta corporate officials, you (a leading marketing consultant) are asked if the new virtual keyboard will be quickly accepted by consumers. You tell them this depends on many product characteristics. Which of the following is NOT one of those characteristics?
- a. how similar it is to existing keyboards in use and fulfilling needs
 - b. the degree of difficulty involved in understanding and using it
 - c. the "buy Canadian" movement
 - d. how much of a relative advantage it has over currently used keyboards

ANSWER: c

64. Many product failures such as Cucumber antiperspirant spray, Toaster Eggs, and Health-Sea sea-sausages did not succeed because they did not conform to which product characteristic?
- a. complexity
 - b. trialability
 - c. observability
 - d. compatibility

ANSWER: d

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65. Razor scooters gained instant popularity because walkers and runners frequently saw people on the scooters zipping by them and having fun. This information suggests the adoption rate of the Razor scooter was most affected by which product characteristic?
- a. complexity
 - b. trialability
 - c. observability
 - d. compatibility

ANSWER: c

66. A new medication to eliminate fungal growths on people's toenails may have a slow rate of adoption because it is not a highly visible item in homes. Also, this item is not often discussed among friends and coworkers. This is an example of how which characteristic can work to slow the adoption process?
- a. relative advantage
 - b. observability
 - c. trialability
 - d. complexity

ANSWER: b

Scenario 11-1

In 2006, Coca-Cola North American debuted Gold Peak iced tea. According to Ray Crockett, spokesperson for Coke, "In looking at the ready-to-drink tea market, we found that the one place that nobody seemed to be playing was in the category of classic iced teas like mother used to make. Gold Peak is a quality product that brings back that classic taste."

67. Refer to the scenario. Ray Crockett, spokesperson for Coke, said, "We're going to do a lot of sampling with this product because we believe that if people try it, they're going to love it and stick with it." In other words, what will its adoption rate rely on?
- a. compatibility
 - b. comparability
 - c. complexity
 - d. trialability

ANSWER: d

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68. Refer to the scenario. The tea has high marketing costs as well as high production costs. Promotions for the product are aimed at informing consumers that this premium product tastes like it's home-brewed. In which stage of the product life cycle is Gold Peak iced tea?
- a. introductory
 - b. growth
 - c. maturity
 - d. decline

ANSWER: a

69. There are two types of communication to aid the diffusion process. What are they?
- a. traditional and digital
 - b. opinions and slanders
 - c. word of mouth and from the marketers
 - d. social media and other digital platforms

ANSWER: c

70. Which of the following products has the lowest level of trialability?
- a. low-fat ice cream
 - b. surgically implanted hearing aids
 - c. organic pet food
 - d. a new air freshener

ANSWER: b

71. What are patio furniture, lighting fixtures, microwave ovens, canned corn, and athletic shoes all examples of?
- a. line-extendable categories
 - b. market groupings
 - c. brand groupings
 - d. product categories

ANSWER: d

72. What is the length of the introductory stage of the product life cycle for a new product largely determined by?
- a. the product's size
 - b. the product's marketing mix
 - c. the product's characteristics,
 - d. the size of the market

ANSWER: c

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73. What can the marketers of consumer products expect to find when they study and apply the product life cycle theory to their products?
- a. All products go through every stage of the life cycle.
 - b. Changes in a product can change its life cycle.
 - c. All products except those considered faddish go through every stage.
 - d. A product may skip a stage in the cycle.

ANSWER: b

74. What should be the advertising strategy during the growth stage of the product life cycle?
- a. to aim at the needs of innovators
 - b. to make the mass market aware of brand benefits
 - c. to use advertising as a vehicle for introducing the product category benefits
 - d. to emphasize the product's low price to help reduce inventories

ANSWER: b

75. During which stage of the product life cycle do healthy profits usually begin to appear?
- a. growth
 - b. introductory
 - c. maturity
 - d. commercialization

ANSWER: a

76. During the growth stage of the product life cycle which of the following happens?
- a. Demand for the product is limited to high-income consumers.
 - b. Prices increase due to economies of scale.
 - c. There is decreased direct competition.
 - d. Profits peak.

ANSWER: d

77. What is normally the longest stage of the product life cycle?
- a. maturity
 - b. growth
 - c. introductory
 - d. decline

ANSWER: a

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78. What typically happens at the beginning of the maturity stage of the product life cycle?

- a. Sales become flat and do not change.
- b. Sales increase at an increasing rate.
- c. Sales decrease at an increasing change.
- d. Sales increase at a decreasing rate.

ANSWER: d

79. What occurs during the maturity stage of the product life cycle?

- a. Prices are increased.
- b. Promotion to the dealer is often intensified.
- c. More shelf space is made available to the product.
- d. Profit margins are at their peak.

ANSWER: b

80. B.F. Goodrich has been manufacturing and marketing automotive tires for over 100 years. It spends much of its marketing budget on short-term promotions aimed at stealing market share from Goodyear, Dunlap, and other tire manufacturers. From this information, in which stage of their product life cycle are tires?

- a. maturity
- b. growth
- c. saturation
- d. decline

ANSWER: a

81. Which of the following statements best describes the product life cycle (PLC)?

- a. The PLC concept encourages marketing managers to think reactively.
- b. There are as many new buyers in the maturity stage of the PLC as in the growth stage.
- c. The PLC is especially useful as a predicting tool.
- d. Just as there are five adopter categories, there are five PLC stages.

ANSWER: c

82. Which stage in the product life cycle is signalled by a long-run drop in sales?

- a. laggard
- b. saturation
- c. deterioration
- d. decline

ANSWER: d

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83. Which of the following products is most likely to be in the decline stage of its product life cycle?

- a. cookie mixes
- b. wireless mobile phones
- c. funeral caskets
- d. pre-recorded audiocassette tapes

ANSWER: d

84. What is the rate of sales decline during the decline stage of the product life cycle largely governed by?

- a. the amount of money spent on advertising
- b. the number of competitors in the market
- c. the intensity of the competition's marketing efforts
- d. how rapidly consumer tastes change or substitute products are adopted

ANSWER: d

85. You are a product manager for a manufacturer of trampolines. You have determined that the trampoline is in the maturity stage of the product life cycle. What should you do to keep your product from entering the decline stage?

- a. Use promotion to increase primary demand for trampolines.
- b. Raise the price of your trampolines because customers are not price sensitive in this stage.
- c. Eliminate all unnecessary marketing expense.
- d. Promote trampolines heavily to dealers and customers.

ANSWER: d

86. The marketing manager for Iams Pet Food wants to base the marketing strategy she implements for the company's products on the product life cycle stages. What should she do?

- a. Add new ingredients to products that enter the maturity stage of the product life cycle.
- b. Start test marketing new products every time an existing product enters the maturity stage of its product life cycle.
- c. Change all private brands to generic brands once a product reaches the maturity stage.
- d. Create a line extension for every product the company makes as soon the product leaves the introductory stage of its product life cycle.

ANSWER: a

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87. Market researchers have determined nine categories of lifestyles for computer users. One of the categories is described as “Fast Forwards,” who eagerly purchase brand new technology for home, office, and personal use. This group is most likely to adopt new technology when it is in which stage of its product life cycle?
- a. maturity
 - b. growth
 - c. introductory
 - d. innovation

ANSWER: c

Scenario 11-2

After years of development and testing, Jabra Corporation unveiled the Jabra 1000 earbud phone. The entire device fits in your ear. It resembles those tiny in-ear speakers that let you listen to an iPod in private—except that Jabra’s unit is a transmitter as well. It picks up your voice by amplifying sound vibrations in your bones. Therefore, there’s no microphone boom to jut out in front of your face. Because the bone vibrations must be amplified, a special chip in the part of the system that connects to the base of your phone uses noise-cancellation technology to screen out background sounds. This anti-noise chip generates a mirror image of outside noises, and the colliding sound waves erase each other. The main electronics package—about the size of a deck of cards—also monitors the quality of the phone line and automatically raises the volume of voice transmissions when the connection is weak. This tech-talk isn’t cheap: the earbud phone lists for \$329.

88. Refer to the scenario. The Jabra 1000 described above is what type of new product?
- a. new product line
 - b. new-to-the-world product
 - c. improvement to existing product
 - d. repositioned product

ANSWER: b

89. Refer to the scenario. When the Jabra 1000 was first launched, it most likely appealed to which product adopter category?
- a. early adopter
 - b. early majority
 - c. late majority
 - d. innovators

ANSWER: d

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90. Refer to the scenario. The Jabra 1000 is technically advanced and somewhat difficult for people to understand. Thus, what might affect the rate of diffusion?

- a. the product's compatibility
- b. the product's complexity
- c. the product's observability
- d. the product's trialability

ANSWER: b

91. Refer to the scenario. The Jabra 1000 is similar to the earbud system in an iPod, which may increase adoption rates. This suggests that the rate of diffusion might be affected by which of the following?

- a. the product's compatibility
- b. the product's complexity
- c. the product's observability
- d. the product's trialability

ANSWER: a

92. Refer to the scenario. The Jabra 1000 is superior to existing hands-free telephones, especially with its small size and single part. However, consumers may think its advantages over current hands-free phones may not be worth the additional cost. Thus, what might affect adoption?

- a. the product's compatibility
- b. the product's relative advantage
- c. the product's observability
- d. the product's trialability

ANSWER: b

93. Refer to the scenario. When the first Jabra 1000 was sold, the initial sale signalled the start of which stage of the product life cycle?

- a. commercialization
- b. introductory
- c. growth
- d. maturity

ANSWER: b

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Scenario 11-3

In the early 1900s, a new product was developed—the phonograph record. It allowed people to listen to and appreciate recorded music in the privacy of their homes. At first, consumers were reluctant because the idea was so novel and difficult to comprehend. During the 1930s, the pioneers in the record industry were experiencing strong sales and profits. As a result, other firms began to enter the market and competition intensified. At this point, there were hundreds of record producers and manufacturers. During the 1940s and 1950s, sales continued to increase, but at a much slower rate. The market stayed at approximately the same level until the late 1960s when a new technology arrived in the form of the eight-track tape. The record market began a slow decrease in sales. By the 1970s, another new technology, cassette tapes, replaced the eight-track tape. During the 1970s and 1980s, record production continued to decrease. In the late 1980s, sales dropped rapidly as yet another new technology arrived, the compact disc. Digital downloading of songs from online stores like iTunes has become the norm. Today, most stores no longer carry records, which have become a niche product.

94. Refer to the scenario. Record companies spent a lot of money on product information advertising in the 1920s to educate the public about the new technology. This is a characteristic of which stage of the product life cycle?
- a. equity
 - b. growth
 - c. maturity
 - d. introductory

ANSWER: d

95. Refer to the scenario. The scenario outlines the stages of development of the market for phonograph albums. What is the name for this group of stages?
- a. marketing mix
 - b. product line
 - c. product life cycle
 - d. product breadth

ANSWER: c

96. Refer to the scenario. The market for record albums in the 1930s suggests phonograph records were in which stage of the product life cycle at that time?
- a. growth
 - b. introductory
 - c. decline
 - d. maturity

ANSWER: a

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97. Refer to the scenario. The time from the 1940s through the 1960s corresponds to which stage of the product life cycle for phonograph records?
- a. introductory
 - b. maturity
 - c. growth
 - d. saturation

ANSWER: b

98. Refer to the scenario. The phonograph record industry is currently in what stage of the product life cycle?
- a. growth
 - b. maturity
 - c. decline
 - d. oversaturation

ANSWER: c

Scenario 11-4

When friends of Brian Richardson went to the carnival, they always wanted to take him with them because Richardson had an uncanny ability to win almost every arcade game he played. Usually by the end of the evening his friends were also winning because Richardson did not mind sharing his secrets. His friends urged him to write a book. After several attempts, Richardson created *The Secrets of Amusement Park Games—Revealed*. In the 85-page book, Richardson reduces the art of playing arcade games to a science. According to him, the trick is to realize each game is not a game of chance. Richardson's mini-book is available at Amazon.com for \$5.95.

99. Refer to the scenario. In terms of the new-product development process, Richardson's several unsuccessful attempts to put his thoughts on paper are an example of which of the following?
- a. idea screening
 - b. idea generation
 - c. test marketing
 - d. commercialization

ANSWER: a

100. Refer to the scenario. In terms of the new-product development process, what were Richardson's friends who encouraged him to put his ideas in a book involved in?
- a. idea screening
 - b. idea generation
 - c. business analysis
 - d. product development

ANSWER: b

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101. Refer to the scenario. In terms of the new-product development process, which stage is the book's availability on Amazon.com?
- a. idea generation
 - b. business analysis
 - c. test marketing
 - d. commercialization

ANSWER: d

102. Refer to the scenario. Since, with the use of Richardson's book, most people can win arcade games and carry home as many stuffed animals as their arms can hold, what would carnival operators hope for?
- a. intensive distribution and promotion
 - b. a slow diffusion of the book
 - c. a rapid diffusion of the book
 - d. the book's purchase and promotion

ANSWER: b

103. Refer to the scenario. Because the benefits of reading the book and employing its techniques are obvious to anyone who has ever attended a carnival, *The Secrets of Amusement Park Games—Revealed* can be said to exhibit which product characteristic?
- a. observability
 - b. trialability
 - c. compatibility
 - d. complexity

ANSWER: a

104. Refer to the scenario. Some people might consider the use of Richardson's techniques to be unethical. This value judgment could adversely affect its adoption. What does the value judgment result from?
- a. the book's observability
 - b. the book's trialability
 - c. the book's compatibility
 - d. the book's complexity

ANSWER: c

105. Campbell has developed a line of premium soups called Campbell's Select Gold Label to go with its red-label brands. This is an example of a new product.
- a. True
 - b. False

ANSWER: True

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106. The development of garlic butter–flavoured crescent rolls by Pillsbury would not be considered a new product since the company was already making crescent rolls. It would simply be called a line extension.

- a. True
- b. False

ANSWER: False

107. While developing new products is far from an exact science, most firms follow a formal new-product development process.

- a. True
- b. False

ANSWER: True

108. A firm's new-product strategy links the new-product development process with the objectives of the marketing departments, the business unit, and the corporation.

- a. True
- b. False

ANSWER: True

109. Andersen Electronics is currently engrossed in its first estimations of costs and revenues for a new amusement park video skill game. This firm is engaged in a new-product business analysis.

- a. True
- b. False

ANSWER: True

110. The development stage of the new-product process is devoted only to the development of the first prototype of the product.

- a. True
- b. False

ANSWER: False

111. For a firm that adheres to the marketing concept, the logical place to start generating new-product ideas is with the customers of the firm.

- a. True
- b. False

ANSWER: True

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112. The two techniques that are considered most useful for generating new-product ideas are customer generation and competitive imitation.

- a. True
- b. False

ANSWER: False

113. Seven employees at Ferguson Fabricators are trying to come up with ideas for new-product development. The employees are all in a room together, shouting out potential ideas. The ideas are written down and evaluated as they are generated. This is an example of brainstorming.

- a. True
- b. False

ANSWER: False

114. A test market is one example of a laboratory test where consumers are encouraged to try a new product and provide feedback to the manufacturer.

- a. True
- b. False

ANSWER: False

115. When Middleton developed the Flybar 1200, an extreme pogo stick that propels users more than 1.5 metres feet into the air, it performed screening, development, and testing prior to commercialization of the product.

- a. True
- b. False

ANSWER: True

116. It is considered inefficient to use concept tests during the idea screening stage of the new-product development process.

- a. True
- b. False

ANSWER: False

117. The city a firm chooses as its test market should reflect the demographic and other characteristics of the whole nation only if that is an accurate representation of the producer's intended market for the product.

- a. True
- b. False

ANSWER: True

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118. Test marketing may result in a serious problem if a firm's competitors find out about the new product before it has been fully introduced.

- a. True
- b. False

ANSWER: True

119. Diffusion is the process by which the adoption of an innovation spreads.

- a. True
- b. False

ANSWER: True

120. The most important factor in successful new-product introductions is a good match between product characteristics and market needs.

- a. True
- b. False

ANSWER: True

121. Increasing globalization of markets and of competition provides a reason for multinational firms to consider new-product development from a worldwide perspective.

- a. True
- b. False

ANSWER: True

122. Procter & Gamble is introducing a new controlled-release fabric softener sheet and plans to send consumers free samples in Saturday newspapers. This strategy will increase the trialability of the new product.

- a. True
- b. False

ANSWER: True

123. The product life cycle is so named because it is similar to the premise underlying the concept of any life cycle. The unit of interest is born, it grows for some time, and it reaches some level of maturity and stability before dying.

- a. True
- b. False

ANSWER: True

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124. Walker Zanger Inc. is about to introduce a new type of ceramic tile that is scratch-resistant and unbreakable. As with other products of this type, Walker Zanger can expect sales of this new type of flooring to follow a bell-shaped curve over the next 10 to 15 years as it follows the product life cycle.

- a. True
- b. False

ANSWER: False

125. The Sumatra Coffee Company has two new products. One is a simple hand-cranked coffee grinder. The other is a combination grinder and brewer that also can be used to dispense hot milk. Of these two, the hand-cranked grinder will probably be diffused more quickly because it is less complex.

- a. True
- b. False

ANSWER: True

126. The product life cycle concept encourages marketing managers to act reactively.

- a. True
- b. False

ANSWER: False

127. Canesta has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants. Canesta is the pioneering firm in the field and is troubled by economic concerns. Production and promotional costs are high, and profits are negative. Such poor business performance is typical of firms in the introductory stage of the product life cycle.

- a. True
- b. False

ANSWER: True

128. Profits typically reach their peak during the growth stage of the product life cycle.

- a. True
- b. False

ANSWER: True

129. Increasing competition, aggressive brand advertising, and healthy profits are all characteristics found in the introductory stage of the product life cycle.

- a. True
- b. False

ANSWER: False

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130. The makers of Jameson Irish whiskey believe its product has reached market saturation. This would imply that Irish whiskey is in the maturity stage of its product life cycle.

- a. True
- b. False

ANSWER: True

131. Many products may experience short-term fluctuations in sales, but a long-term drop in sales probably signifies that a product is in the decline stage of the product life cycle.

- a. True
- b. False

ANSWER: True

132. Name and describe four categories of new products.

ANSWER:

- *New-to-the-world products (discontinuous innovations)* are products that are introduced in an original form. These products create an entirely new market.
- *New product lines* are products the firm has not offered in the past but will introduce into an established market.
- *Additions to existing product lines* are new products that supplement a firm's established line. Complementary products can also supplement a firm's offerings.
- *Improvements or revisions of existing products* are usually minor changes that may entail addition or deletion of ingredients. Many of these products are labelled "new and improved."
- *Repositioned products* are existing products targeted at new markets or market segments.
- *Lower-priced products* are those that provide similar performance to competing brands at a lower cost. Lower cost may result from technological advantages, economies of scale in production, or lower marketing costs.

133. Studies of the new-product development process over 30 years have concluded companies that are likely to succeed in developing and introducing new products exhibit certain characteristics. List three of the characteristics that improve the likelihood of successful product introduction.

ANSWER:

- long-term commitment to the support of innovation and new-product development
- implementation of a company-specific approach, driven by corporate objectives and strategies, with a well-defined new-product strategy at its core
- capitalization on experience to achieve and maintain competitive advantage
- an organizational environment that is conducive to achieving company-specific new product and corporate objectives; this environment includes management style, organizational structure, and degree of top-management support.

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134. As the marketing vice-president for Oakley's protective eyewear for the sports enthusiast, you must come up with new-product ideas. What are five important sources of new-product ideas? What are some techniques you could use to stimulate creative thinking for new-product ideas?

ANSWER: Sources of ideas include

- customers (toll-free numbers, letters, complaints, and so on)
- employees (sales force, marketing research personnel, and so on)
- distributors
- competitors
- research and development (basic and applied) staff
- outside consultant groups
- acquisitions
- inventors
- advertising agency
- World Wide Web/Internet

Techniques for idea generation include

- brainstorming
- focus groups

135. The multiple-step new-product development process is an essential ingredient in new-product development. List the seven steps of this process.

ANSWER:

1. new-product strategy
2. idea generation
3. screening
4. business analysis
5. development
6. test marketing
7. commercialization

136. Describe the screening stage of the new-product development process. Describe a common test used during the screening stage.

ANSWER: The screening process is used as an initial filter to eliminate new-product ideas that are inconsistent with the organization's new-product strategy or are inappropriate for some other reason. The review is usually done by a group formally appointed to screen new-product ideas. Most new-product ideas are rejected at this stage.

Concept tests are often used at the screening stage to evaluate product concept alternatives. Concept tests can be good predictors of early trial and repeat purchases for line extensions. They are not as accurate in predicting the success of new products that create new consumption patterns and require major changes in consumer behaviour.

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137. New-product ideas that survive the initial screening process move to the business analysis stage. List six questions that are commonly asked during the business analysis stage.

ANSWER:

- What is the likely demand for the product?
- What impact would the new product probably have on total sales, profits, market share, and return on investment?
- How would the introduction of this product affect existing products? Would it cannibalize existing products?
- Would current customers benefit from the product?
- Would the product enhance the image of our overall product mix?
- Would the product affect current employees in any way? Would it lead to hiring more people or reducing the size of the workforce?
- What new facilities, if any, would be needed?
- How might competitors respond?
- What is the risk of failure? Is the company willing to take the risk?

138. After successful business analysis of a new product, the development stage begins. Describe the development process. Be sure to explain the difference between laboratory testing and use testing.

ANSWER: While a prototype product is being physically developed by the R&D or engineering department, the marketing department begins to develop marketing strategies. Packaging, branding, and labelling decisions are made, while preliminary promotion, price, and distribution strategies are developed. Technical feasibility of manufacturing the product at a reasonable cost is also examined.

Prototype product models are often laboratory- and use-tested during the development stage. Laboratory tests subject products to much more severe treatment than is expected by end users. Laboratory testing can ensure products conform to established safety standards. Use tests place the prototype in consumers' homes or businesses for trial. Most products require some refinement based upon laboratory and use tests.

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139. After products and marketing programs have been developed for new products, they are usually tested in the marketplace. What is test marketing? How might a company benefit from the use of test marketing? How can test marketing cause problems for a company?

ANSWER: Test marketing is a limited introduction of a product and a marketing program to determine the reactions of potential customers in a market situation.

An advantage of test marketing is that it allows management to evaluate alternative strategies and see how well the various aspects of the marketing mix fit together. Test marketing may reduce risk by allowing modification of a marketing mix before national introduction or by withdrawal of a product with failure characteristics.

However, test markets have several disadvantages: costs of test markets are high, it reveals the product to competitors, and a product's success in a test market does not guarantee it will be a nationwide hit.

140. When choosing a test market, managers need to consider many criteria for a good test market city. List six criteria.

ANSWER:

- location has demographics and purchasing habits that mirror the overall target market
- company has good distribution in test cities
- media isolation
- similarity to planned distribution outlets
- relative isolation from other cities
- availability of advertising media that will cooperate
- diversified cross-section as to ages, religion, cultural-societal preferences, etc.
- no atypical purchasing habits
- representative population size
- typical per capita income
- good record as a test city, but not overly used
- not easily "jammed" by competitors
- stability of year-round sales
- no dominant television station; multiple newspapers, magazines, and radio stations
- availability of retailers that will cooperate
- availability of research and audit services
- freedom from unusual influences

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141. What are three ways that test marketing can cause problems for a company? What are two alternatives that can be used instead of traditional test marketing?

ANSWER: Costs of test markets are extremely high, and a product's success in a test market does not guarantee it will be a nationwide hit. Additionally, test marketing exposes the new product and its marketing plan to competitors. Thus, there is a loss of the element of surprise as well as a loss of valuable information. Competitors may sabotage a testing program if they find out about it.

Supermarket scanner testing (single-source research) is one test marketing alternative. Another alternative is a simulated market test (also called a laboratory market test). These tests entail showing people promotional materials for several products, including the test products. These people then shop at a mock or real grocery store where purchases are monitored.

142. What is the final stage in the new-product development process? What tasks are set in motion during this stage?

ANSWER: The final stage in the new-product development process is commercialization. The decision to commercialize sets several tasks in motion: ordering production materials and equipment, starting production, building inventories, shipping the product to field distribution points, training the sales force, announcing the product to the trade, and advertising to potential customers.

143. What is the most important factor in a successful new-product introduction? What are three reasons that products fail? Identify five characteristics of firms that typically experience success in new-product introductions.

ANSWER: The most important factor in a successful new-product introduction is a good match between the product and market needs as the marketing concept would predict. Furthermore, successful new products are different in some meaningful way from their intended substitutes and deliver a meaningful and perceivable benefit to a sizable number of people or organizations.

Failure factors include a poor match between product characteristics and consumer needs, overestimation of market size, incorrect positioning, a price that is too high or too low, inadequate distribution, poor promotion, or an inferior product compared to those of competitors.

Firms that routinely experience success in new-product introductions tend to share the following characteristics:

- a history of carefully listening to customers
- an obsession with producing the best product possible
- a vision of what the market will be like in the future
- strong leadership
- a commitment to new-product development
- a team approach to new-product development

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144. Describe how a multinational corporation can most efficiently and effectively meet the needs of the global market.

ANSWER: A firm that adopts a worldwide new-product development strategy is better able to develop products with specifications that are marketable in multiple countries. Ideally, products should be developed for potential worldwide distribution, and unique multinational market requirements are incorporated into the base product whenever technically feasible. A company could also design products to meet regulations and other key requirements in its major market and then meet smaller markets' requirements on a country-by-country basis. The main goal of the global product development process is not to develop a standard product or product line, but to build adaptability into products that are expected to achieve worldwide appeal.

145. There are five categories of adopters that participate in the diffusion process. Name and briefly describe each of these five categories in the correct order from earliest adopter to last adopter.

ANSWER:

1. *Innovators* represent the first 2.5 percent of adopters. They are venturesome and eager to try new products. They have higher incomes, better education, and more self-confidence than noninnovators and rely less on group norms. Moreover, they are active outside their communities. Innovators obtain information from scientific sources and experts.
2. *Early adopters* represent the next 13.5 percent of adopters. They are reliant on group norms and values, oriented to the local community, and likely to be opinion leaders.
3. *The early majority* is the next 34 percent to adopt. They are deliberate in their information collection and are likely to be the friends and neighbours of opinion leaders.
4. *The late majority* is the next 34 percent to adopt. They adopt to conform to social pressure. They tend to be older and below average in income and education. They rely on word-of-mouth communication rather than the mass media. Their dominant characteristic is skepticism.
5. *Laggards* are the final 16 percent to adopt. They are tradition-bound and do not rely on group norms. Laggards have the lowest socioeconomic status, are suspicious of new products, and are alienated from a rapidly advancing society. Marketers typically ignore laggards.

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146. There are five product characteristics that can be used to predict and explain the rate of acceptance and diffusion of a new product. Name and briefly describe four of these characteristics. State the impact of the characteristic on diffusion.

ANSWER: 1. *Complexity* refers to the degree of difficulty involved in understanding and using a new product.

The more complex the product, the slower its diffusion.

2. *Compatibility* refers to the degree to which the new product is consistent with existing values and product knowledge, past experiences, and current needs. Incompatible products diffuse more slowly than compatible products.

3. *Relative advantage* is the degree to which a product is perceived to be superior to existing substitutes. Superiority increases the diffusion rate.

4. *Observability* refers to the degree to which the benefit or other results of using the product can be observed by others and communicated to target customers. A higher degree of observability enhances diffusion

5. *Trialability* is the degree to which a product can be tried on a limited basis. Demonstrations and sampling help trialability. Products with low levels of trialability experience slower diffusion.

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147. Canesta has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants. The product beams an image of a keyboard on a desk, allowing the user to type on the image. The words are picked up by the user's digital device. A clean, flat surface is required for the virtual keyboard. There are five product characteristics that can be used to predict and explain the rate of acceptance and diffusion of a new product. Use these characteristics to predict the rate of acceptance and diffusion of the Canesta virtual keyboard.

ANSWER:

1. *Complexity* refers to the degree of difficulty involved in understanding and using a new product. The more complex the product, the slower its diffusion. Virtual keyboards are more complex than traditional keyboards and may be difficult to operate, thus having slow acceptance.
2. *Compatibility* refers to the degree to which the new product is consistent with existing values and product knowledge, past experiences, and current needs. Incompatible products diffuse more slowly than compatible products. Although communication and technology are compatible with existing values and experiences, consumers have little product knowledge of the virtual keyboard and may not think this product is needed.
3. *Relative advantage* is the degree to which a product is perceived to be superior to existing substitutes. Superiority increases the diffusion rate. Consumers may feel the virtual keyboard has no advantage over a traditional one because of the flat surface requirement. Thus, the adoption rate could be slow.
4. *Observability* refers to the degree to which the use of a new product can be observed by others and communicated to target customers. Unless many consumers own the product, the virtual keyboards cannot be observed. However, promotions may successfully communicate the virtual keyboard concept to consumers.
5. *Trialability* is the degree to which a product can be tried on a limited basis. Demonstrations and sampling help trialability. The expense of a virtual keyboard in conjunction with the cell phone and personal digital assistant may make trialability difficult.

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148. List the four stages of the product life cycle. List four typical characteristics for each stage.

ANSWER: 1. *The introductory stage* is characterized by a high failure rate, little competition, frequent product modification, limited distribution, high marketing and production costs, negative profits, and promotion that stimulates primary demand.

2. *The growth stage* is characterized by increased sales, new competitors, healthy profits that peak, aggressive brand promotion, expanded distribution, price reductions, and possible acquisitions.

3. *The maturity stage* is characterized by a peak in sales, lengthened product lines, style modifications, price reductions, falling profits, competitor turnover, heavy promotion, and brand “wars.”

4. *The decline stage* is characterized by a long-run drop in sales and profits, less demand, widespread competitor failure, reduction of advertising costs, and possible elimination of the product.

149. Briefly describe a typical marketing strategy followed for the four Ps in each stage of the product life cycle. Name the stages of the product life cycle at the top of the chart.

Stage I. Stage II. Stage III. Stage IV.

PRODUCT:

DISTRIBUTION:

PROMOTION:

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PRICE:

ANSWER:

INTRODUCTION

GROWTH

MATURITY

DECLINE

PRODUCT:

Limited number of models; frequent product modifications

Expanded number of models; frequent product modifications

Large number of models; full product lines

Elimination or repositioning or product modification

DISTRIBUTION:

Usually limited distribution; high margins and heavy efforts are needed to get carriers

Expand number of dealers; try to get long-term channel relationships

Extensive number of dealers; lower margins; try to retain distributors and shelf space

Unprofitable outlets are phased out

PROMOTION:

Stimulate primary demand and product awareness; personal selling to distributors; coupons and samples to consumers

Stimulate selective demand; aggressive brand advertising

Stimulate selective demand; brand advertising; heavy promotion to retain dealers and customers

Promotion is phased out

PRICE:

Usually high price to recover development costs

Prices begin to fall as competition enters market

Prices continue to fall or stabilize; possible price wars

Prices stabilize at a low level; small price rises are possible if competition is negligible