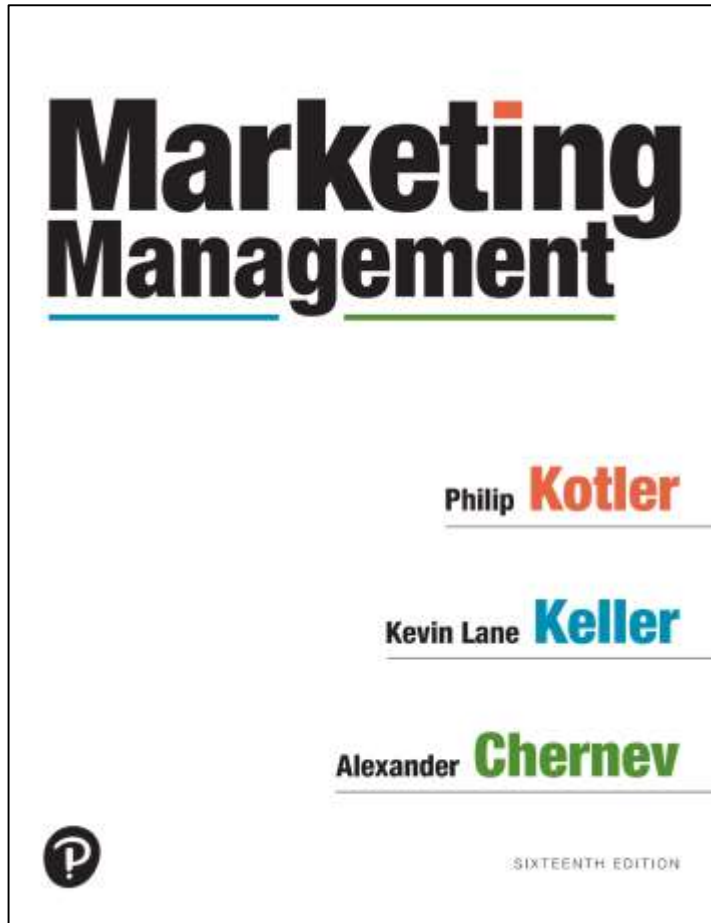


Marketing Management

Sixteenth Edition



Chapter 18

Developing New Market Offerings

Learning Objectives

18.1 Explain how companies develop new offerings.

18.2 Explain how companies generate new ideas.

18.3 Describe how companies create and validate a prototype.

18.4 Summarize the key aspects of designing a business model for a new offering.

18.5 Explain how companies implement new offering strategies.

18.6 Discuss the key steps in commercially deploying a new offering.

The Process of Developing New Market Offerings (1 of 2)

- The innovation imperative
 - Continuous innovation is a necessity
 - **Incremental innovation** vs. new to the world innovation



The Process of Developing New Market Offerings (2 of 2)

- Managing innovation
 - Assign responsibility to departments in charge of current offerings
 - Establish new product departments
 - Open innovation centers
 - Establish venture teams
 - **Intrapreneurs**
 - Create forums for sharing ideas
 - Create cross-functional teams combining different skillsets

The Stage Gate Approach to Developing New Offerings (1 of 2)

- Stage gate framework
 - Idea generation
 - Concept development
 - Business-model design
 - Offering development
 - Commercial deployment

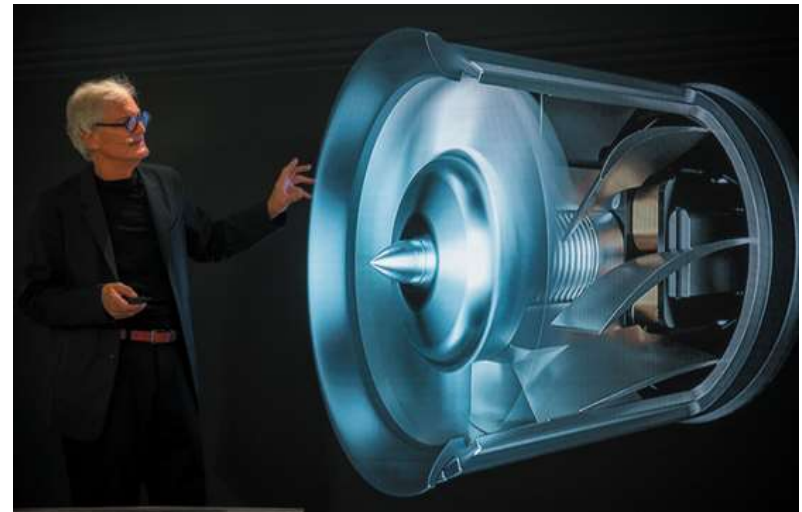
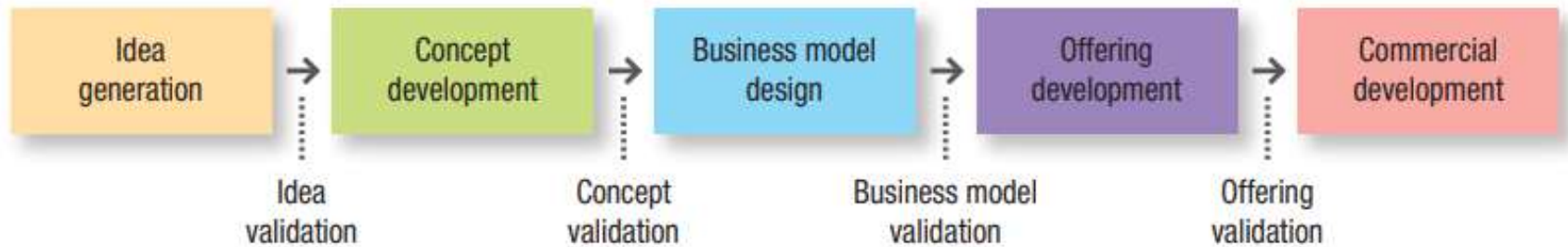


Figure 18.1 The Stage Gate Framework for Developing New Offerings



The Stage Gate Approach to Developing New Offerings (2 of 2)

- The stage gate framework has three goals:
 - Develop a desirable offering that target customers will find attractive
 - Develop a technologically feasible offering that the company will find doable
 - Develop a viable offering that will create value for the company and its collaborator

An Illustration of the Stage Gate Approach

- Idea generation and validation
- Concept development and validation
- Business model design and validation
- Offering implementation and market testing
- Commercial deployment

Generating Viable Ideas

- **Top-down idea generation**
 - Begins with identifying a market opportunity followed by developing an offering specifically designed to address this opportunity
- **Bottom-up idea generation**
 - Starts with an invention and then seeks to identify an unmet market need

Idea Validation

- Assess **desirability** and **viability**
- Two potential errors:
 - Failure to reject an idea that has little or no merit
 - Rejection of a good idea

Figure 18.2 Why Good Ideas Fail: Forces Fighting New Ideas



"I've got a great idea!"



"We've tried it before."



"This isn't the right time."



"It's not the way
we do things."



"We've done all
right without it."



"Let's discuss it at
our next meeting."

Research Tools

- Observing customers
- Interviewing customers
- Interviewing employees and experts
- Analyzing the competition
- Crowdsourcing

Concept Development

- **Prototype**
 - A working model of the offering that aims to flesh out the original idea and weed out potential problems before the actual offering is created

Prototyping

- **Alpha testing**
 - Evaluation of the product within the firm
- **Beta testing**
 - Tests the product with customers

Concept Validation

- Two key questions:
 - Can a functional prototype and, later, a fully functional version of the offering be built?
 - Does it fulfill the identified customer need better than the alternative options?

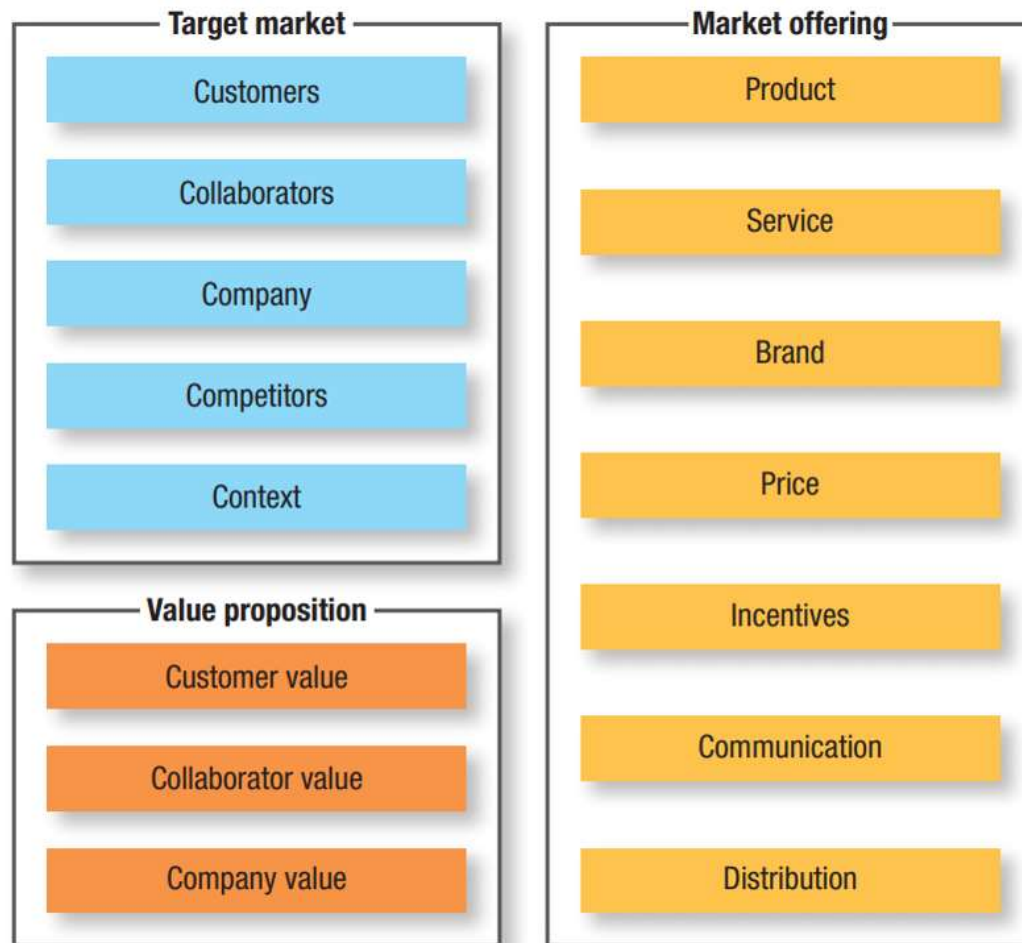
Business Model Design

- Can the product idea be translated into a commercial one?
 - Viability
 - Feasibility
 - Desirability

Designing the Business Model

- Three components:
 - Identifying the target market
 - Articulating the offering's value proposition
 - Delineating the key attributes of the product offering

Figure 18.3 The Key Components of a Business Model of a New Offering



Business Model Validation

- Do target customers find the offering **desirable**, and does it create value for these customers?
- Is it **feasible** for the offering to be built as planned?
- Is the offering **viable**—that is, able to create value for the company and its collaborators?

Offering Implementation (1 of 2)

- Developing the core resources
 - Business facilities
 - Supply channels
 - Distribution channels
 - Skilled employees
 - Access to capital

Offering Implementation (2 of 2)

- Developing the market offering
 - Making the prototype market-ready
 - Create the final product or service
 - Develop the brand
 - Set prices
 - Determine sales promotions
 - Effectively communicate offering benefits

Commercial Deployment

- **Commercialization**
 - Informs target customers about the company's offering and makes the offering available to these customers

Selective Market Deployment

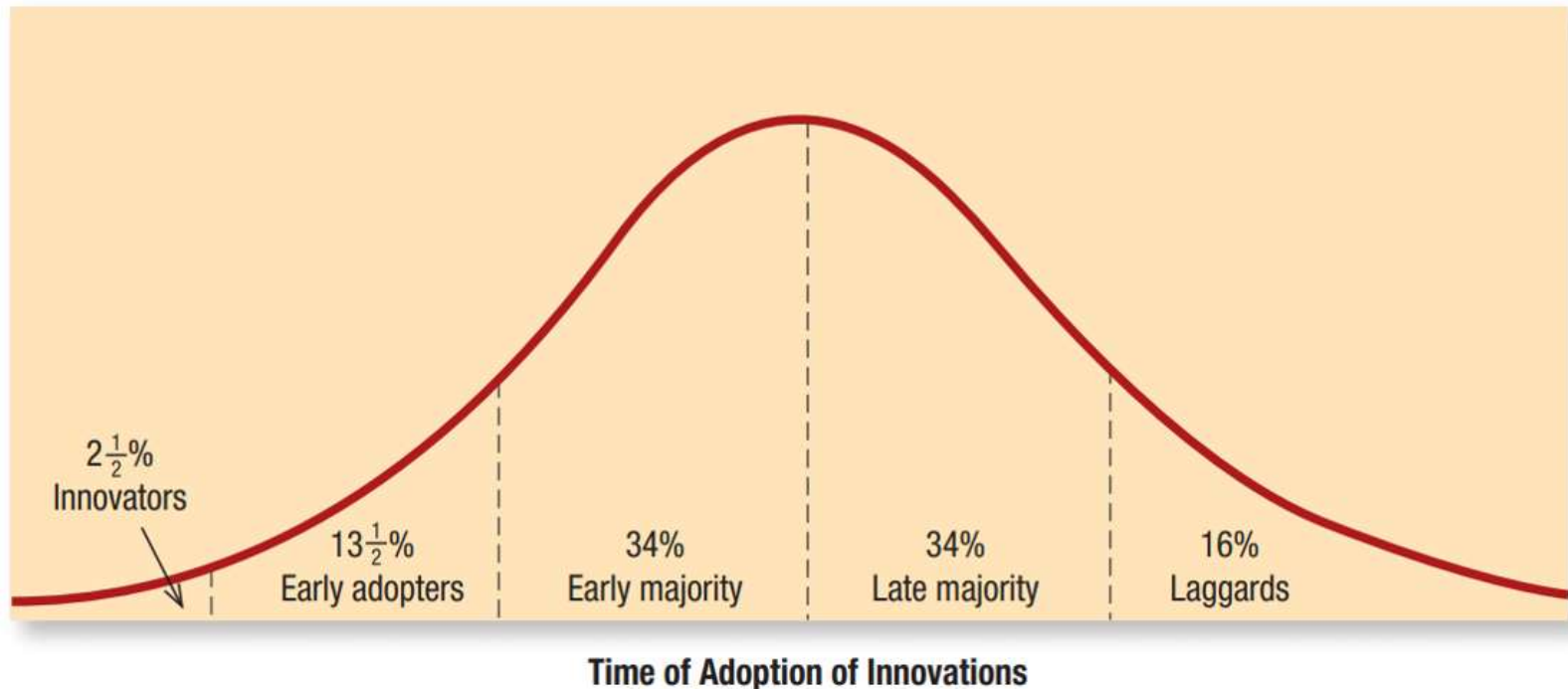
- Allows company to conduct testing in a natural environment and observe how target customers, competitors, and company collaborators react to the offering



Market Expansion

- Three key activities:
 - Ramping up the facilities involved in the offering's production
 - Promoting the offering to all target customers
 - Ensuring that the offering is available to the entire target market

Figure 18.4 Adopter Categorization on the Basis of Relative Time of Adoption of Innovations



Discussion Questions (1 of 2)

- Meatless products like BeyondMeat and Impossible were introduced just a few years ago. Today, they can be found everywhere from supermarkets to Starbucks to Burger King.
 - Why have meatless products like BeyondMeat and Impossible gained wide-spread acceptance so quickly?
 - How would you characterize these products? Are they the result of incremental innovation or new to the world innovation?

Discussion Questions (2 of 2)

- Many beer companies now sell hard seltzer products in addition to beer. Discuss these new product offerings.
 - What motivated their development?
 - Do they represent top-down idea generation or bottom-up idea generation?
 - Why have these products been successful?

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