

Chapter 11
Developing and Managing Products

MKTG10
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LEARNING OUTCOMES

- 11-1** Explain the importance of developing new products and describe the six categories of new products
- 11-2** Explain the steps in the new-product development process
- 11-3** Understand why some products succeed and others fail

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LEARNING OUTCOMES

- 11-4** Discuss global issues in new-product development
- 11-5** Explain the diffusion process through which new products are adopted
- 11-6** Explain the concept of product life cycles

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11-1

The Importance of New Products

Explain the importance of developing new products and describe the six categories of new products

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Categories of New Products

- New-to-the-World**
- New Product Lines**
- Product Line Additions**
- Improvements or Revisions**
- Repositioned Products**
- Lower-Priced Products**

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11-2

The New-Product Development Process

Explain the steps in the new-product development process

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New Product Success Factors

- Long-term commitment**
- Company-specific approach**
- Capitalize on experience**
- Establish an environment**

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New-Product Strategy

A plan that links the new-product development process with the objectives of the marketing department, the business unit, and the corporation.

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11.1

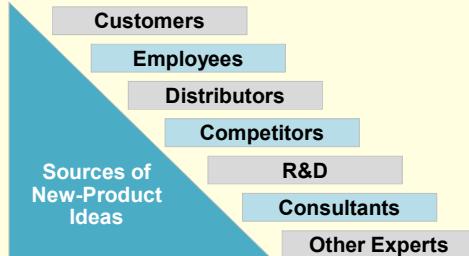
New-Product Development Process



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Idea Generation



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Approaches for New Product Development

Brainstorming

The process of getting a group to think of unlimited ways to vary a product or solve a problem.

Focus Group

The objective of focus group interviews is to stimulate insightful comments through group interaction.

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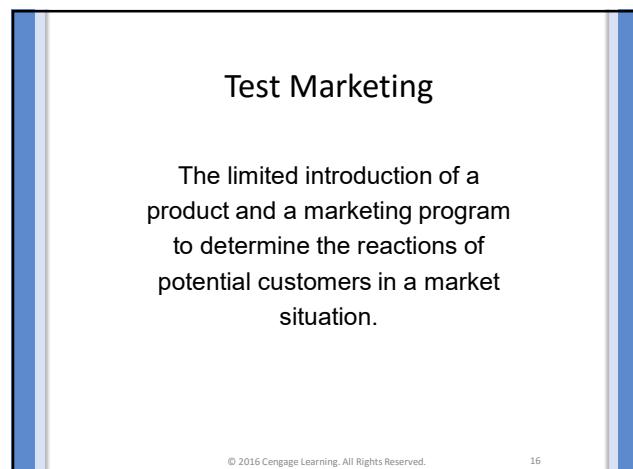
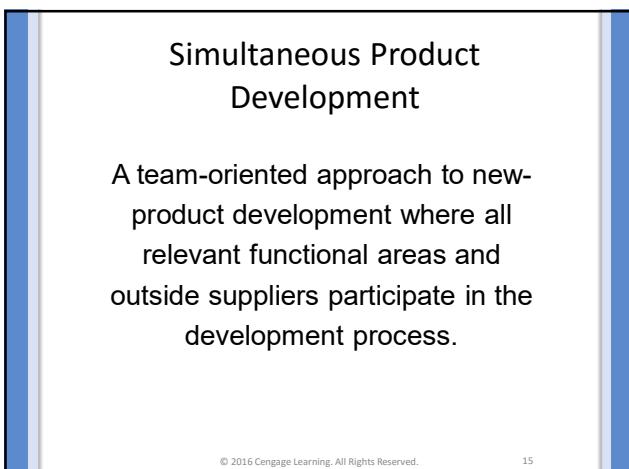
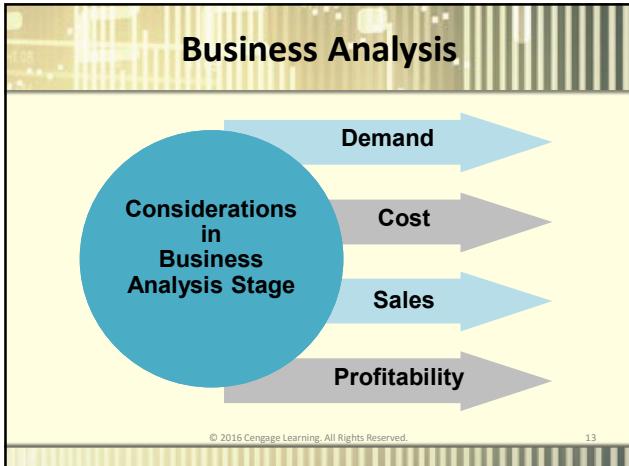
Screening

The first filter in the product development process, which eliminates ideas that are inconsistent with the organization's new-product strategy or are inappropriate for some other reason.

Concept Test

A test to evaluate a new-product idea, usually before any prototype has been created. Often successful for line extensions.

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Costs of Test Marketing

- Often takes one year or more
- Can cost over \$1 million
- Exposes new product to competitors
- Competitors can “jam” testing programs with their own promotions

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Alternatives to Test Marketing

- ◆ Single-source research using scanner data
- ◆ Simulated (laboratory) market testing
- ◆ Online test marketing

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Commercialization



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Why Some Products Succeed and Others Fail

Understand why some products succeed and others fail

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Product Failure

- ◆ Despite the amount of time and money spent on developing and testing new products, a large proportion of new product introductions fail.
- ◆ The most important factor in successful new-product introduction is a good match between the product and market needs.

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New-Product Success Factors



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Global Issues in New-Product Development

Discuss global issues in new-product development

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Global Marketing Questions

- Increasing globalization of markets and of competition provides a reason for multinational firms to consider new-product development from a worldwide perspective.
- Succeeding in some countries (such as China) often requires companies to develop products that meet the unique needs of these populations.

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The Spread of New Products

Explain the diffusion process through which new products are adopted

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Diffusion

The process by which the adoption of an innovation spreads.

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Categories of Adopters

Innovators

Early Adopters

Early Majority

Late Majority

Laggards

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Product Characteristics and the Rate of Adoption

Complexity

Compatibility

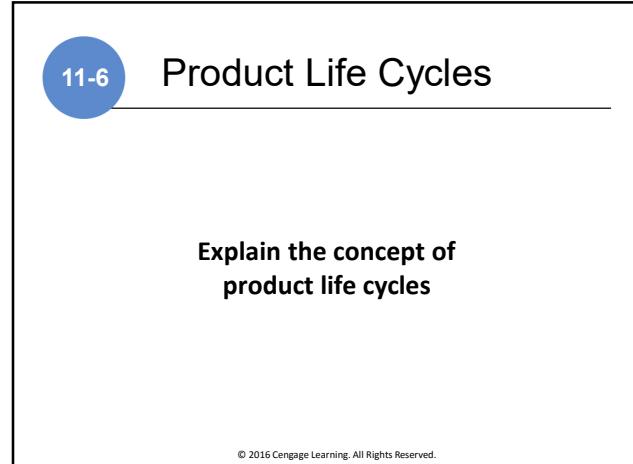
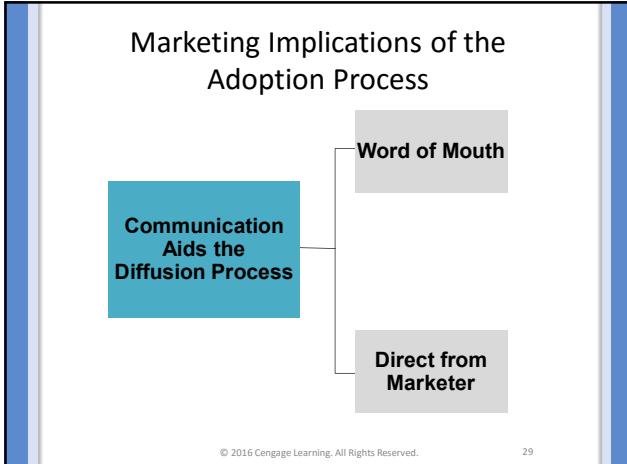
Relative Advantage

Observability

Trialability

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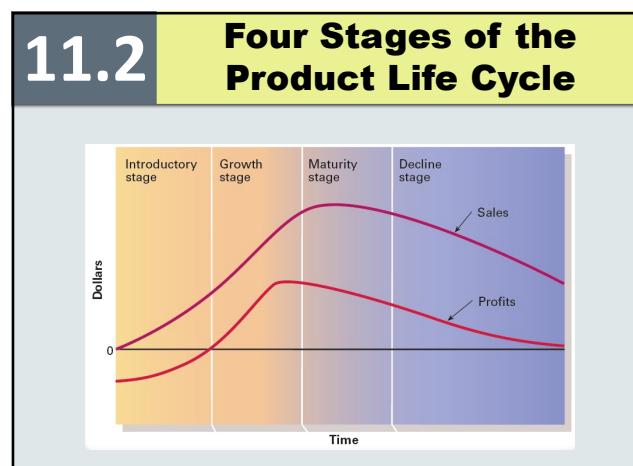
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Product Life Cycle

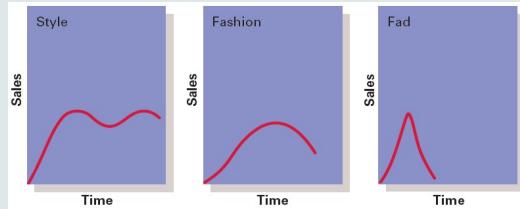
A concept that provides a way to trace the stages of a product's acceptance, from its introduction (birth) to its decline (death).

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Product Life Cycles for Styles, Fashions, and Fads



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Introductory Stage

- ◆ High failure rates
- ◆ Little competition
- ◆ Frequent product modification
- ◆ Limited distribution
- ◆ High marketing and production costs
- ◆ Negative profits with slow sales increases
- ◆ Promotion focuses on awareness and information
- ◆ Communication challenge is to stimulate primary demand

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Growth Stage

- ◆ Increasing rate of sales
- ◆ Entrance of competitors
- ◆ Market consolidation
- ◆ Initial healthy profits
- ◆ Aggressive advertising of the differences between brands
- ◆ Wider distribution

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Maturity Stage

- ◆ Sales increase at a decreasing rate
- ◆ Saturated markets
- ◆ Annual models appear
- ◆ Lengthened product lines
- ◆ Service and repair assume important roles
- ◆ Heavy promotions to consumers and dealers
- ◆ Marginal competitors drop out
- ◆ Niche marketers emerge

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Decline Stage

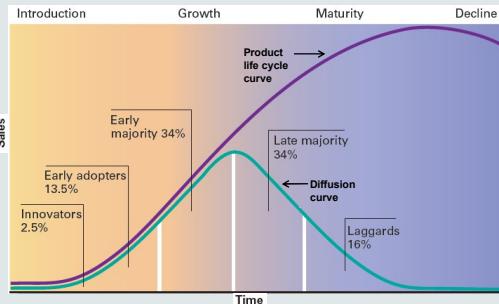
- ◆ Long-run drop in sales
- ◆ Large inventories of unsold items
- ◆ Elimination of all nonessential marketing expenses
- ◆ “Organized abandonment”

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Relationships between the Diffusion Process and the Product Life Cycle



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Chapter 11 Video

GaGa's Inc.

Jim King and his wife discuss how they decided to create the company GaGa's Inc. using the product Sherbetter. The line expanded from just Lemon to several other flavors as well as Sherbetter bars, the struggles of branding, line extension, and other aspects of the frozen dessert market.

[CLICK TO PLAY VIDEO](#)

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