Chapter 9

Product Management and New-Product Development

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At the end of this presentation, you should be able to:

1. Understand how product life cycles affect strategy planning.
2. Know what is involved in designing new products and what “new products” really are.
3. Understand the new-product development process.
4. See why product liability must be considered in screening new products.
5. Understand the need for product or brand managers.
6. Understand how total quality management can improve goods and services.
Product Decisions for Marketing Strategy Planning (Exhibit 9-1)
Chapter 8: Elements of Product Planning for Goods & Services

Chapter 9: Product Management & New Product Development

The Product Life Cycle Development
- Stages
- Strategy planning for stages

New Product Development
- 5 Step Process
- Success factors

Managing brands
- Product managers
- Managing product quality
Managing Products over Their Life Cycles
(Exhibit 9-2)

[Diagram showing the market introduction, growth, maturity, and decline phases of a product's life cycle with the corresponding total industry sales and profit (initially loss).]
Introducing ThermaCare – Investing in the Future
Market Growth Stage – Profits Go Up and Down

- Innovation Attracts Competition
- Monopolistic Competition Develops
- Profits Peak and Then Decline

Don’t Ignore Long-Term Competitive Trends!
Market Maturity Stage – Sales Level Off, Profits Continue Down

- Persuasive, More Costly Promotion
- Brands Are More Similar
- Greater Price Competition/Price Sensitivity
- Maturity May Last a Long Time
Sales Decline – A Time of Replacement

GREAT TASTE, GREAT VALUE, GUARANTEED.
Which Stage of PLC?
Kodak announced that it would no longer produce 35 millimeter film cameras, but would manufacture digital cameras exclusively. Sales of digital cameras have grown steadily and have far outpaced the sale of 35 mm cameras in recent years, even among professional photographers. Kodak’s decision indicates that 35 mm cameras are probably in the ________ stage of the product life cycle.

A. Market introduction
B. Market growth
C. Sales decline
D. Market maturity
Product Life Cycles Should Be Related to Specific Markets

**Individual Brands**
- May not follow the classic pattern
- May be introduced in market growth or maturity
- Not all brands are equally strong

**Market Definitions**
- Should be carefully developed
- Different markets, different stages
- Contribute to the length of the cycle
Product Life Cycles Vary in Length

Some Products Move Fast

- Comparative Advantage
- Easy to Use
- Compatible
- Easy to Communicate
- Can Be Tried
Interactive Exercise: Adoption
Other Issues in Product Life Cycle Length

- Product Life Cycles Are Getting Shorter
- The Early Bird Usually Profits
- Fashions and Fads
Planning for Different Stages of the Product Life Cycle

- Allocate Sufficient Money
- Consider all Four Ps
- Be Flexible
- Anticipate Speed of Movement
- Competitors May Help Adoption

Market Introduction & Growth
Managing Mature Products
Are Product Modifications Really New Products?
Phasing Out Dying Products

- Phase-out May Be Necessary
- Don’t Pull the Plug So Quickly
- Sales Decline Can Be Profitable

Profitability
Product Line Customer Support
New Product Planning

- What Is a New Product?
- FTC Rule: 6 Months
- Ethical Dilemmas Exist
New Product
An Organized New-Product Development Process is Critical (Exhibit 9-4)

1. Idea generation
2. Screening
3. Idea evaluation
4. Development
5. Commercialization
Step 1: Idea Generation

1. Idea generation
   - Ideas from customers and users
   - Marketing research
   - Competitors
   - Other markets
   - Company people, intermediaries, etc.

4. Development

5. Commercialization
Step 2: Screening

1. Idea generation

2. Screening
   - Strengths and weaknesses
   - Fit with objectives
   - Market trends
   - Rough ROI estimate

3. Idea evaluation

4. Development

5. Commercialization
Step 2: Screening and Types of New Product Opportunities (Exhibit 9-5)

1. Idea generation

- **Long-run consumer welfare**
  - Immediate satisfaction
    - High
      - Desirable products
    - Low
      - Pleasing products
      - Salutary products
      - Deficient products
Step 3: Idea evaluation

1. Idea generation

3. Idea Evaluation
   - Concept testing
   - Reactions from customers
   - Rough estimates of costs, sales, and profits

5. Commercialization
Step 4: Development

1. Idea generation

2. Screening

4. Development

- R&D
- Develop model or service
- Test marketing mix
- Revise plans as needed
- ROI estimate

5. Commercialization
Step 5: Commercialization

1. Idea generation

2. Screening

3. Idea evaluation

4. Development

5. Commercialization
   - Finalize product and marketing plan
   - Start production and marketing
   - “Roll out” in select markets
   - Final ROI estimate
Top management of a large company recently approached the dean of a major business school about starting a specialized MBA program for the company’s employees. After further discussions, the dean decided that the program did not fit well with the objectives and resources of the school, so the program was put on the “back burner” until conditions changed. The proposed MBA program was at what stage of the new-product development process when it was shelved?

A. Idea generation
B. Screening
C. Idea evaluation
D. Development
E. Commercialization
New Product Development: A Total Company Effort (Exhibit 9-6)

- Complete marketing plan
- Effective transition to regular operations
- A basis for superior customer value
- New-product success
- Effective design
- Organized new-product development process
New Product Development: A Total Company Effort (Exhibit 9-6)

- Top management support
- Culture of innovation
- Product champion with authority
- Cross-functional team
- Clear understanding of customer needs
- Organized new-product development process
  - Timely development cycle
  - Cost management (costs add value)
Which of the following statements about new-product development are true?

A. The process should be informal to encourage innovation.
B. The greatest number of product ideas is in the idea evaluation stage.
C. The best criteria for evaluating new product ideas in the early stages is return on investment (ROI).
D. The process should have top management support.
E. All of the above statements are true.
Need for Product Managers

- Product/Brand Managers
- Common in Large Companies
- Some Are “Product Champions”
Managing Product Quality

Each of Your Customers Has Personal Reasons for Buying a Spa.

Can you afford to risk this customer’s happiness with anything but Balboa Controls?

Nothing sells better for you than a happy customer. You know his referral could be worth thousands of dollars. A spa controlled by Balboa Instruments is backed by over half a million installations, new and unique technologies, a state-of-the-art manufacturing facility, and a quality system recognized by ISO 9001. Our professional staff focuses on helping you increase your bottom line with sales and service support. Add a little peace of mind to your life by specifying Balboa Controls.

Can you afford to go without Balboa on Board??
Total Quality Management is Easier Said Than Done (Exhibit 9-7)

Reason for complaint:
- Had to wait for seats
- Buffet table not well organized
- Table not clean
- Room too drafty
- Missing utensil at place setting
- Had to wait for coffee
- No dietetic sweetener provided

Number of complaints (June–September)
Why Things Go Wrong (Exhibit 9-8)

**Policy**
- Waitress must bring check to desk
- Not enough staff at busy times
  - High turnover

**Procedures**
- Can’t start clearing soon enough
- Takes too long to pay check
- Credit card machine jams

**Physical environment**
- Kitchen is far from tables

**People**
- Waitresses don't care
  - Poor morale
  - Poor pay
- Can’t clear promptly
  - Customers drink coffee endlessly

**Physical environment**
- Bottlenecks in kitchen
- No standard training

**Procedures**
- Waitresses not available
- Waitresses spend too much time sorting dishes in kitchen—less time to clear

**Empty tables are not cleared quickly**
Building Quality into Services

- Server Is Linked To the Service
- Training Is Crucial
- Empowerment Works
Other Issues in Quality Implementation Efforts

- Managers Lead the Effort
- Specify Jobs and Measure
- Get a Return on Quality
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Key Terms

- Product life cycle
- Market introduction
- Market growth
- Market maturity
- Sales decline
- Fashion
- Fad
- New product
- Federal Trade Commission (FTC)
- Consumer Product Safety Act
- Product liability
- Concept testing
- Product managers
- Brand managers
- Total quality management (TQM)
- Continuous improvement
- Pareto chart
- Fishbone diagram
- Empowerment
- Benchmarking