

NEW PRODUCTS MARKETING

Lecture 1

Outline of the course content:

Part 1: Opportunity Identification/Selection (Lectures 1-2)

Part 2: Concept Generation (Lectures 3-4)

Part 3: Concept/ Project Evaluation (Lectures 5-7)

Part 4: Development (Lecture 9)

Part 5: Launch

Overview and Opportunity

Apple Inc: offer computers and technological devices to society

Google: offer information to broader society

The reason firms invest heavily on new products is that they *hold the answer to most firm's biggest problems*

Guy Kawasaki – first marketing employee of Apple Inc. considers 10 points for the art of innovation

1. Make meaning
2. Make mantra
3. Jump to the next curve
4. Roll the dice, (i.e deep, intelligence, complete, empowering, elegant)
5. Don't worry, Be crappy
6. Let 100 Flowers Blossom
7. Polarise People
8. Churn baby, churn
9. Unique x Value
10. Perfect your pitch
11. Don't let the bozos grind you down

New product process

- For every 100 ideas
 - 70 make it through the initial screening
 - Fewer than 50 pass concept evaluation and testing
 - In the development phase → only 30 survive and enter the testing process
 - Then only 25 are commercialised → with only 60% only being successful
 - Success rate is lower in consumer goods (51%) and as high as 65% in healthcare

The reasons that new products fail → the firm has an ill understanding of the customer, or lack of funds required for adequate research and development, lack of quality and price relationships, lacks senior management support, or chases a moving/ dynamic market of customers

In 2012, the Best Firms, attained a success rate of 80%, while the rest was much lower with 505

	The Best Firms (25%)	The Rest (75%)
% Success	82.2	52.9
% Success of sales when introducing a new product	47.9	25.4
% Success of profits from introducing a new product	48.5	25
	4.5	11.4

- Lesson: firms that maintain their commitments to new products are rewarded with sales and profits
- Globalisation and NPD
 - Top firms deploy over 50% of their R&D spending in foreign countries

- Global product teams allow firms to leverage their new product skills across their subsidiaries
 - Design, R&D, and manufacturing may occur in different subsidiaries around the world
 - Coordinating the efforts across multiple countries to launch a successful new product
 - Having a **global innovation culture** – being aware of differences in business and cultural environments and being open to global markets – a key for success
- New product process is about team work – and the establishment of **cross-functional teams** with personnel from marketing, R&D, engineering, manufacturing, production, design and other areas → New Product Team → this means the product development is a joint effort
 - Strong creative contribution
 - Comfortable with ambiguity
 - Use heuristics (cautiously)
 - Therefore, marketers have to adapt and learn to work with an array of different personnel expertise → and thus calls for a *strong creative contribution*
 - Overlapping responsibilities and phases within the basic new product process is encouraged → this because of the pressure for firms to accelerate time to market for new products, → which then needs great communication efficiency, which needs multifunctional and cross-functional teams
- *Process Innovation* usually applies to functions, and focuses on manufacturing, or the distribution process, resulting in the new product to benefit
- HOWEVER *Product Innovation* applies to the total operation by which a new product is formed, and marketed, and includes innovation in all its functional processes

What is a New Product?

- **New-to-the-world** (really-new) products: inventions that create a whole new market, iPod and iPad, HP laser printer, Rollerblade inline skates, P&G Febreze and Dryel
 - This required a revolution in the existing product category, and to wholly define new ones
 - This requires consumer learning and to incorporate new technology
 - This also prompts risk, and encourages firms to take risks to become competitive
 - There is often confusion between invention and innovation → managers refer to the dimension of uniqueness, i.e form, function, and formulation that is usually patentable
- **New-to-the-firm products:** products that take a firm into a category new to it. Ex.: P&G's first shampoo or coffee, Hallmark gift items, AT&T Universal credit card, Canon laser printer.
- **Additions to existing product lines:** line extensions and flankers that flesh out the product line in current markets. Ex.: P&G's Tide Liquid, Bud Light, Special K line extensions (drinks, snack bars, crystals).
- **Improvements and revisions to existing products:** current products made better. Ex.: P&G's continuing improvements to Tide detergent, Ivory soap.
- **Repositioning:** products that are retargeted for a new use or application. Also includes retargeting to new users or new target markets. Ex.: Arm & Hammer baking soda sold as a refrigerator deodorant; aspirin repositioned as a safeguard against heart attacks; Marlboro retargeted as a man's cigarette.
- **Cost reductions:** new products that provide the customer similar performance but at a lower cost. May be more of a "new product" in terms of design or production.

Principles and issues in NPP

- Between the phases of the process are evaluation tasks or decision points, i.e no go/ go decisions are taken
- There is always pressure to accelerate time to markets – and phase of overlapping and cross-functional teams are used to achieve goals
- Fuzzy gates** are a "conditional go" so that it does not slow down the process in analysis
 - This speeds up the process because time is not wasted in obtaining complete information before the decision is made
 - Fuzzy gates must have *teeth* → i.e a potential problem is that the result should be No Go, but the project is still continued
- However, ... hallow gates can emerged**, they are the same as fuzzy gates – however no financial support is provided to continue → and inevitably cause cost overruns, and launch delays

Third Generation NPP

- Most firms use what is called a Third-Generation process.
- This is a flexible interpretation of the basic process, which allows overlapping phases and fuzzy gates.
- This flexibility is particularly important in the development of new-to-the-world, breakthrough products.

NPP interacts with other strategic elements

- Without the strategic direction provided by **the Product Innovation Charter (PIC)**, the firm's attempts at product development will be unfocused. The PIC helps the team identify opportunities and focus efforts.
- **Product Portfolio** considerations help the firm decide whether a new product opportunity adds financially and strategically to the current line and avoids spreading scarce financial and human resources too thin.