CHAPTER TEN

Product Management and New-Product Development

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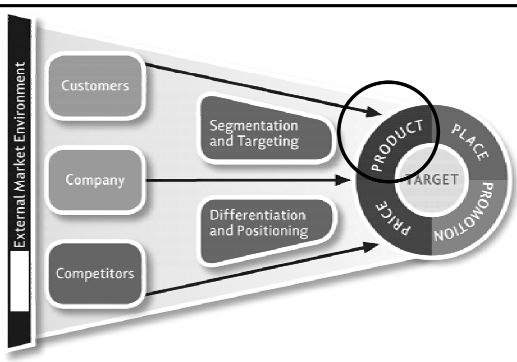
When we finish this lecture you should

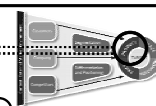
1. Understand how product life cycles affect strategy planning.
2. Know what is involved in designing new products and what "new products" really are.
3. Understand the new-product development process.
4. See why product liability must be considered in screening new products.
5. Understand the need for product or brand managers.

Product Decisions for Marketing Strategy Planning

(Exhibit 10-1)



Role of Product Management and New-Product Development in Marketing Strategy (Exhibit 10-1)



CH 9: Elements of Product Planning for Goods & Services

CH 10: Product Management & New-Product Development

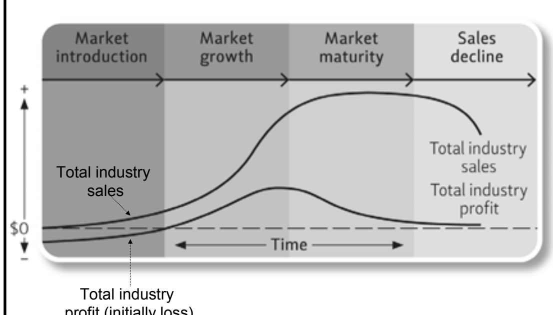
The product life cycle
- **Life cycle stages**
- **Strategy planning for stages**

New-product development
- **5 Step process**
- **Success factors**

Managing brands
- **Product managers**

Managing Products over Their Life Cycles

(Exhibit 10-2)



Market Introduction – Investing in the Future

Market Growth – 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 – 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

Which Stage of the PLC?

Checking your knowledge

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

AND

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

- Competitive 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

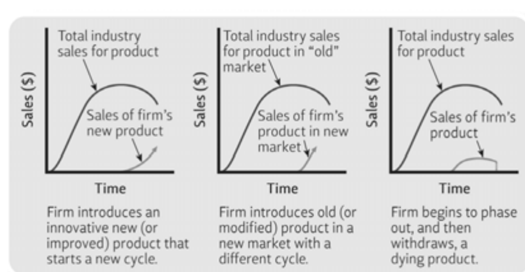
Planning for Different Stages of the Product Life Cycle

Market Introduction & Growth

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

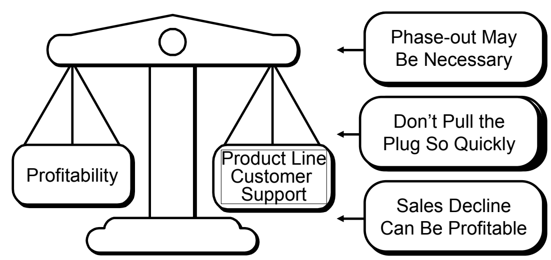
Managing Mature Products

Improve the Product or Develop a New One
(Exhibit 10-4)



Are Product Modifications Really New Products?

Phasing Out Dying Products

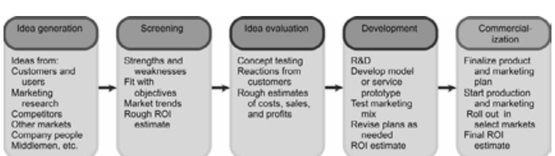


New Product Planning

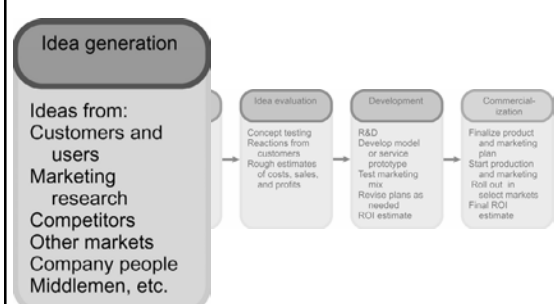
- What Is a New Product?
- FTC Rule: 6 Months
- Ethical Dilemmas Exist

New Product

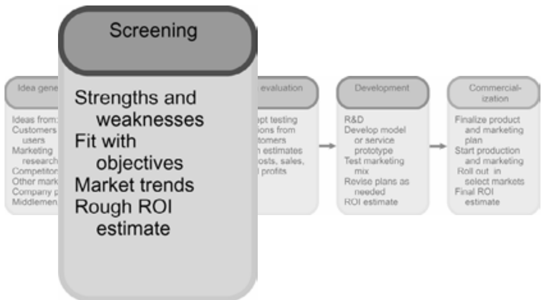
An Organized New-Product Development Process is Critical (Exhibit 10-5)



Step 1: Idea Generation

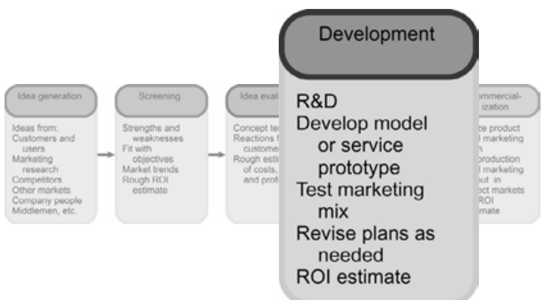


Step 2: Screening

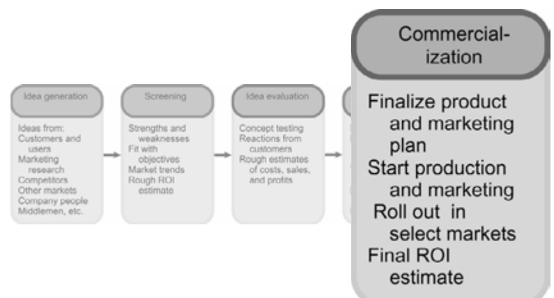


Step 3: Idea Evaluation

Step 4: Development



Step 5: Commercialization



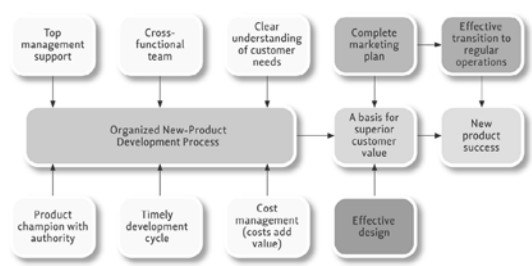
Checking your knowledge

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 10-7)



Need for Product Managers

- Product/Brand Managers
- Common in Large Companies
- Some Are "Product Champions"

Checking your knowledge

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 statement are true.

You now

1. Understand how product life cycles affect strategy planning.
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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