

New-Product Development

- **New product development** refers to original products, product improvements, product modifications, and new brands developed from the firm's own research and development.

New-Product Development Process

1. Idea generation
2. Idea screening
3. Concept development and testing
4. Marketing strategy development
5. Business analysis
6. Product development
7. Test marketing
8. Commercialization

New-Product Development Process

Idea Generation

- **New idea generation** is the systematic search for new product ideas.
- To create a large number of ideas
- Sources of new-product ideas
 - **Internal sources** refer to the company's own formal research and development, management and staff, and intrapreneurial programs.
 - **External sources** refer to sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms.

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Idea Screening

- **Idea screening** refers to reviewing new-product ideas in order to drop poor ones as soon as possible.

Concept Development and Testing

- **Product idea** is an idea for a possible product that the company can see itself offering to the market.
- **Product concept** is a detailed version of the idea stated in meaningful consumer terms.
- **Product image** is the way consumers perceive an actual or potential product.
- **Concept testing** refers to testing new-product concepts with groups of target consumers. To find out how attractive each concept is to customers, and choose the best one.

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Marketing Strategy Development

- **Marketing strategy development** refers to the initial marketing strategy for introducing the product to the market.

Marketing strategy statement

Part 1:

- Description of the target market
- The planning product positioning; sales, market share, and profit goals

Part 2:

- Price distribution and budget

Part 3:

- Long-term sales, profit goals, and marketing mix strategy

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Business Analysis

- **Business analysis** involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives.

Product Development

- **Product development** involves the creation and testing of one or more physical versions by the R&D or engineering departments. - Requires an increase in investment

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Test Marketing

- **Test marketing** is the stage at which the product and marketing program are introduced into more realistic marketing settings.
- Test marketing provides the marketer with experience in testing the product and entire marketing program before *full introduction*.
- When firms test market: *New product with large investment; Uncertainty about product or marketing program*
- When firms may not test market: *Simple line extension; Copy of competitor product; Low costs; Management confidence*

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Test Marketing

- Approaches to test marketing
 - Standard test markets
 - Controlled test markets
 - Simulated test markets

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Test Marketing

Standard test markets

- Small representative markets where the firm conducts a full marketing campaign
- Uses store audits, consumer and distributor surveys, and other measures to gauge product performance
- Results are used to
 - Forecast national sales and profits
 - Discover product problems
 - Fine-tune the marketing program

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Test Marketing

Challenges of standard test markets

- Cost
- Time
- Competitors can monitor the test as well
- Competitor interference
- Competitors gain access to the new product before introduction

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Test Marketing

Controlled test markets

- Panels of stores that have agreed to carry new products for a fee
- Less expensive than standard test markets
- Faster than standard test markets
- Competitors gain access to the new product

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Test Marketing

Simulated test markets

- Events where the firm will create a shopping environment and note how many consumers buy the new product and competing products
- Provides measure of trial and the effectiveness of promotion
- Researchers can interview consumers

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Test Marketing

- Advantages of simulated test markets
 - Less expensive than other test methods
 - Faster
 - Restricts access by competitors
- Disadvantages of simulated test markets
 - Not considered as reliable and accurate due to the controlled setting

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Commercialization

- **Commercialization** is the introduction of the new product into the market
 - When to launch
 - Where to launch
 - Planned market rollout (*the widespread public introduction of a new product*)