



CHAPTER

9

DEVELOPING NEW PRODUCTS AND SERVICES

APPLE'S NEW-PRODUCT INNOVATION MACHINE



APPLE'S NEW PRODUCTS

► **Apple's Innovation Machine**



► **iCloud: Where the Digital Lifestyle is Heading**



**LO1 WHAT ARE PRODUCTS AND SERVICES?
GOODS, SERVICES, AND IDEAS**

> **Products**

> **Services**

> **Goods**

- Nondurable Goods
- Durable Goods

> **Ideas**







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**LO2 WHAT ARE PRODUCTS AND SERVICES?
CLASSIFYING PRODUCTS**

> **Consumer Products**

> **Business Products**



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FIGURE 10-1 How a consumer product is classified affects which products consumers buy and the marketing strategies used

BASIS OF COMPARISON	TYPE OF CONSUMER PRODUCT			
	CONVENIENCE	SHOPPING	SPECIALTY	UNSOUGHT
Product	Toothpaste, cake mix, hand soap, ATM cash withdrawals	Cameras, TVs, briefcases, airline tickets	Rolls-Royce cars, Rolex watches, heart surgery	Burial insurance, life insurance
Price	Relatively inexpensive	Fairly expensive	Usually very expensive	Varies
Place (distribution)	Widespread; many outlets	Large number of selective outlets	Very limited	Often limited
Promotion	Price, availability, and awareness stressed	Differentiation from competitors stressed	Uniqueness of brand and status stressed	Awareness is essential
Brand loyalty of consumers	Aware of brand but will accept substitutes	Prefer specific brands but will accept substitutes	Very brand loyal; will not accept substitutes	Will accept substitutes
Purchase behavior of consumers	Frequent purchases; little time and effort spent shopping	Infrequent purchases; needs much comparison shopping time	Infrequent purchases; needs extensive search and decision time	Very infrequent purchases; some comparison shopping

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L02

WHAT ARE PRODUCTS AND SERVICES? CLASSIFYING PRODUCTS

> Business Products

- Derived Demand
- Components
- Support Products
 - Installations
 - Accessory Equipment
 - Supplies
 - Industrial Services



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L02

WHAT ARE PRODUCTS AND SERVICES? PRODUCT ITEMS, LINES, AND MIXES

> Product Item

- Stock Keeping Unit (SKU)



> Product Line



> Product Mix



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L03

WHAT ARE PRODUCTS AND SERVICES? PRODUCT ITEMS, LINES, MIXES, CLASSES AND FORMS

> Product Class



> Product Form



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L02

WHAT ARE PRODUCTS AND SERVICES? CLASSIFYING SERVICES

- > Delivery by People or Equipment
- > Delivery by Business Firms or Nonprofits
- > Delivery by Government Agencies

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FIGURE 9-3 The five dimensions of service quality

DIMENSION	DEFINITION	EXAMPLES OF QUESTIONS AIRLINE CUSTOMERS MIGHT ASK
Reliability	Ability to perform the promised service dependably and accurately	Is my flight on time?
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	Are the gate, the plane, and the baggage area clean?
Responsiveness	Willingness to help customers and provide prompt service	Are the flight attendants willing to answer my questions?
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence	Are the ticket counter attendants, flight attendants, and pilots knowledgeable about their jobs?
Empathy	Caring, individualized attention provided to customers	Do the employees determine if I have special seating, meal, baggage, transfer or rebooking needs?

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L03

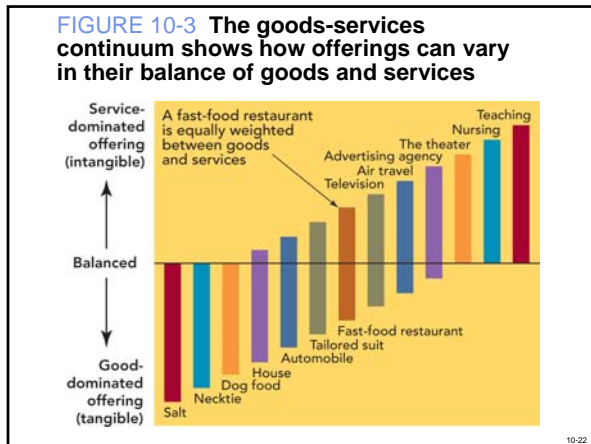
WHAT ARE PRODUCTS AND SERVICES? THE UNIQUENESS OF SERVICES

- > Four I's of Services
 - Intangibility
 - Inseparability
 - Inconsistency
 - Inventory
 - Idle Production Capacity
- > Product/Service Offering
 - Core
 - Supplementary



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FIGURE 10-3 The goods-services continuum shows how offerings can vary in their balance of goods and services



LO4

NEW PRODUCTS AND WHY THEY SUCCEED OR FAIL
WHAT IS A NEW PRODUCT?

> Newness: Compared to Existing Products



> Newness in Legal Terms



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LO3

NEW PRODUCTS AND WHY THEY SUCCEED OR FAIL
WHAT IS A NEW PRODUCT?

> Newness in Legal Terms
> Newness From the Consumer Perspective



• Continuous Innovation:
• Generate awareness & strong distribution



• Dynamically Continuous Innovation
• Minor change in behavior, educate consumers



• Discontinuous Innovation
• Gain awareness & educate consumers

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LO4

NEW PRODUCTS AND WHY THEY SUCCEED OR FAIL

WHAT IS A NEW PRODUCT?

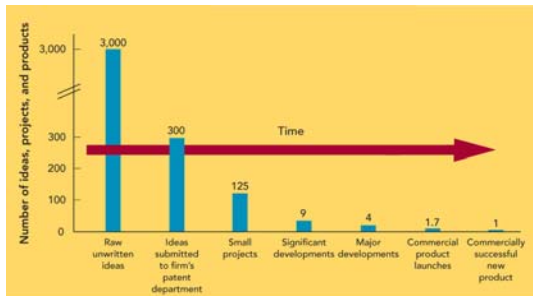
> Newness: The Organization's Perspective

- Product Line Extension
- Jump in Innovation
- Brand Extension
- True Innovation



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FIGURE 10-A What it takes to launch one commercially successful new product



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FIGURE 9-D What separates new-product winners and losers

Factor Affecting Product Success Rate	Product "Winners" (Best 20%)	Product "Losers" (Worst 20%)	% Difference (Winners - Losers)
• Point of difference, or uniquely superior product	98%	18%	80%
• Well-defined product before actual development starts	85	26	59
• Quality execution of activities before actual development starts	75	31	44
• Synergy, or fit, with marketing mix activities	71	31	40
• Quality of execution of marketing mix activities	71	32	39
• Market attractiveness, ones with large markets, high growth	74	43	31

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LO6

NEW PRODUCTS AND WHY THEY SUCCEED OR FAIL WHY PRODUCTS SUCCEED OR FAIL

> Marketing Reasons for New-Product Failures

- Bad Timing
- Poor Product Quality
- Too Little Market Attractiveness
- Poor Execution of the Marketing Mix

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LO6

Avert and Hey! There's a Monster in My Room Why did these products fail?



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LO6

USING MARKETING DASHBOARDS Which States are Underperforming?

Annual Percent Change in Unit Volume by State

$$\text{Annual \% Sales Change} = \left[\frac{\text{New Sales} - \text{Old Sales}}{\text{Old Sales}} \right] \times 100$$

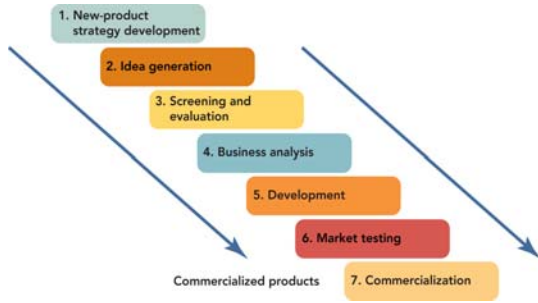


Change in Growth
■ < 0% ■ 0 to 10% ■ > 10%



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FIGURE 10-5 Seven stages in the new-product process leading to success



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FIGURE 10-D Six important U.S. test markets: the winner is Wichita Falls, TX

Demographic Characteristic	USA	Wichita Falls, TX
2000 population	281.4 mil.	140,518
Median age (years)	35.3	33.6
% of family households with children under 18	32.8%	33.8%
% Hispanic or Latino of any race	12.5%	11.8%
% African American	12.3%	9.6%
% Asian American	3.6%	1.7%
% Native American	1.5%	1.7%



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