



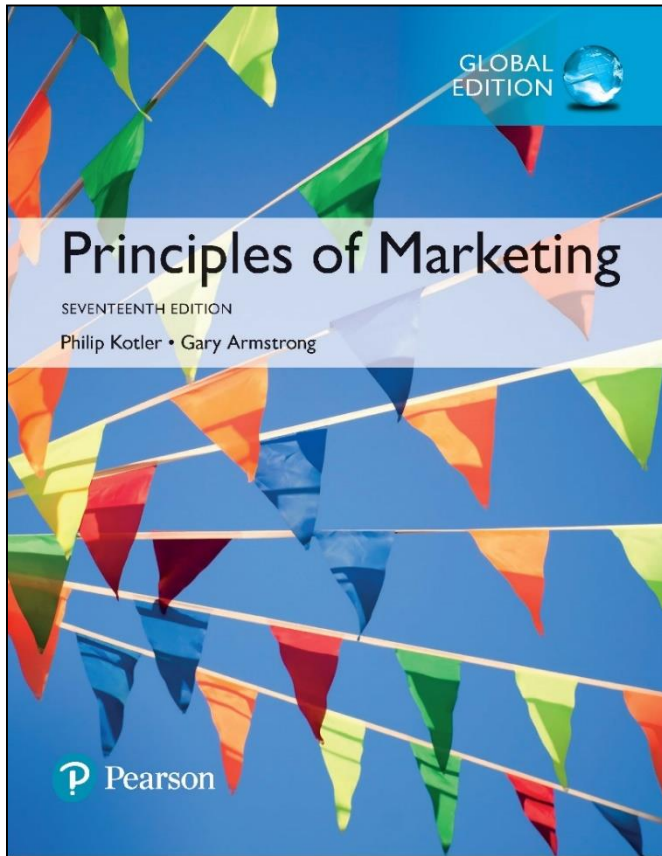
# MK 201 Principles of Marketing Products and Service Strategy II

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Online Session July 10, 2020

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# Principles of Marketing

## Seventeenth Edition



## Chapter 9

### Products and Service Strategy II

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# Objective Outline

- **Objective 1:** Explain how companies find and develop new product ideas.
- **Objective 2:** List and define the steps in the new product development process and the major considerations in managing this process.
- **Objective 3:** Describe the stages of the product life cycle and how marketing strategies change during a product's life cycle.
- **Objective 4:** Discuss two additional product issues: socially responsible product decisions and international product and services marketing.

# Google



Google's famously chaotic innovation process has unleashed a seemingly unending flurry of diverse new products. But at Google, innovation is more than a process. It's part of the company's DNA. "Where does innovation happen at Google? It happens everywhere."



Google innovation machine is renowned for producing new product "moonshots" such as Google Glass, the wearable smart-devices that have everyone buzzing.

# Samsung



Beyond cutting-edge technology and stylish design, Samsung puts the customer at the core of its innovation movement. It's new products "bring genuine change to people's lives."

**Objective 1:** Explain how companies find and develop new product ideas.



# New Product Development Strategy

- Obtained in 2 ways
  - Acquisitions – by buying a whole company, patent, or license to produce someone's else's product
  - The firm's new-product development efforts



**New-product development:** The development of original product improvements, product modifications and new brands through the firm's own product development efforts.

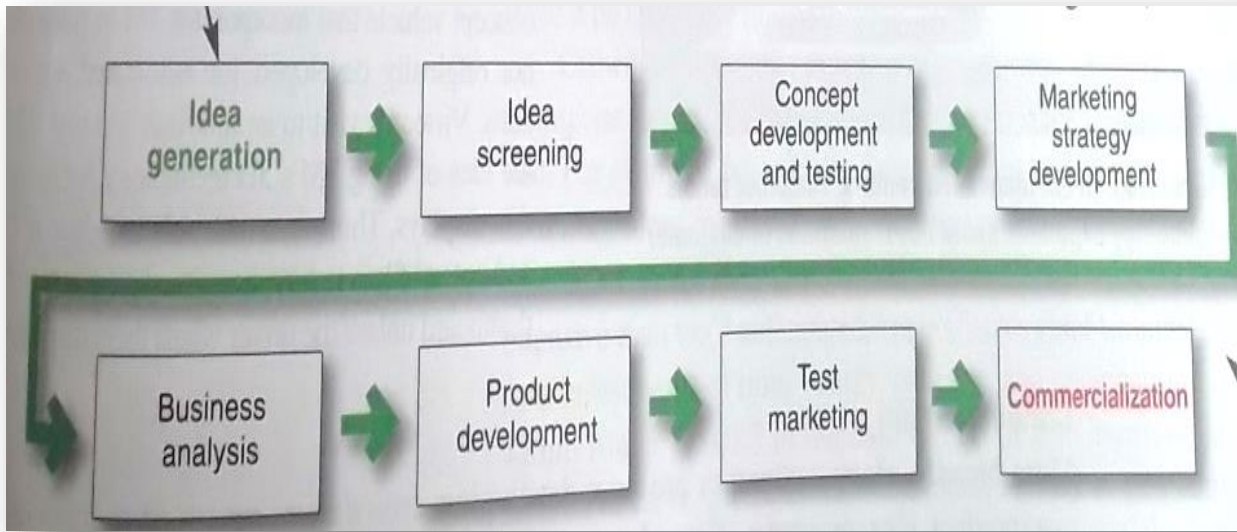
**Objective 2:** List and define the steps in the new product development process and the major considerations in managing this process.



# The New-Product Development Process

- **Figure 9.1 Major Stages in New Product Development**

New-product development starts with good new-product ideas-lots of them. For example, Cisco's I-Prize crowdsourcing challenge attracted 824 ideas from 2,900 innovators representing more than 156 countries.



The remaining steps reduce the number of ideas and develop only the best ones into profitable products. Of the 824 ideas from Cisco's I-Prize challenge, only a handful are being developed

# 1. Idea Generation

- ❖ **Idea Generation: The systematic search for new- product ideas**
  - Internal Idea Sources



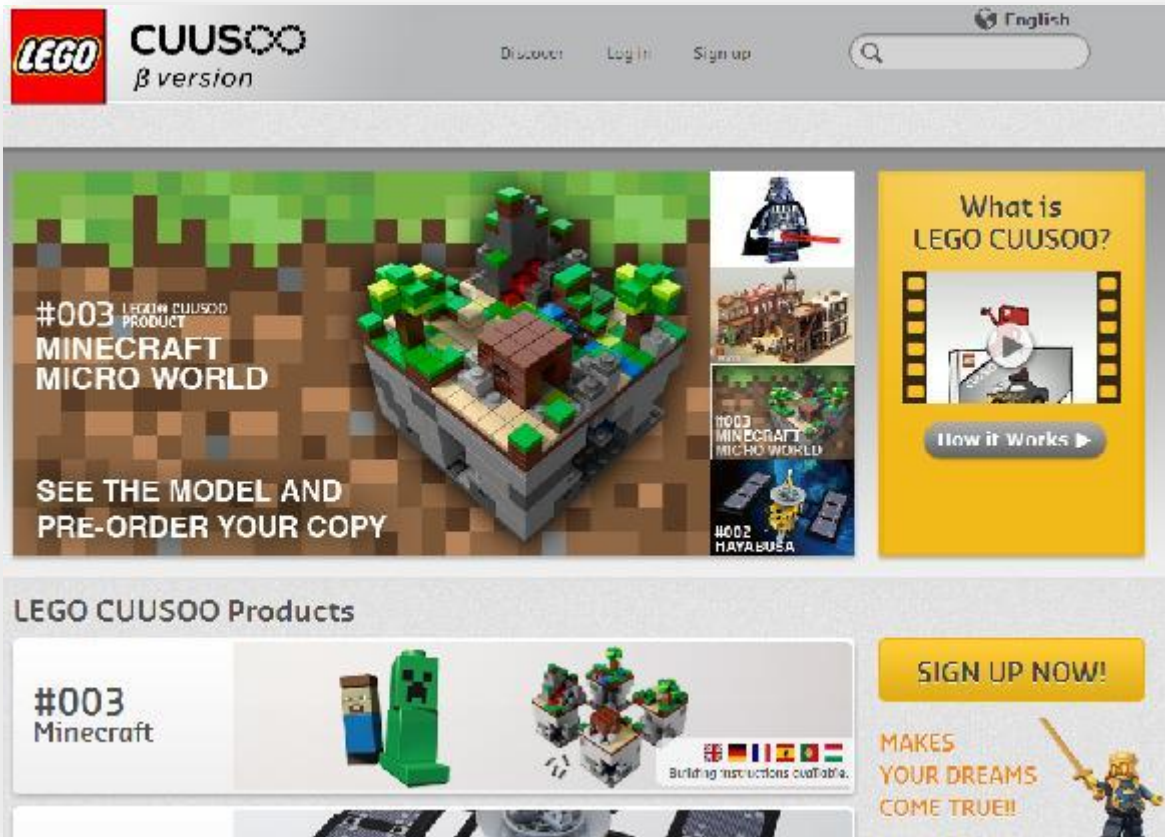
Internal product ideas: Twitter hosts an annual “Hack Week: Let’s Hack Together” event, which actively promotes internal innovation through experimentation around the company.

# 1. Idea Generation

- External Idea Sources



Customer-driven new product ideas: At 3M innovation centers, customer teams meet with 3M marketing and technology experts to spark novel solutions to customer problems.



New-product ideas from customers: LEGO's CUUSOO Web site invites users to submit and vote on product ideas. LEGO Minecraft Micro World racked up the required 10,000 votes in less than 48 hours.

# 1. Idea Generation

- ❖ **Crowdsourcing: Inviting broad communities of people-customers, employees, independent scientists and researchers, and even the public at large-into the new-product innovation process.**



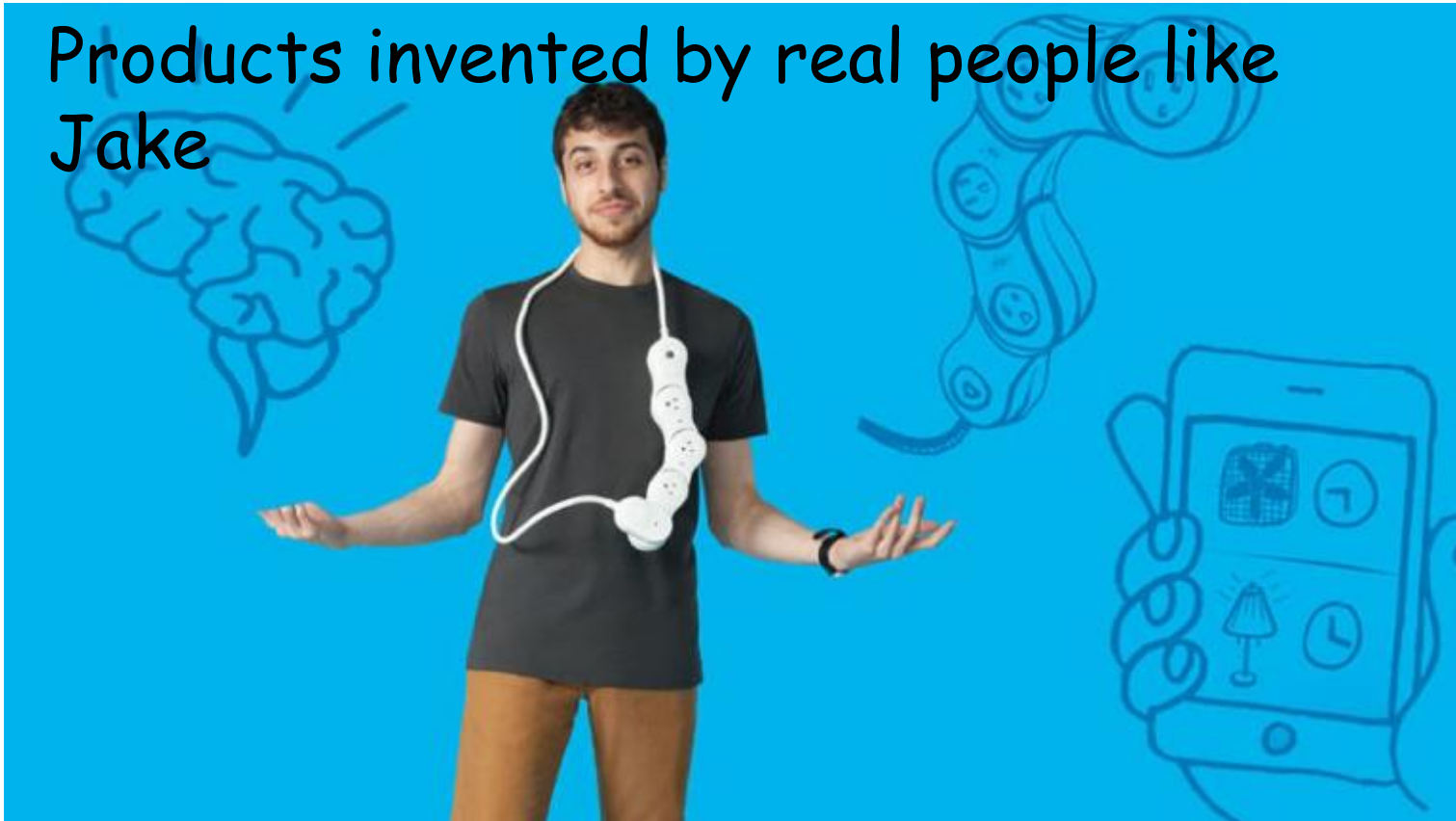
Crowdsourcing: When Netflix wanted ideas for improving the accuracy of its Cinematch online recommendation system, it decided to “open it up to the world,” promising a \$1 million prize for best solution

# Real Marketing 9.1

Crowdsourcing: Throwing the Innovation Doors wide open



Products invented by real people like  
Jake



Crowdsourcing: New product start-up Quirky best illustrates the raw power of crowdsourcing in its purest form. "Nobody is innovating at the pace that Quirky is"

# Crowdsourcing: P&G's Connect and Develop

The screenshot shows the P&G Connect + Develop website. At the top, there is a navigation bar with the P&G logo, a world map, and a menu with links: Home, About Connect + Develop, Submit Your Innovation, Browse P&G's Needs, and Media Center. Below the navigation bar, there is a login section on the left with fields for Username (with a note that it is the email address) and Password, and a Log In button. To the right of the login section is a large blue banner with the text "Open to ideas" and a sub-headline "P&G's Connect + Develop open innovation strategy has established more than 1,000 active agreements with innovation partners. Connect + Develop enables us to share our R&D, commercialization and brand strength with partners worldwide, bringing great ideas to market—and into the lives of consumers—faster." Below this banner is a button that says "HOW SWIFFER DUSTERS GOT THEIR START".

**Log in to your account.**  
Not registered? [Sign up here.](#)  
Username:  
(This is your email address)  
  
Password:  
  
[Log In](#)  
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[User Home](#)  
[Submit Your Innovation](#)  
[Browse P&G Needs](#)  
[Browse P&G Assets](#)  
[FAQ](#)

Also Visit:  
[P&G FutureWorks](#)  
[P&G Academia Initiative - Russia](#)

**Connect + Develop Examples**  
[Olay® Derma-Pod](#)  
The fastest innovation of the year.

**Open to ideas**  
P&G's Connect + Develop open innovation strategy has established more than 1,000 active agreements with innovation partners. Connect + Develop enables us to share our R&D, commercialization and brand strength with partners worldwide, bringing great ideas to market—and into the lives of consumers—faster.

[HOW SWIFFER DUSTERS GOT THEIR START](#)

**Could your INNOVATION be the next GAME-CHANGING DEAL?**  
Did you know that more than 50 percent of product initiatives at Procter & Gamble involve significant collaboration with outside innovators?  
Do you have a promising product, technology, business model, method, trademark, package or design that can help improve the lives of the world's consumers? Or do you have new ideas for existing P&G brands? If so, the Connect

**Browse P&G Assets**  
Are you looking for opportunities to access and license P&G's trademarks, technologies or other innovation assets?  
[Browse P&G's Innovation assets.](#)

P&G's highly successful Connect & Develop crowdsourcing program invites outside innovation partners to help develop new technologies and products that will delight customers.



# VICTORINOX

Victorinox used third-party crowdsourcing network Jovoto to capture creative designs for limited fashion editions of its venerable Swiss Army Knife. The crowdsourced designed models had 20 percent better sales success than any previous internally created limited editions.



## 2. Idea Screening

❖ **Idea Screening: Screening new-product ideas to spot good ideas and drop poor ones as soon as possible.**

- **R-W-W**

- **Is it real?**

- **Can we win?**

- **Is it worth doing?**

### 3. Concept Development and Testing



**This is Tesla's initial all-electric roadster. Later, more affordable mass-market models will travel more than 300 miles on a single charge, recharge in 45 minutes from a normal 120 – volt electrical outlet, and cost about one penny per mile to power.**

# 3. Concept Development and Testing

## Concept Development

❖ **Product Concept: A detail version of the new-product idea stated in meaningful consumer terms.**

Develop to find the most attractive one:

- Concept 1: An affordably priced midsize car designed as a second family car to be used around town for running errands and visiting friends.
- Concept 2: A mid-priced sporty compact appealing to young singles and couples.
- Concept 3: A “green “car appealing to environmentally conscious people who want practical, low-polluting transportation.
- Concept 4: A high-end midsize utility vehicle appealing to those who love the space SUV’s provide but lament the poor gas mileage.

# 3. Concept Development and Testing

## Concept Development

- ❖ **Concept Testing: Testing new-product concepts with a group of target consumers to find out if the concepts have strong consumer appeal.**



# 3. Concept Development and Testing

## Concept Testing

- Table 9.1 Questions for the All-Electric Car Concept Test

1. Do you understand the concept of a battery-powered electric car?
2. Do you believe the claims about the car's performance?
3. What are the major benefits of an all-electric car compared with a conventional car?
4. What are its advantages compared with a gas-electric hybrid car?
5. What improvements in the car's features would you suggest?
6. For what uses would you prefer an all-electric car to a conventional car?
7. What would be a reasonable price to charge for the car?
8. Who would be involved in your decision to buy such a car? Who would drive it?
9. Would you buy such a car (definitely, probably, probably not, definitely not)?

# 3. Concept Development and Testing

## Concept Development

- **Winning :Concept 3**

An efficient, fun-to-drive, battery-powered compact car that seats four. This 100 percent electric wonder provides practical and reliable transportation with no pollution. It goes 300 miles on a single charge and costs pennies per mile to operate. It is a sensible, responsible alternative to today's pollution-producing gas-guzzlers. Its fully equipped price is \$25,000.

# 4. Market Strategy Development

❖ **Marketing strategy development: Designing an initial marketing strategy for a new product based on the product concept**

➤ The marketing strategy statement consists of three parts

**The first part describes:**

➤ Target market

➤ Planned value proposition

➤ Sales, market share and profit goals for the first few years

# 4. Market Strategy Development

## The first part:

- Describes the target market

The target market is younger, well-educated, moderate-to-high-income individuals, couples, or small families seeking practical, environmentally responsible transportation. The car will be positioned as more fun to drive and less polluting than today's internal combustion engine or hybrid cars. The company will aim to sell 50,000 cars in the first year at a loss of not more than \$15 million. In the second year, the company will aim for sales of 90,000 cars and a profit of \$25 million.

# 4. Market Strategy Development

## The second part:

- Outlines the product's planned price, distribution, and marketing budget for the first year:

The battery-powered electric car will be offered in three colors-red, white, blue-and will have a full set of accessories as standard features. It will sell at a retail price of \$25,000, with 15 percent off the list price to dealers. Dealers who sell more than 10 cars per month will get an additional discount of 5 percent on each car sold that month. A marketing budget of \$50 million will be split 50-50 between a national media campaign and local event marketing. Advertising and the Web site will emphasize the car's fun spirit and low emissions. During the first year, \$100,000 will be spent on marketing research to find out who is buying the car and what their satisfaction levels are.

# 4. Market Strategy Development

## The third part:

- Describes the planned long-run sales, profit goals and marketing mix strategy:

We intend to capture a 3 percent long-run share of the total auto market and realize an after-tax return on investment of 15 percent. To achieve this, product quality will start high and be improved over time. Price will be raised in the second and third years if competition and the economy permit. The total marketing budget will be raised each year by about 10 percent. Marketing research will be reduced to \$60,000 per year after the first year.

# 5. Business Analysis

❖ **Business Analysis: A review of sales, costs and profit projections for a new product to find out whether these factors satisfy the company's objectives.**

Do objectives meet?

1. Sales forecast – estimate sales..then..
2. Estimate expected costs and profits for the product, including marketing, R&D, operations, accounting, and financial costs.

## 6. Product Development

- ❖ **Product Development: Developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering.**



### Product Testing:

HP signs up consumers to evaluate prototype imaging and printing products in their homes and offices to gain insights about their entire “out-of-box experience.”



Product testing: New Balance's "Weartest Program engages consumers to field test new designs under real world conditions.



ALPINE CLIMBING



Steve House



Colin Haley



Jon Bracey



Hayden Kennedy



Josh Wharton



Kelly Cordes



Matt Helliker



Zoe Hart



Katsutaka "Jumbo" Yokoyama



Marko Prezelj

Product testing: Patagonia uses tried-and-true customers-its Patagonia Ambassadors-to help field test its products under harsh conditions and help designers refine them.

# 7. Test Marketing

- ❖ **Test Marketing:** The stage of new-product development in which the product and its proposed marketing program are tested in realistic market settings.



Starbucks tested its VIA instant coffee extensively before launching new-product nationally. “We knew it could undermine the company if we didn’t do it right”

# 8. Commercialization

- ❖ **Commercialization:** Introducing a new product into the market



# Managing New-Product Development



## Customer-centered new product development

- New-product development that focused on finding new ways to solve customer problems and create more customer-satisfying experiences.



## Team-based new product development

- An approach to developing new products in which various company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.



## Systematic new-product development

- A company can install an innovation management system to collect, review, evaluate and manage new product ideas.



Samsung's entire culture encourages and supports innovation. Every product has to pass the customer "Wow!" Test or it goes straight back to development.

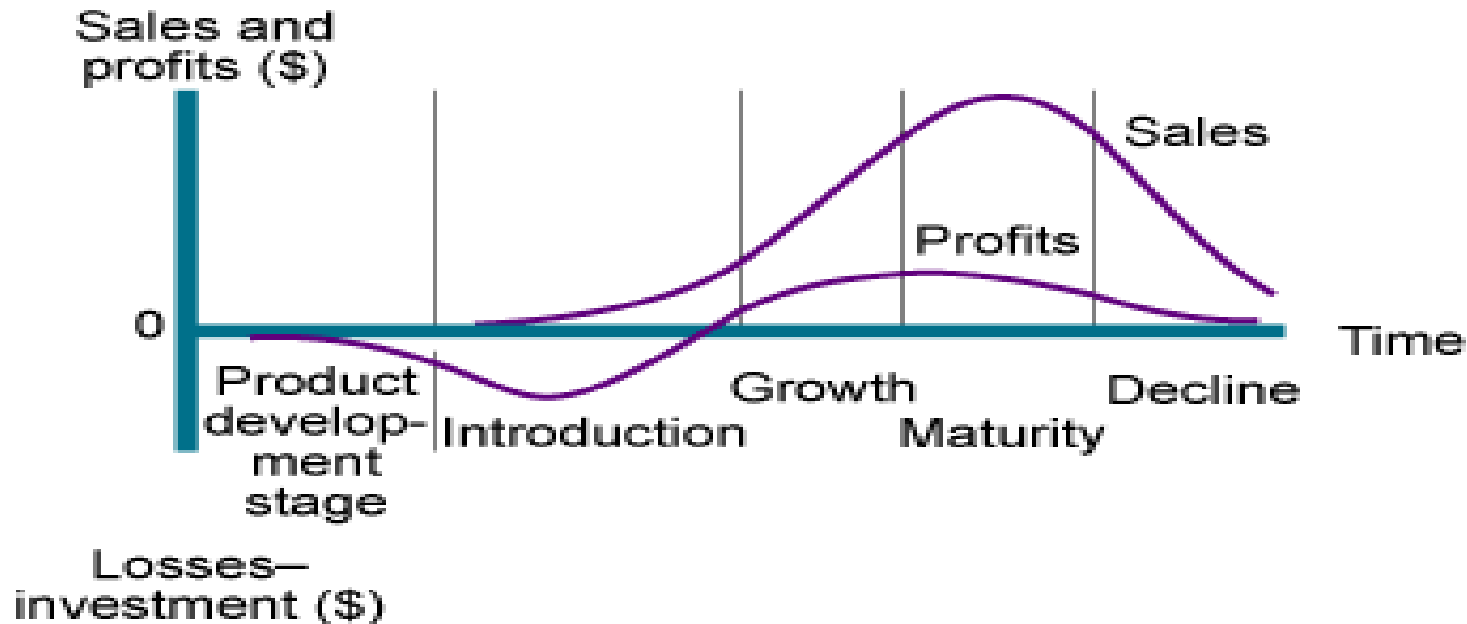
**Objective 3:** Describe the stages of the product life cycle and how marketing strategies change during a product's life cycle.



# Product Life Cycle Strategies

- ❖ **Product Life Cycle (PLC):** The course of a product's sales and profits over its lifetime.

Figure 9.2 Sales and profits over the Product's Life from Inception to Decline



# Product Life Cycle Strategies

- **Product Development:** begins when the company finds and develops a new product idea. During product development, sales are zero, and the company's investment costs mount.
- **Introduction:** is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.
- **Growth:** is a period of rapid market acceptance and increasing profits.
- **Maturity:** is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.
- **Decline:** is the period when sales fall off and profits drop.

# Product Life Cycle Strategies

The PLC can describe:

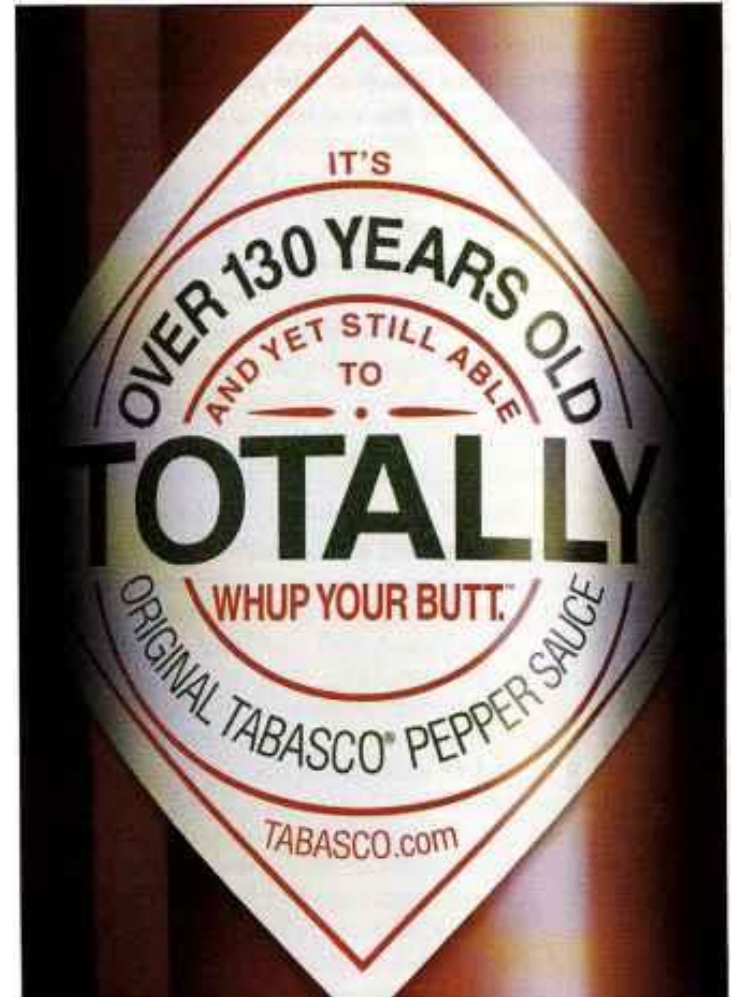
1. Product class:  
gasoline –powered  
automobiles
2. Product form: SUV's
3. Brand: Ford Escape

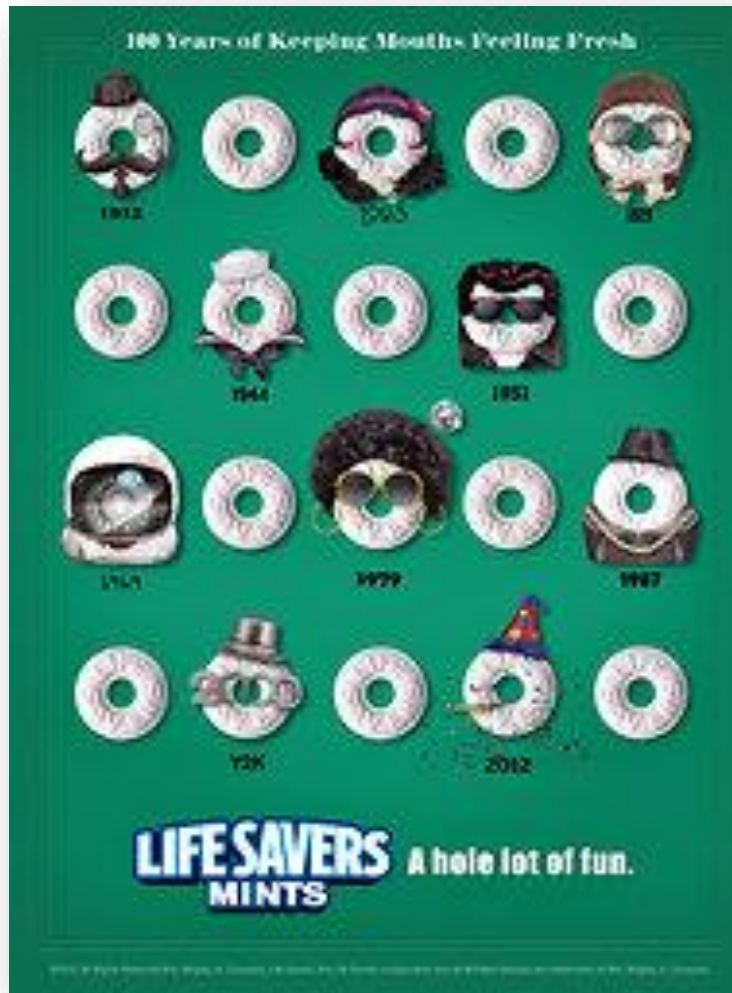


Product Life Cycle: Some products die quickly; others stay in the mature stage for a long, long time.

TABASCO sauce is over “140 years old and yet still able to totally whup your butt!”

Some products die quickly, others stay in the mature stage for a long time. For example, TABASCO sauce has been around for more than 140 years. Even then to keep the product young, the company has added a full line of flavors (such as Sweet & Spicy and Chipotle) and a kitchen cabinet full of new TABASCO products (such as spicy beans, a chill mix and jalapena nacho slices)





Product life cycle: Some products die quickly; others stay in the mature stage for a long time. Life Savers mints recently celebrated “ 100 years of keeping your mouth fresh.”



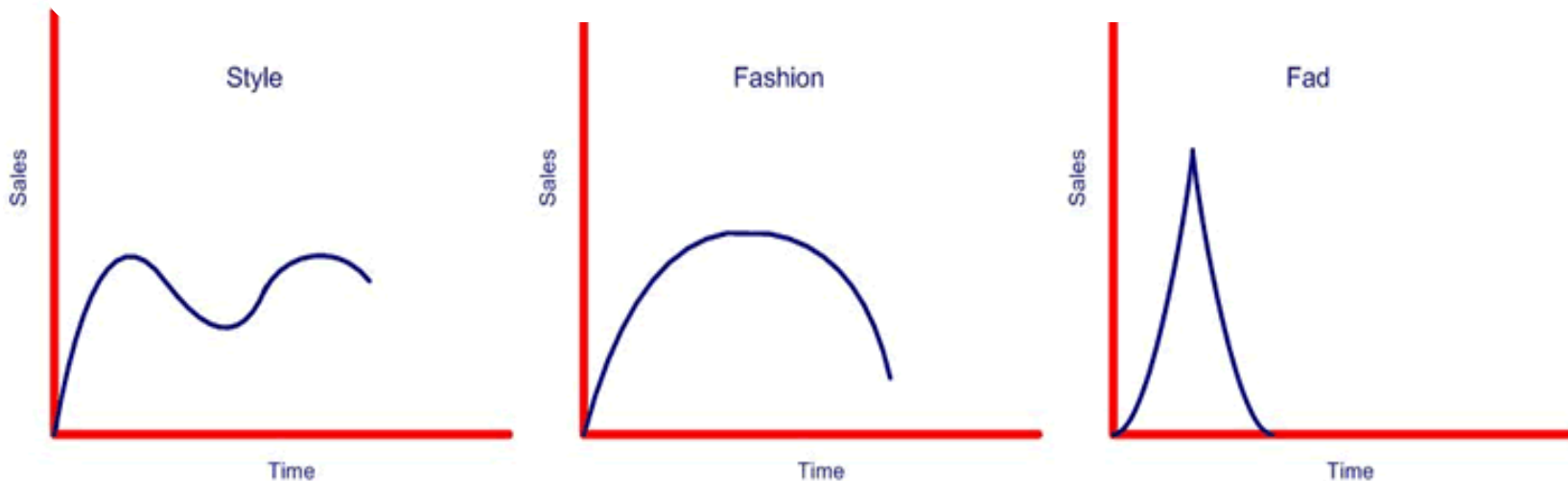
Inspiring more usage: The Post-it Brand from 3M's "Go ahead" campaign portrays Post-it Notes as good for much more than just scribbling temporary notes and reminders. Instead, they are a means of self-expression.

# Product Life Cycle Strategies

## PLC Concept

- PLC concept could be applied to :

### Figure 9.3 Styles, Fashion, Fad



# Product Life Cycle Strategies

## PLC Concept

- **Style:** A basic and distinctive mode of expression  
(once invented may last for generations)
  - Homes: colonial, ranch, transitional
  - Clothing: formal, casual
  - Art: realist, surrealist, abstract
- **Fashion:** A currently accepted or popular style in a given field.  
(tends to grow slowly for a while and decline slowly)
  - 1980'-1990's -> Business Attire
  - 2000's -> Business Casual
- **Fad:** A temporary period of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity.
  - Pet Rock
  - Low Carb Diets

**TABLE 9.2 SUMMARY OF PRODUCT LIFE-CYCLE CHARACTERISTICS, OBJECTIVES, AND STRATEGIES**

<b>Characteristics</b>	<b>Introduction</b>	<b>Growth</b>	<b>Maturity</b>	<b>Decline</b>
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing Objectives</b>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Reinvigorating the mature brand: Kellogg's kept its 55-year old Special K brand growing by turning it into a healthful, slimming lifestyle brand.



# Real Marketing 9.2

## LEGO: An Old Brand Story with a New Beginning



LEGO resurrects itself with a new story, building on its foundation of delivering high quality bricks despite a tumultuous history, as it sets new benchmarks in manufacturing and quality control with dynamic, consumer- sustaining business plans.

**Objective 4:** Discuss two additional product issues: socially responsible product decisions and international product and services marketing.



# Product Decisions and Social Responsibility

- The Federal Food Drug and Cosmetic Act
- The Consumer Product Safety Act of 1972 (USA)
  - Consumer protection on product safety

## ➤ **WHAT ABOUT THAILAND?**



# International Product and Services Marketing



Global product adaptation: By adapting to local tastes and eating styles KFC has achieved finger-linkin' good success in China("dragon twister, chicken with Sichuan spicy sauce and rice and egg soups have become popular)

Global product adaptation: Lay's famously funky Chinese chip flavors include cucumber (a best seller), iced lemon tea, "Numb & Spicy Hot Pot," and ShaLa Cui," a concoction that tastes like a baked salad



# Individual Homework

## Product Life Cycle (PLC)

- Identify a product, service or brand at each stage and explain why they belong to that stage.
- Then give suggestions as a marketer what strategies you will use to handle them?

Due next week: no more than one page.

