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天津外国语大学(天外)
Tianjin Foreign Studies University
School of International Business

Principles of Entrepreneurship

Class starts at 14:00

(Beijing Time, GMT+8)

Ivan Monich, PhD, www.Monich.pro
September E, 2023

We start from the product concept.

- Products and Marketing Mix
- Product Life Cycle
- Product Portfolio Management
- New Product Development Process
- Challenges for New Products



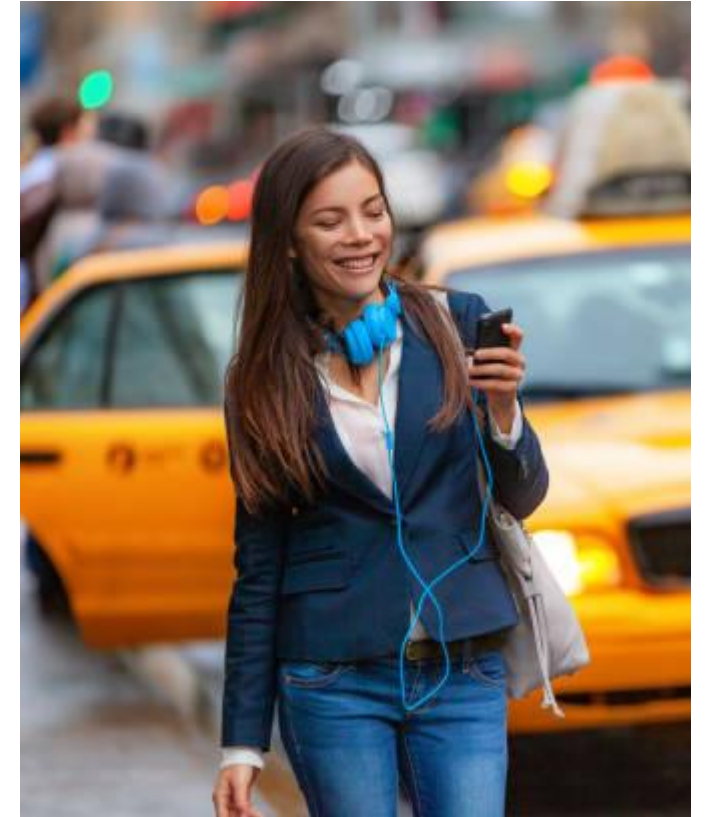
Product Marketing

Why make product marketing decisions based on product life cycle and product portfolio structure?

Often when students begin to study marketing they expect to study promotion or perhaps only advertising, but product is the core of the marketing mix. Product defines what will be priced, promoted, and distributed. If you are able to create and deliver a product that provides exceptional value to your target customer, the rest of the marketing mix becomes easier to manage.

UBER taxi APP, DiDi (滴滴打车)

Source: <https://www.istockphoto.com/photo/young-woman-walking-in-new-york-city-using-phone-app-for-taxi-ride-hailing-with-gm1379817783-442802682>



UBER

“

Among the many problems Uber is tackling are: poor cab infrastructure in some cities, poor service, and fulfillment—including dirty cabs, poor customer experience, late cars, drivers unwilling to accept credit cards, and more.

Uber set out to reimagine the entire experience to make it seamless and enjoyable across the board. They didn't fix one aspect of the system (e.g. mobile payments for the existing taxi infrastructure); they tackled the whole experience from mobile hailing, seamless payments, better cars, to no tips and driver ratings.

By avoiding the trap of smaller thinking, and iterating on one element of the taxi experience (say, by making credit card payments more accessible in the car) they were able to create a wow experience that has totally re-defined what it means to use a car service, sparking an avalanche of word of mouth and press.[\[3\]](#)



Learning Outcomes

- Explain what a product is and the importance of products in the marketing mix
- Discuss the product life cycle and its implications for entrepreneurship
- Explain product portfolio management and how it relates to the organization's business strategy and tactics
- Define the process for creating new products
- Identify the challenges associated with creating a successful new product



Outcome: Products and Marketing Mix

What you'll learn to do: explain what a product is and the importance of products in the marketing mix

The specific things you'll learn in this section include:

- Define a product
- Identify difference between products that offer goods versus services
- Explain how to augment a product with services
- Define product marketing

Explain the role of product marketing in the marketing mix

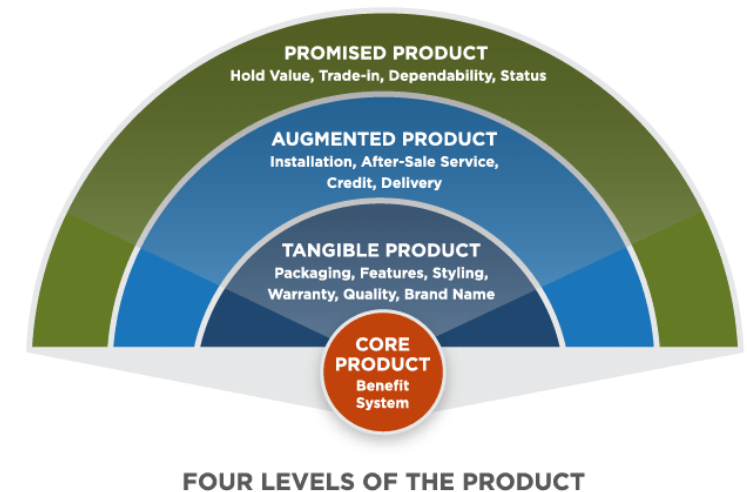
Learning Activities

- Defining Product
- Consumer Product Categories
- Products and Services
- Augmenting Products with Services
- Product Marketing and the Marketing Mix
- Self Check: Products and Marketing Mix

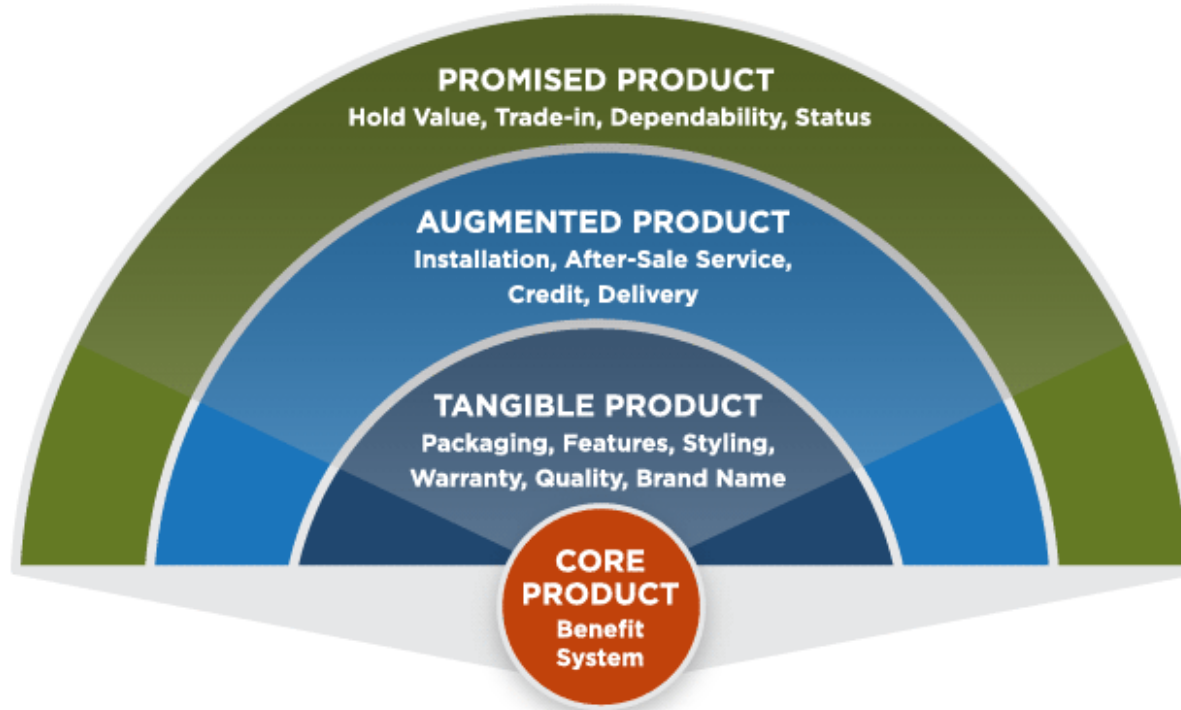


Defining Product

A product is a bundle of attributes (features, functions, benefits, and uses) that a person receives in an exchange. In essence, the term “product” refers to anything offered by a firm to provide customer satisfaction, tangible or intangible. Thus, a product may be an idea (recycling), a physical good (a pair of jeans), a service (banking), or any combination of the three



Four Levels of the Product



FOUR LEVELS OF THE PRODUCT

10-minute break

Hotels:

core product: it is a request for a place to stay for a night as close to the airport as possible

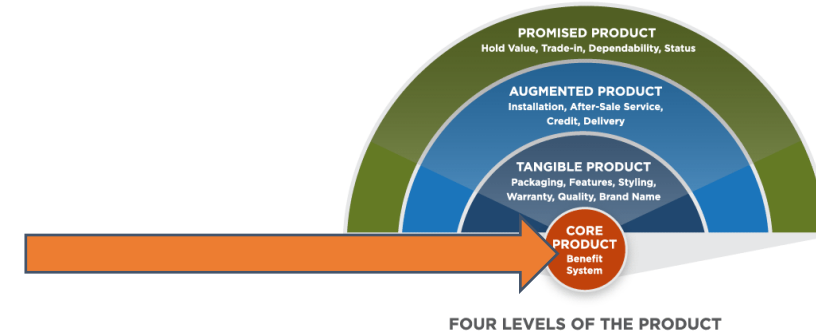
Product: Airport hotel, with affordable prices

Augmented product: pick-up service, transfer to the airport, early breakfasts (4 am), disposable toiletries.

Promised product: standards of the quality.



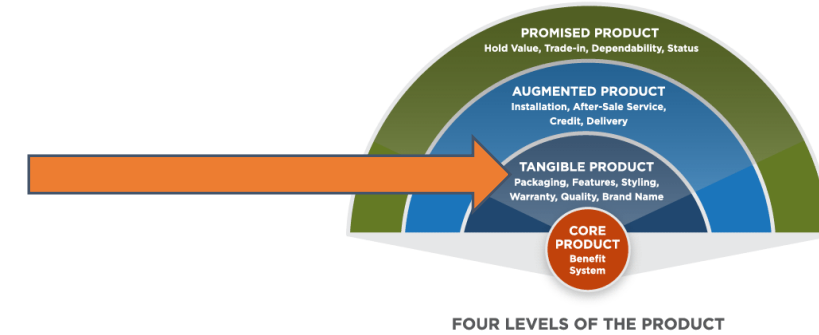
The Core Product



The core product satisfies the most basic need of the customer. For example, a consumer who purchases a healthy snack bar may be seeking health, convenience, or simply hunger relief. Tourist could be looking for a safe place to stay, or a place with a good location and connects with the transport nodes. An individual who buys low-priced, sneakers may just be seeking footwear. An individual on a tight budget who buys top-of-the-line sneakers might be hoping to achieve status. Or, the individual might be seeking a sense of freedom by splurging on an item that represents a true sense of style, even though he can't really afford it.



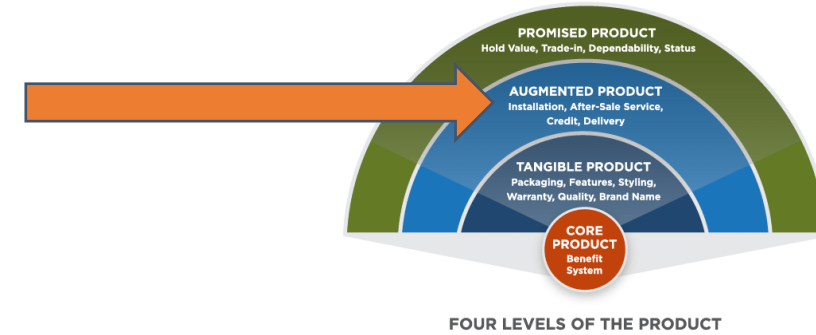
The Tangible Product



Once the core product has been identified, the tangible product becomes important. Tangible means “perceptible by touch,” so the tangible aspects of a product are those that can be touched and held. This idea can be expanded to also include the characteristics of the product that directly touch the buyer in the buying decision. These are the product elements that the customer will use to evaluate and make choices: the product features, quality level, brand name, styling, and packaging. Every product contains these components to a greater or lesser extent, and they are what the consumer uses when evaluating alternatives.



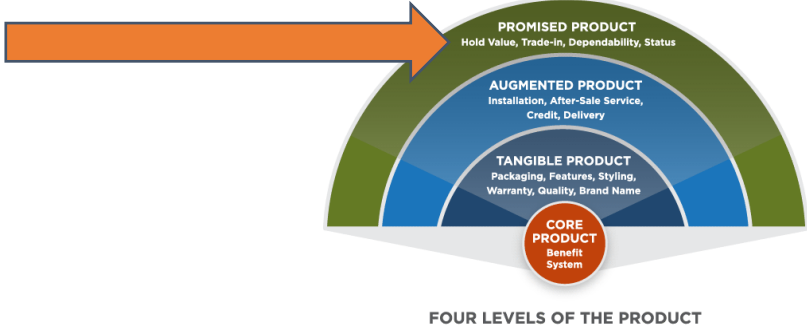
The Augmented Product



Every product is backed up by a host of supporting services. The augmented product includes the tangible product and all of the services that support it. Often, the buyer expects these services and would reject the tangible product if they were not available. For example, if you shop at a store, you are likely focused on a core and tangible product that centers on the merchandise, but you will still expect the store to have restrooms, escalators, and elevators. This extra service is an integral part of the augmented product and a key to their success.



The Promised Product



The outer ring of the product is referred to as the promised product. Every product has an implied promise, which is a characteristic that is attached to the product over time. The promised product is the long-term result that the customer hopes to achieve by selecting the product. The promised product may be financial—the resale value of a car, home, or property, for example—but it is often more aspirational. The customer hopes to be healthier, happier, more productive, more successful, or enjoy greater status.

Purchase Comparison		
Impetus to Buy	I need to be in Miami for a meeting next Thursday	I need a break from my stressful life
Core Product	Transportation Airline ticket from New York to Miami	Escape, peace of mind Airline ticket from New York to Miami
Tangible Product	<ul style="list-style-type: none">• Convenient routing• Reasonable cost• Frequent-flier points• Optimal flight times	<ul style="list-style-type: none">• Reasonable cost• Ease of booking• Quality of flight experience and service
Augmented Product	<ul style="list-style-type: none">• In-flight meal purchase• Insurance for flight changes	<ul style="list-style-type: none">• Full vacation services (hotel, rental car)• In-flight meal and premium drink purchase• Baggage services
Promised Product	Productivity, convenience, success	Escape, peace of mind, happiness



Purchase Comparison

Purchase Comparison

Impetus to Buy	I need to be in Miami for a meeting next Thursday	I need a break from my stressful life
Core Product	Transportation	Escape, peace of mind
	Airline ticket from New York to Miami	Airline ticket from New York to Miami
Tangible Product	<ul style="list-style-type: none"> • Convenient routing • Reasonable cost • Frequent-flier points • Optimal flight times 	<ul style="list-style-type: none"> • Reasonable cost • Ease of booking • Quality of flight experience and service
Augmented Product	<ul style="list-style-type: none"> • In-flight meal purchase • Insurance for flight changes 	<ul style="list-style-type: none"> • Full vacation services (hotel, rental car) • In-flight meal and premium drink purchase • Baggage services
Promised Product	Productivity, convenience, success	Escape, peace of mind, happiness



Consumer Product Categories

Consumer products are often classified into four groups related to different kinds of buying decisions: convenience, shopping, specialty, and unsought products. These are described below.

- Convenience Products
- Shopping Products
- Speciality Products
- Unsought Products



<https://pixabay.com/photos/supermarket-stalls-coolers-market-949913/>



Products and Services

Goods vs. Services

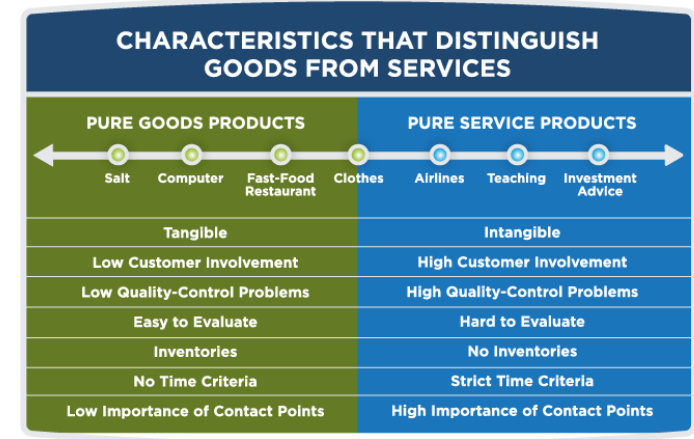
You may have noticed that throughout this course we use the term “product” broadly to address the full product offering that is comprised of goods, services, and often a combination of both. We’ve given examples of service products (hotel stays, for instance) and goods products (sneakers and bread, for instance).

Source: <https://www.istockphoto.com/photo/online-shopping-and-delivery-service-concept-paper-cartons-in-a-shopping-cart-on-a-gm868776554-145018567>



Characteristics of Service Products

- Intangible
- Simultaneous Production and Consumption
- Little Standardization
- High Buyer Involvement



Characteristics of Service Products



Augmenting Products with Services

Earlier we touched on “augmented products,” which are tangible products, along with all of the services that support them. When companies devise product strategies and decide whether or not to augment their products with additional services, they typically evaluate whether the following criteria will be met:

- Services can provide a more complete and satisfying customer experience.
- Services can increase the total revenue for each sale.



Improved Customer Experience

Relatively speaking, goods tend to be more fixed, and services are more variable. If you're trying to control the quality of a product, the “fixedness” of goods is obviously problematic—perhaps you'll need costly new equipment or production methods or a new product design to make improvements. If you're focused on personalizing the customer experience, though, the variability of services can be a tremendous benefit.



Increased Revenue per Customer



<https://pixabay.com/photos/double-decker-plane-mountains-fog-2795557/>

It is often the case that augmented services do create new revenue opportunities for the company. Some customers want a different level of service and are willing to pay more for it. By adding services a company can customize its product offering for the segments that desire something more.

Many of these services have become so standard that we hardly think about them. Most electronics come with an option to buy an extended warranty or a higher level of customer support. Airlines provide in-flight meals and drinks; many hotel and rental car packages are essentially augmented products.



Inputs to the company	Outputs to the market
Define market needs or problems that the product should address	Define key messages to the communicate product benefits to the target market
Complete a competitive analysis to understand other offerings in the market	Create marketing materials about the product
Identify which market segments the product will target	Define the sales approach
Define market requirements for the product	Create lead generation plans
Create buyer persona documents that describe the personality, behavior, and desires of buyer types	Develop sales materials such as Web site content, brochures, presentations, and product demonstrations
Determine price	Provide training and support to distribution channel partners

Product Marketing in the Marketing Mix

The Role of Product Marketing

Product marketing is the function of understanding the target customer's needs, and promoting and selling the product to the target customer. In many organizations this is a different function from product management, which is responsible for defining the product that the company will build. Obviously the two functions must interact closely, but each has a different primary focus.



Product Marketing in the Marketing Mix

Product Marketing Responsibilities^[1]

Inputs to the company	Outputs to the market
Define market needs or problems that the product should address	Define key messages to the communicate product benefits to the target market
Complete a competitive analysis to understand other offerings in the market	Create marketing materials about the product
Identify which market segments the product will target	Define the sales approach
Define market requirements for the product	Create lead generation plans
Create buyer persona documents that describe the personality, behavior, and desires of buyer types	Develop sales materials such as Web site content, brochures, presentations, and product demonstrations
Determine price	Provide training and support to distribution channel partners



The Marketing Mix

As you can see from the list of responsibilities, the product marketing function is not confined to only one aspect of the marketing mix. Instead, the product marketing function focuses on a single product or product line across the marketing mix. Let's look at a specific example of the product marketing role and a corporate marketing role, and see how they use the marketing mix (apple watch)



Example

APPLE WATCH

When Apple introduced the Apple Watch, they had a large team responsible for product marketing. The team was following emerging technology, consumer, and societal trends and identifying what would impact customer needs. They became experts in the features and marketing of competitive products. Product marketers defined the target buyer for the watch and identified the key features the buyer would require. They met with distribution partners. The product marketing team developed pricing recommendations. They managed tradeoffs involving features, schedule, cost, and pricing. They also traveled to trade shows, customer briefings, and press visits to talk about the watch. The product marketing team was Apple's resident expert on the target market for the Apple watch and the marketing strategy for that product.

Prior to the product launch, product marketing worked with Apple's marketing communications team to develop the press releases, press strategy, and marketing materials for the launch and ongoing sales. Marketing communications is a corporate function that works across all products. They do not try to become experts in each product but look to the product marketing team to bring that expertise. Instead, the marketing communications team are experts in promotion across all of Apple's products.

Product marketing understands the right message for the Apple watch's target market. The marketing communications team knows how to get a writer at the *New York Times* to write a story about that message.

Self Check

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

An offering by an organization that provides tangible or intangible customer satisfaction is the definition of a:

☐ business strategy



☒ product

Correct

☐ marketing mix



Outcome: Product Life Cycle

What you'll learn to do: discuss the product life cycle and its implications for marketing

The specific things you'll learn in this section include:

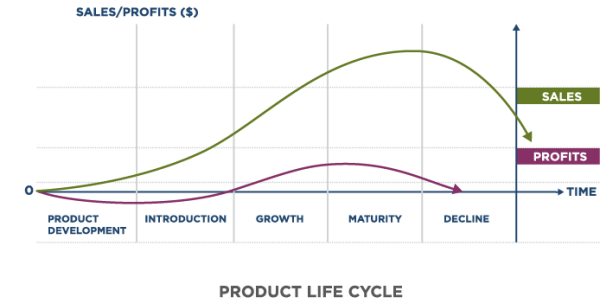
- Identify the stages of the product life cycle
- Explain the unique marketing requirements of each stage
- Identify challenges with using product lifecycle in marketing

Learning Activities

- Stages of the Product Life Cycle
- Marketing through the Product Cycle
- Challenges in the Product Life Cycle
- Self Check: Product Life Cycle



Stages of the Product Life Cycle

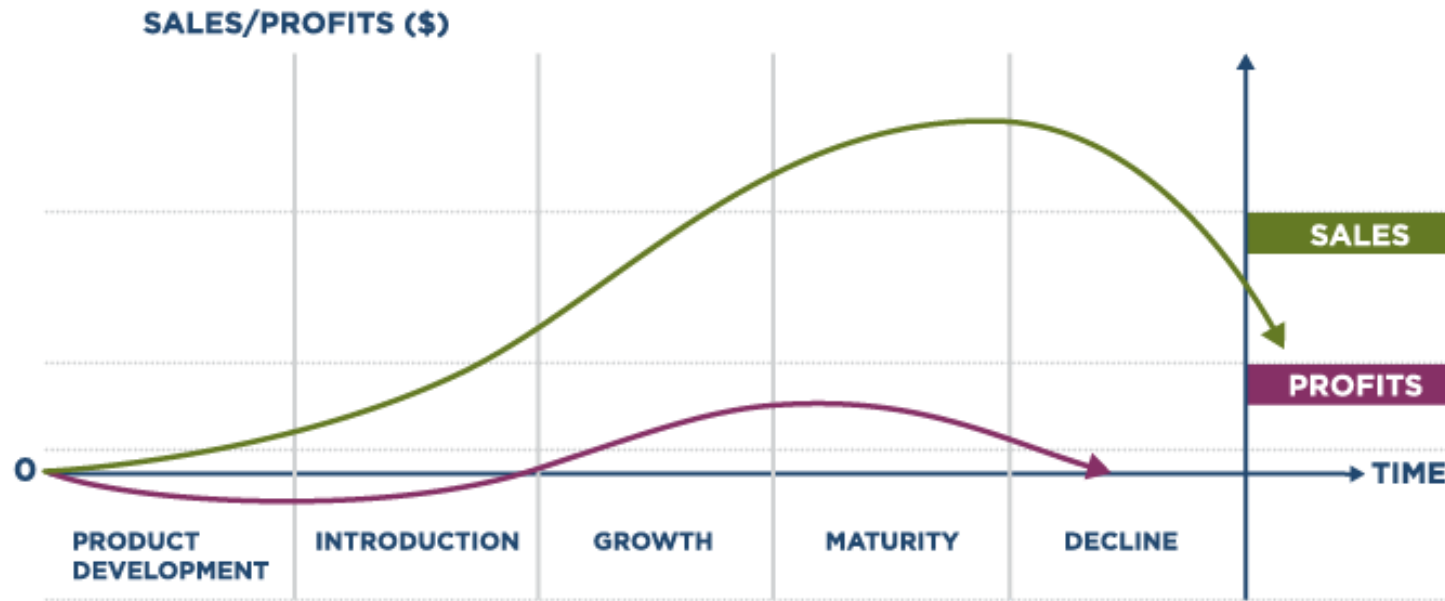


A company has to be good at both developing new products and managing them in the face of changing tastes, technologies, and competition. Products generally go through a life cycle with predictable sales and profits. Marketers use the product life cycle to follow this progression and identify strategies to influence it. The product life cycle (PLC) starts with the product's development and introduction, then moves toward withdrawal or eventual demise. This progression is shown in the graph, below.



5-minute break

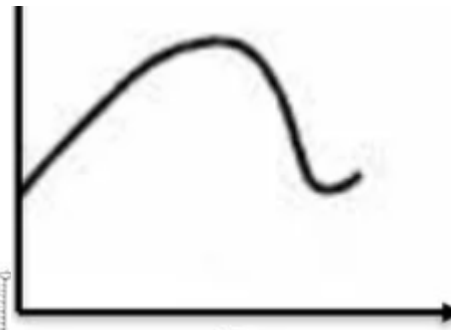
Stages of the Product Life Cycle (PLC)



The five stages of the PLC are:

- Product development
- Market introduction
- Growth
- Maturity
- Decline
- Please, think about the product with this type of the PLC curve:

PRODUCT LIFE CYCLE



Stage 1: Product Development

1. investment is made
2. sales have not begun
3. new product ideas are generated, operationalized, and tested

Stage 2: Market Introduction

1. costs are very high
2. slow sales volumes to start
3. little or no competition
4. demand has to be created
5. customers have to be prompted to try the product
6. makes little money at this stage

Stage 3: Growth

1. costs reduced due to economies of scale
2. sales volume increases significantly
3. profitability begins to rise
4. public awareness increases
5. competition begins to increase with a few new players in establishing market
6. increased competition leads to price decreases

Stage 4: Maturity

1. costs are lowered as a result of increasing production volumes and experience curve effects
2. sales volume peaks and market saturation is reached
3. new competitors enter the market
4. prices tend to drop due to the proliferation of competing products
5. brand differentiation and feature diversification is emphasized to maintain or increase market share
6. profits decline

Stage 5: Decline

1. costs increase due to some loss of economies of scale
2. sales volume declines
3. prices and profitability diminish
4. profit becomes more a challenge of production/distribution efficiency than increased sales



Using the Product Life Cycle

The product life cycle can be a useful tool in planning for the life of the product, but it has a number of limitations.

Not all products follow a smooth and predictable growth path. Some products are tied to specific business cycles or have seasonal factors that impact growth. For example, enrollment in higher education tracks closely with economic trends. When there is an economic downturn, more people lose jobs and enroll in college to improve their job prospects. When the economy improves and more people are fully employed, college enrollments drop. This does not necessarily mean that education is in decline, only that it is in a down cycle.

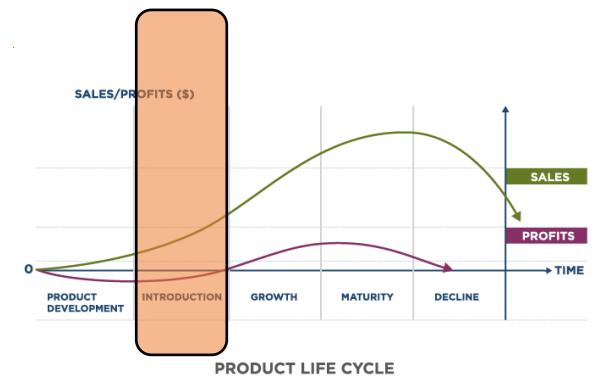


Marketing through the Product Cycle

There are some common marketing considerations associated with each stage of the PLC. How marketers think about the marketing mix and the blend of promotional activities—also known as the promotion mix—should reflect a product's life-cycle stage and progress toward market adoption. These considerations cannot be used as a formula to guarantee success, but they can function as guidelines for thinking about budget, objectives, strategies, tactics, and potential opportunities and threats.



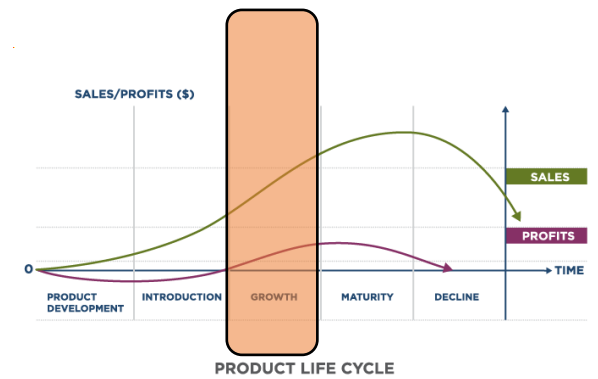
Market Introduction Stage



Think of the market introduction stage as the product launch. This phase of the PLC requires a significant marketing budget. The market is not yet aware of the product or its benefits. Introducing a product involves convincing consumers that they have a problem or need which the new offering can uniquely address. Usually a promotional budget is needed to create broad awareness and educate the market about the new product. To achieve these goals, often a product launch includes promotional elements such as a new Web site (or significant update to the existing site), a press release and press campaign, and a social media campaign.



Growth we stopped here 13.09.2023



Once rapid growth begins, the product or industry has entered the growth stage. When a product category begins to demonstrate significant growth, the market usually responds: new competitors enter the market, and larger companies acquire high-growth companies and products.

These emerging competitive threats drive new marketing tactics. Marketers who have been seeking to build broad market awareness through the introduction phase must now differentiate their products from competitors, emphasizing unique features that appeal to target customers. The central thrust of market messaging and promotion during this stage is “This brand is the best!” Pricing also becomes more competitive and must be adjusted to align with the differentiation strategy.



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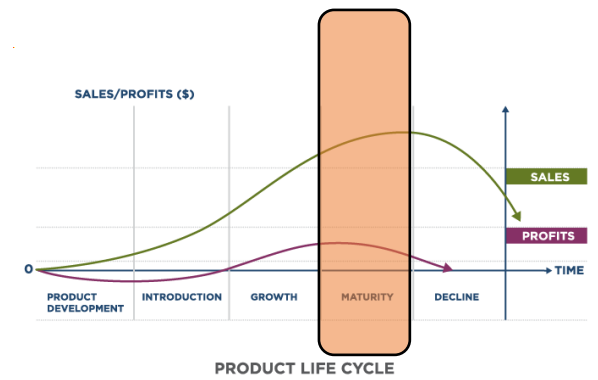
Principles of Entrepreneurship

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Ivan Monich, PhD
September 20, 2023

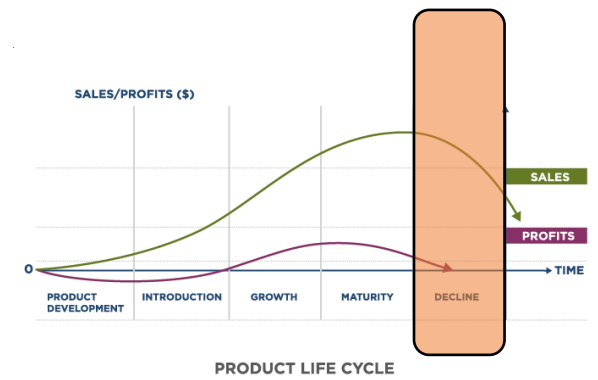
Maturity Stage



At this stage, organizations are trying to extract as much value from an established product as they can, typically in a very competitive field. Marketing messages and promotions seek to remind customers about a great product, differentiate from competitors, and reinforce brand loyalty: “Remember why this brand is the best.” As mentioned in the previous section, this late in the life cycle, promotional tactics and pricing discounts are likely to provide only short-term benefits. Changes to product have a better chance of yielding more sustained results.



Decline Stage



Once a product or industry has entered decline, the focus shifts almost entirely to eliminating costs. Little if any marketing spending goes into products in this life stage, because the marketing investment is better spent on other priorities. For goods, distributors will seek to eliminate inventory by cutting prices. For services, companies will reallocate staff to ensure that delivery costs are in check.



Challenges in the Product Life Cycle

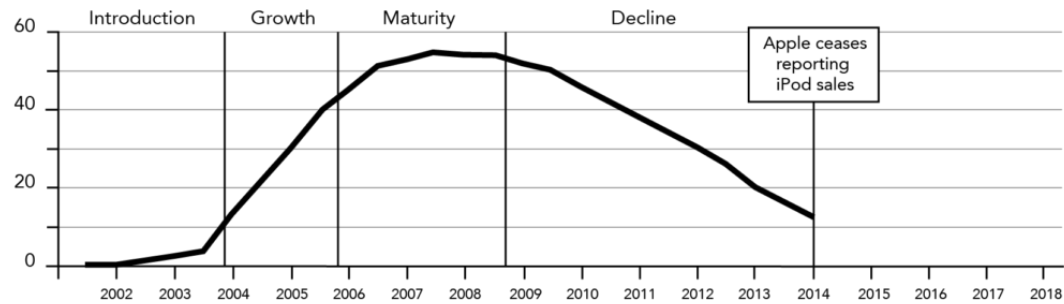
In theory, the product life cycle follows a predictable path that is easy to understand. This might suggest that the marketer just needs to gear up for the ride and be ready to adjust tactics as the product moves through its life cycle. To the contrary, a marketer's job is much less passive—instead, the marketer's goal is to influence the life cycle. An effective marketer tries to extend the growth stage in order to maximize revenue and profits and to extend the maturity stage in order to fund the development and introduction of new products.



Apple's iPod Life-Cycle Strategies

Worldwide iPod Sales

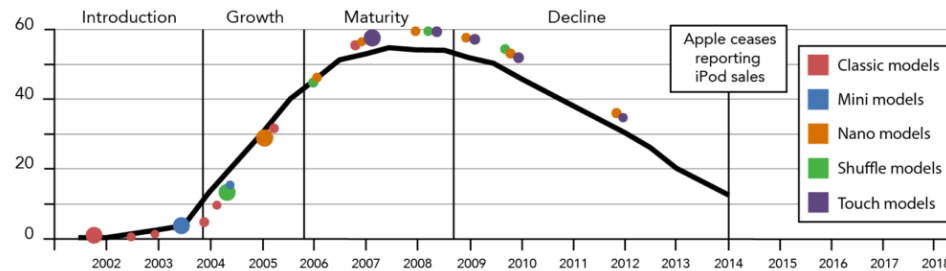
(in millions)



Source: Apple Inc.

iPod Product Releases

(in millions)



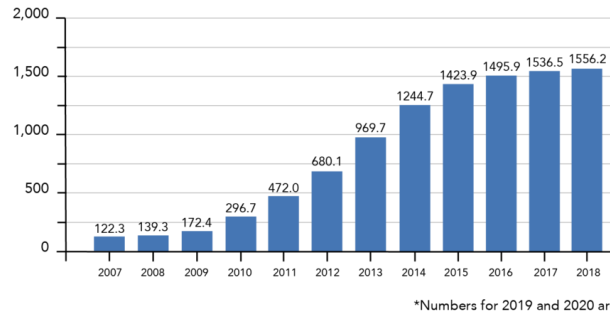
Source: Apple Inc.



The Smartphone Product Life Cycle

A smartphone is a mobile phone that performs many of the same functions as a computer. Prior to the introduction of the smartphone, most people used cell phones—which are now referred to as “feature phones.” Feature phones provide phone and text capabilities but lack an operating system that can support the more advanced capabilities of today’s smartphones.

Worldwide Smartphone Sales
(in million units)



Source: <https://www.statista.com/statistics/263437/gl>

Worldwide Digital Camera Shipments
(in millions)



Source: Statista.com



Lessons from the Smartphone Life Cycle

This example shows some benefits of considering the product life cycle in marketing strategies but also some significant limitations.

The product life cycle is not forward looking. At any point on the graph, a marketer can see what has already occurred but not what is ahead. In planning a product strategy, it is important to understand the past sales performance of the product and the industry broadly, but the role of marketing is to shape future performance, and the product life cycle doesn't offer many tools to inform that proactive work.



Self Check

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

A hiking boot's profits are declining because new competition has entered the market, but its cost has also declined due to increased volume of production. What stage of the product development life cycle is the hiking boot in?

☐ growth stage

☐ decline stage

☒ maturity stage

Correct



Outcome: Product Portfolio Management

What you'll learn to do: explain product portfolio management and how it relates to the organization's marketing strategy and tactics

The specific things you'll learn in this section include:

- Define the product portfolio and explain its use in marketing
- Identify marketing strategies and tactics used to achieve portfolio objectives
- Explain why new products are crucial to an organization's success

Learning Activities

- The Product Portfolio
- Achieving Portfolio Objectives
- New Products in the Portfolio
- Self Check: Product Portfolio Management



The Product Portfolio

Throughout this course we have discussed a number of ways that organizations market products successfully. How does an organization decide which products to offer? When should a company add new products, and when should it discontinue existing ones? Product portfolio management answers these questions.



Organizing for Effective Product Marketing

Before we dive into the product portfolio it is important to understand how products are organized in most businesses.

Typically, organizations group like products into product lines, and then group lines of business targeting a common set of customers into something called strategic business units (SBUs).



Organizing for Effective Product Marketing

- A product is a bundle of attributes (features, functions, benefits, and uses) that a person receives in an exchange. In essence, the term “product” refers to anything offered by a firm to provide customer satisfaction—tangible or intangible. Thus, a product may be an idea (recycling) , a physical good (a pair of jeans), a service (banking), or any combination of the three.

An example of a product is Tylenol pain reliever.

- A product line is a group of products marketed by an organization to one general market. The products have some characteristics, customers, and/or uses in common, and may also share technologies, distribution channels, prices, services, etc. There are often product lines within product lines.

An example of a product line is the full range of Tylenol products, or over-the-counter medicines.

- A strategic business unit or SBU is a self-contained planning unit for which discrete business strategies can be developed.

An example of a strategic business unit is consumer health care products.



JOHNSON & JOHNSON

0:30

Johnson & Johnson has hundreds of products. They sell baby shampoo to new parents and knee systems to surgeons who perform knee-replacement surgeries. Imagine trying to understand all of the different products and their target buyers. It would be impossible to span all of those products well. At the same time, what if your organization owns a single product—say, Johnson & Johnson's Neutrogena face wash? A different organization owns Johnson & Johnson's Aveeno face wash. It would be easy to optimize for a single product, rather than trying to achieve company objectives across all the products.

And as for a product line inside a product line? Johnson & Johnson has a product line of skin and hair care products. Within that product line, there are a number of brands that have a set of complementary products. Returning to our previous example, the Neutrogena product line includes a complete set of dermatologist-recommended skin and hair care products. The Aveeno product line includes a complete set of natural skin care products. Neutrogena products target buyers who place greater trust in doctors, and Aveeno targets buyers who trust natural products, but both are part of the Johnson & Johnson skin and hair care product line.

The skin and hair care product line is part of a larger strategic business unit for Johnson & Johnson: the consumer health care products business unit. This SBU includes:

- baby care
- skin and hair care
- wound care and topicals
- oral health care
- over-the-counter medicines
- vision care
- nutritionals

Think about this list. There are differences in the target buyer for each product line, but drugstores like Walgreen's and CVS carry all of these products, and they are, of course, all targeting consumers.

Johnson & Johnson's other SBUs include medical devices and prescription products.



Managing the Product Portfolio

The goal of product portfolio management is to ensure that the company's investment in products meets objectives. In order to do this, portfolio management must understand the needs and contributions of the products and allocate resources across product lines and SBUs to optimize their market performance.

- Analyzing SBU Performance
- Analyzing Market Opportunities



Achieving Portfolio Objectives

In our discussion of the product life cycle, we saw that competition generally increases as more competitors are drawn to high-growth markets. As more brands enter the marketplace and lock into a particular share of the market, it becomes more difficult to win and hold buyers. Apart from these competitive factors, other market factors can shift, too. For example:

- Changes in consumer tastes
- Changes in the size and characteristics of particular market segments
- Changes in availability or cost of raw materials and other production or marketing components



Marketing Mix Strategies

When a product is introduced, it's not locked down forever. Marketers continually gather market data about products so they can refine the product and its position in the marketplace.

- Product Modification
- Repositioning
- Product-Line Decisions
- Line-Extension Strategies
- Line-Filling Strategies
- Product Deletion



5-minute break

New Products in the Portfolio

Factors Influencing the Pace of Product Development: Internet
New Products Bring Risk



Role of New Products in the Portfolio



Self Check

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

A company is trying to figure out what products to offer, when to add new products, and when current products should be discontinued. What tool will assist the company in answering all of those questions?



☒ product portfolio management

Correct

☐ product life cycle

☐ marketing mix

New Product Development Process

What you'll learn to do: describe the new-product development process.

We have considered the role of new products throughout this module. It is important to introduce new products in order to have a balanced portfolio containing products at the various stages of the product life cycle. We have not yet focused on ways of creating successful new products.



New Product Development Process

The specific things you'll learn in this section include:

- Explain how new products are planned
- Identify approaches to generate new product ideas
- Identify methods to evaluate new product ideas
- Explain the process to create and commercialize new products

Learning Activities

The learning activities for this section include the following:

- Generating and Screening Ideas
- Developing New Products
- Commercializing New Products
- Self Check: New Product Development Process



Overview of the New-Product Development Process

There are probably as many varieties of new-product development systems as there are types of companies, but most of them share the same basic steps or stages—they are just executed in different ways. Below, we have divided the process into eight stages, grouped into three phases; subsequent slides will discuss these phases in greater detail.

New-Product Development Process: Phases and Stages

Phase I: Generating and Screening Ideas	Phase II: Developing New Products	Phase III: Commercializing New Products
Stage 1: Generating New Product Ideas	Stage 4: Business Case Analysis	Stage 6: Test Marketing
Stage 2: Screening Product Ideas	Stage 5: Technical and Marketing Development	Stage 7: Launch
Stage 3: Concept Development and Testing		Stage 8: Evaluation



Stage 1: Generating New Product Ideas

New-Product Development Process: Phases and Stages

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Generating new product ideas is a creative task that requires a particular way of thinking. Coming up with ideas is easy, but generating good ideas is another story. Companies use a range of internal and external sources to identify new product ideas. A SWOT analysis might suggest strengths in existing products that could be the basis for new products or market opportunities. Research might identify market and customer trends. A competitive analysis might expose a hole in the company's product portfolio. Customer focus groups or the sales team might identify unmet customer needs.



Stage 2: Screening Product Ideas

New-Product Development Process: Phases and Stages

Phase I: Generating and Screening Ideas	Phase II: Developing New Products	Phase III: Commercializing New Products
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The second stage of the product development process is idea screening. This is the first of many screening points. At this early stage much is not known about the product and its market opportunity. Still, product ideas that do not meet the organization's objectives should be rejected at this stage. If a poor product idea is allowed to pass the screening stage, it wastes effort and money in later stages until it is abandoned. Even more serious is the possibility of screening out a worthwhile idea and missing a significant market opportunity. For this reason, this early screening stage allows many ideas to move forward that may not eventually go to market.



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Stage 3: Concept Development and Testing

Today, it is increasingly common for companies to run some small concept test in a real marketing setting. The product concept is description of a product idea that reflects the core element of the proposed product. Marketing tries to have the most accurate and detailed product concept possible in order to get accurate reactions from target buyers. Those reactions can then be used to inform the final product, the marketing mix, and the business analysis.



Stage 4: Business Case Analysis

New-Product Development Process: Phases and Stages

Phase I: Generating and Screening Ideas	Phase II: Developing New Products	Phase III: Commercializing New Products
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Stage 3: Concept Development and Testing		Stage 8: Evaluation

Before companies make a significant investment in a product's development, they need to be sure that it will bring a sufficient return.

The company seeks to answer such questions as the following:

What is the market opportunity for this product?

What are the costs to bring the product to market?

What are the costs through the stages of the product life cycle?

Where does the product fit in the product portfolio and how will it impact existing product sales?

How does this product impact the brand?

How does this product impact other corporate objectives?



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Stage 5: Technical and Marketing Development

A product that has passed the screening and business analysis stages is ready for technical and marketing development. Technical development processes vary greatly according to the type of product. For a product with a complex manufacturing process, there is a lab phase to create specifications and an equally complex phase to develop the manufacturing process. For a service offering, there may be new processes requiring new employee skills or the delivery of new equipment. These are only two of many possible examples, but in every case the company must define both what the product is and how it will be delivered to many buyers.



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Stage 6: Test Marketing and Validation

Test marketing is the final stage before commercialization; the objective is to test all the variables in the marketing plan including elements of the product. Test marketing represents an actual launching of the total marketing program. However, it is done on a limited basis.

Initial product testing and test marketing are not the same. Product testing is totally initiated by the producer: he or she selects the sample of people, provides the consumer with the test product, and offers the consumer some sort of incentive to participate.



Stage 7: Launch

Finally, the product arrives at the commercial launch stage. The marketing mix comes together to introduce the product to the market. This stage marks the beginning of the product life cycle.

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Stage 8: Evaluation

New-Product Development Process: Phases and Stages

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The launch does not in any way signal the end of the marketing role for the product. To the contrary, after launch the marketer finally has real market data about how the product performs in the wild, outside the test environment. These market data initiate a new cycle of idea generation about improvements and adjustments that can be made to all elements of the marketing mix.



Developing New Products

The second phase of the new-product development process focuses on the actual development of the new product. This phase includes the following:

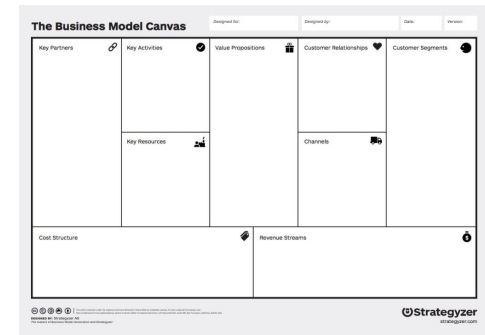
- Stage 4: Business Case Analysis
- Stage 5: Development

New-Product Development Process: Phases and Stages

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Making the Business Case



The business case is often the most challenging screening process in the new-product development process. It is not uncommon for a product team to get excited about an idea, get positive feedback on the concept from target buyers, and then fail to make the numbers work in the business case. Usually the business case review results in a “go, no-go” decision for the product concept.










One common tool for presenting a summary of the business case is called the “business model canvas” (see Figure 1, below). The canvas doesn’t cover all of the analysis that must be done, but it does provide a nice structure for identifying the different components that are important to the success of the product or business.



The Business Model Canvas by Osterwalder

The Business Model Canvas

Designed for: _____ Designed by: _____ Date: _____ Version: _____

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

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Notice that the center of the canvas focuses on the value proposition of the product, whereas the lower segments specify the costs to create value and the revenue earned by delivering the value.



Video for Business canvas and templates

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6

Key Partners Key partners In order to optimize operations and reduce risks of a business model, organizations usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures or strategic alliances between competitors or non-competitors.	Key Activities The most important activities in executing a company's value proposition. An example for Bic, the pen manufacturer, would be creating an efficient supply chain to drive down costs.	Value Propositions a company's value proposition is what distinguishes it from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. The value propositions may be: •Quantitative – price and efficiency •Qualitative – overall customer experience and outcome	Customer Relationship To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. That element should address three critical steps on a customers relationship: How the business will get new customers, how the business will keep customers purchasing or using its services and how the business will grow its revenue from its current customers.	Customer Segments To build an effective business model, a company must identify which customers it tries to serve. Various sets of customers can be segmented based on their different needs and attributes to ensure appropriate implementation of corporate strategy to meet the characteristics of selected groups of clients.
Cost Structure There are two business models: Cost-driven Value-driven Characteristics of cost structures: fixed costs, variable costs, Economies of scale and Economies of scope			Revenue Streams Asset sale, usage fee, subscription fees , Lending/leasing/renting (leasing a car or apartment), licensing, Brokerage fees, advertising,	

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Offering
Customers
Infrastructure
Finance

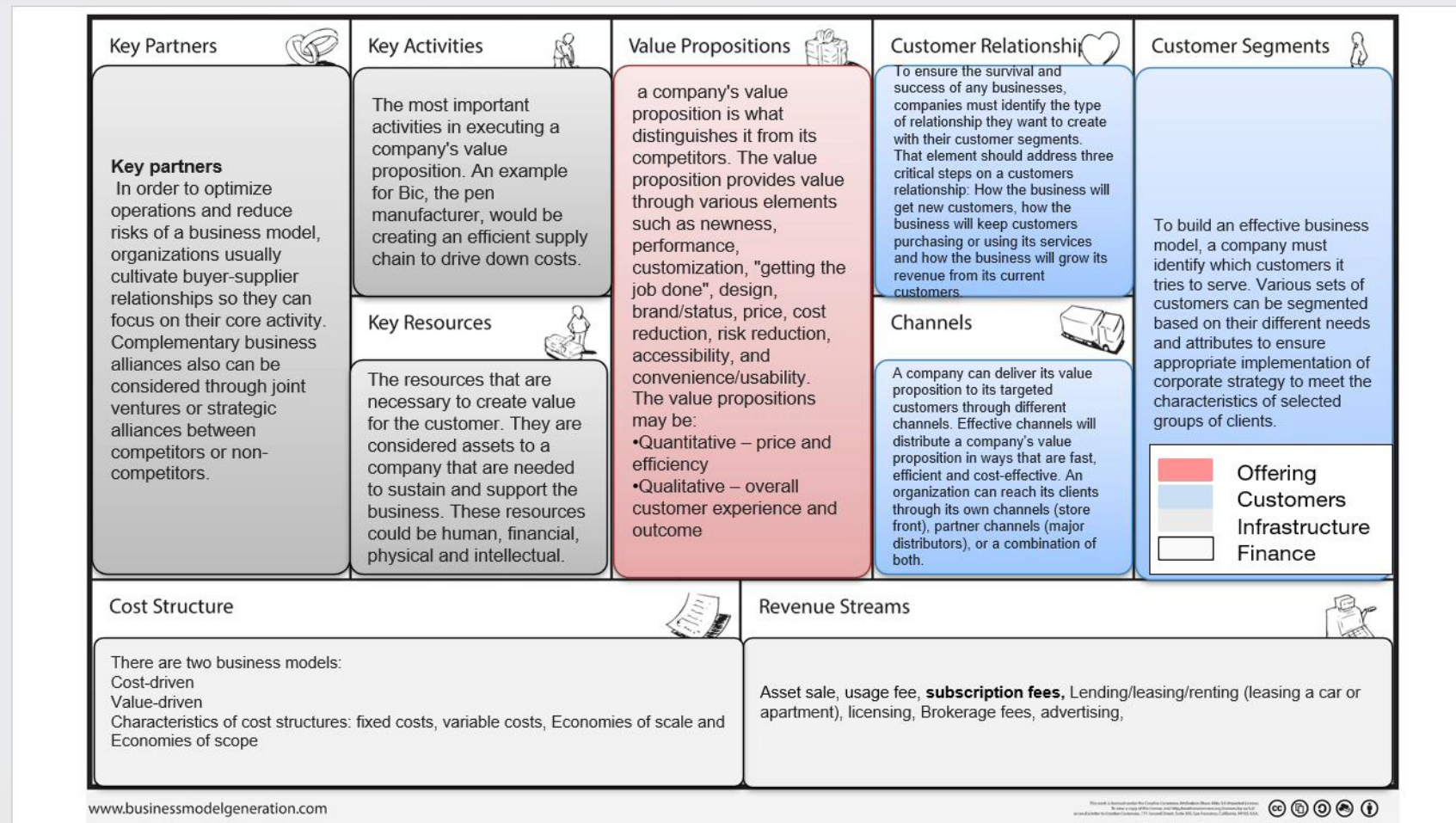
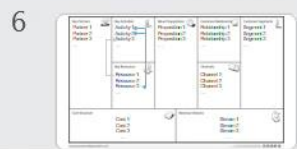
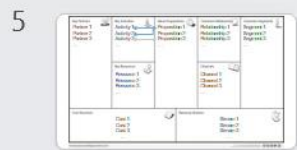
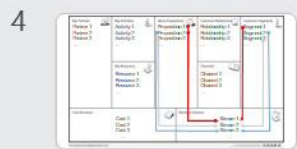
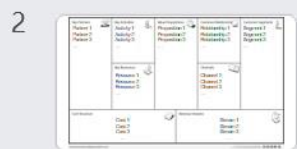
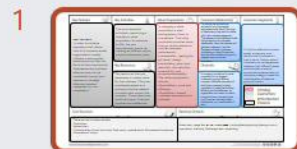
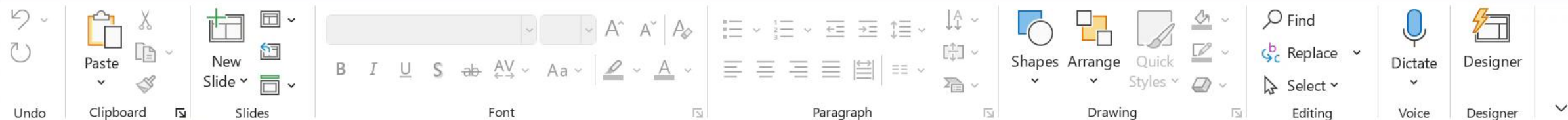


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Self Check

Check Your Understanding: New-Product Development Process

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

Identify the first stage of the product development process:



☒ generate and collect new product ideas

Correct

☐ screen product ideas

☐ business case analysis



Outcome: Challenges for New Products

What you'll learn to do: identify the challenges associated with marketing a new product successfully

The specific things you'll learn in this section include:

- Explain common challenges of new products
- Identify approaches to improving the success of new products

Learning Activities

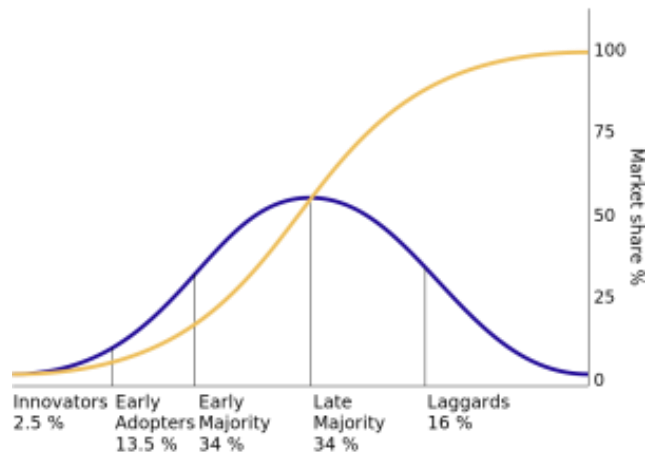
The learning activities for this section include the following:

- Diffusion of Innovation
- Improved Success in Product Development
- Self Check: Challenges for New Products



Diffusion of Innovation

Just as the product life cycle has a typical bell-shaped pattern, there is a predictable—and similar-shaped—pattern of buying, or adoption, when it comes to new products. This customer adoption pattern is important because it can be used to inform marketing decisions.



Diffusion of Innovation

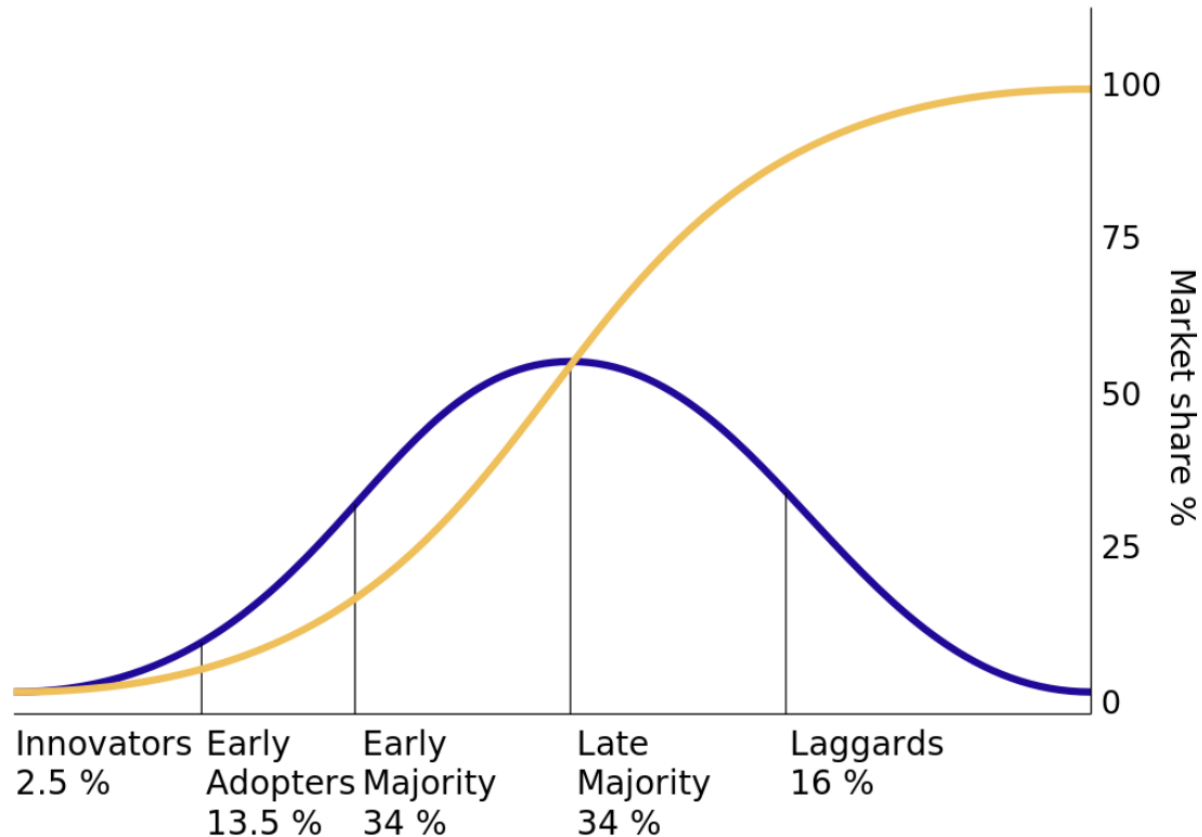
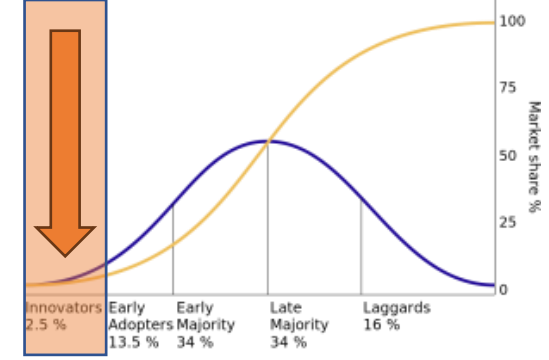


Figure 1. Diffusion of Ideas

Some customers will rush out and buy first or try to get an early version of a product before it is widely available. Others will wait until many people have adopted a product before they reluctantly consider the purchase.



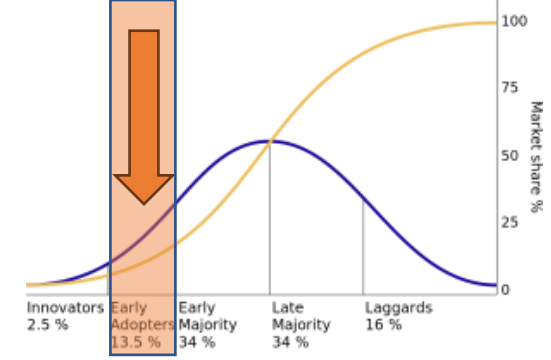
Innovators



Innovators are willing to take risks and are viewed by their peers as risk takers. Innovators' risk tolerance enables them to adopt technologies that may ultimately fail, and they typically need sufficient financial resources to absorb these failures. Innovators tend to be very tuned into market leaders and the latest developments. To stay on top of current trends, they research products thoroughly using “in-the-know” sources such as expert blogs and product forums. Innovators are willing to pay a premium to be the first to try a new offering.



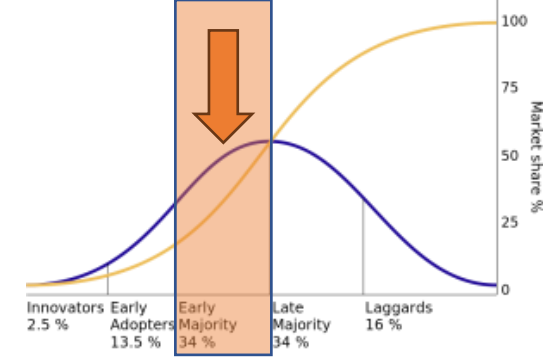
Early Adopters



Early adopters have a high degree of opinion leadership among the adopter categories. Others look to this group to road-test and validate new products. As a significantly larger segment than innovators, early adopters are influential in shaping the opinions of later adopters. Therefore it is essential to achieve high customer satisfaction with this segment. Early adopters are more aggressive than later adopters, but they are judicious about their adoption choices.



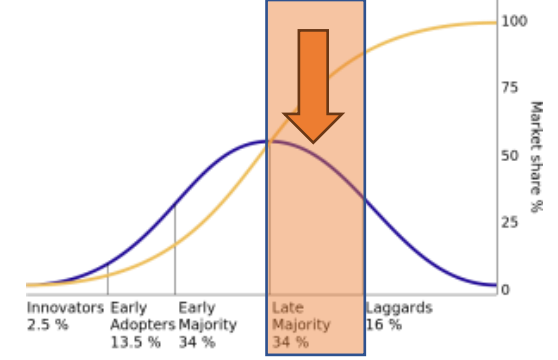
Early Majority



Early majority adopters are more risk averse than early adopters. Early majority buyers tend to seek a lot of opinion and validation to guide their choices: they want to know that the early adopters and innovators have had a good experience before they invest. The window of early majority purchasing spans a longer period of time than the innovators' and early adopters.'



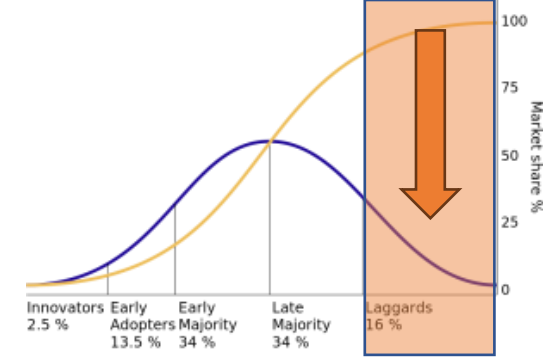
Late Majority



Late majority adopters arrive after the “average” participant has embraced an innovation. These individuals approach innovations reluctantly and with more skepticism than their predecessors. Late majority buyers are less likely to conduct extensive research about a purchase; instead they tend to simply follow the buying behaviors of earlier-adopting segments.



Laggards



Laggards are the last to adopt an innovation. Often, they are older and less educated than buyers in the other diffusion of innovation segments. Laggards typically have little or no opinion leadership and are averse to things they perceive as “agents of change.” Laggards tend to be focused on traditions. They are less connected socially, less involved with media, and harder to reach than the other groups.



Marketing an Innovation

Source: <https://pixabay.com/photos/innovation-business-businessman-561388/>

This model shows a tipping point between the early majority and the late majority adopters. A tipping point is the point at which small changes are enough to cause a larger, more substantial change. The challenge for the marketer is to encourage the adoption of a product by early adopters and the early majority in order to reach that tipping point. Once these groups are on board, their momentum helps drive the product from the introduction stage of the life cycle into the growth stage.



Improved Success in Product Development

One common cause of failure in the developing and marketing of new products is something called “product-market fit.” Marc Andreessen, a technology entrepreneur and investor who has written about this, explains that product-market fit is simply being in a good market with a product that can satisfy that market.

New technologies enhance the ability of companies to bring products to market quickly, but speed doesn’t guarantee the right product-market fit. Without a good fit, companies risk launching a product that doesn’t satisfy the market need.



User-Centered Design

User-centered design is a product development process in which the needs, wants, and limitations of end users are given extensive attention at each stage of the design process. The chief difference from other product design approaches is that user-centered design tries to optimize the product around how users can, want, or need to use the product, rather than forcing the users to change their behavior to accommodate the product.



The Lean Startup Methodology

The “lean startup methodology” has been described by Eric Ries as an approach that helps new companies achieve product-market fit during their earliest product launch. The methodology is based on the assumption that it’s essential to get real market data from product users as early as possible in the design process. The challenge, as you have learned, is that marketers don’t see substantial, realistic market data (which are used to refine the marketing mix) until well after the product launch.



The Lean Startup Methodology

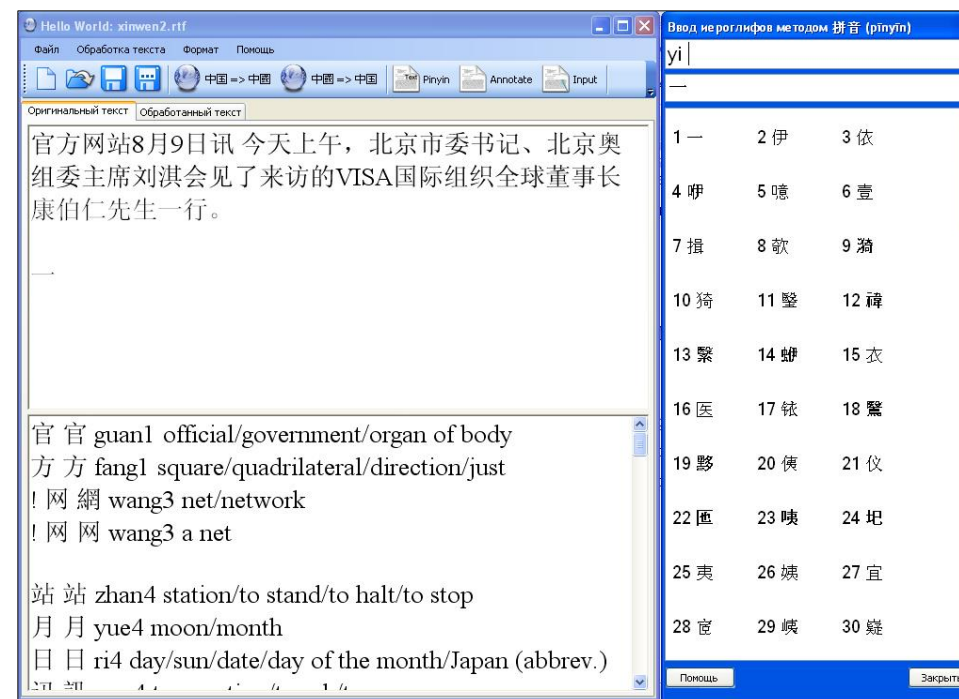
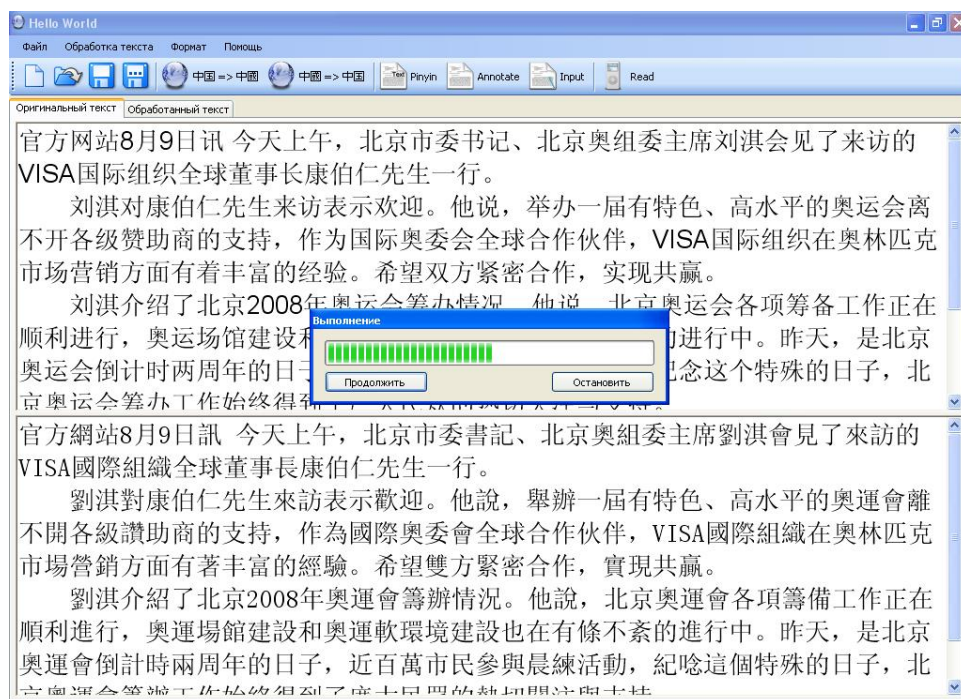


Ries proposes that rather than launching a fully developed, full-featured product, companies should begin with a very limited launch of what he calls “the minimum viable product.” **The minimum viable product (MVP)** is the most streamlined product that any group of users will accept. According to this approach, the company develops and launches its **MVP**, captures market and user data, and quickly uses that information to make adjustments for its next minimal feature set. In each cycle of development the product team learns from actual market and user data, and uses them to refine the product and stay aligned with company goals.



5-minute break

My Master Diploma (2007) as MVP of the Chinese-English Annotator.



Self Check

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

Which is a true statement about the diffusion-of-innovation theory?

- ☐ Laggards are considered opinion leaders and are more socially connected than other groups.
- ☒ Innovators are always the first to adopt innovative and new products and they are viewed as risk takers.
Correct
- ☐ The late majority adopts new products before the early majority and approaches innovations eagerly.

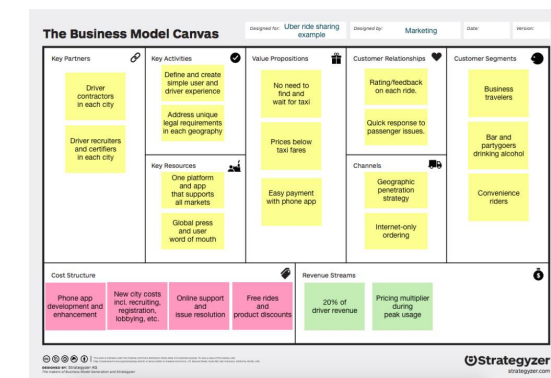


Putting It Together: Product Marketing

In this module we've covered a wide range of topics related to the role of the product in the marketing mix. As you've seen, creating clear value for the customer, understanding the product life cycle, and creating a balanced product portfolio are all interrelated aspects of thinking about the customer and market behavior.



Putting It Together: Product Marketing



Recall that the business model canvas is a tool companies use to lay out the business case for a new product concept. Figure 1, below, is an example of how Uber's business model canvas might have looked when the founders cooked up the idea for their ride-sharing offering. Given what we know now about the product's success, it's pretty clear that Uber hit its mark: the company identified and delivered on a value proposition with incredible product-market fit.



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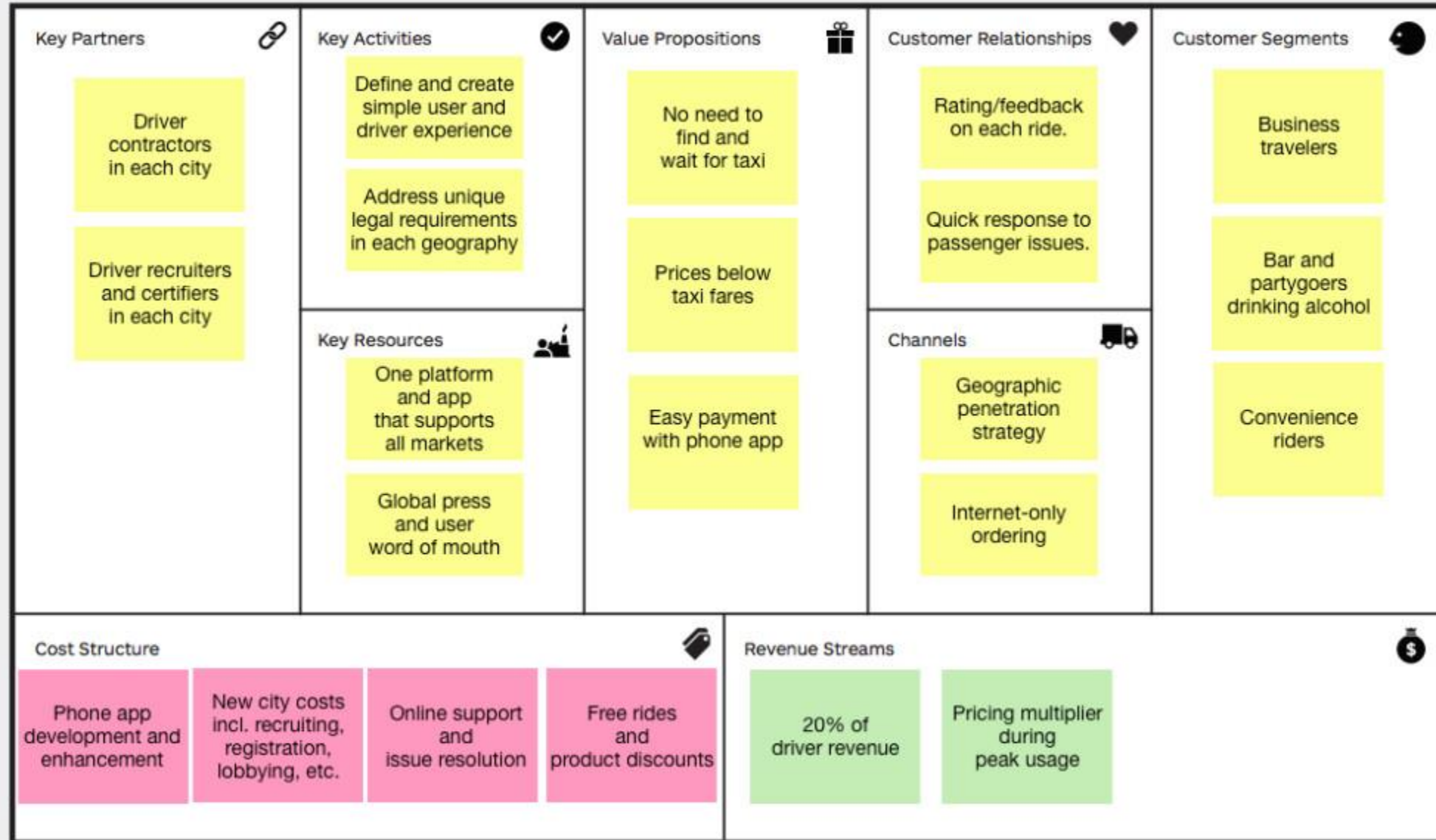
The Business Model Canvas

Designed for: **Uber ride sharing example**

Designed by: **Marketing**

Date:

Version:



Thank you for your attention

