



RAMA UNIVERSITY

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E-Content BBA402- Marketing Management

Lecture 21- New Product development

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New Product Development

- The internet has increased the pace and importance of new product development
- New products have greater risk but may bring greater rewards

STRATEGIC OPPORTUNITY MATRIX





Product Development Process

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

Fuzzy Front End vs. NPD

FUZZY FRONT END (FFE)

NATURE OF WORK: EXPERIMENTAL, OFTEN CHAOTIC. "EUREKA" MOMENTS.

COMMERCIALIZATION DATE: UNPREDICTABLE OR UNCERTAIN.

FUNDING: VARIABLE.

REVENUE EXPECTATIONS: OFTEN CERTAIN, WITH A GREAT DEAL OF SPECULATION.

ACTIVITY: INDIVIDUALS AND TEAM RESEARCH TO MINIMIZE RISK AND OPTIMIZE POTENTIAL.










MEASURES OF PROGRESS: STRENGTHENED CONCEPTS.

- New Product Development (NPD)
- Nature of work: Can schedule work—but not invention. Disciplined and goal oriented with a project plan.
- Commercialization Date: High degree of certainty.
- Funding: Budgeted.
- Revenue Expectations: Predictable with increasing certainty as the product release date gets closer.
- Activity: Multifunction product and/or process development team.
- Measures of Progress: Milestone achievement.

Figure: The Business Model Canvas (Blank)

The Business Model Canvas

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

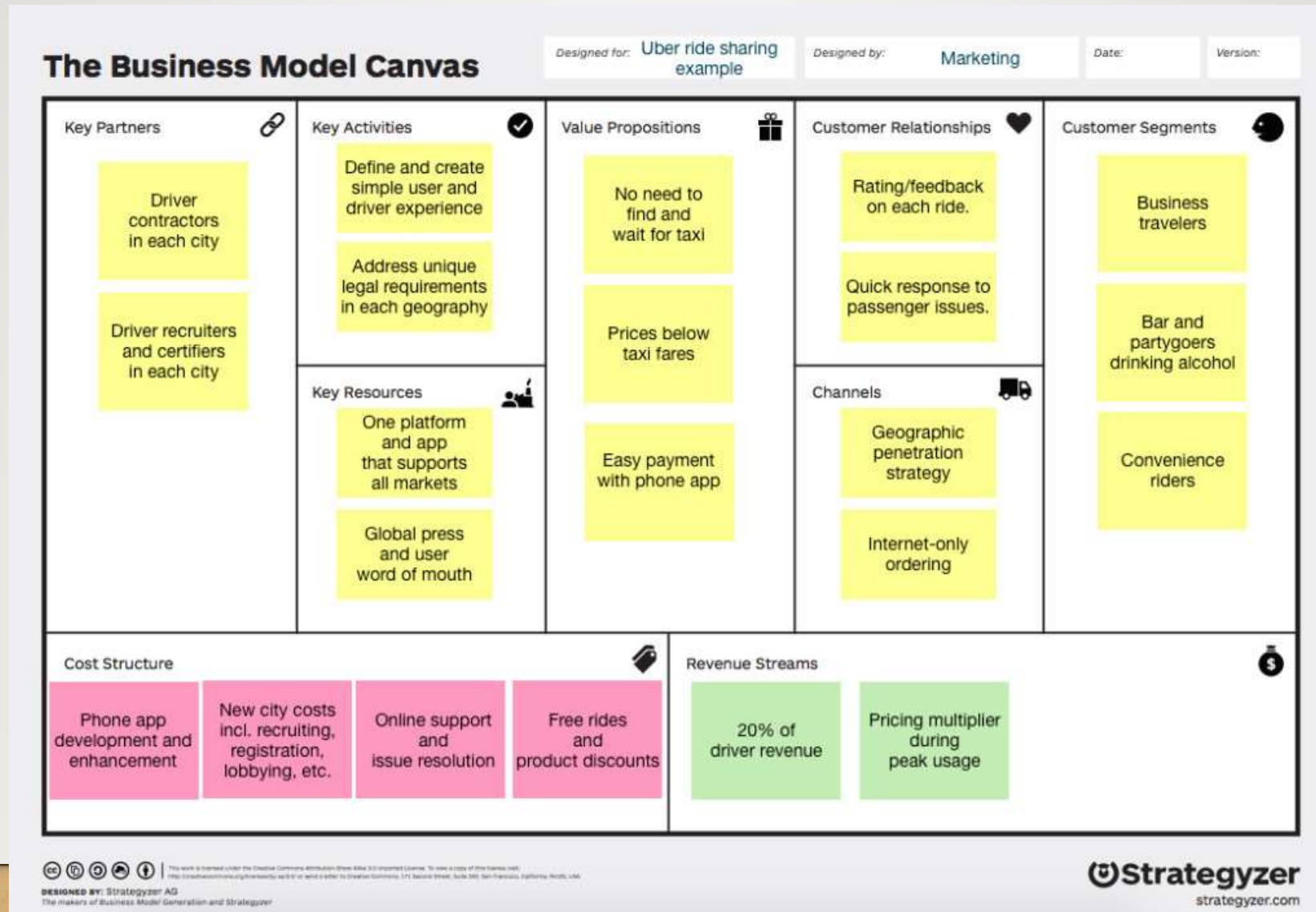
Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

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DESIGNED BY: Strategyzer AG
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strategyzer.com

Figure: The Business Model Canvas (Filled out)



Business Case Analysis

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

- What is the market opportunity for this product?
- What are the costs to bring the product to market?
- What are the costs through 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 such as social responsibility?



Test Marketing Decisions

- Duration of testing
- Selection of test markets
- Sample size determination



Launch Marketing Strategies

- Press strategies: Press releases to get earned media to build visibility and credibility
- Price discounts
- Channel partner incentives to encourage partners to sell or distribute the new product

Diffusion of Innovation

- Yellow=cumulative market share
- Purple=the percentage of the market that will buy a new product in each phase of product adoption



Ways to Improve Product Development

- User-centered design
- Lean Startup Methodology: The company develops and launches its minimum viable product to a limited audience, captures market and user data, and quickly uses that information to make adjustments



Quick Review

- What is a product? How are products important in the marketing mix?
- What is the product life cycle and how does it affect marketing?
- What is product portfolio management? How does it relate to the organization's marketing strategy and tactics?
- What is the process for creating new products?
- What are the challenges associated with creating a successful new product?