

**Marketing**

Second SA Edition  
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**Chapter 9:  
Developing and Managing  
Products**

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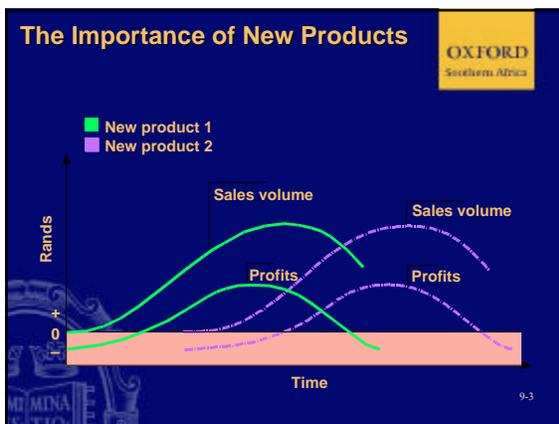
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**Introduction**

- The importance of new products
  - growth and profitability objectives
  - replacing declining products
  - product obsolescence
  - remaining competitive
  - changing needs mean opportunities for new products

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**New-Product Development (NPD) Success**

- NPD Success depends on:
  - commitment to support innovation and development
  - focus on the firm's objectives
  - formulation of a formal NPD strategy based on an identified competitive advantage
  - capitalising on experience
  - an environment conducive to NPD

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**Sources of Ideas for New Products** OXFORD  
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- Customers
- Employees
- Distributors
- Competitors
- Research and Development
- Consultants

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**Stimulating New-Product Ideas** OXFORD  
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- **Attribute listing**
  - analysis the features of existing products
  - modification possible?
- **Forced relationships**
  - other products used in the same environment are assessed
- **Brainstorming**
  - unlimited ways to solve a problem
  - no evaluation at first
- **Focus groups**

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**Idea-screening** OXFORD  
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- will it establish and sustain a competitive advantage?
- will it contribute to the realisation of the firm's business? Is it our business?
- do we have the resources?
- any legal implications?
- what are the profitability prospects?

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**Concept Development and Testing** OXFORD  
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- **more thorough assessment against customer requirements**
  - who will use the product?
  - what is the primary benefit?
  - when will it be used?
- **verbal reactions to descriptions and visual representations eg. computer simulations**
- **combining consumer needs and product features**
- **solicit views of intermediaries**

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**Business Analysis and Development** OXFORD  
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- **Business Analysis**
  - preliminary estimates of demand, costs, sales and profitability
  - assessment of competitive reaction
  - assessment of economic environment and business cycle
- **Development**
  - prototype
  - preliminary marketing strategy - 4Ps
  - technical feasibility - laboratory tests

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**Test Marketing and Commercialisation** OXFORD  
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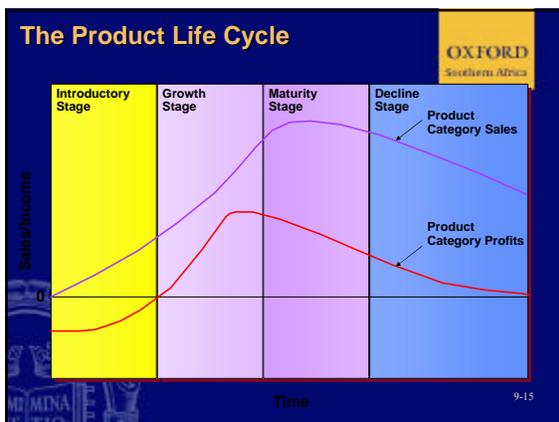
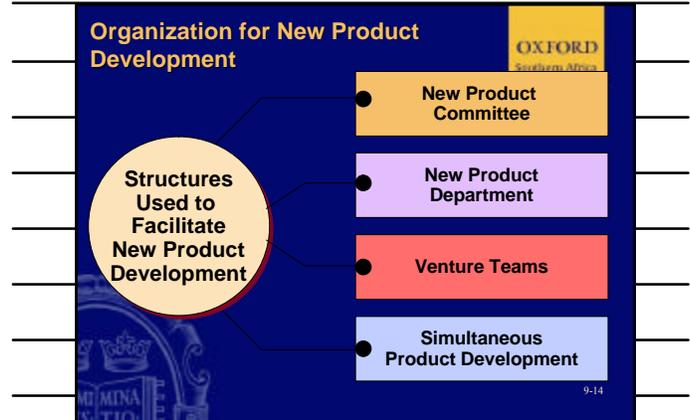
- **Test marketing**
  - limited introduction to test market reaction and assess marketing strategy
  - selection of test market important
  - is expensive
  - can alert competitors
- **Commercialisation**
  - the decision to proceed with marketing a new product

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### Why Some New Products Succeed

Success Factors	Failure Factors
Good match between product and market needs	Poor match between product and market needs
Adequate target market size	Overestimation of market size
Offers a clear, meaningful benefit	Incorrect positioning
Distinguishable from substitute products	Inappropriate price
Offers unique, superior value	Inadequate distribution
Organisational commitment to new product development	Poor promotion

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- ### The Product Life Cycle in Perspective
- It's a tool to assist managers - it does not replace managerial judgement and decision-making
  - it suggests and not dictate strategies
  - the length of each stage depends on the product's competitive advantage
  - the duration of each stage can be lengthened by means of product changes, new uses and re-positioning
- 9-16

- ### Characteristics of the Introduction Stage
- sales are slow and increasing slowly
  - often production and distribution problems
  - negative profitability due to high costs (incentives to both consumers and retailers, advertising costs, production problems)
  - no direct competition
  - promotion: primary demand
- 9-17

- ### Characteristics of the Growth Stage
- sales accelerate at first
  - modest profits late in this stage due to economies of scale and lower advertising costs
  - promotion: brand advertising
  - new competitors enter the market with "me-too" products
  - prices and industry sales begin to decline slightly late in this stage
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**Characteristics of the Maturity Stage** 

- can be sub-divided into
  - growth, stable and decaying maturity
- longest stage
- sales increase at a decreasing rate
- market reaches saturation
- many “me-too’s” drop out
- intensely competitive
- often price wars as competitive advantage has been eroded

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**Characteristics of the Decline Stage** 

- long-run drop in sales as more and more consumer switch to new products
- only the strongest brands survive
- rate of decline determined by:
  - technological advances
  - shifts in consumer preferences
  - intensity of competition

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**Strategies during the Introduction Stage** 

- market: monopoly (no direct competitors)
- objective: encourage trial
- selective distribution: special attention
- price discretion
  - rapid skimming, slow skimming, rapid-penetration, slow-penetration
- promotion: primary demand, focus on advantages and benefits

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**Strategies during the Growth Stage** 

- market: monopolistic competition or oligopoly
- objective: innovators to buy again, attract new buyers
- slight lowering of price: raise barriers to entry
- improve quality, add new features
- line extensions
- selective expansion of distribution
- promotion: from awareness to brand insistence

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**Strategies during the Maturity Stage** 

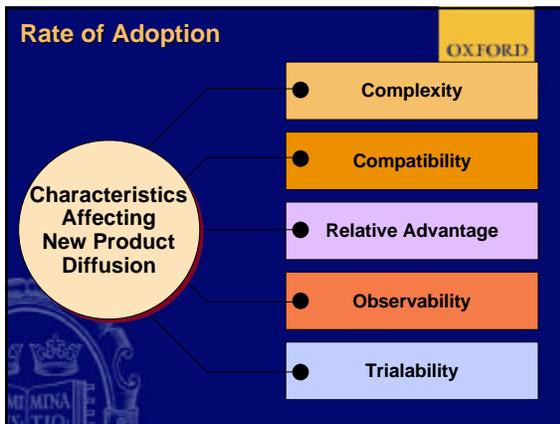
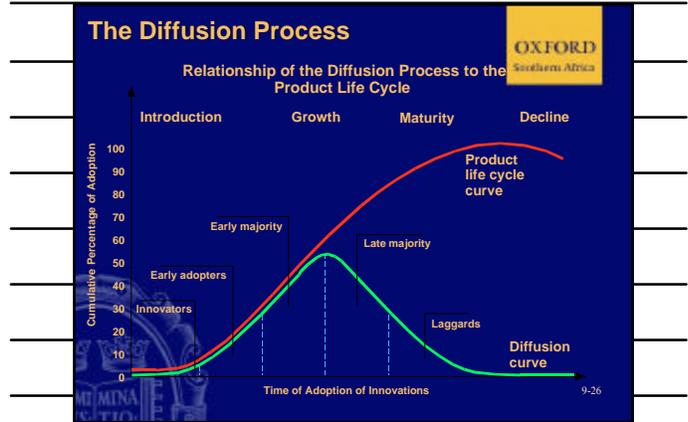
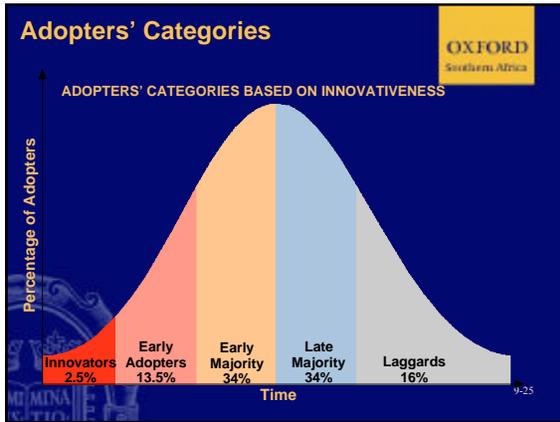
- market: pure competition
- objective: increase market share
- find new uses, niche markets
- lower prices to reach price sensitive buyers
- develop new distribution channels
- add new ingredients or features
- improve quality or add guarantee
- re-position the product

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**Strategies during the Decline Stage** 

- market: many products/brands drop out
- sharp focus on limiting expenditure
- unprofitable models, brands and retail outlets dropped
- three options:
  - hang in: chance of revival through improved marketing
  - withdraw
  - harvest: retain product but little or no marketing expenditure - target only the most loyal

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### Marketing Implications of Adoption

- Two types of communication aid adoption
  - word-of-mouth
    - » opinion leaders important
  - marketer-to-consumer
    - » different appeals for early adopters, early majority, late majority, etc

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