

# Principles of Marketing

9-1

## Session 9

# New Product Development and Product Life Cycle

**Text: Chapter 9**



# Outline

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- I. New-Product Development Strategy**
- II. Managing New-Product Development**
- III. Product Life Cycle Strategies**



# I. New Product Development Strategy

# I-1. Success Factors for New Product Development

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**Successful new product development requires:**

- **Top managers' strategic intents & implication**
- **Abundant resources**
- **Flexible organization structure**



# I-2. Ways to Organize New Product Development

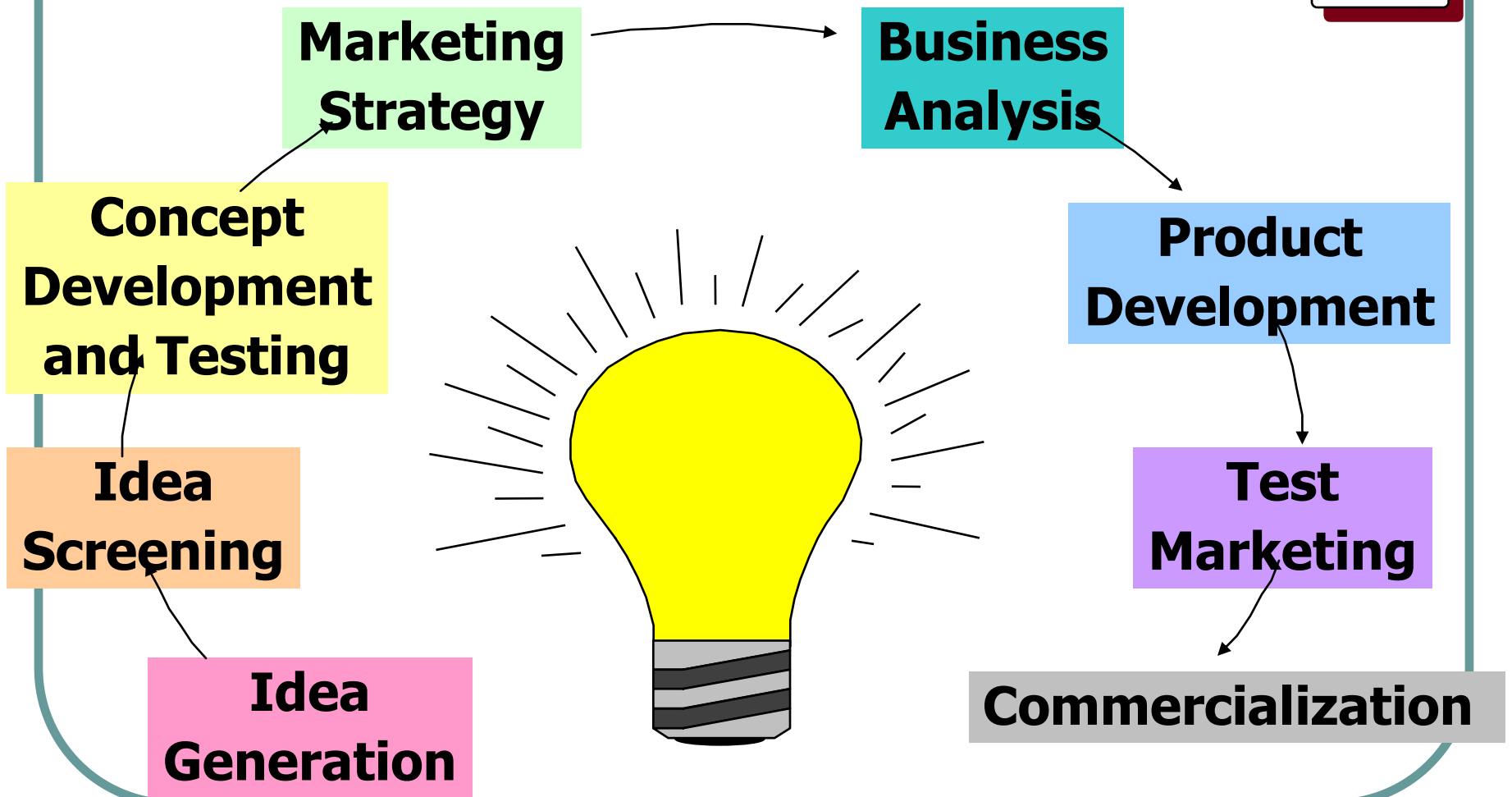
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- **New Product Venture Teams**
- **Product Managers**
- **New Product Managers**
- **New Product Committees**
- **New Product Departments**



# I-3. New Product Development Process

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# I-4. Concepts in Concept Development

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- Product idea
- Product concept
- Category concept
- Brand concept
- Concept testing



# Internal Idea Source : Job's Insight

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- “MacBook Air——世界上最薄的笔记本电脑”
- “iPod 把1000首歌曲装进你的口袋里”
- “今天，苹果重新发明了手机！”
- .....



# External Idea Source

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# Product-Idea Rating Device

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Product Success Requirements	Relative Weight (a)	Product Score (b)	Product Rating (c = a × b)
Unique or superior product	.40	.8	.32
High performance-to-cost ratio	.30	.6	.18
High marketing dollar support	.20	.7	.14
Lack of strong competition	.10	.5	.05
Total	<u>1.00</u>		<u>.69<sup>a</sup></u>

<sup>a</sup>Rating scale: .00-.30 poor; .31-.60 fair; .61-.80 good. Minimum acceptance rate: .61



# Concept Testing

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- Communicability and believability
- Need level
- Gap level
- Perceived value
- Purchase intention
- User targets, purchase occasions, and purchasing frequency



# The Power of Technology & Design

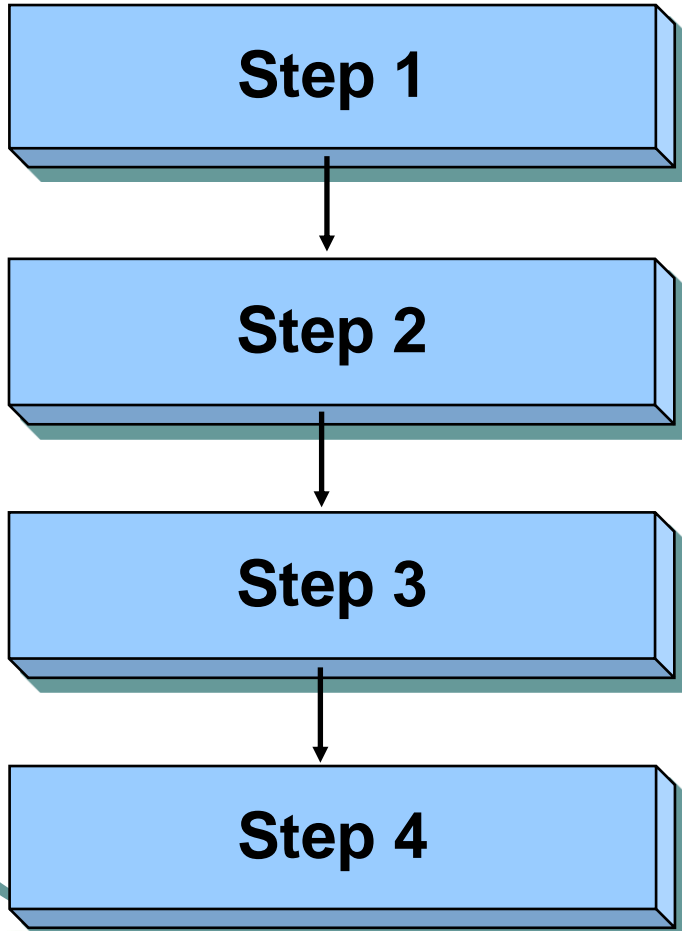
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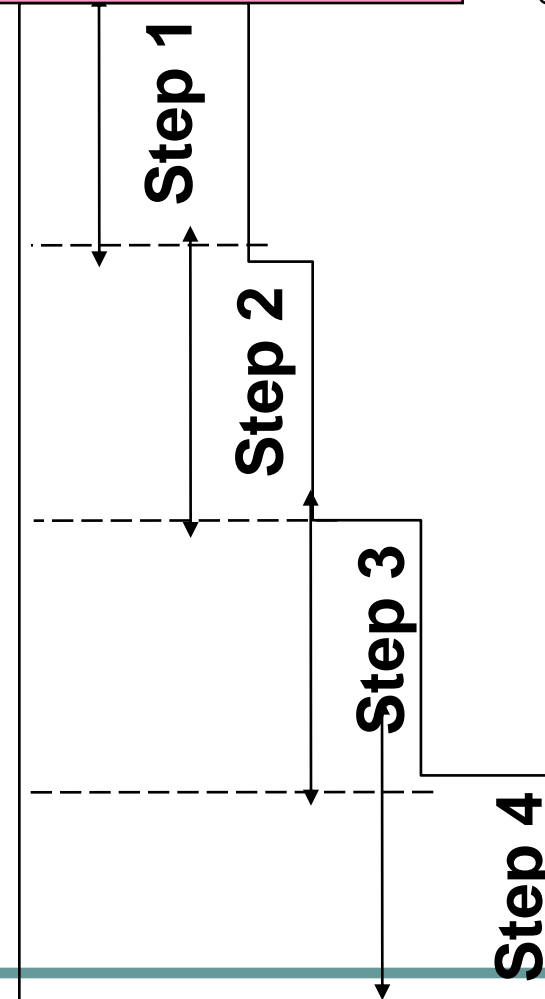
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# Speeding Up Development

## Sequential



## Simultaneous



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# V. Test Marketing

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## Major Types of Test Marketing

- Standard
- Controlled
- Simulated



# I. Product Life Cycle Strategies

# I-1. Product Life Cycle

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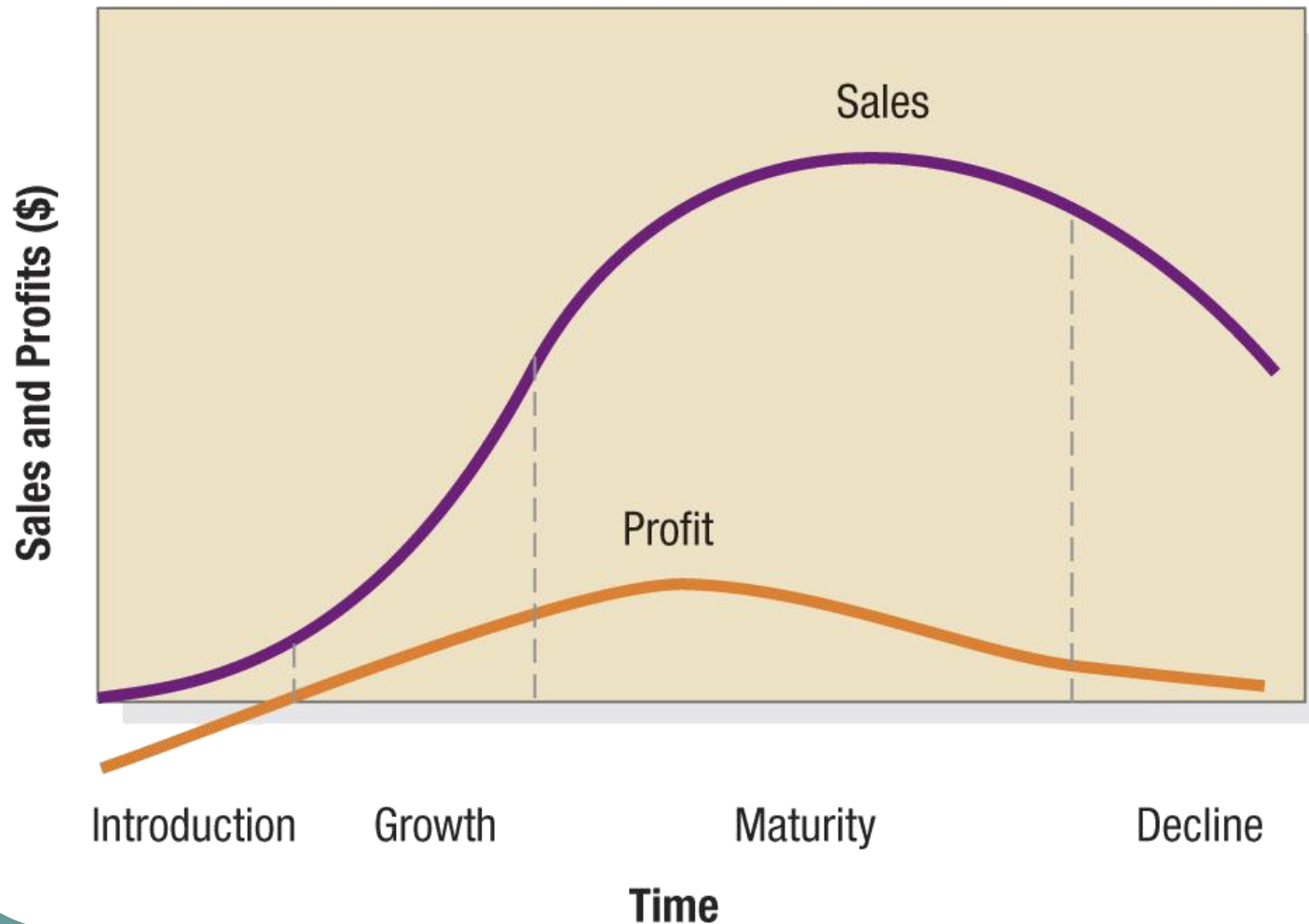
- (1) Product Life Cycle Model**
- (2) Applications of the Product Life Cycle**
- (3) Characteristics for each stage of PLC**
- (4) Marketing Strategies for Each Stage of PLC**
- (5) Problems Using the PLC**





# (1) Product Life Cycle Model

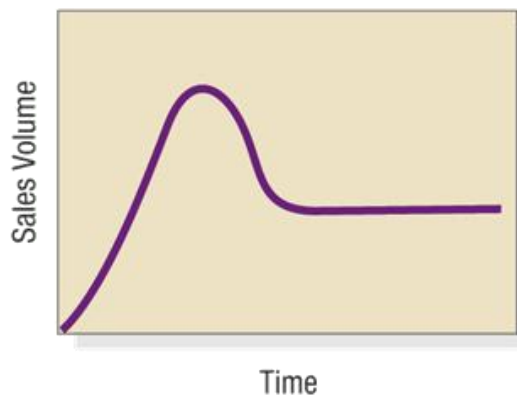
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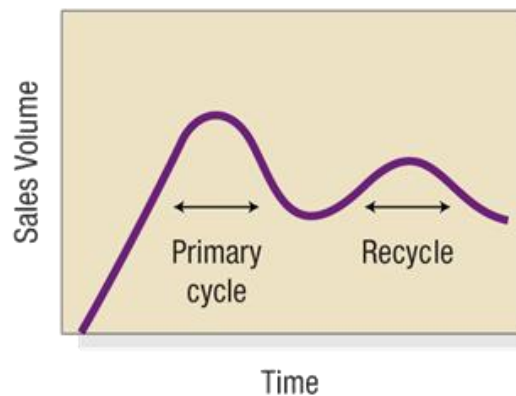
# Common Product Life Cycle Patterns

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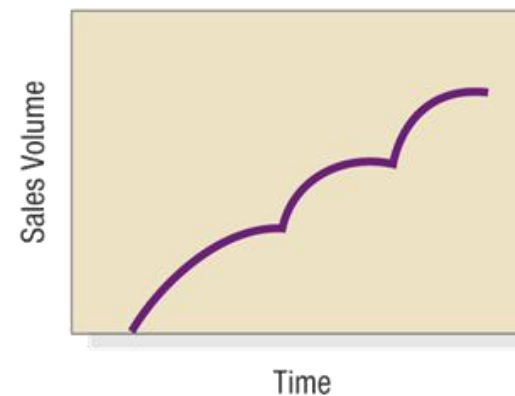
(a) Growth-Slump-Maturity Pattern



(b) Cycle-Recycle Pattern



(c) Scalloped Pattern



## (2) Applications of the Product Life Cycle

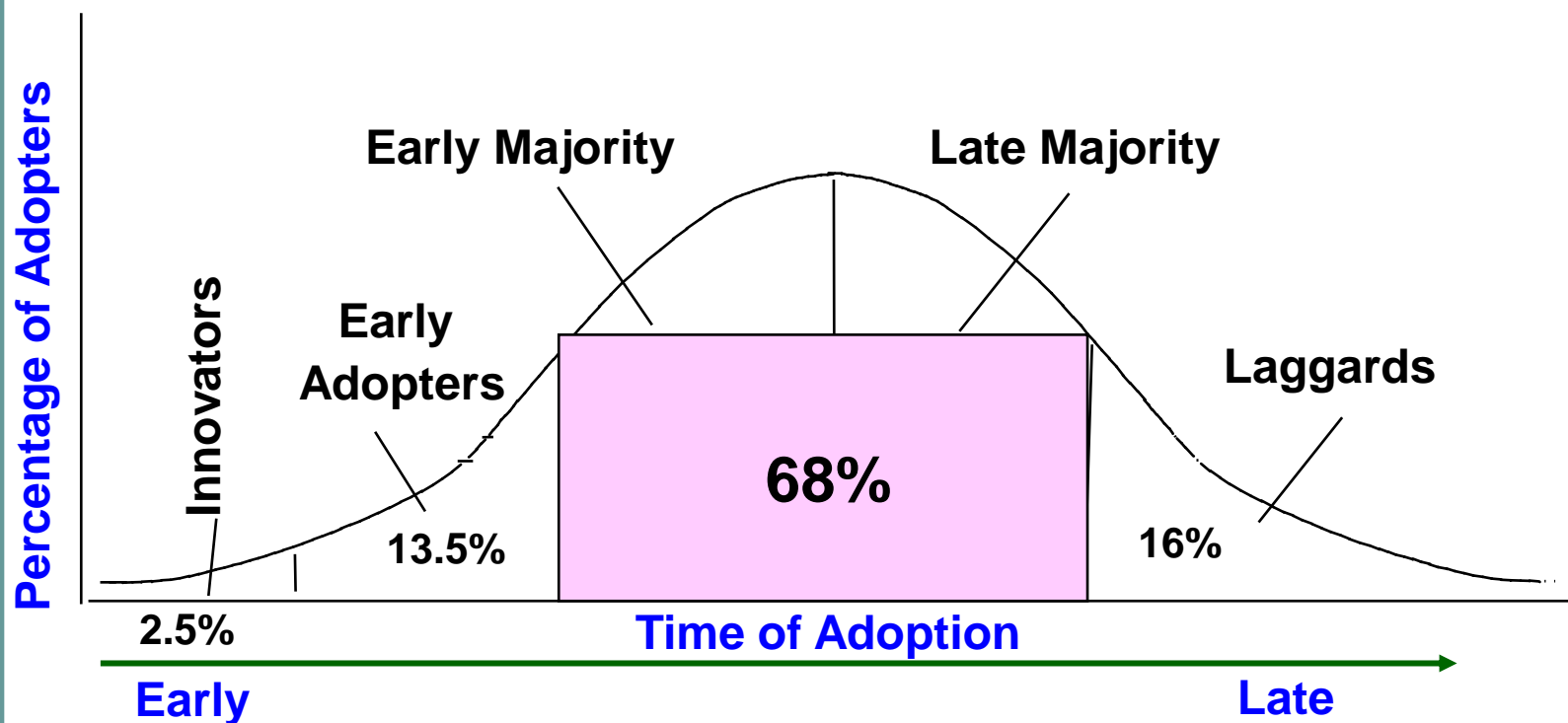
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**The PLC applies to the following:**

- **Product class**
- **Product form**
- **Brand**
- **Style**
- **Fashion**
- **Fad**



# Adoption of Innovations at PLC Stages



# (3) Characteristics of each stage of PLC

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Stage	Introduction	Growth	Maturity	Decline
Sales	Low	Rapide growth	Slow growth	Decline
Profit	Lose	High	Very high	Decline
Investment	Very high	High	Low	Low
Cost	High	Reduction	Low	Low
Price	High	Getting lower	Lowest	Low
Cash flow	High needs	High needs	Good	Good
Consumers	Innovators	Mass	Mass	Conservatives
Competition	Low	Getting intensive	Intensive	Low
Critical function	Ads.	Production	Marketing	Finance and audit

# (4) Marketing Strategies for Each Stage of PLC

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<b>Strategies</b>	<b>Introduction</b>	<b>Growth</b>	<b>Maturity</b>	<b>Decline</b>
<b>Product</b>	Basic	Extension	Diversity	Less
<b>Price</b>	High	lower	Lowest	Cut
<b>Distribution</b>	Selective	intensive	More intensive	Selective
<b>Advertising</b>	Awareness	interest	Difference	Reduced
<b>Sales promotion</b>	heavy	lighter	Increase	Minimal



# (5) Problems in Using the PLC

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The PLC Concept Can Help in Developing Good Marketing Strategies for Different Stages of the Product Life-Cycle, However Some Problems Can Arise:

Trouble identifying Which Stage of the PLC the Product Is In

Difficult to Forecast the Sales Level, the Length of Each Stage, and Shape of the PLC

Strategy is Both a Cause and a Result of the Product's Life Cycle

# Questions

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1. In what way has Xiaomi Technology obtained good ideas from customers? What are the advantages of this practice?

- 《小米手机发布会全程实录》新浪科技:

<http://tech.sina.com.cn/i/2011-08-16/20105937302.shtml>,  
2011年08月16日。



2. Search for the information about what Coca-Cola company has done to prolonged the brand's maturity stage of PLC in the 21<sup>st</sup> century?

