Chapter Objectives

To study how products are created and managed, with an emphasis on the product life cycle
To detail the importance of new products and describe why new products fail
To present the stages in the new-product planning process
To analyze the growth and maturity of products, including the adoption process, the diffusion process, and extension strategies
To examine product deletion decisions and strategies

Types of New Products

- **Modifications**: alterations/extensions in a company’s existing products, such as new models
- **Minor Innovations**: items not previously sold by a firm that have been sold by others
- **Major Innovations**: items not previously sold by any firm

The Product Life Cycle

- The product life cycle is a concept that seeks to describe a product’s sales, competitors, customers, and marketing emphasis from its beginning until it is removed from the market.
- Companies often desire a balanced product portfolio.
- The lifecycle concept can be applied to a product class, a product form, and a product brand.

7 Selected Product Life Cycles

- Traditional
- Boom or Classic
- Fad
- Extended Fad
- Seasonal or Fashion
- Revival
- Bust

The Traditional Product Life Cycle

Typical product: Black and White TV’s
Four Stages in Traditional Product Life Cycle

<table>
<thead>
<tr>
<th>Stage</th>
<th>Profit</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>negative</td>
<td>rising</td>
</tr>
<tr>
<td>Growth</td>
<td>rising</td>
<td>peak</td>
</tr>
<tr>
<td>Maturity</td>
<td>declining</td>
<td>stable</td>
</tr>
<tr>
<td>Decline</td>
<td>declining</td>
<td>falling</td>
</tr>
</tbody>
</table>

Sales and profit are depicted over time. Profit is negative in Introduction, slowly rises in Growth, peaks in Maturity, and then declines in Decline.

Self-Fulfilling Prophecy

- Many firms may engage in a self-fulfilling prophecy, whereby they predict falling sales and then ensure this by reducing or removing marketing support.
- With proper marketing, some products might not fail.

Why Do Products Fail?

- Poor long-term planning
- Lack of a differential advantage
- Incorrect pricing and product placement
- Inattention to the environment of marketing and audit sequences
- Marketing myopia

The Importance of New Product Failure

- Failure rate is 35% or more.
- Despite careful planning, products may still fail.
- There is absolute failure and relative failure.

Importance of New Products

- To assure a firm's survival, new products may:
  - Offer differential advantages
  - Lead to sales growth or stability
  - Increase profits and control
  - Reduce risk through diversity
  - Improve distribution
  - Exploit technology
  - Utilize waste materials
  - Respond to consumer needs
  - Be a result of a government mandate

Self-Fulfilling Prophecy

- Many firms may engage in a self-fulfilling prophecy, whereby they predict falling sales and then ensure this by reducing or removing marketing support.
- With proper marketing, some products might not fail.

The Importance of New Product Failure

- Failure rate is 35% or more.
- Despite careful planning, products may still fail.
- There is absolute failure and relative failure.
Types of Failures

- In absolute product failure, costs are not regained.
- In relative product failure, even though a profit may be earned, goals are not met.

New-Product Planning Process

1. Idea Generation
   - Continuous, systematic search for new product opportunities

2. Product Screening
   - Poor, unsuitable products weeded out and patentability determined

3. Concept Testing
   - Present consumer with proposed product to measure attitudes and intentions

4. Business Analysis
   - Detailed review of demand, costs, breakeven points, investments, and potential profits for each new product

5. Product Development

6. Test Marketing

7. Commercialization

Long-term planning is required to launch a successful new product.
5. Product Development
Converts product idea into tangible form and identifies basic marketing strategy

6. Test Marketing
Involves placing a fully developed product into one or more selected areas to observe it under a proposed marketing plan

7. Commercialization
The product’s introduction to its full target market, corresponding to the introduction stage of the product life cycle

Growth Stage in Life Cycle
- With major innovations, growth may be very slow at first and then rise quickly, as with the microwave oven.
- Minor innovations or product modifications have quicker growth from the start.

Adoption Process
- The adoption process is the procedure an individual consumer goes through when learning about and purchasing a new product.
- The rate of adoption depends on consumer traits, the product, and the firm’s marketing efforts. The five stages are:
  - Knowledge
  - Persuasion
  - Decision
  - Implementation
  - Confirmation

Diffusion Process
- The diffusion process describes the manner in which different members of the target market often accept and purchase a product.
- Diffusion spans the time from product introduction through market saturation and affects the total sales level of a product as it moves through the life-cycle.
- Consumer segments include:
  - Innovators—2.5%
  - Early Adopters—13.5%
  - Early Majority—34%
  - Late Majority—34%
  - Laggards—16%
The Diffusion Process Curve

This curve shows the manner in which different members of the target market often accept and purchase a product.

Maturity Stage in Life Cycle

Useful Strategies in Maturity:
1. Develop new uses for products
2. Develop new product features
3. Increase the market
4. Find new classes of consumers for present products
5. Find new classes of consumers for modified products
6. Increase product usage among current users
7. Change marketing strategy

Decline Stage of Life Cycle

Questions to Consider When Deciding to Delete a Product:
1. Replacement Parts—Who will make them? How long will they be made?
2. Notification Time—How soon before the actual deletion will an announcement be made? Will distributors be alerted early enough so they can line up other suppliers?
3. Warranties—How will warranties be honored? After they expire, how will repairs be done?

Chapter Summary

- This chapter examines how products are created and managed, with an emphasis on the product life cycle.
- It notes the importance of new products and describes why new products fail.
- It presents the stages in the new-product planning process.
- It analyzes the growth and maturity of products, including the adoption process, the diffusion process, and extension strategies.
- It looks at product deletion decisions and strategies.