

ELEVENTH EDITION

# MARKETING

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CHAPTER

10

DEVELOPING  
NEW PRODUCTS  
AND SERVICES

# APPLE'S NEW PRODUCTS

## ➤ Apple's Innovation Machine



## ➤ iCloud: Where the Digital Lifestyle is Heading



# WHAT ARE PRODUCTS AND SERVICES?

## A LOOK AT GOODS, SERVICES, AND IDEAS

### ➤ Products



### ➤ Services



### ➤ Goods

- Nondurable Goods



### ➤ Ideas



- Durable Goods



# WHAT ARE PRODUCTS AND SERVICES?

## CLASSIFYING PRODUCTS

### ➤ Consumer Products



### ➤ Business Products

# WHAT ARE PRODUCTS AND SERVICES?

## CLASSIFYING PRODUCTS

### ➤ Consumer Products

- Convenience Products
- Shopping Products
- Specialty Products
- Unsought Products



# WHAT ARE PRODUCTS AND SERVICES?

## CLASSIFYING PRODUCTS

### ➤ Business Products

- Derived Demand
- Components
- Support Products
  - Installations
  - Accessory Equipment

- Supplies
- Industrial Services



# WHAT ARE PRODUCTS AND SERVICES?

## PRODUCT ITEMS, LINES, AND MIXES

### ➤ Product Item



- Stock Keeping Unit (SKU)



### ➤ Product Line



### ➤ Product Mix





# Little Remedies

How does a broad product line benefit both consumers and retailers?





# **NEW PRODUCTS AND WHY THEY SUCCEED OR FAIL**

## **WHY PRODUCTS & SERVICES SUCCEED OR FAIL**

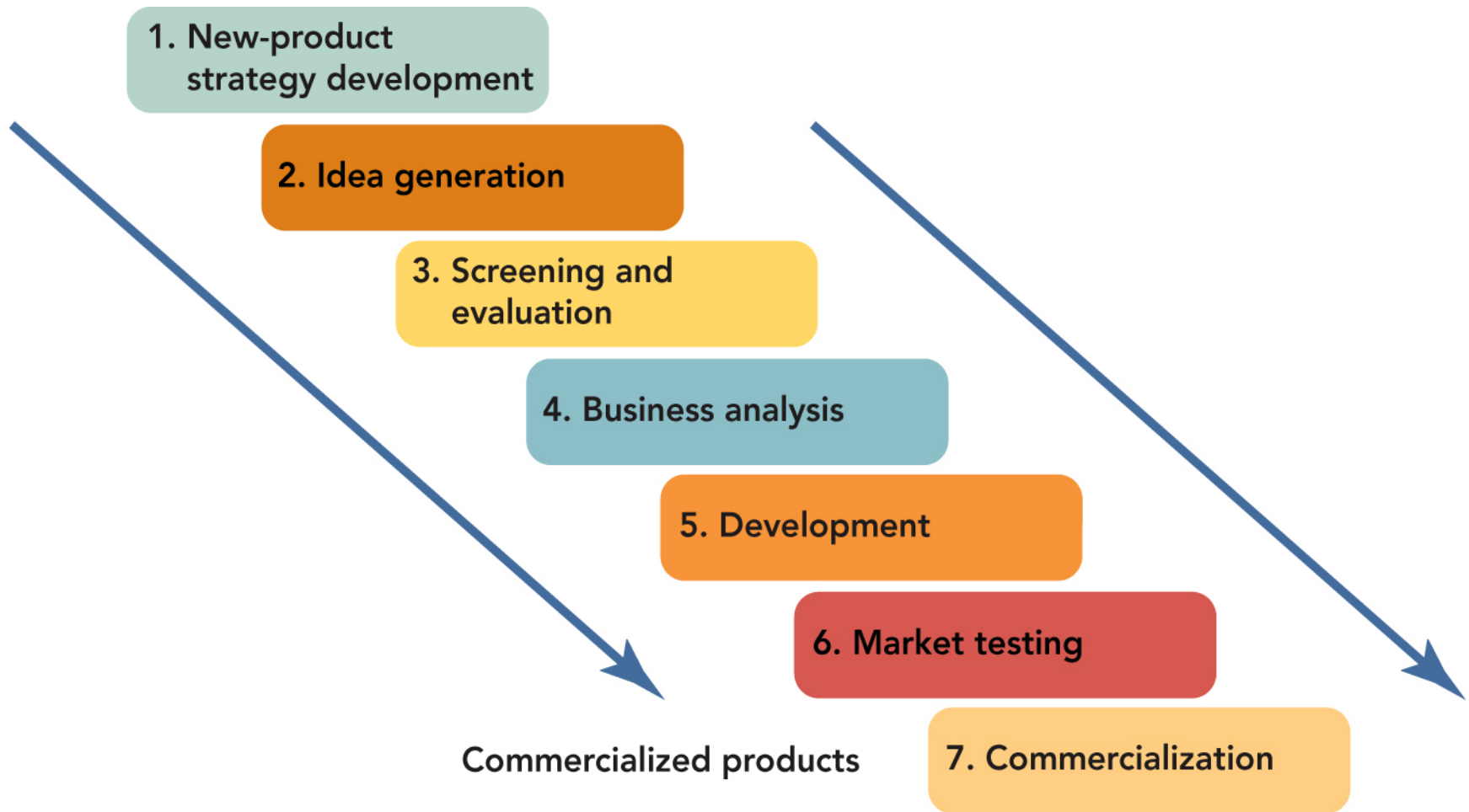
- **Marketing Reasons for New-Product Failures**
  - **Bad Timing**
  - **Poor Product Quality**
  - **Too Little Market Attractiveness**
  - **Poor Execution of the Marketing Mix**

# Avert and Hey! There's a Monster in My Room

## Why did these products fail?



## FIGURE 10-3 Seven stages in the new-product process leading to success



# THE NEW-PRODUCT PROCESS

## STAGE 2: IDEA GENERATION

### ➤ Idea Generation

- Open Innovation



### ➤ Employee and Co-Worker Suggestions

### ➤ Customer and Supplier Suggestions

- Crowdsourcing

# THE NEW-PRODUCT PROCESS

## STAGE 2: IDEA GENERATION

### ➤ Research & Development Laboratories

Apple  
iMac Ad



- Industrial Design



- Outside Labs



# THE NEW-PRODUCT PROCESS

## STAGE 2: IDEA GENERATION

- **Competitive Products and Services**
- **Smaller Firms**
- **Universities**
- **Inventors**

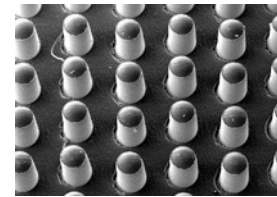


# THE NEW-PRODUCT PROCESS

## STAGE 3: SCREENING AND EVALUATION

### ➤ Screening and Evaluation

- Internal Approach



- External Approach
  - Concept Tests



# THE NEW-PRODUCT PROCESS

## STAGE 4: BUSINESS ANALYSIS

### ➤ Business Analysis

### ➤ Prototype



### ➤ Business Fit



### ➤ Capacity Management



### ➤ Off-Peak Pricing

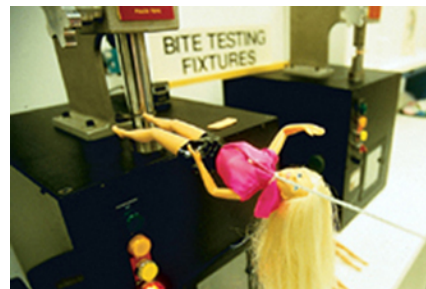


# THE NEW-PRODUCT PROCESS

## STAGE 5: DEVELOPMENT

### ➤ Development

- Brainstorming
- Service Encounters
- Safety Tests



# THE NEW-PRODUCT PROCESS

## STAGE 6: MARKET TESTING

### ➤ **Market Testing**

- **Test Marketing**
- **Standard Test Markets**
- **Controlled Test Markets**
- **Simulated Test Markets (STMs)**
- **When Test Markets Don't Work**

# THE NEW-PRODUCT PROCESS

## STAGE 7: COMMERCIALIZATION

### ➤ Commercialization

- Regional Rollouts

### ➤ Burger King's French Fries



### ➤ Risks with Grocery Products

- Slotting Fee
- Failure Fee



# VIDEO CASE 10

## ACTIVEION CLEANING SOLUTIONS: MARKETING A HIGH-TECH CLEANING GADGET



## VIDEO CASE 10

### ACTIVEION

1. What are the major points of difference for the Activeion portable handheld cleaning and sanitizing devices for (a) business users and (b) households?

## VIDEO CASE 10

### ACTIVEION

2. From information in the case and a visit to the Activeion website, what are the characteristics of the main target markets for the Activeion cleaning tools among (a) business users and (b) households?





## VIDEO CASE 10

### ACTIVEION

3. Look again at the eight key reasons for new product success and failure in the chapter. Using a five-point scale (5 = very favorable, 3 = neutral, 1 = very unfavorable), evaluate (a) the Ionator for business users and (b) the consumer version for households on each of the eight reasons. Briefly justify your answers.

## VIDEO CASE 10

### ACTIVEION

4. When introducing the consumer version for households, (a) identify three key target markets, (b) suggest media you might use to reach them, and (c) create one or two simple messages to communicate the product's points of difference.

## VIDEO CASE 10

### ACTIVEION

5. What other handheld applications could Activeion pursue for its technology?

# Product

A **product** is a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers' needs and is received in exchange for money or something else of value.



# Services

**Services** are the intangible activities or benefits that an organization provides to satisfy consumers' needs in exchange money or something else of value.



# Consumer Products

**Consumer products** are products purchased by the ultimate consumer.



# Business Products

**Business products** are products organizations buy that assist in providing other products for resale. Also called *B2B products* or *industrial products*.





# Convenience Products

**Convenience products** are items that the consumer purchases frequently, conveniently, and with a minimum of shopping effort.



# Shopping Products

**Shopping products** are items for which the consumer compares several alternatives on criteria, such as price, quality, or style.



# Specialty Products

**Specialty products** are items that a consumer makes a special effort to search out and buy.



# Unsought Products

**Unsought products** are items that the consumer either does not know about or knows about but does not initially want.



# Product Item

A **product item** is a specific product that has a unique brand, size, or price.



# Product Line

A **product line** is a group of product or service items that are closely related because they satisfy a class of needs, are used together, are sold to the same customer group, are distributed through the same outlets, or fall within a given price range.



# Product Mix

A **product mix** consists of all of the product lines offered by an organization.





# Protocol

A **protocol** is a statement that, before product development begins, identifies: (1) a well-defined target market; (2) specific customers' needs, wants, and preferences; and (3) what the product will be and do to satisfy consumers.



# New-Product Process

The **new-product process** consists of the seven stages an organization goes through to identify business opportunities and convert them to salable products or services.



# New-Product Strategy Development

**New-product strategy development** is the stage of the new-product process that defines the role for a new product in terms of the firm's overall objectives.



# Idea Generation

**Idea generation** is the stage of the new-product process that develops a pool of concepts to serve as candidates for new products, building upon the previous stage's results.



# Screening and Evaluation

**Screening and evaluation** is the stage of the new-product process that internally and externally evaluates new-product ideas to eliminate those that warrant no further effort.



# Business Analysis

**Business analysis** is the stage of the new-product process that specifies the features of the product and the marketing strategy needed to bring it to market and make financial projections.



# Development

**Development** is the stage of the new-product process that turns the idea on paper into a prototype.



# Market Testing

**Market testing** is the stage of the new-product process that exposes actual products to prospective consumers under realistic purchase conditions to see if they will buy.





# Commercialization

**Commercialization** is the stage of the new-product process that positions and launches a new product in full-scale production and sales.

