5
Product management

Having considered what marketing represents, how research is undertaken, how consumers purchase and your organisation's marketing environment, it's now time to develop further understanding of how we actually 'do' marketing.

You've probably heard of the 'marketing mix' or, as it's more commonly known, 'the 4Ps'. The marketing mix provides the 'tools' of the trade. These four tools can be manipulated to suit the needs of the market and environment. A key issue is that the 4Ps don't stand alone, rather they interact and influence each other; see Figure 5.1.

In this chapter we're going to have a look at 'product' and the key theories and concepts we need to understand to be able to manage our products.

Product management

Many of you reading this book will have either direct or indirect responsibility for managing products. It is a central task for many

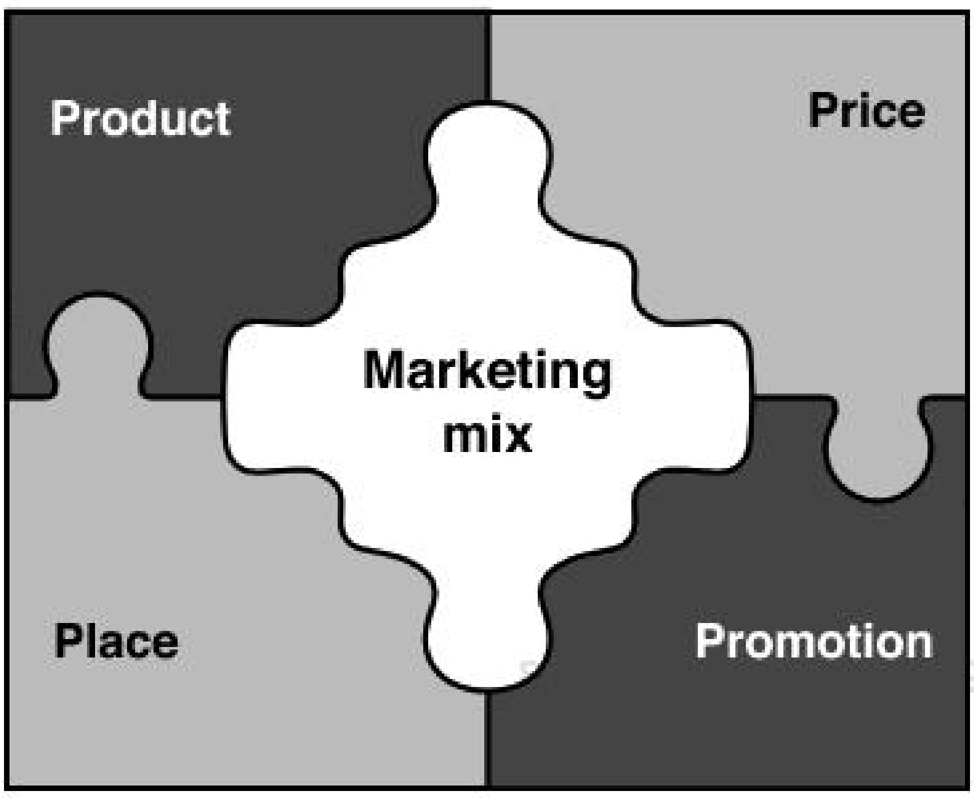

Figure 5.1 Marketing mix showing how Ps are interlinked

marketing professionals and one that can give great success to an organisation and a great sense of achievement to an individual. However, as with most responsibilities, it is also a major source of headaches. Always remember that the customer gains value from the benefits your products offer. A common mistake is to simply list features in sales literature. It's not enough – you must tell your customers how you can help them!

What is a product?

The starting point for understanding a product and how to manage it is to break it down into smaller parts and to build its profile back up again to gain a deeper understanding of what you are really dealing with.

At its simplest, a product consists of two key components: *tangible factors* – factors that can be seen and/or touched such as its physical features; and *intangible factors* – the power and strength of the brand, quality of the materials, customer care, etc. You can't see or touch these factors; nevertheless they enhance the 'product offering' to the customer.

Identifying these two components can be difficult because the emphasis we place on them differs from product to product. For example, an Armani branded scarf will probably have more emphasis and resource devoted to maintaining the brand integrity (intangible component) than say an Asda own-label tin of baked beans, where the emphasis may be on the quality and taste of the actual product (tangible component). What's important here is that both the tangible and intangible components need to work together and complement each other. For example, based upon what the Armani brand stands for in terms of price and quality, the physical scarf should also reach the required level of quality and usability deemed suitable by the intangible component of the brand.

As usual, we can break these two components down further to understand even more about the anatomy of our products.

Anatomy of a product

The core product

The core product usually refers to the actual benefit the customer derives from consuming the product, for example, the core benefit for anybody purchasing a new car is transport.

The tangible product

The tangible product is where the focus is given to the physical features and unique selling point of the actual product. For example, for a Dyson vacuum cleaner, the cyclone technology and the bagless scenario are key tangible features of the product.

The augmented product

Augmentation in this sense refers to the added value that many marketers build into their products, such as the warranty, credit terms, after-sales advice and customer service. In many respects, this is a highly competitive area and requires much thought. Indeed research has shown that 80 per cent of failure to achieve repeat business from customers is attributed to factors in the product's augmented level.

Because products are highly visible it's easy to 'copy' or 'imitate' (legally of course!) the physical features of a product from a competitive point of view. However, when it comes to augmentation, this is where an organisation can really start to differentiate itself in a more sophisticated sense that is not as visual and therefore not as easy to replicate.

The future product

When developing new products or managing existing products it is also wise to consider the future. This harks back to the definition highlighted in Chapter 1. Part of a marketer's responsibility is to consider the future and, as the world evolves and customer needs and wants change, there is often a need to transform and alter the existing product in a bid to 'move with the times'. There are different approaches to doing this successfully, which will be discussed later.

By breaking a product down into these levels it provides a clearer view and understanding of the key issues that require consideration and resource. It's particularly useful to break products down in this way if you are new to managing products or have inherited a portfolio of products to manage. Using this technique will help you gain a deeper understanding of the product, rather than purely accepting a product and its features at face value.

Classification of products

What we also need to be aware of from a product management perspective is how our customers purchase and behave towards them. Earlier we considered various consumer behaviour theories. From a product perspective, we also need to understand how we 'classify' our products. If we can understand the classification we will gain a better understanding of how and why our customers behave towards the product. This knowledge helps us to determine not just the amount of resource required to support the customer in reaching a purchase decision, it also helps us determine the actual types of support required.

The B2C market

In a consumer market the products can be 'classed' in the following ways.

Convenience goods

These are goods that require little time on the part of the consumer when purchasing them, primarily because there is no or little risk financially, socially or personally associated with these goods. Examples are staple foods such as vegetables, bread and eggs. The customer will usually purchase these products through 'routine' or sheer habit.

Shopping goods

These require a little more time and effort by the consumer when purchasing them as they do incur an element of risk financially, personally and socially, for example a new kitchen suite or a new washing machine. This class of product would be associated with solving their 'limited' problems (see Chapter 3).

Speciality goods

These, as the name suggests, are more luxurious goods that consumers will often save up for and accept no substitutes. There is a great risk involved with these goods as they are often expensive. Branding is particularly important here, for example designer clothing and expensive perfumes such as Chanel.

Unsought goods

These are goods that consumers don't realise they require until they are drawn to their attention, for example offers for double glazing being drawn to the attention of consumers via phone calls, or it could be through unforeseen events. Should you arrive home to find yourself standing in a foot of water in the kitchen, you may require new pipes, carpets, ceilings, etc; these would be unsought goods.

So, if you are currently responsible for a portfolio of products, into which class do they fit? Understanding the classification will highlight how consumers purchase your products and what factors are particularly important.

The B2B market

The same can be said for the business/industrial market where we 'classify' the products in the following ways.

Installations

These are the central pieces of equipment, machinery, technology, etc that are used in the production process. They are critical to the process and can be very expensive.

Accessories

These are also part of the production process but not necessarily central to it. Rather they complement it and help create a smoother process, for example, office furniture.

Raw materials

Without basic raw materials, consumer products would not be produced. The quality and timeliness of raw materials are incredibly important here.

What is meant by timely?

Well, consider the production planning team at Nintendo. They'd scheduled to ramp up production to 1.5 million Wii consoles per month in the run up to Christmas 2007. If the raw materials required to produce the consoles arrived late at the factory this could have had a dramatic effect on the production schedule and the whole campaign. Machinery, equipment and people are scheduled as effectively and efficiently as possible.

If the final product to customers such as Currys and Comet arrives late, serious damage can be done to the relationship – not very effective customer service! As it was the Wii had (arguably) the most successful games console launch in history.

Services

This includes services such as cleaning.

You may find yourself marketing heavy duty production equipment or you may work for an organisation that manufactures rivets. The process for understanding your product is the same as a consumer based product. Split the product into the two components, tangible and intangible, and then split the product down into the different anatomical levels. Take this understanding further by then trying to classify your products and this will help develop your understanding of the product and also how and why customers purchase it.

So that is how and why we classify products. Now we need to look at one of the central theories governing product management, 'the product life cycle' or PLC.

The product life cycle

The PLC is named as such because products, just like human beings, have a life. This is quite a traditional concept but one that still has value. Products are conceived and developed, they are born, they grow up, mature and age and usually fall into decline (an exception being Cadbury's Dairy Milk, which has sold in largely the same format for over a hundred years). Therefore, it's important for those of us managing our products to understand how the life and age of a product affect our business and the marketplace as they, in turn, affect how we undertake additional marketing-related activities.

Figure 5.2 shows a typical representation of how a product lives its life. Let's have a look in more detail. As you can see there are five key stages to the life of a product.

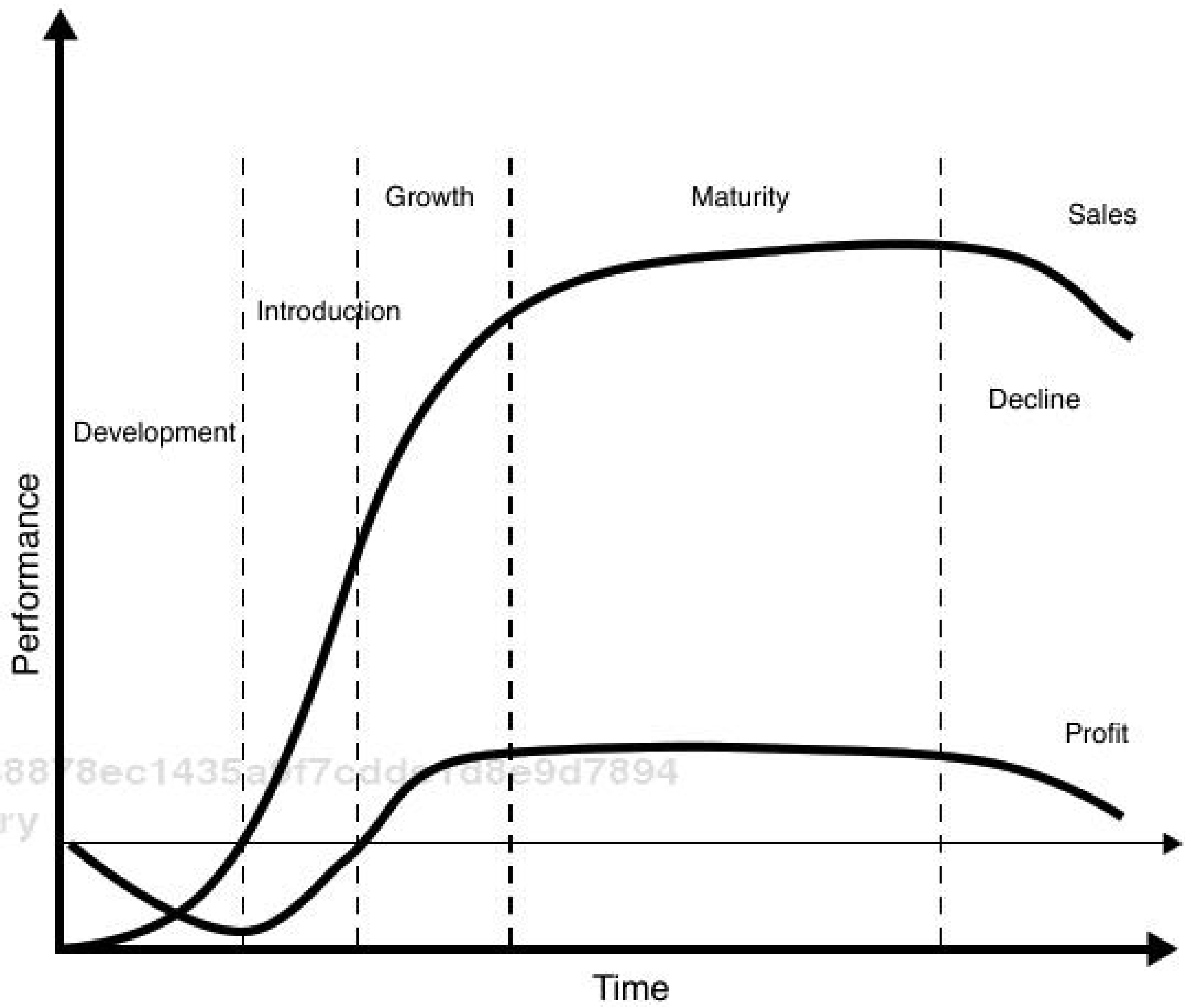

Figure 5.2 The generic product life cycle (PLC)

1. Development

This is where we develop ideas or concepts and invest in them through research to see if they have any value. The product hasn't been launched yet so there are no sales but as can be seen, there is a financial burden. Why? Because at this stage there is a huge investment in research, development, testing, communication, market analysis and building product prototypes. As the product hasn't been launched, it isn't generating any return, so the product at this stage is running at a loss.

2. Introduction

If the research, testing and trials are successful it may be decided to launch the product into the marketplace. As you can see, there are sales, but they are low – it often takes time for awareness of new products to filter through. However, although there are some sales, this product is still running at a loss. This is because although the product has been launched and some return is being generated, not enough products have been sold to cover all the initial costs incurred in the development stage.

3. Growth

Eventually, consumers will see and hear about this product and when they do the product will experience a huge growth spurt. Look at how steep the sales line is. The steepness of the line here not only represents huge growth but also rapid growth. And, for the first time, a profit is being generated. All the initial development costs have been recovered, creating a break-even situation and the product is now holding its own in the marketplace and making money. Phew – the sleepless nights are over (for now anyway)!

4. Maturity

However, in time the product will reach the maturity stage in its life. The product has been on the market for some time now and, dare we suggest, it is growing old. Look how the sales line flattens out. Although sales are still fairly high, they have started to slow down. Why? Because newer, more contemporary, competitive products have now entered the market. Oh yes, the competition has arrived and are now competing ferociously. However, profits are still fairly healthy. Also, have a look at the length of time the product spends in this stage of its life. According to the theory, products spend most of their life in the maturity stage.

5. Decline

There will come a time when the market conditions change to such an extent that the product starts to slip into decline. Competition is much stronger with younger and fresher products and you have to make some quite serious decisions. Do you stay in the market with this old product and milk it for all it's worth? Do you really want to be spending precious time, money and other resources on an old product when you could be spending it on creating a newer, more competitive product? Or are you going to withdraw the product from the market gracefully? This very difficult decision is yours.

Extending the life of the product

Some marketers may try to extend the maturity stage of the product's life as their new products may not be quite ready to launch and there are a number of different strategies you can try to achieve this.

Re-launch the product

Perhaps update the product slightly with a new colour or new packaging to give it a new lease of life; see Figure 5.3.

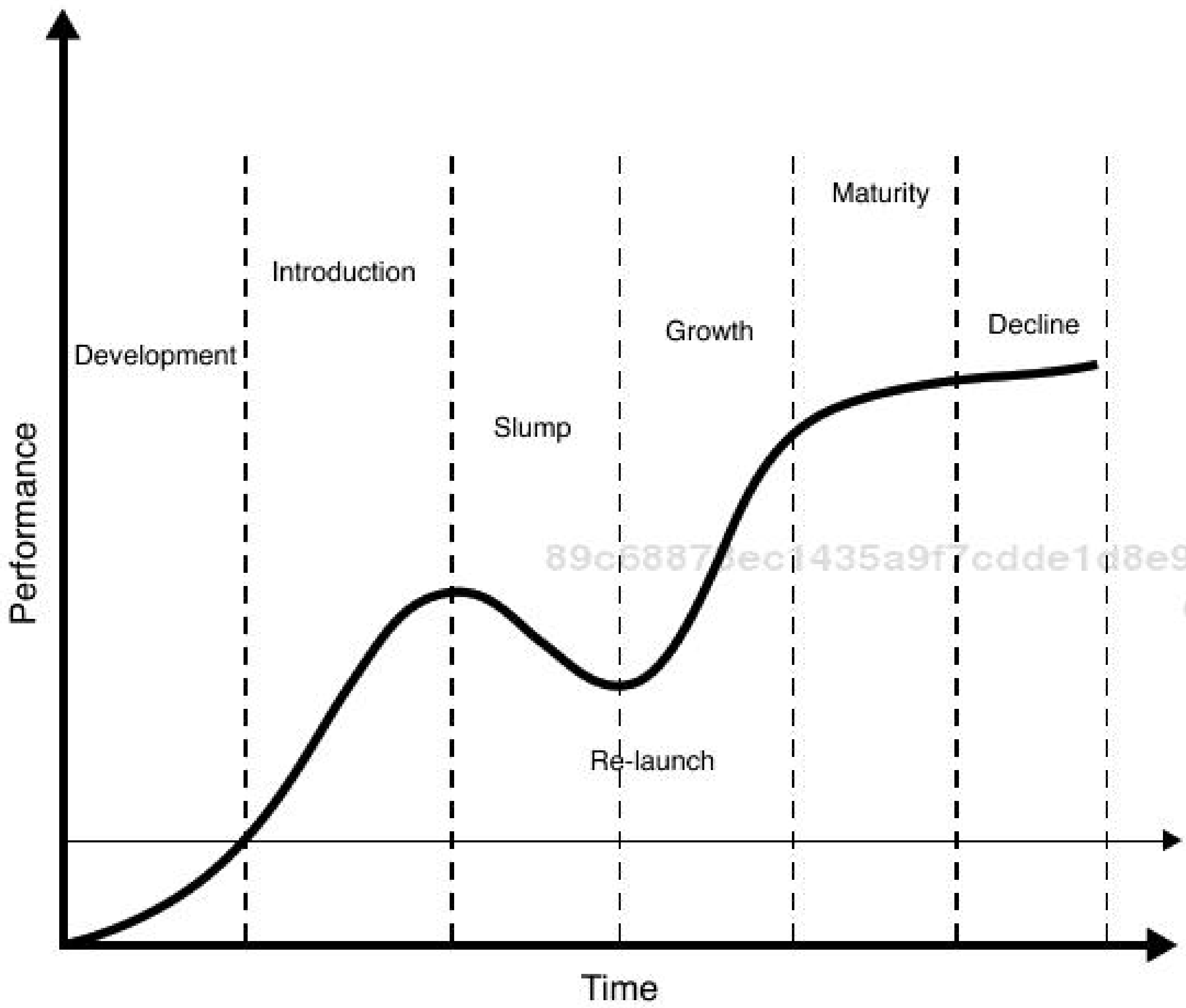

Figure 5.3 PLC with re-launch pattern

Find new uses for your product

Silk was used in the early 1900s primarily as the key raw material in the manufacture of parachutes. An alternative use was found for this product, namely silk stockings and other clothing.

Example: Lucozade was once seen as a drink for ailing older people. Now rebranded, after a re-launch featuring Daley Thomson and phrases such as 'isotonic', it's the health drink for young athletes and sports people. This not only extended the maturity section but massively increased sales. It is distributed intensively (more on this in Chapter 6) and is highly visible. Many vending machines in university campuses supply Lucozade, which wouldn't have happened without the re-launch.

Find new users for your product

Rather than continuing to target a particular segment of customers can you find any others? What about international markets? Many people now take aspirins because of its blood thinning properties rather than simply curing a headache.

Increase the usage/frequency of purchase

Have a look the next time you go shopping at how many shampoos are now for 'frequent' use. If people use your product more often, they will buy more! Again, relate the benefits of your products to the customers – tell them how it helps.

Is the PLC a useful theory?

The PLC can be useful, particularly for planning and analytical purposes. It also gives us the understanding that as with a human being, as a product grows and matures, the way we manage its life requires different formulas and different approaches to support it though its journey.

However, it does have a number of limitations that need to be kept in mind when using it. It's a gross oversimplification of the real life of a product. Consider the following.

Staging

First, it is particularly difficult to understand when a product moves from one stage to another. Yes, you can check the sales and profitability data, but there are a whole host of reasons for seeing increases or decreases in those. Imagine if you are responsible for marketing a product that suffers from 'seasonality'. As soon as the sales and level of profitability start to dip, this could be taken as a transfer from maturity to decline, but what if it's merely a seasonal blip? You could end up taking action on the product that is not required or is quite inappropriate.

The shape

Look at the shape of the theoretical PLC. Again, in reality, many products do not follow this pattern. There are products that have no maturity such as 'fad' products (see Figure 5.4) – here today and gone tomorrow; there are those that have a series of 'mini' life cycles, due to the input of further new technology into the product to update it, such as the television.

External factors

The product life cycle is also a somewhat inward and myopic theory. It neglects to take into consideration any external factor such as the macro environment, customers' changing needs or the competition.

So, the PLC is a flawed theory, but – it does give us that all important starting point of truly understanding that a product does have a finite life and that how we manage it through its life requires attention and skill.

To gain entry to a market with a brand new product or indeed an existing product we need to recover all of the development costs, break even as quickly as possible and move to capture profitability. Generally speaking, the PLCs of many products today are getting shorter and shorter, primarily due to fast-paced change that is fuelled by evolving technology.

Example: A consultancy client who sells hubs and routers to the key UK Internet Service Providers (ISPs) argues that PLCs for his goods are now less than 12 months and approaching six months in some cases. This highlights the need for good relationships with clients based on regular, quality communication (which we'll discuss in Chapter 8) because a

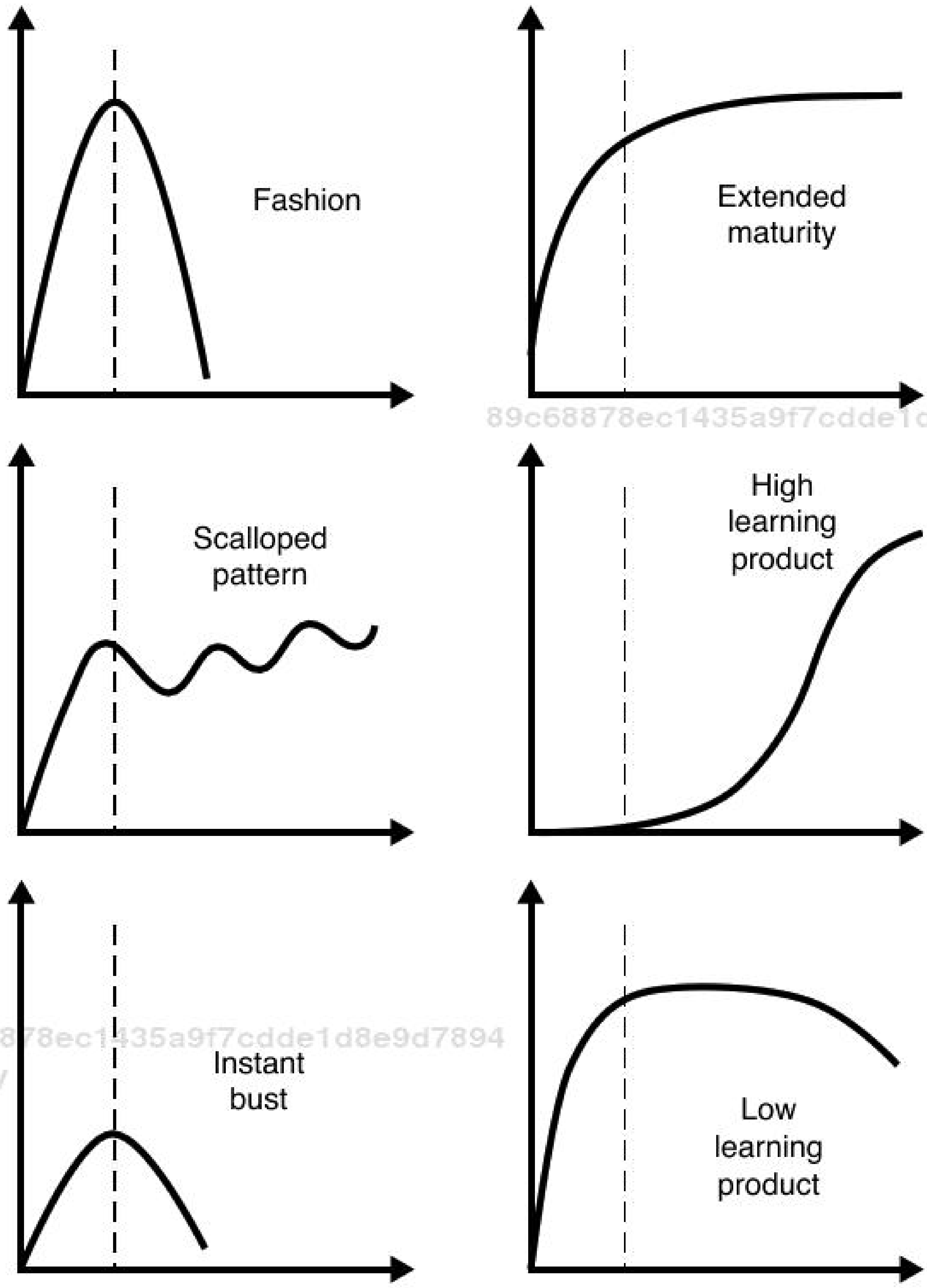

Figure 5.4 Other PLC profiles

disgruntled client could simply skip a generation of products. Imagine the potential impact on the router supplier's cash-flow!

So, there is a need to enter and penetrate the market quickly, raise awareness rapidly and capture the hearts and minds of the customer before the competition does. A technique that has helped marketing practitioners over the years is the product adoption process.

The product adoption process

This process attempts to explain how a product can be 'adopted ' or 'diffused' (spread) throughout a marketplace efficiently. Consumers are sorted into a number of different categories, namely innovators, early adopters, early majority, late majority and laggards. Let's consider these in more detail.

Innovators

These tend to be young, professional, affluent, open-minded and keen to experience new things. They are opinion leaders and are influential people socially, open and willing to try new things – they aren't afraid to take a risk.

Early adopters

These adopters are similar in profile to the innovators but don't tend to have the same social standing and therefore are not as influential.

Early majority

Tend to be slightly older than the previous two categories and do not tend to have the same high income. They therefore are not as influential and do not have the social standing the others represent.

Late majority

Adopt products because they have generally been accepted by others. Social issues and economic circumstances play a part here.

Laggards

These adopters tend to be the oldest out of all the categories. They are not risk takers by nature or by any stretch of the imagination. These people really tend to sit on the fence and watch others adopt products and only when they feel the products are solidly tried and tested will they venture forth to purchase them.

This theory shows that you can identify different levels and types of adopters in the marketplace. You can use them to 'diffuse' your product appropriately into the market as quickly as possible.

Example: Publishers of academic textbooks don't communicate directly with the 1.2 million students in UK higher education as it would be far too expensive. What they do is target lecturers instead. If a lecturer adopts a book for a particular subject, it becomes a core book for the module and exam and many students will go and purchase it. The publisher is using the lecturer (an innovator) who has some degree of influence and social standing to help 'diffuse' the product throughout the marketplace. The publisher has only had to target one person to potentially reach hundreds!

So, that's the basis of issues to consider when managing your products. What is needed now is to understand how new products are developed, which is the focus of the next section of this chapter.

Developing new products

Now you have a deeper understanding of how we can recognise and manage our products, it is necessary to consider how new products are developed and the reasons for new product development (NPD).

The first thing to remember about developing new products is that there are different types of what we can term 'new' products.

Different types of new products

Innovative products

These 'products are completely and radically new to the market – nothing has been seen like it before. The television back when it was first introduced would have been innovative. It's pretty rare to see the introduction of innovative products these days. The pharmaceutical/bio-technology industries are really the key places at the moment where these new products originate. A great deal of research, development, testing, resource and time will have been spent on creating and developing 'new' products. They are initially high risk ventures, but the returns can be phenomenal. Likewise, if they fail once launched into the marketplace, they can have a devastating impact on the investing organisation.

Replacement products

Older products are updated, given a new lease of life and re-launched back onto the market with a fresh appeal. As stated earlier, as products mature they can quickly start to look tired, particularly if the product is related to fashion trends, whether it be colour based or design (size, weight etc), or if technology is central to the product. A more inexpensive way to create a 'new' product compared to the previous type is to update an existing product. There is also much less risk associated with this approach and generally it will be less resource-intensive.

Imitative products

Products, based on the idea of another, are produced and launched onto the market. Dyson launched the first mass market 'bagless' vacuum cleaner with cyclone technology. Not long after, Hoover and Electrolux also launched their bagless versions.

Again, what it is interesting is that organisations can sit back and wait for other companies to invest in innovations or new approaches to a product and then 'imitate' it once it is launched. Again, this lowers the amount of risk involved in developing the new product – why incur huge risks and costs? Why not allow your competitor to do it instead? The payoff here is that if the new product is successful, rather than being the first in the market to capture the hearts and minds of the customer, you may be second or third with an imitative product, and you tend to become a 'follower' rather than a leader. You also need to be aware of legislative issues such as copyright and trademark laws.

Why do we need to create 'new' products?

As stated before, the world, the market and the needs of the customer are continually changing. Therefore there is a continuous need to create the products the market wants. Consider the television. Imagine how it looked and the technology used to produce programmes, say, in the 1950s. Televisions today look very different and have many alternative features to those of 50 years ago. If companies produced the original version today, it probably wouldn't satisfy many people and the company would go out of business.

The same can be said of mobile technology. Consider how the first mobile telephones looked and how much they cost. They were the size and weight of a brick! Now jump forward 20 years and consider how the technology has changed the size, weight, design and use of mobile technology. If organisations that produced mobile telephones in the 1980s still produced and churned out the same products today – they simply wouldn't survive.

The development and launch of new products can create great success stories for organisations and give a real sense of achievement to those involved in their conception and development. Successful new products can:

- **enhance an organisation's reputation and standing in the marketplace;**
- **bring prominence to the brand;**
- **increase turnover, profit and market share;**
- **enhance customer satisfaction and build loyalty.**

It's worth stating (what may seem obvious) that satisfied customers tend to not only stay loyal but tell others as well, stimulating and bringing new customers to the product and brand.

As the development of new products is so very risky, a systematic process is required to guide all personnel involved in the process, which in some organisations can range from one or two to several hundred. Therefore it needs to be controlled in a scientific and systematic way.

The new product development process

To try and reduce the number of failed new products, organisations have found it useful to create a systematic framework or process in which they develop them. By being more systematic and processed in your approach to developing new products, you will reduce your exposure to risk and get products to market more quickly. This process includes a number of key steps and is called the 'new product development process' or NPD; see Figure 5.5. Let's have a look at each step in the most basic process.

1. Idea generation

Ideas for new products can come from within, research findings, brainstorming committees, formal NPD groups internally, even from the general public. At this stage in the process you need to develop lots of ideas, no matter how wild they may seem at the time. Really brainstorm ideas. Don't necessarily think realistically at this stage – don't limit yourself, be as wild and weird as you see fit.

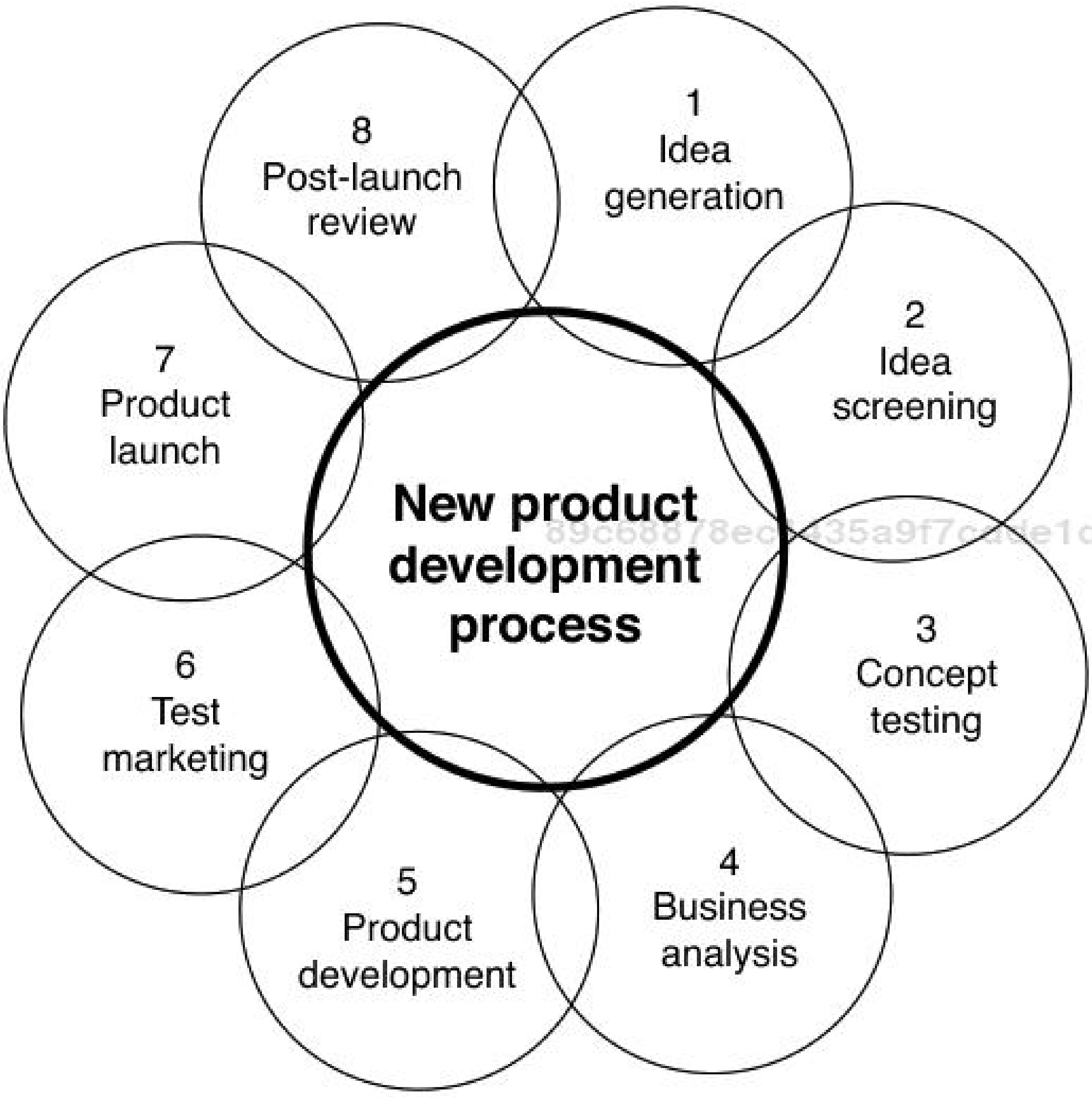

Figure 5.5 New product development process

2. Idea screening

This is an important step in the process. Having developed many ideas in the idea generation stage, you then need to start screening them. Which are the most commercially appropriate ideas and which are totally wild and completely inappropriate? Which ideas warrant further investigation? Which are so wild that you need to discard them? If you believe that there are a few key, commercially viable ideas at this stage, then proceed to the next step.

3. Concept testing

By now you may have one or two ideas you believe to be innovative, creative and potentially commercially successful. This next step involves testing these 'concepts' and embarking on the first round of research. Focus groups are generally a great help here. You could take mocked-up pictures of the products and ask your target audience what they think of the idea/concept, the shape, colour, design, how much they would be willing to pay for it, and where they would go to purchase it. As with any stage in this process, if the feedback is negative, you must abort.

There is no point flogging the idea of a new product if your target audience are not on board. You may decide to go back to the drawing board to redevelop your ideas, or you could drop the process altogether if the concept was received negatively. Again, this is an area where many organisations go wrong. Despite receiving negative feedback, many marketers decide to pursue the development to the next stage because they believe they are right. Avoid ritualistic or historical pressures, ie 'We've always done it this way' (the refrain of many companies that go under).

You proceed in the face of negative feedback at your peril. Do not ignore what your customer says to you. If your product concepts are received warmly, then you will have received some sound data upon which to move to the next step in the process.

4. Business analysis

This is where the number crunching starts. How much would it cost to produce these products? Does there need to be an investment in any capital equipment? What is the size of the market, how many of these products do we think we can sell and at what price? Who are the competitors? What products will yours be competing against? A great deal of analytical and forecasting work will be undertaken at this stage. Typically this is the first time price is seriously considered. What margins do we wish to make? Basically, do the numbers add up and present you with a winning situation? If they don't, you need to stop the process now and look at other ideas.

Again, it may be difficult to break off the process at this stage, particularly as you've hit on a key concept that has been warmly received. But remember, it is a tough world out there and you have to ensure that the product is financially and commercially sound and will work in the marketplace and wider environment. However, if your new product idea seems commercially viable and marketable, continue to the next step.

5. Product development

At this stage you will develop prototypes of the product and start testing them. Production will be tooling up and quality teams will be getting even more involved. You may put these prototypes into research to see what potential customers think about it. Focus groups are particularly useful as they can actually start to touch, use and feel the product's physical prototypes. This feedback can be crucial to the successful product launch.

In parallel with developing the prototypes, you should be designing the entire marketing strategy behind the product, namely the selling price, the distribution channels to get the product to the customer, the packaging and additional communication tools. All of these issues can be checked out in the focus groups. Have you hit the correct price point, particularly when compared to the competition? Do the customers respond to the packaging if it plays a central role in the purchasing process? If the feedback is negative, stop the process. If it is positive, continue to the next step.

6. Test marketing

This is where you test out the launch of the product with its complete marketing strategy, namely the actual product and packaging; its price in the outlets through which you intend it to be distributed; its branding; and how it's perceived compared to competitors. The test market is usually undertaken in a geographically controlled area, usually a town or city and the marketers watch to see what they can learn from the 'test'. Are the products selling as anticipated? Have they got the price of the product correct? Has the packaging fulfilled its intended functions?

What you are doing is using a test market to 'test' your entire marketing strategy. It is a safety net situation. If feedback from the test is negative in any way this gives you time to address the problems before the full launch of your product.

However, you have to be cautious if you use a test market. Although it is a great safety net device before going to full launch, the trade off is that your competitors may find out where you are 'testing', and could cause problems and have a good look at your product back at their labs. They could potentially start tweaking their own products and launch very quickly against you, creating a highly competitive environment.

7. Product launch

If your test market has been successful and you truly believe that the product, its price, distribution and communication are all correct, you will then roll out your new products into the actual marketplace.

It is crucial that if the feedback from any of the stages is negative, you stop the process. As you continue through the process, the development costs and associated risks start to increase.

However, even though a large number of organisations now use a process such as the one above to develop new products, many new products still fail. Why? Because although the system above is systematic and designed to try to eliminate the risks involved, there is still a lot of judgement needed – and skill. Again, you may want to seek support from third parties at various points in the NPD process.

As you move through this process, it can take weeks, months and in some cases, years to complete and as we are aware, the environment, marketplace and customer are constantly evolving. This is difficult to manage as the goalposts seem to be constantly moving.

NPD is not an easy situation to manage but it can be extremely rewarding if successful. Now you have an overview of the process, let's consider some of the main risks involved.

The risks involved in NPD

NPD is central to successful marketing and enterprise; however it can be an extremely risky venture, financially, professionally and personally. An alarming number of new products fail.

Armstrong and Kotler (2007) refer to research that shows that, of 34,000 new consumer food, beverage, beauty and healthcare products launched, less than 2 per cent were considered successful. They cite another study that estimates that new consumer packaged products fail at a rate of 90 per cent within two years.

These are sobering statistics in one sense but understandable in another. One area of general business practice that is often prone to failure is indeed new product development and the reasons for it are, at times, evident.

Why do new products fail so often?

New products fail for a variety of reasons. Let's consider some in detail.

Lack of market research

Many organisations fail to undertake the initial investment in research. Why? Because it is often time-consuming, resource-intensive and expensive. Large organisations tend to have the resources available, but many smaller organisations don't, so they rely on gut feel and current knowledge. To a certain extent gut feel should not be ignored, especially if you have a lot of experience in the field and market you are targeting. However, common sense also has to be used. Can you really make empathetic decisions on behalf of what could be potentially millions of customers? You need to ensure that the research carried out throughout the process is collected and analysed correctly. Again, this is an area where many organisations fall down. Collecting the data is one thing, but has the data been analysed and interpreted correctly? Remember, if the data presented and analysed is flawed, the decisions you make based upon it also risk being flawed.

Inappropriate forecasting and planning

Many organisations also fail to forecast and plan accordingly throughout the new product development process. Forecasting and projecting sales and turnover is not easy, particularly if you are entering markets of which you have little or no experience, but many organisations are over-zealous with their future plans. Be realistic, don't create targets you can't hope to attain. This is particularly problematic if investment is secured against planned targets.

Poor NPD management

Another key reason for NPD failure is purely down to the mismanagement of the NPD process. Many organisations don't seem to have a central system that is applied to NPD; rather they stumble and fumble from one aspect to another. This can lead quite easily to communication breakdown, missed information and a whole host of meltdown situations.

Key points

- **For customers to buy products we have to develop, make and manage them.**
- **A product is more complex than initially thought and it is formed from both tangible and intangible factors.**
- **Consumer products can be categorised into the following classes: convenience goods, shopping goods, speciality goods, and unsought goods.**

- Industrial products can be categorised into the following classes: installations, accessories, component parts, raw materials, services.
- The product life cycle (PLC) is a traditional theory that highlights the fact that a product has a life: it is developed, it is introduced to the market, it grows more successful, matures and finally declines.
- Although the PLC is useful as a means to understand what additional activities a product needs to support it through its life, it also has its limitations. The concept is an oversimplification of reality, it is difficult to determine exactly what stage a product is in and the concept ignores the external environment.
- The product adoption/diffusion cycle is useful as it shows how a marketer can target only one or two subsets of customers in the marketplace, who will in turn help diffuse the product and get it accepted amongst the majority of potential customers.
- Developing new products and launching them into the marketplace can help organisations remain competitive, increase profitability, sales, market share and customer satisfaction and loyalty.
- Developing new products can also be an extremely risky venture. Financial losses, a loss of reputation, image, customer satisfaction and loyalty can all occur if the product fails.
- To try to reduce the number of failed products, a range of screening processes have been developed.
- The new product development process is the screening process that systematically leads the marketer through a more controlled and organised process of developing new ideas and subsequent products, allowing them to abort the development at any stage if the feedback is at all negative. This helps to reduce the financial investment in the process and

hopefully the embarrassing failure of launching a product that nobody wants.

Activities

- Look at the vast array of products you have purchased for your home. Start to classify them. Are they convenience products, shopping goods, specialist goods, were they unsought? Link this back to how you purchased them (Chapter 3). Did you move through the consumer buying process when you purchased these products? How quickly? Was risk involved? Have a think about any products you have had to replace. How long did you have the original? How has the new product been updated from the original?
- Now, try to classify your organisation's products and link them back to the customer purchasing them.
- Get hold of a normal household product and place it in front of you. Imagine you are developing a newer, fresher version of it. Using the NPD process, write down just what is involved in each of the steps you would take.

Questions

1. Why do marketers need to be able to classify their products?
2. What is meant by the 'intangible' component of a product?
3. What is generally happening to the length of PLCs? What are the consequences of this?
4. Identify three different strategies you can use to extend the life of your product.
5. How can products be diffused quickly through the marketplace?

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