

20

Introducing New Market Offerings

Marketing Management:

An Asian Perspective
(5th edition)

Philip Kotler, Kevin Lane Keller, Swee Hoon Ang,
Siew Meng Leong, & Chin Tiong Tan

Copyright © 2009 Pearson Education South Asia Pte Ltd

20 - 1

全国迷你型MBA职业经理双证班

- 学习方式：全国招生 函授学习 权威双证 国际互认
- 认证项目：注册职业经理、人力资源总监、品质经理、生产经理、营销策划师、物流经理、项目经理、企业管理咨询师、企业总经理、营销经理、财务总监、酒店经理、企业培训师、采购经理、IE工业工程师、医院管理、行政总监、市场总监等高级资格认证。
- 颁发双证：高级注册 经理资格证+MBA研修证+人才测评证+全套学籍档案
- 收费标准：仅收取1280元 招生网址：www.mhjy.net
- 报名电话：13684609885 0451—88342620
- 咨询邮箱：xchy007@163.com 咨询教师：王海涛
- 学校地址：哈尔滨市道外区南马路120号职工大学（美华教育）



美华论坛
www.mhjy.net

- 颁证单位：中国经济管理大学
- 主办单位：美华管理人才学校

全国职业经理MBA双证班

精品课程 火热招生

函授学习 权威双证 全国招生 请速充电



- 近千本**MBA**职业经理教程免费下载
- -----请速登陆: www.mhjy.net

Introducing New Market Offerings

20

Companies need to grow their revenue over time by developing new products and expanding into new markets. New-product development shapes the company's future: improved or replacement products will maintain or build sales. Indeed, the Chinese expression for business, *sheng yi*, literally means "to give birth to ideas." Johnson & Johnson believes in new-product development.



Learning Objectives:

- Understand what challenges a company faces in developing new products and services.
- Understand what organizational structures and processes are used to manage new-product development
- Understand the main stages in developing new products and services

Learning Objectives:

- Understand what is the best way to manage the new product development process
- Understand what factors affect the rate of diffusion and consumer adoption of newly launched products

Challenges in New Product Development



2 ways to add new products:

1. Acquisition

- i. Buy other companies
- ii. Acquire patents
- iii. Buy license/franchise

Challenges in New Product Development



2 ways to add new products:

2. Development

- i. Develop new products
- ii. Contract with independent researchers or firms - develop new products

Challenges in New Product Development



6 categories of new products:

1. *New-to-the-world products*
2. *New product lines*
3. *Additions to existing lines*
4. *Improve & revise - existing products*
5. *Repositionings*
6. *Cost reductions*

Challenges in New Product Development



Japan toiletry brand, **Shokubutsu**, adds **new variants** to **body foam** product line - **green tea oil, oat milk & anti-bacteria**

Challenges in New Product Development



Principles - new-product development:

- 1. Work with potential customers*
- 2. Let employees choose projects*
- 3. Give employees “dabble” time*
- 4. Know when to let go*

Challenges in New Product Development



- New-product activity, improve current one
- Launch new products - brand extensions
- Economy - changes - continuous innovation
- If not - risk for company
- Established firms - *incremental innovation*
- Newer companies - *disruptive technologies*
- New-product development - quite risky
- Most companies - low innovation productivity

Challenges in New Product Development



- Factors hindering new-product development:
 1. *Shortage of important ideas - certain areas*
 2. *Fragmented markets*
 3. *Social & governmental constraints*
 4. *Cost of development*
 5. *Capital shortages*
 6. *Faster required development time*
 7. *Shorter product life cycles*

Table 20.2 Causes of New-Product Failure

1. *Market/marketing failure*
 - Small size of the potential market
 - No clear product differentiation
 - Poor positioning
 - Misunderstanding of customer needs
2. *Financial failure*
 - Low return on investment
3. *Timing failure*
 - Late in the market
 - “Too” early—market not yet developed
4. *Technical failure*
 - Product did not work
 - Bad design
5. *Organizational failure*
 - Poor fit with the organizational culture
 - Lack of organizational support
6. *Environmental failure*
 - Government regulations
 - Macroeconomic factors

Challenges in New Product Development



- Asian companies - lack research - profit from licensing & trading
- Hierarchical & paternalistic management style - discourage creativity
- Reluctance to comment on matters outside of one's assigned responsibility

Challenges in New Product Development



- Develop successful new products - **HOW?**
 1. Unique, superior product
 2. Well-defined product concept
 3. Technological & marketing synergy
 4. Quality of execution in all stages
 5. Market attractiveness



Organizational Arrangements



- *Customer-driven engineering* - design new products
- High importance - customer preferences in final design
- New-product - define business domains, product categories & specific criteria

Organizational Arrangements

- *Budgeting for New-Product Development*



*How much budget
to develop new product?*



- As many projects possible - few winners
- Apply normal % of sales
- Spend = competitor spends
- Decide number of new products needed & work backward - estimate investment

Table 20.3
Finding One Successful New Product
(Starting with 64 New Ideas)

Stage	Number of Ideas	Pass Ratio	Cost per Product Idea	Total Cost
1. Idea screening	64	1:4	\$ 1,000	\$ 64,000
2. Concept testing	16	1:2	20,000	320,000
3. Product development	8	1:2	200,000	1,600,000
4. Test marketing	4	1:2	500,000	2,000,000
5. National launch	2	1:2	5,000,000	10,000,000
			<u>\$5,721,000</u>	<u>\$13,984,000</u>

Organizational Arrangements

- *Organizing New-Product Development*



Organizational part - develop new product

- *Product managers* - new-product ideas
- Venture team: cross-functional group – develop specific product/business
- Concurrent development - push new products to market
- Ensure “better mousetrap” not created when not needed

Organizational Arrangements

- *Organizing New-Product Development*



Cross-functional new-product venture team

Staffing criteria:

- 1. Desired leadership style & expertise level*
- 2. Team member skills & expertise*
- 3. Level of interest in new-product concept*
- 4. Potential for personal reward*
- 5. Diversity of team members*

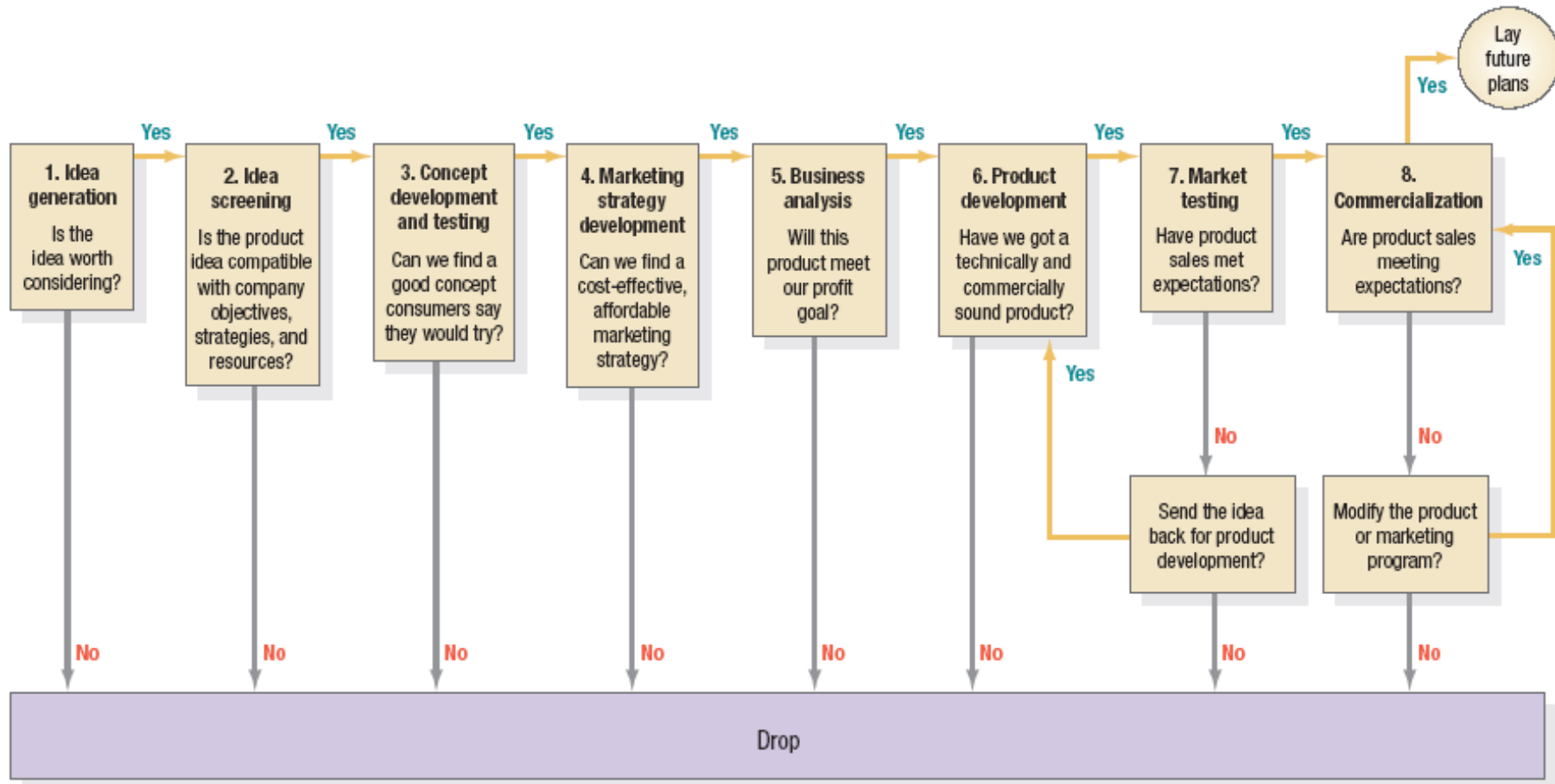
Organizational Arrangements

- *Organizing New-Product Development*



- *Stage-gate system*: manage innovation process – different stages
- End of each stage – gate – deliverables
- Review criteria – gatekeepers – *go, kill, hold or recycle*
- Ensure process visible to all
- Clarify responsibilities at each stage

Figure 20.1 The New-Product Development Decision Process





Managing the Development Process:

Ideas - *Idea Generation*

INTERACTING WITH OTHERS

- Ideas for new products from:
 - Customer needs & wants
 - *Eg: Procter & Gamble: observational technique*
 - Employees
 - Competitors' products & services
 - Top management
 - Academic institutions



10 Ways to Great New-Product Ideas

- 1) Customers, engineers, designers - brainstorm solutions
- 2) Time off for technical people - pet projects
- 3) Brainstorming session - feature of tours
- 4) Survey customers: likes/dislikes in own & competitors' products
- 5) "Fly-on-the-wall" / "camping out" research on customers

10 Ways to Great New-Product Ideas

- 6) Iterative rounds: 1st room, customers find problem - 2nd room, tech folks listen & find solution - tested promptly
- 7) Keyword search: publication, new-product announcement
- 8) Trade show - intelligence mission - new in industry
- 9) Technical, marketing visit suppliers
- 10) Idea vault - open & accessible - review, add

Seven Ways To Draw New Ideas From Your Customers

- 1) Observe how your customers use the product
- 2) Ask your customers about their problems with your products
- 3) Ask you customer about their dream products
- 4) Use customer advisory board to comment on your company ideas
- 5) Use websites for new ideas,
- 6) Form a brand community of enthusiasts who discuss your product
- 7) Encourage or challenge your customers to change or improve your product.

- Characteristics to define scope of high tech:
 - 1) *High technological uncertainty*
 - 2) *High market uncertainty*
 - 3) *High competitive volatility*
 - 4) *High investment cost- low variable cost*
 - 5) *Short life*
 - 6) *Find funding sources - such risky projects - not easy*

High-tech marketers

Difficult questions - marketing mix:

1) Product

Product features? Produce in-house/outsource?

2) Price

High? Or low price to sell quickly?

3) Distribution

Own sales force or agents? One/many channels?

4) Communication

Best messages for benefits? Best media for them?



Managing the Development Process:

Ideas - Idea Generation

CREATIVITY TECHNIQUES

1. *Attribute listing*
2. *Forced relationships*
3. *Morphological analysis*
4. *Reverse assumption analysis*
5. *New contexts*
6. *Mind-mapping*

Lateral marketing:

Eg:

Cyber cafés =
Cafeteria
+
Internet



Managing the Development Process:

Ideas - *Idea Screening*

- New ideas to *idea manager*
- Weekly review - *idea committee*
- 3 idea groups:
 - i. Promising
 - ii. Marginal
 - iii. Rejects
- Surviving ideas - full-scale screening

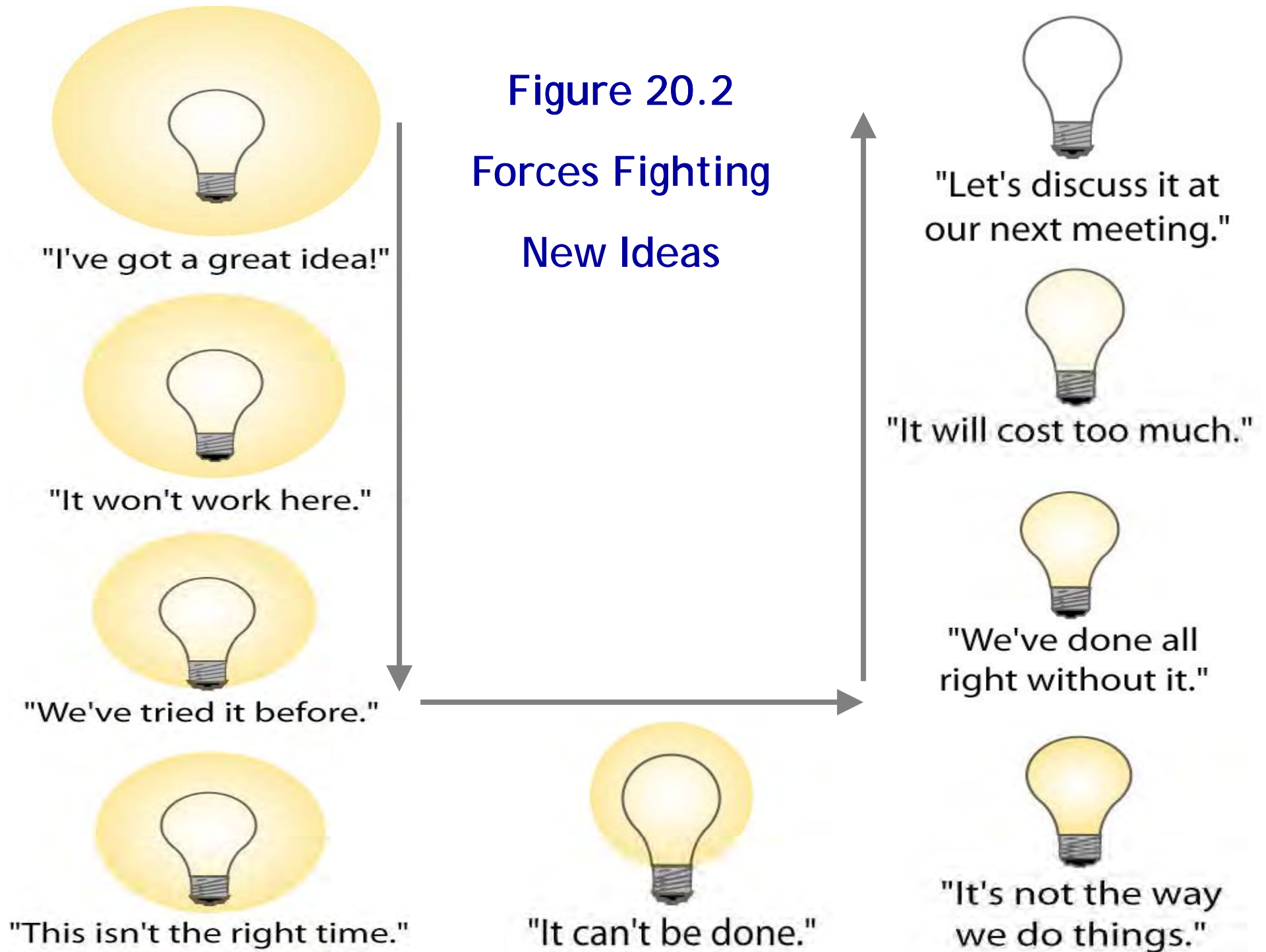


Managing the Development Process:

Ideas - Idea Screening

- Avoid 2 types of errors
 - 1. DROP-error: good idea dismissed*
 - 2. GO-error: poor idea developed, commercialized*
 - *Absolute product failure*
 - *Partial product failure*
 - *Relative product failure*

Figure 20.2
Forces Fighting
New Ideas





Managing the Development Process:

Ideas - *Idea Screening*

- Screening purpose - drop poor ideas early
- Costs rise - substantial - each stage
- Idea reviewed against criteria
- Surviving ideas rated - weighted-index method

Table 20.4
Product-Idea Rating Device

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	1.00		.69 ^a

^aRating scale: .00–.30 poor; .31–.60 fair; .61–.80 good. Minimum acceptance rate: .61.



Managing the Development Process:

Ideas - *Idea Screening*

- As idea developed - revise estimate of product's probability of success, using:

Overall probability of success	=	Probability of technical completion	×	Probability of commercialization given technical completion	×	Probability of economic success given commercialization
--------------------------------------	---	---	---	--	---	--

Managing the Development Process:

Concept to Strategy

- *Concept Development & Testing*

- Product idea can be turned into concepts
- *Category concept* - defines product's competition
- Product concept - *brand concept*



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

CONCEPT DEVELOPMENT

- Product idea - turned into concepts

Questions to ask:

1. Who will use this product?
2. What primary benefit this product provide?
3. When will people consume this drink?



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

CONCEPT DEVELOPMENT

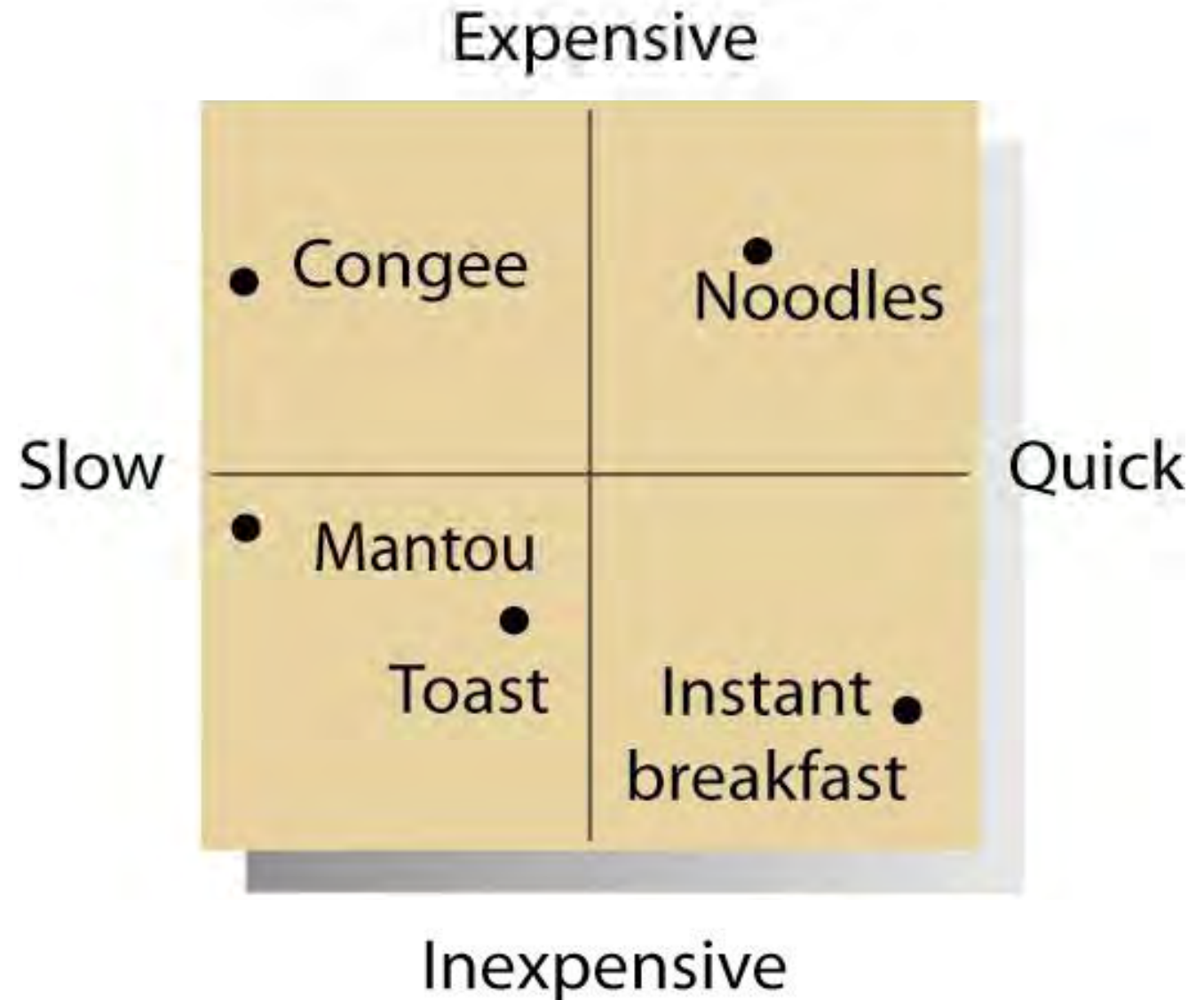
- Concept represents *category concept* - defines product's competition
- Figure 20.3(a) - *product-positioning map* for breakfast drink
 - Instant drink - low cost & quick
 - Competitor: near - toast; distant - congee
- Contrasts - promote concept to market



Figure
20.3

Product & Brand
Positioning

(a) Product-positioning Map
(Breakfast Market)



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

CONCEPT DEVELOPMENT

- Product concept - into *brand concept*
- Figure 20.3(b) - *brand-positioning map*
- Decide price & calories in drink
- Not position next to current brand unless that brand - weak/inferior

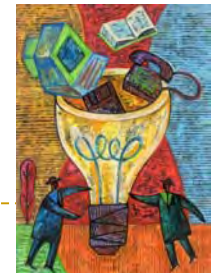
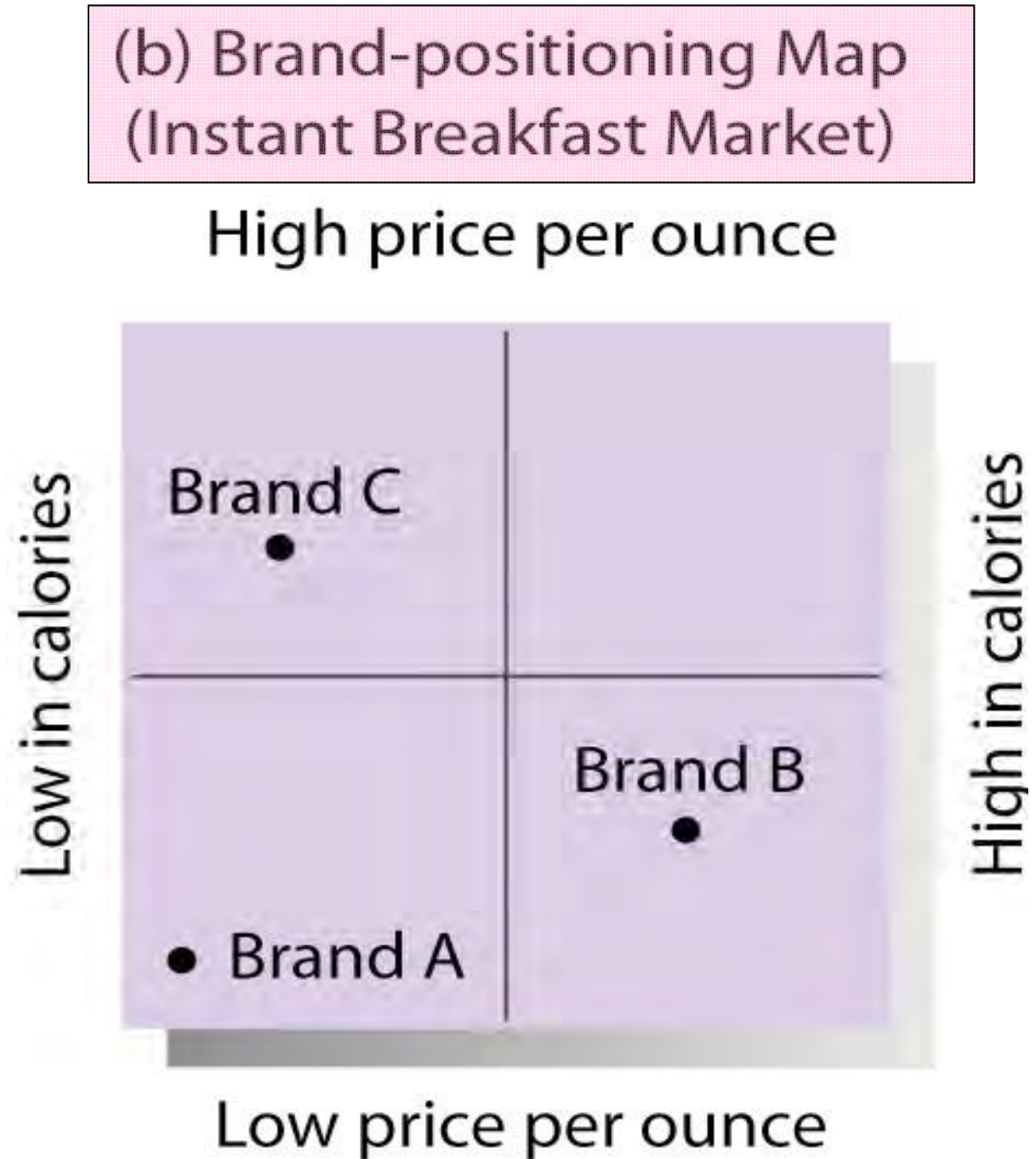


Figure
20.3

Product & Brand Positioning



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

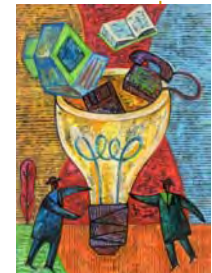
CONCEPT TESTING

- Present concept to target - get reaction
- Concept - symbolic or physical
- If concepts resemble final product - concept testing - dependable
- *Rapid prototyping* - design products
- *Virtual reality* - test product concepts



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

- Measure product dimensions:
 - 1) *Communicability & believability*
 - 2) *Need level*
 - 3) *Gap level*
 - 4) *Perceived value*
 - 5) *Purchase intention*
 - 6) *User targets, purchase occasions, purchasing frequency*



Managing the Development Process: Concept to Strategy - *Concept Development & Testing*

CONJOINT ANALYSIS

Method to derive utility values
consumers attach
to varying levels
of product's attributes



Managing the Development Process: Concept to Strategy *- Concept Development & Testing*

- Statistical program - derive utility functions - 5 attributes
- Relative importance of attribute - difference of highest & lowest utility
- Preference data from sample
 - Estimate market share of offer
- Collect data - 2 factors each time
- Easier to use but less realistic

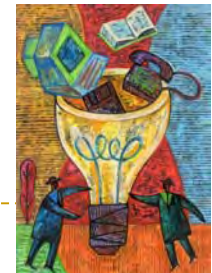
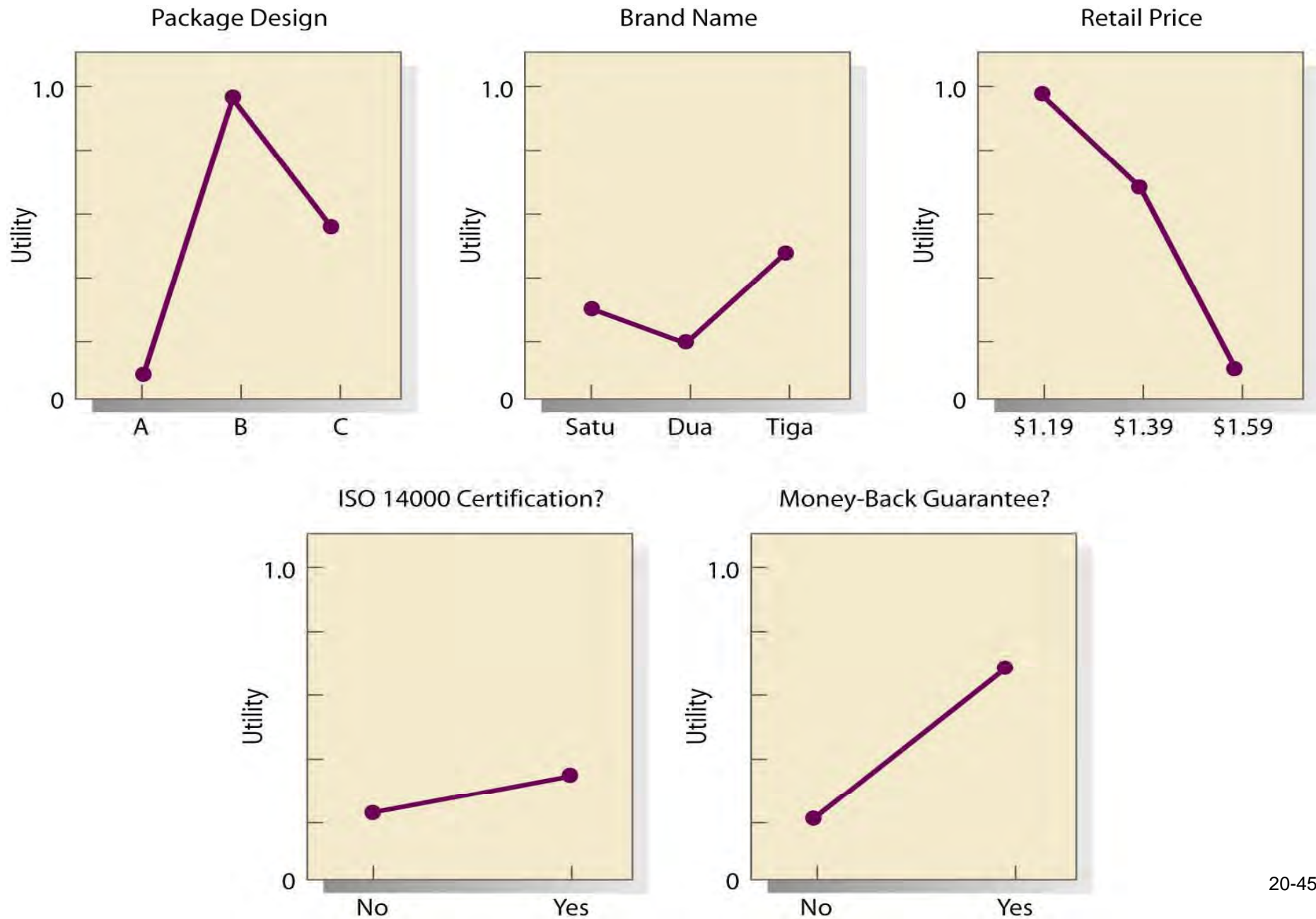
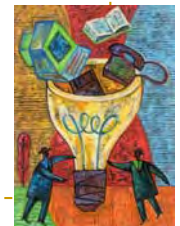


Figure 20.4 Utility Functions Based on Conjoint Analysis



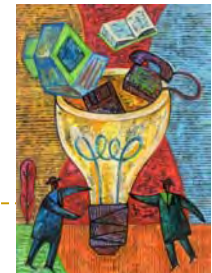
Managing the Development Process: Concept to Strategy - *Marketing Strategy*

- Preliminary strategy, new product to market
- PART 1
 - Target market's size, structure & behavior
 - Product positioning
 - Sales, market share & profit- 1st few years
- PART 2
 - Price, distribution, marketing - 1st year
- PART 3
 - Long-run sales & profit & marketing-mix



Managing the Development Process: Concept to Strategy - *Business Analysis*

- Evaluate proposal's business attractiveness – HOW?
 - Prepare sales, cost & profit projections
 - Determine whether they satisfy company objectives



Managing the Development Process: Concept to Strategy - *Business Analysis*

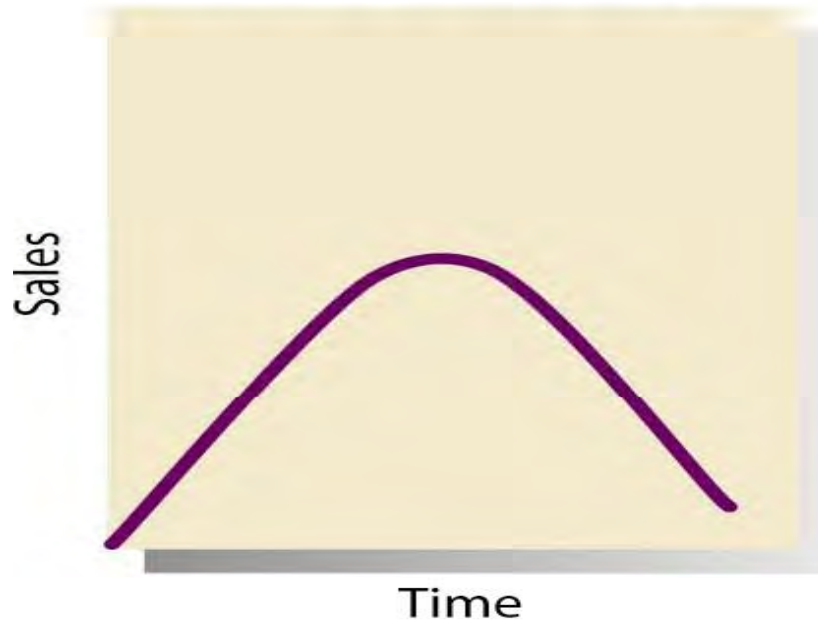
ESTIMATING TOTAL SALES

Total	Estimated	Replacement	Repeat
Estimated	= 1 st time	+ Sales	+ Sales
Sales	Sales		

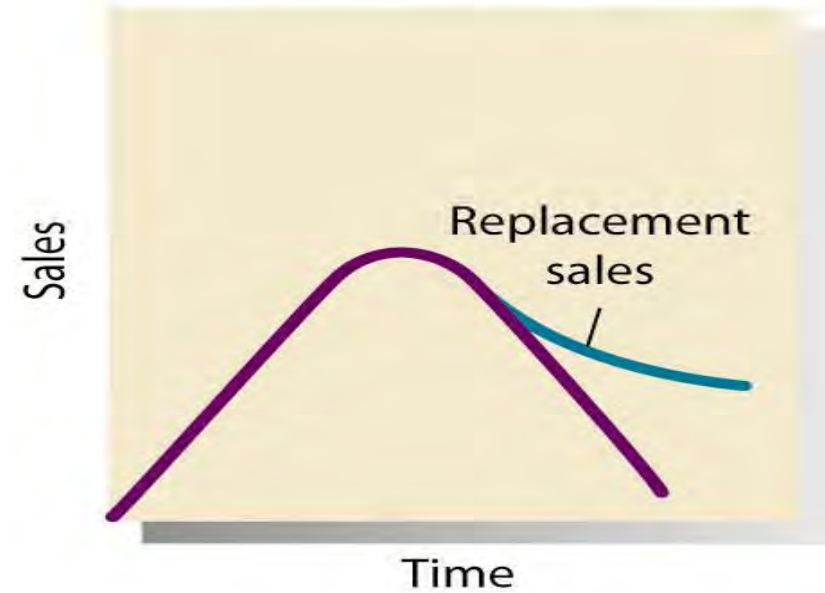
- Methods depend on:
 - One-time purchase
 - Infrequent purchase
 - Frequent purchase



(a) One-time
Purchased Product



(b) Infrequently
Purchased Product



(c) Frequently
Purchased Product

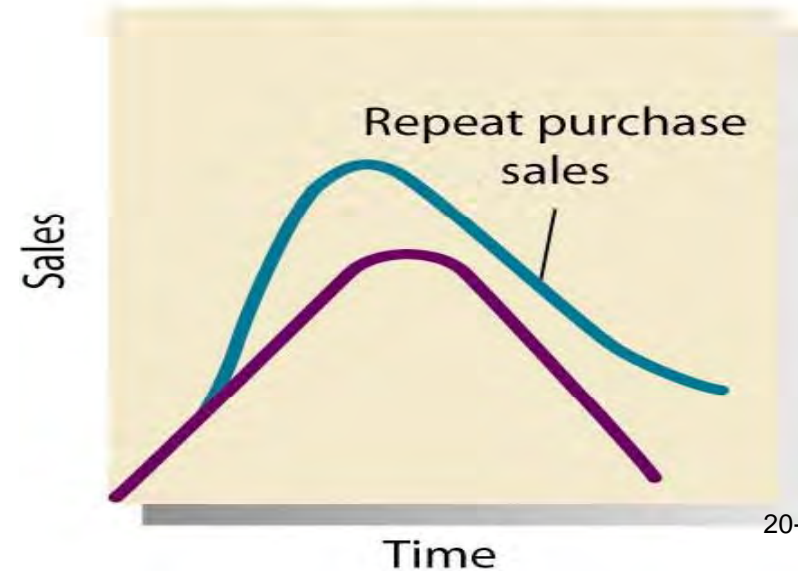
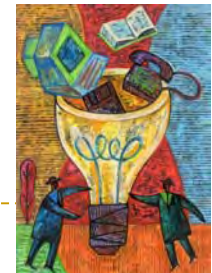


Figure 20.5
Product Life-Cycle
Sales - 3 Types of
Products

Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING TOTAL SALES

- Replacement sales
 - *Survival-age distribution*
 - Units that fail in year 1, 2, 3 etc
- Frequent purchase
= Repeat sales + 1st time sales



Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING COSTS & PROFITS

- Use R&D, manufacturing, marketing & finance departments
- Sales projection - assumptions:
 1. Market growth rate
 2. Company's market share
 3. Factory-realized price
- Cost of goods sold = average cost of labor, ingredients & packaging per case



Table 20.5
Projected Five-Year Cash-Flow Statement
(in thousands of dollars)

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
1. Sales revenue	\$ 0	\$11,889	\$15,381	\$19,654	\$28,253	\$32,491
2. Cost of goods sold	0	3,981	5,150	6,581	9,461	10,880
3. Gross margin	0	7,908	10,231	13,073	18,792	21,611
4. Development costs	−3,500	0	0	0	0	0
5. Marketing costs	0	8,000	6,460	8,255	11,866	13,646
6. Allocated overhead	0	1,189	1,538	1,965	2,825	3,249
7. Gross contribution	−3,500	−1,281	2,233	2,853	4,101	4,716
8. Supplementary contribution	0	0	0	0	0	0
9. Net contribution	−3,500	−1,281	2,233	2,853	4,101	4,716
10. Discounted contribution (15%)	−3,500	−1,113	1,691	1,877	2,343	2,346
11. Cumulative discounted cash flow	−3,500	−4,613	−2,922	−1,045	1,298	3,644

Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING COSTS & PROFITS

- $\text{Gross margin} = \text{sales} - \text{cost of goods sold}$
- $\text{Development costs} = \text{product development} + \text{research} + \text{manufacturing-development}$
- $\text{Marketing costs} = \text{advertising} + \text{sales promotion} + \text{research} + (\text{sales, administration})$
- $\text{Allocated overhead} = (\text{salaries} + \text{light } etc) \text{ cost}$
- $\text{Gross contribution} = \text{gross margin} - (\text{development} + \text{marketing} + \text{overhead}) \text{ costs}$



Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING COSTS & PROFITS

- Supplementary contribution
 - Change in income from other company products caused by new product
 - *Dragalong income*: extra income
 - *Cannibalized income*: reduced income
- Discounted contribution - present value of each future contribution

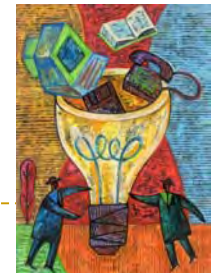


Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING COSTS & PROFITS

Cumulative discounted cash flow:

- Maximum investment exposure
 - Highest loss project can create
- Payback period
 - Time when firm recovers all investment



Managing the Development Process: Concept to Strategy - *Business Analysis*

ESTIMATING COSTS & PROFITS

- Other measures - evaluate new-product

1. *Breakeven analysis*

- Units sold to break even - given price, cost
- Number of years to break even

2. *Risk analysis*

- Optimistic, pessimistic & most likely - for each variable
- Possible outcomes & rate-of-return probability distribution



Managing the Development Process: Development to Commercialization

- *Product Development*

- *Quality function deployment (QFD)*
 - Help - target requirement to prototype
- Turn *customer attributes* (CAs) into *engineering attributes* (EAs)
- Improves communication between marketers, engineers & manufacturing



Managing the Development Process: Development to Commercialization

- Product Development

PHYSICAL PROTOTYPES

- R&D \geq 1 physical version of product concept
 - Key attributes, safe, produced \leq budget
- Virtual-reality - speed process
- Web - rapid prototyping & flexible processes
- Functional & psychological aspects - physical cues



Managing the Development Process: Development to Commercialization

- *Product Development*

- Prototypes ready - rigorous testing
 1. *Alpha testing*
 - Test product in firm
 - Performance in different applications
 2. *Beta testing*
 - Customers use prototype & give feedback
 3. *Consumer testing*
 - Bring consumers to labs
 - Samples to use in homes



Managing the Development Process: Development to Commercialization

- *Product Development*

Methods - measure consumer preference

1) *Rank-order* method

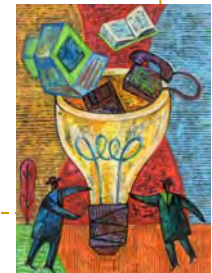
- Rank items in order of preference

2) *Paired-comparison* method

- Preference based on items in pairs

3) *Monadic-rating* method

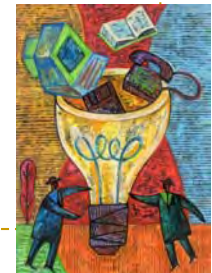
- Rate liking of each product on a scale



Managing the Development Process: Development to Commercialization

- *Market Testing*

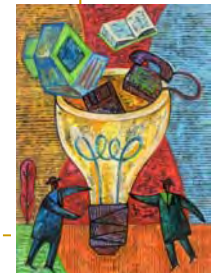
- Market test: New product in real setting
 - How large market is
 - How people handle, use & repurchase product
 - Valuable data - buyers, dealers, marketing program effectiveness & market potential
- How much testing & what kind?
 - Investment cost & risk
 - Time pressure & research cost



Managing the Development Process: Development to Commercialization - *Market Testing*

CONSUMER-GOODS MARKET TESTING

- To estimate
 1. *Trial*
 2. *First repeat*
 3. *Adoption*
 4. *Purchase frequency*



Managing the Development Process: Development to Commercialization *- Market Testing*

CONSUMER-GOODS MARKET TESTING

Consumer-goods market testing 4 methods

1) *Sales-Wave Research*

- *Initial try - free, 2nd try - reduced price*
- Quick, secure, no packaging & ad costs
- But does not indicate
 - Trial rates - different promotion
 - Brand's power - distribution & shelf position



Managing the Development Process: Development to Commercialization *- Market Testing*

2) *Simulated Test Marketing*

- Shoppers - brand familiarity & preferences
- Shown known & new ads - money
- Products bought & reasons
- Shoppers - use, satisfaction, repurchase
- Fairly accurate: ad - effective & trial rates
- Lesser time & cost - real test market
- Accurate projected sales levels



Managing the Development Process: Development to Commercialization *- Market Testing*

3) *Controlled Test Marketing*

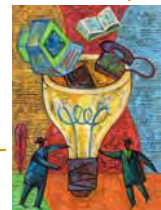
- Specify stores & locations to test
- Carry new products - fee
- Sales - electronic scanners at checkout
- Impact - in-store factors & ad on buying
- No sales force, allowances, *buy* distribution
- But: no data - sell trade- carry new product
- Expose product & features - competitors



Managing the Development Process: Development to Commercialization *- Market Testing*

4) *Test Markets*

- Full blown test markets
- Few cities - sales force - trade carry product - good shelf exposure
- Full ad & promotion campaign
- Can test impact of alternative marketing plans - vary program in cities

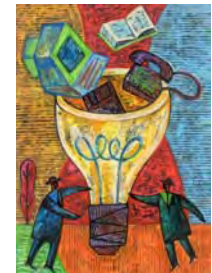


Managing the Development Process: Development to Commercialization *- Market Testing*

CONSUMER-GOODS MARKET TESTING

Full scale test cost:

- 1) *How many test cities?*
- 2) *Which cities?*
- 3) *Length of test?*
- 4) *What information?*
- 5) *What action to take?*



Managing the Development Process: Development to Commercialization

- *Market Testing*

BUSINESS-GOODS MARKET TESTING

1. Beta testing

- Vendor: How product used & value to operations
- But, test size - small & not random
- Risk - unfavorable reports leak out

2. Introduce new product at trade shows

- Vendor: Observes interest and reactions
- But: reveal product to competitors

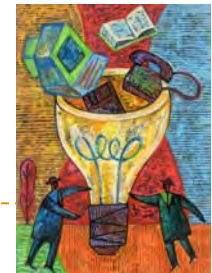


Managing the Development Process: Development to Commercialization

- *Market Testing*

BUSINESS-GOODS MARKET TESTING

3. Tested in distributor & display rooms
 - Preference & pricing in normal atmosphere
 - But: early orders cannot be filled
 - Visitors not target market
4. Sales force - sell in limited areas - promotion support & printed catalog



Managing the Development Process: Development to Commercialization

- *Commercialization*

Commercialization: manufacture, marketing costs

WHEN (TIMING)

- Market-entry timing - **critical**:
 1. First entry
 2. Parallel entry
 3. Late entry
 4. New product replaces old
 5. Seasonal product
 6. Competitive “design-arounds”

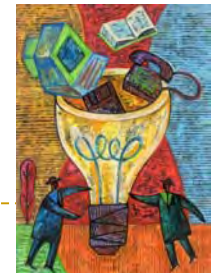


Managing the Development Process: Development to Commercialization

- Commercialization

WHERE (GEOGRAPHIC STRATEGY)

- Launch - single locality, region, national or international market
- Company size important
 - Small - select city
 - Large - one region after another
 - Launch nationally

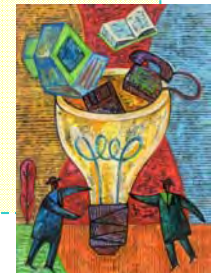


Managing the Development Process: Development to Commercialization

- *Commercialization*

Most new products - domestic market

- To export - need to redesign
- Adopt international focus when design & develop new product



Managing the Development Process: Development to Commercialization - *Commercialization*

To choose rollout markets, major criteria:

1. Market potential
2. Company's local reputation
3. Cost of filling pipeline
4. Cost of communication media
5. Influence of area on other areas
6. Competitive penetration



- *Strong competitors influence rollout strategy*

Managing the Development Process: Development to Commercialization

- *Commercialization*

TO WHOM (TARGET-MARKET PROSPECTS)

- Target initial distribution & promotion to best prospect groups
- *Prime prospects - characteristics:*
 1. *Early adopters*
 2. *Heavy users*
 3. *Opinion leaders*
 4. *Reached at low cost*
- Generate strong sales as soon possible



Managing the Development Process: Development to Commercialization *- Commercialization*

HOW (INTRODUCTORY MARKET STRATEGY)

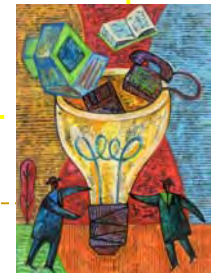
- Action plan of product- rollout market

Critical path scheduling (CPS)

Develop master chart

Show simultaneous & sequential activities
that must take place

To launch product



The Consumer-Adoption Process

- Stages in the Adoption Process

- **Adoption**
 - Individual's decision - regular product user
- *Consumer-adoption to consumer-loyalty process*
- **Innovation**
 - Product or idea *perceived* as new
- **Innovation diffusion process**
 - Spread of new idea - invention to users

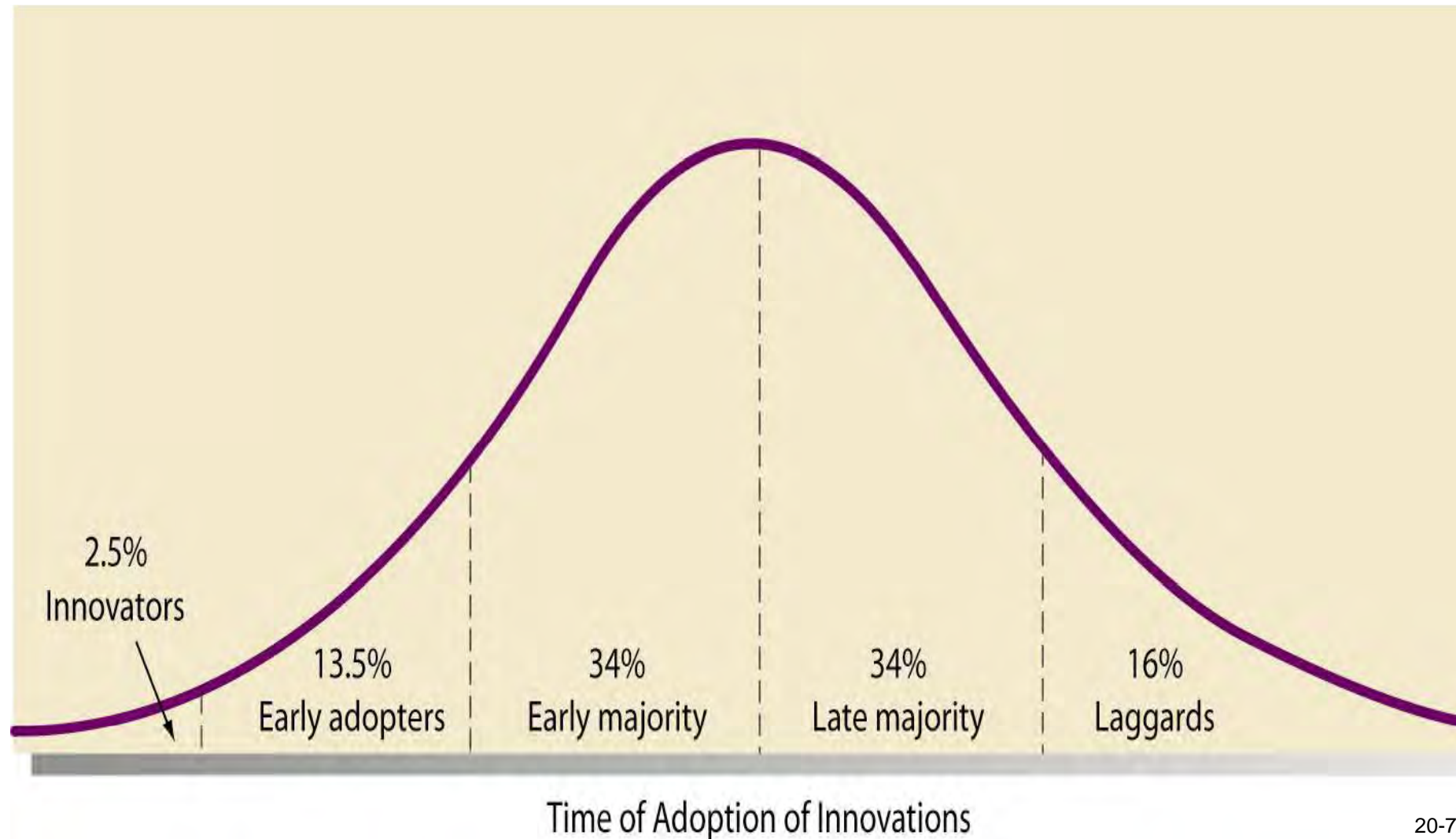
The Consumer-Adoption Process

- Stages in the Adoption Process

- Adopters of new products move through 5 stages:
 - 1) *Awareness*
 - 2) *Interest*
 - 3) *Evaluation*
 - 4) *Trial*
 - 5) *Adoption*

Figure 20.6

Adopter Categorization on the Basis of Relative Time of Adoption of Innovations



The Consumer-Adoption Process

- Factors Influencing the Adoption Process

READINESS TO TRY NEW PRODUCTS & PERSONAL INFLUENCE

Level of innovativeness

- How much earlier one adopts new ideas than others in social system

5 adopter groups:

- 1) Innovators*
- 2) Early adopters*
- 3) Early majority*
- 4) Late majority*
- 5) Laggards*

The Consumer-Adoption Process

- Factors Influencing the Adoption Process

- Each group - different marketing - move innovation - full product life cycle
- **Personal influence**
 - Effect one person has on another's attitude or purchase probability
- Companies target innovators & early adopters with product rollouts

The Consumer-Adoption Process

- Factors Influencing the Adoption Process

- East Asians - conform - reference groups
- Social approval - more important to increase adoption in Asia than in U.S.
- Innovation acceptance
 - Access Asian consumer's referral network
 - Utilize positive word of mouth

The Consumer-Adoption Process

- *Factors Influencing the Adoption Process*

- Impact of personal influence varies across Asian consumers & products
- High context societies *eg Japan*, homogeneous - same culture - *word-of-mouth effect* stronger
- Countries high on individualism - greater rate of Internet adoption than collectivistic countries

The Consumer-Adoption Process

- Factors Influencing the Adoption Process

CHARACTERISTICS OF THE INNOVATION

- Rate of innovation adoption
5 characteristics

1) *Relative advantage*

2) *Compatibility*

3) *Complexity*

4) *Divisibility*

5) *Communicability*

The Consumer-Adoption Process

- Factors Influencing the Adoption Process

CHARACTERISTICS OF THE INNOVATION

- Other characteristics:

1. *Cost*

2. *Risk & uncertainty*

3. *Scientific credibility*

4. *Social approval*

The Consumer-Adoption Process

- Factors Influencing the Adoption Process

ORGANIZATIONS' READINESS TO ADOPT INNOVATIONS

- Adoption associated with
 - 1) *Organization's environment*
 - community progressiveness & income
 - 2) *Organization*
 - size, profits, pressure to change
 - 3) *Administrators*
 - education level, age, sophistication

Final discussion

Marketing Debate -

Who Should You Target With New Products?

Some new-products experts maintain that getting close to customers through intensive research is the only way to develop successful new products. Other experts disagree and maintain that customers can't possibly provide useful feedback on what they do not know and can't provide insights that will lead to breakthrough products.

Take a position: *Consumer research is critical to new-product development versus Consumer research may not be all that helpful in new-product development.*

Marketing Discussion

Think about the last new product you bought. How do you think its success will be affected by the five characteristics of an innovation: relative advantage, compatibility, complexity, divisibility & communicability?