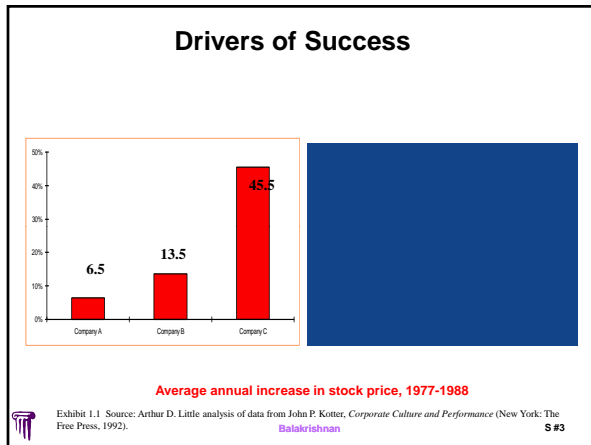
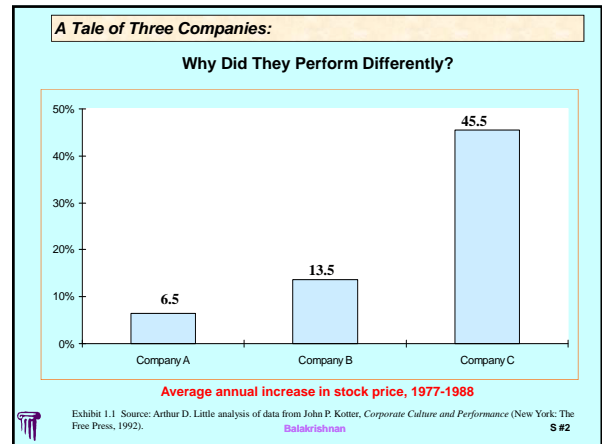


New Product Marketing:

Dr. P.V. (Sundar) Balakrishnan
sundar@u.washington.edu
 425 352-5384

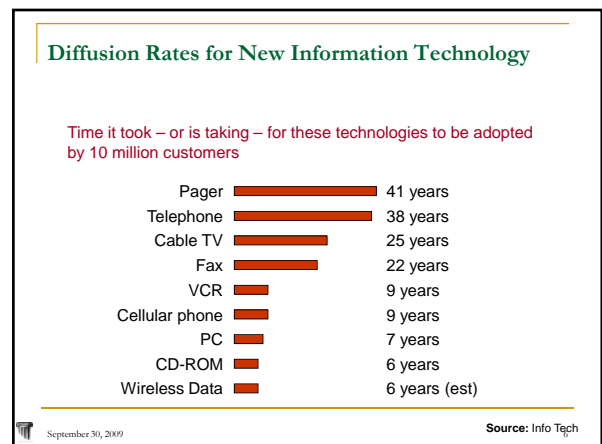
Managing The Future:
World-Class Organizations





- ### The Excitement of Winners
- YouTube
 - Apple's iTouch
 - Gillette MACH3
 - Lego's Mindstorms
 - Healtheon/WebMD
 - Star Wars Episode I
 - Titanic
 - Amazon.com
 - Beanie Babies
 - Sony's PlayStation2
 - Dilbert
 - Windows 2000/XP
 - Google
 - Plymouth Spyder
 - Digital cameras
 - VW's new Beetle
 - Direct TV
 - Facebook
 - Turbo Tax software
 - K*nexz
 - Sippy cup
 - John Deere's Gator
 - Electronic tags
 - Lincoln minivan
 - Harry Potter
- September 30, 2009 4

- ### Some Losers
- LaChoy's Fresh & Lite
 - ???
 - Ans.: Egg Rolls
 - E-loo
 - Bic's Perfume
 - in a Lighter fluid shaped container
 - Zima
 - Lisa Computer
 - NEXT
 - Interactive Television
 - SGI; ...
 - Fresca
 - Revlon cosmetics
- September 30, 2009 5

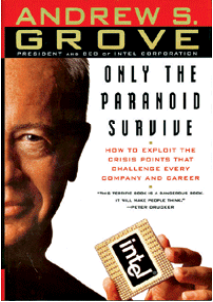


Innovation and the CEO



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Flash and Grin



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CEOs and Innovation

- At least three views:
 1. Bad for Innovation
 2. Irrelevant for Innovation
 3. Supporting Role in innovation

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The New Product Development Process

- Introduction
- Strategies for New Product Development
- Challenge of Managing New Products
- A Proactive New Product Development Process
- Consumer Measurements
- Techniques for New Product Development

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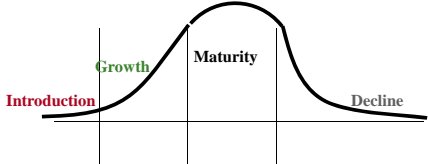
Introduction

- A. Need of New Products to a Firm
- B. Value of New Products to a Firm
- C. The Hazards in Developing New Products
- D. Routes to Growth

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A. Need for New Product Development

- Societal and Organizational Pressures
- Old Products Entering Mature and Decline Stages of their Product Life Cycle (PLC)



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Some Thoughts on New Products

- As firms face mature and flat markets, increasing competition from home and abroad, and accelerating technological change, more companies are looking to product innovation as a weapon to man the battlefield.

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B. Value of Innovation/New Products to a Firm

- Over 1/3 of profits predicted over next five years will come from new products
 - 1982 Survey of 700 firms
 - Booz, Allen, and Hamilton Management Consulting
- Increasing commoditization of goods and services all over the world.
 - 76% believe that their offerings "behave like commodities,"
- 56% say they should focus more on revenue growth and less on cost reduction.
- The solution to both concerns? Innovation.
 - 86% of respondents believe that "innovation is more important than cost reduction for long-term success."
 - http://www.bain.com/management_tools/2005_tools_strategy_brief.pdf

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Why NPD?

- Single strongest predictor of investment value "degree of innovativeness of company"
 - Fortune '97
- Successful (203) New Products
 - ROI 96.9% (50% with ROI >33%)
 - Average payback time 2.49 years (50% with 2 years or less)
 - Average market share of target market: 47.3% (50% with >35%)
- Looking at the best performers:

	Best	Rest
% Sales from NPs	49.2	25.2
% Profits from NPs	49.2	22.0
#ideas per winner	3.5	8.4
- Innovation is being driven by environmental factors:
 - Technology Advances
 - Changing Customer Needs
 - Shortening Product Lifecycles (cut by a factor of 4 in the past 50 years)
 - Increased Global Competition

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C. Hazards in Developing New Products

- Catastrophic Failures
 - GO Corp.
 - Jerry Kaplan's pen-based computer
 - "Startup: A Silicon Valley Adventure"

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D. Routes to Growth

- External
- Internal

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External Routes to Growth

- In the 1960's, and 1984-1986; 1998- present this is/was popular route to growth.
- Seemed/Perceived to be low risk route
- Disadvantages:
 - Ineffective integration of the acquired company into the parent
 - Difficulty in finding suitable companies to purchase at attractive prices.

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Internal Routes to Growth

- Can come from established brands
- Disadvantages:
 - difficult to maintain once the market matures due to:
 - increased levels of competition
 - increases in the number of new competitive products

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What Is a New Product?

- New-to-the-World Products
 - Polaroid camera, in-line skates, Kevlar, word-processing software
- New Category Entries
 - Hewlett-Packard PCs, Hallmark gift items, Discover Card
- Additions to Product Lines
 - line extensions or flankers
- Product Improvements
 - frozen yogurt, Miller Lite, Windows 2000, plain-paper fax
- Repositionings
 - Arm & Hammer baking soda

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The Conflicting Masters of New Products Management

- Three inputs to the new products process:
 - the right quality product,
 - at the right time,
 - and at the right cost.
- These conflict with each other but may have synergies too.
- Issue: how to optimize these relationships in a new product situation.

Figure 1-6 21

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The Challenge of Managing New Products

- Dimensions of the Challenge
 - Time
 - Time taken from idea to entering test market
 - Cost
 - Costs for introducing a new product.
 - \$6*10⁶; \$ 2*10⁶ for industrial
 - Risk
 - p= .49 Probability of overall success of new products/identified opportunity.
 - p=.27 for industrial products

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Classic Stage-Gate Approach

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Table 3.4
Elapsed Time from Test Market to Introduction for Representative Consumer and Industrial Products

Product	Idea Born	Test Market	Full-Scale Launch	Elapsed Time
Birds Eye (frozen food)	1928	1933	1935	15 years
Flax (cell-on deodorant)	1948	1954	1955	6 years
Calum (powder absorbant)	1959	-	1964	5 years
Chlorox (bleach)	1930's	1951	1952	11-23 years
Centrod (cold compound)	1954-55	-	1956	1-2 years
Coltsene (cold remedy, liquid)	1954	1955	1956	1 year
Cross (handble toothpaste)	1945	1955	1956	10 years
Decaf (instant coffee)	1947	1953	-	6 years
Flav-R-Sweet	1953	1956	1957	3 years
Gerber (baby foods)	1927	1928	-	1 year
Hille Rice (instant coffee)	1954	1956	-	22 years
Johnson (liquid shoe polish, inc. applicator)	1957	1960	1961	3 years
Lastic Creme (liquid shampoo)	1950	-	1958	8 years
Martens (fleece skates)	1953	1955	-	2 years
Maxim (freeze dried instant coffee)	1954	1964	-	10 years
Minute Maid (frozen orange juice)	1944	1946	-	2 years
Minute Rice	1931	-	1949	18 years
Orsoni (flour cream)	1951	1955	1957	4 years
Red Kettle (dry soup)	1943	-	1962	19 years
Stripe (toothpaste)	1952	1957	1958	6 years
Wisk (liquid laundry detergent)	1955	1956	-	1 year
Bondix (washer/dryer)	Before 1941	-	1953	12+ years
Excelsior (ball point pen)	1958	1958	1959	1 year
Fairchild (8mm sound projector)	1961	1963	-	2 years
Hoover (floor tile)	1947-48	-	1953	5-6 years
G.E. (electric toothbrush)	1958-1959	1961	1962	3-4 years
Polaroid Land Camera	1945-46	1947-48	-	2 years
Polaroid Color Camera	1948	1963	1963	15+ years
Scribble Felt Tip Pen	1959	1961	1961	2 years
Singular (cosmetic oil)	1952	-	1953	6 months
Smith Corona (portable electric typewriter)	1952	1957	-	5 years
Colgate (toothpaste)	1889	1913	1918	29 years
Television	1884	1939	1946-47	55 years
Leoline (chemical compound for house paints)	1951	1957-58	-	6-7 years
Colman (oil conditioner)	1939	1952	-	12-13 years
Page Master (rocket printing system)	1955	-	1957	2 years
Domolite	1928	1943	-	15 years
Transistors	1940	1954-56	-	15-16 years
Source: September 30, 2009	Elai-1992/2004	1990	-	15 years

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Why Have a Marketing Strategy?

Developing an Marketing Strategy is hard work.

It involves many people and especially top management

Why, then go through all the work?

There are many firms that do not appear to have a master game plan for their products; so how do they get by?

Blame the Marketing Manager for the failure



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S #25

Doing Business W/O Strategy

Is like running a war without military strategy

no rudder or no direction

which results in unsatisfactory conditions

You could find yourself in

unrelated markets or unwanted markets, products and technologies :

there is no focus.



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S #26

Misguided Marketing Strategies

Destroys Shareholder Value

Marketing is more than the advertising and promotion

Such failure requires attention from the highest level

To execute corporate strategies successfully, companies must have superior marketing

Many boards spend less than 10% of their time on the issue

CEOs' & Boards' attention is dominated by financial integrity

Focused on:

- Mergers & acquisitions
- Executive incentive packages
- Succession planning

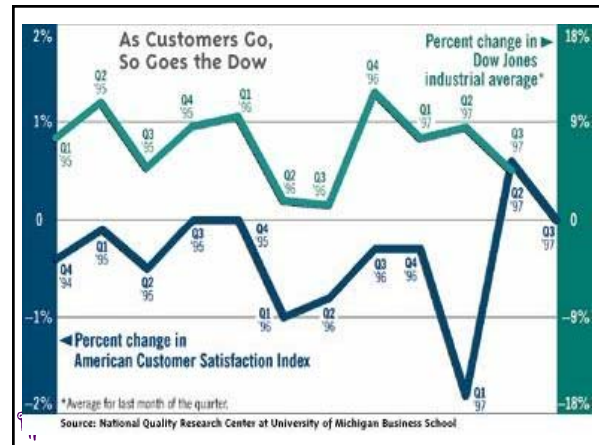
Boards have neglected marketing

Boardrooms discussions about customers are purely anecdotal



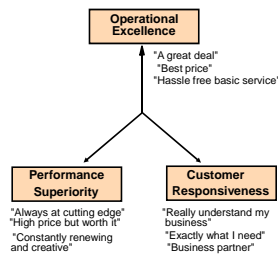
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S #27



Competing with Superior Customer Value*

The source, emphasis, and role of new products depends on how competitive advantage will be achieved



*Adapted from Treacy and Wiersema/CSC Index



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S #29

The New Curriculum

The Board's attention is a MUST for three reasons

Top-line revenue growth boosts shareholder value – demanded by investors

Brand equity is extremely unstable

The nature of marketing has changed rapidly

It is the board's responsibility to expose inadequate marketing

Innovative companies achieve the highest shareholder returns (Fortune Poll)

How to do this without being crushed by the responsibility?

Marketing performance is difficult to measure

Managers don't know how to interpret the results


Generic measures can be poor indicators of customers' true perceptions and can be misleading

CMO & CFO create a Marketing Dashboard




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S #30

Marketing Dashboard 

- Main business drivers:
 - **What are our key business drivers;**
 - **How well does our marketing strategy support them?**
 - Business drivers that are critical to one company may be unimportant in another
- Build your company's analytical skills from the top down.**
 - Don't change measures just because top management has forgotten Statistics 101.
 - A cross section of companies to determine which customer-measurement skills and practices showed connections to growth. Surprise: companies whose leaders knew enough statistics to understand which measures were strategically valuable tended to grow faster.
 - *Mark Hochman is president of Hochman & Co., affiliate of Lochridge & Co., Boston.*

Measurement is too important to be left to market researchers.

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Marketing Dashboard 


- Growth strategy:
 - **What do our customers want?**
 - **How is our knowledge of their Desires being translated into a "Pipeline of Innovations"?**
- Marketing talent pool:
 - **What marketing skills do we need, and**
 - **How do we acquire the skills we lack?**


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Mind the Gap

Companies need to close the gap between their boards and their marketing functions

- Change the organizational mindset**
- Welcome the customers into the boardroom**
- Bring marketing strategies into the boardroom**



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