What is a “New” Product?

New to the Company Products
- Products with which the company has no or limited experience.
- Can be developed internally to compete against existing brands.
- Can be acquired by purchasing a company or brand.
- Existing products can be considered new if they are modified in some substantial way.

New to the World Products
- No company has experience with the product type.
- New to World products generally improve the means by which the benefits are delivered to consumers.
- New to World products are generally perceived to be “innovations.”

New Product Failure

Probabilities of New Product Failure
- Completely New: 25% - 40%
- Product Technology: 40% - 50%
- Existing: 45% - 60%
- 60% - 75%
- 75% - 85%

Daily Finance Marketing Flops
New Product Assessment

Note text’s discussion of Creativity Software (pp. 130-131).
GE Portfolio Model (How attractive is a new product idea?)

Two dimensions to product attractiveness:

Is the category of the new product attractive?
- market size

Does the product fit our business strengths?
- strategy fit
- technology fit

Typically measured in unit or dollar sales.
Can be measured in number of customers.

Data used depend on definition of category. What brands/firms make up the category?
Availability depends on size, ownership of relevant firms.

Typical calculation:
\[
\text{Growth} = \frac{\text{Sales} - \text{Sales}_{t-1}}{\text{Sales}_{t-1}} \times 100
\]
"t" can be any time period such as month, year, etc.
Growth can be measured for other variables besides sales.

Industry Attractiveness

<table>
<thead>
<tr>
<th>Industry Attractiveness</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depends</td>
<td>Build</td>
<td>Depends</td>
<td>Build</td>
</tr>
<tr>
<td>Build</td>
<td>Build</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reject</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Does the category of the new product attractive?
- market size
- barriers to entry (competition esp.)
- market growth

To Incumbent Firms (Already in Industry/Category)
- …scale offers rewards.
- …deters competition.

To Entrant Firms (New to Industry/Category)
- …scale suggests large competitors.
- …requires large investments.
- …offers potentially large rewards.

High Potential Customers
Growth Prospects
Customers in Order of Total Purchases
Loyal Base Customers
Total Purchases

GE Portfolio Model (How attractive is a new product idea?)

Two dimensions to product attractiveness:

Is the category of the new product attractive?
- market size
- barriers to entry (competition esp.)

Market growth

Depends
High
Medium
Low

Business Strength

Low
Medium
High

Does the product fit our business strengths?
- strategy fit
- organizational fit
- technology fit
- resource fit

Industry Attractiveness

<table>
<thead>
<tr>
<th>Industry Attractiveness</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depends</td>
<td>Build</td>
<td>Depends</td>
<td>Build</td>
</tr>
<tr>
<td>Build</td>
<td>Build</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reject</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth can be measured for other variables besides sales.

Data used depend on definition of category. What brands/firms make up the category?
Availability depends on size, ownership of relevant firms.

Typical calculation:
\[
\text{Growth} = \frac{\text{Sales} - \text{Sales}_{t-1}}{\text{Sales}_{t-1}} \times 100
\]
"t" can be any time period such as month, year, etc.
Growth can be measured for other variables besides sales.

Industry Attractiveness

<table>
<thead>
<tr>
<th>Industry Attractiveness</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depends</td>
<td>Build</td>
<td>Depends</td>
<td>Build</td>
</tr>
<tr>
<td>Build</td>
<td>Build</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reject</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Does the product fit our business strengths?
- strategy fit
- technology fit

Typically measured in unit or dollar sales.
Can be measured in number of customers.

Depends
High
Medium
Low

Business Strength

Low
Medium
High

Does the product fit our business strengths?
- strategy fit
- technology fit

Typically measured in unit or dollar sales.
Can be measured in number of customers.

Depends
High
Medium
Low

Business Strength

Low
Medium
High
New Product Development Process

(Diffs slightly from book.)

1. Idea Generation
2. Screening & Evaluation
3. Business Analysis
4. Marketing Strategy Development
5. Product Development
6. Product Testing
7. Commercialization

Testing New Product Ideas with “Conjoint Analysis”
Conjoint Basics
- Compares “bundles of attributes” to estimate what customers prefer in a product.
- Research participants see all (or most) combinations of attributes being considered at differing “levels.”
- Participant selections help marketers estimate which attributes exert the greatest influence over choice decisions.
- The statistical procedure calculates “utilities” or “part worths” that show the influence the attribute has on selection.
- Large conjoints ask MUCH of participants so smaller is better.

Conjoint Basics
- Selection of Budweiser
- Selection of Microbrews
- Regular Ballpark Fare
- Restaurant Menu Items
- Neighborhood Pub
- Exciting Club

Produces eight possibilities rated by each participant.