

NEW PRODUCT DEVELOPMENT AND CURRENT TRENDS IN MANAGEMENT

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PRODUCTS AND SERVICES



- Product functions across culture
- Standardization vs. customization; adaptation as a compromise
- Communication vs. product adaptations
- Branding
- Services



Review issues

- Country economics
 - Demand for quality vs. low cost
 - Cost of labor
- Within country segment variations
- Local competitive situation
 - Overall competition
 - Competition for specific product lines
 - Possible competition with partners in other countries

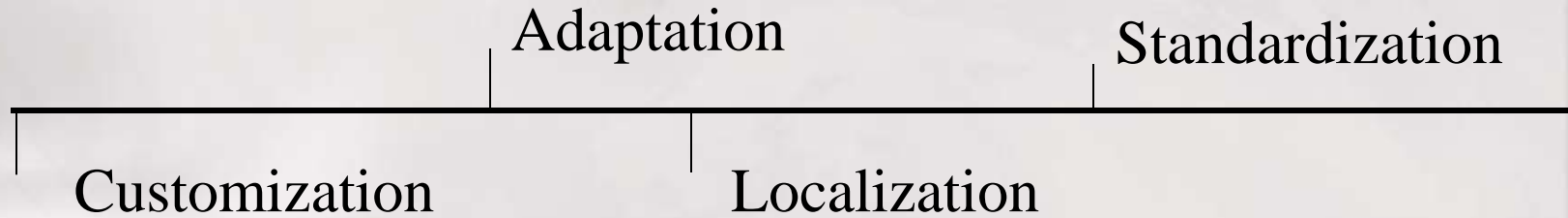


Product Need Satisfaction

- Products serve different purposes in different countries; e.g.,
 - Autos: transportation in U.S.; largely status symbol in Japan
 - Toothpaste: Cavity prevention in U.S.; breath freshener in Ireland
 - Tang: convenience, low cost beverage in U.S.; pineapple flavor as special treat in Brazil (real oranges are cheap and plentiful)



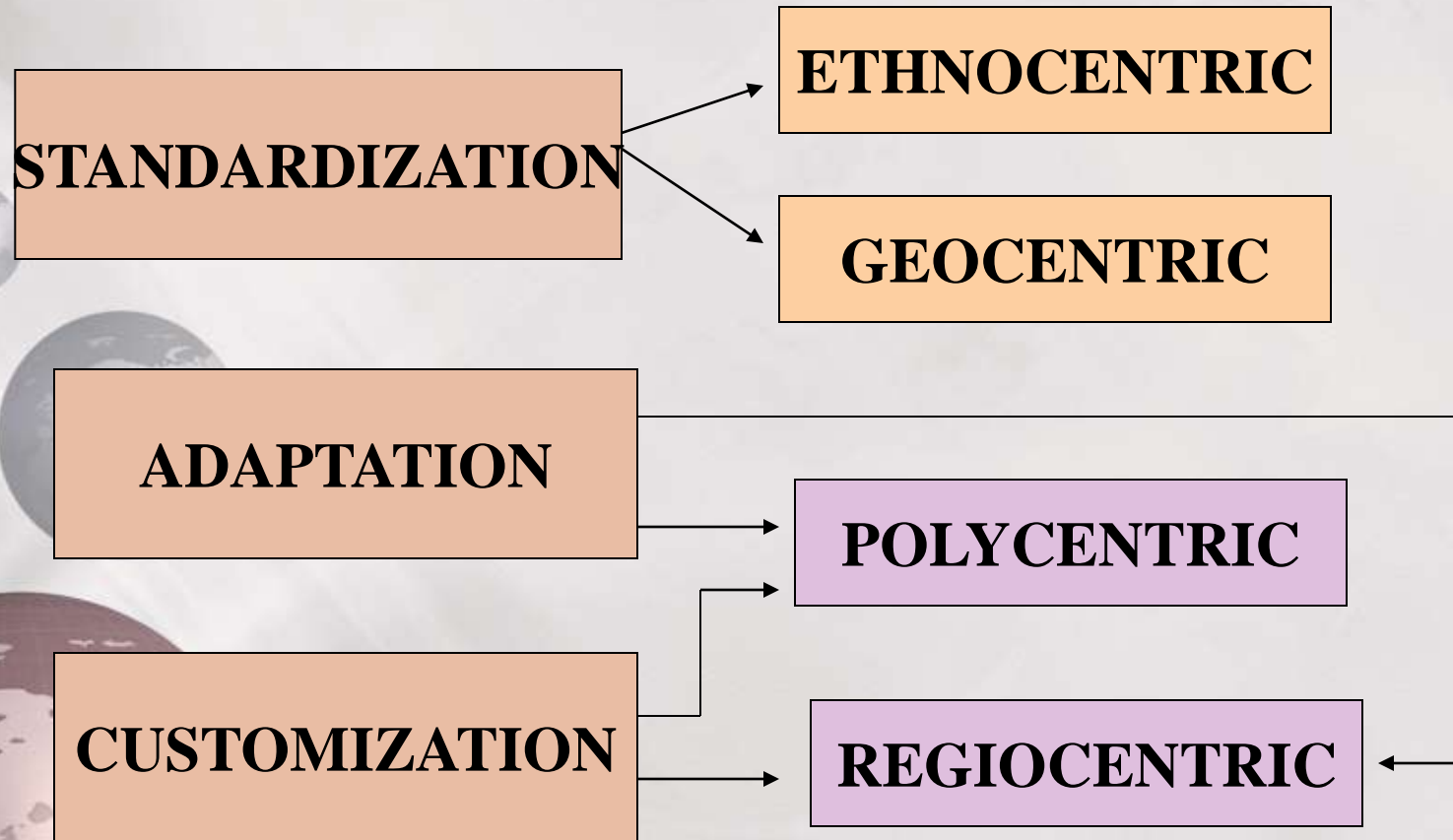
Approaches to Product Introduction



Not suitable for
the Middle East!



Product Design Philosophies



Product Adaptations

- Mandatory
 - legal requirements
 - infrastructure
 - physical requirements
- “Discretionary”
 - local tastes
 - fit into cultural environment

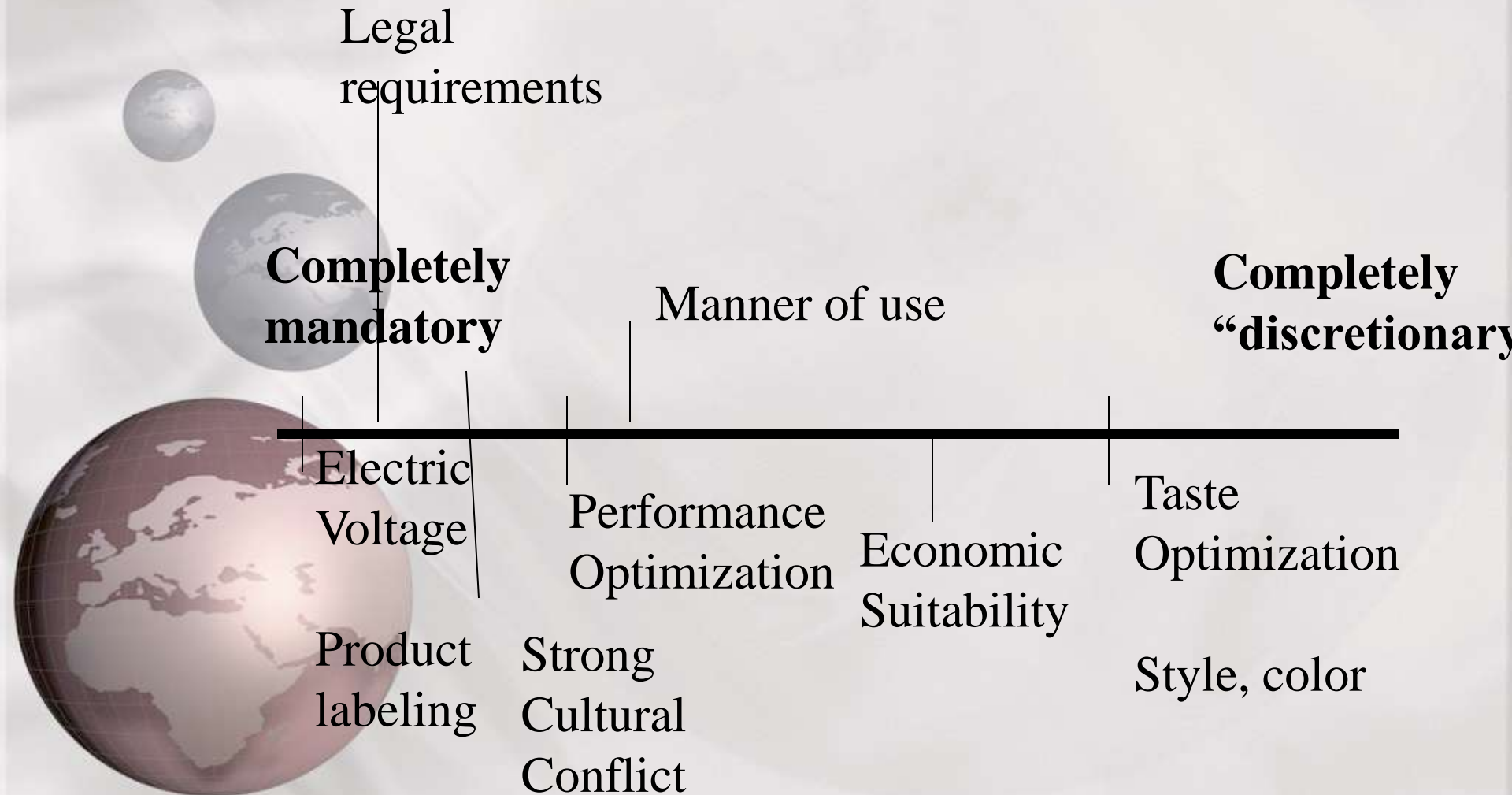


Motivations for Adaptation

- Legal
- Infrastructure
- Consumer demographics
- Culture
 - Religious impact
 - Cultural context of use
- Local traditions/customs—e.g.,
 - Food usage occasions
 - Aesthetic preferences
- Local usage conditions
- Pricing pressures/tradeoffs



The Reality: Continuum of “Mandatoriness”



Mandatory Adaptation Issues

- Choices in approach to mandatory conditions--examples
 - Power drills with noise suppression filters
 - Non-public ear piercing in Japan
 - Distribution and promotion implications
- “Arbitrary” standards (e.g., TV, DVD players)
- Conflicting rules between countries—may not be possible to make product legal in all



Compatibility Issues

- Basic requirements
 - E.g., voltage, infrastructure, plugs
- Compatibility
 - Ability to be used within a local system (e.g., frequencies, electronic protocols)
- Multi-system compatibility
 - Product can be set to operate within several standards



Global Product Lines

- Historical decisions
 - Very difficult to change position of a product
- Mergers and acquisitions
 - Trademark ownership across markets
- Preferences
 - For products
 - For manufacturers of product types
- Capacity
- Product Life Cycle (PLC) and market growth
- Channels



Entry Timing Strategy

- Waterfall

- Initial introduction in selected market(s) with “trickle down” to markets of later entry

- Market readiness
- Concentration of resources



- Sprinkler

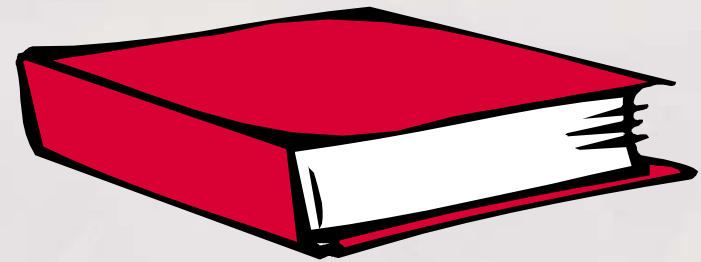
- Immediate entry into all targeted markets
- Preemption of early entry advantage
- Fewer resources available for each market



Definitions

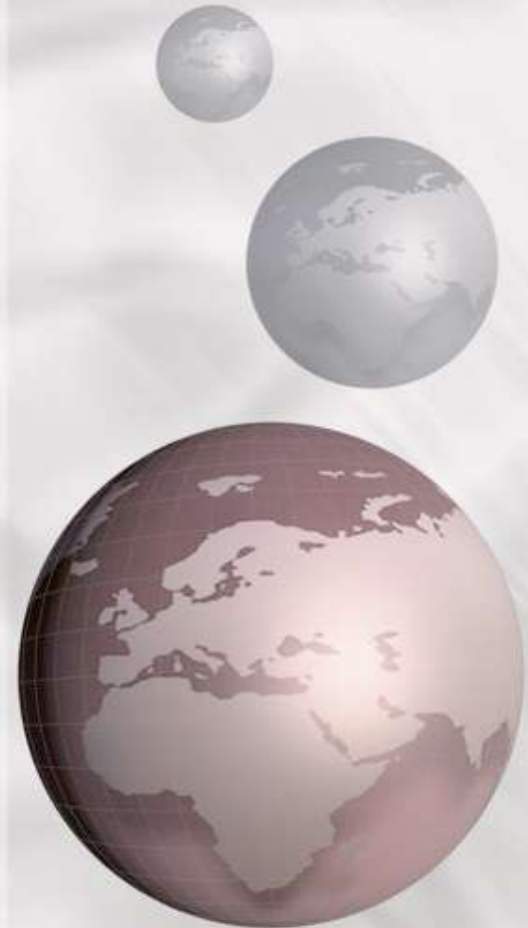
Innovation: “An idea, practice, or product perceived to be new by the relevant individual or group.”

Diffusion process: “The manner in which innovations spread through the market.”



Notes on Degrees of Innovation

- Newness must be considered in context of
 - Local market
 - Segment within market
- The less continuous an innovation (for a given region), the more marketing is needed



To Adopt or Not to Adopt: How Will Consumers Answer the Question?

- Some causes of resistance to adoption
 - perceived risk--financial and social
 - self image
 - effort to implement and/or learn to use the product
 - incompatibility
 - inertia



Types of Innovations

- Fashions—preferred styles change over time; often with repetition
- Fads—a product or practice gains large but temporary interest (can be revised)
- Trends—the prevalence of usage or acceptance of a product or practice increases or decreases consistently over time

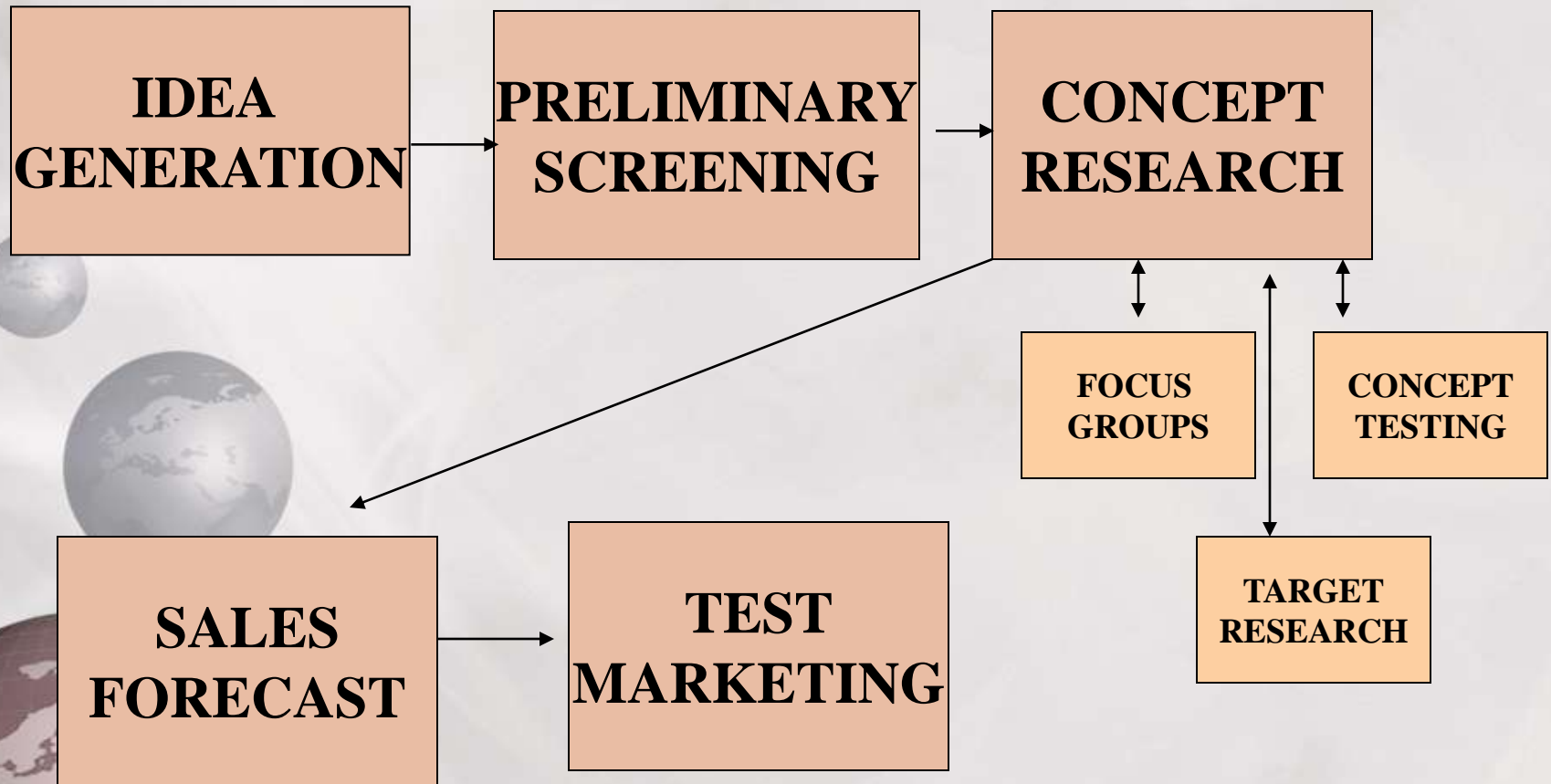


Societal Conditions Conducive to Diffusion

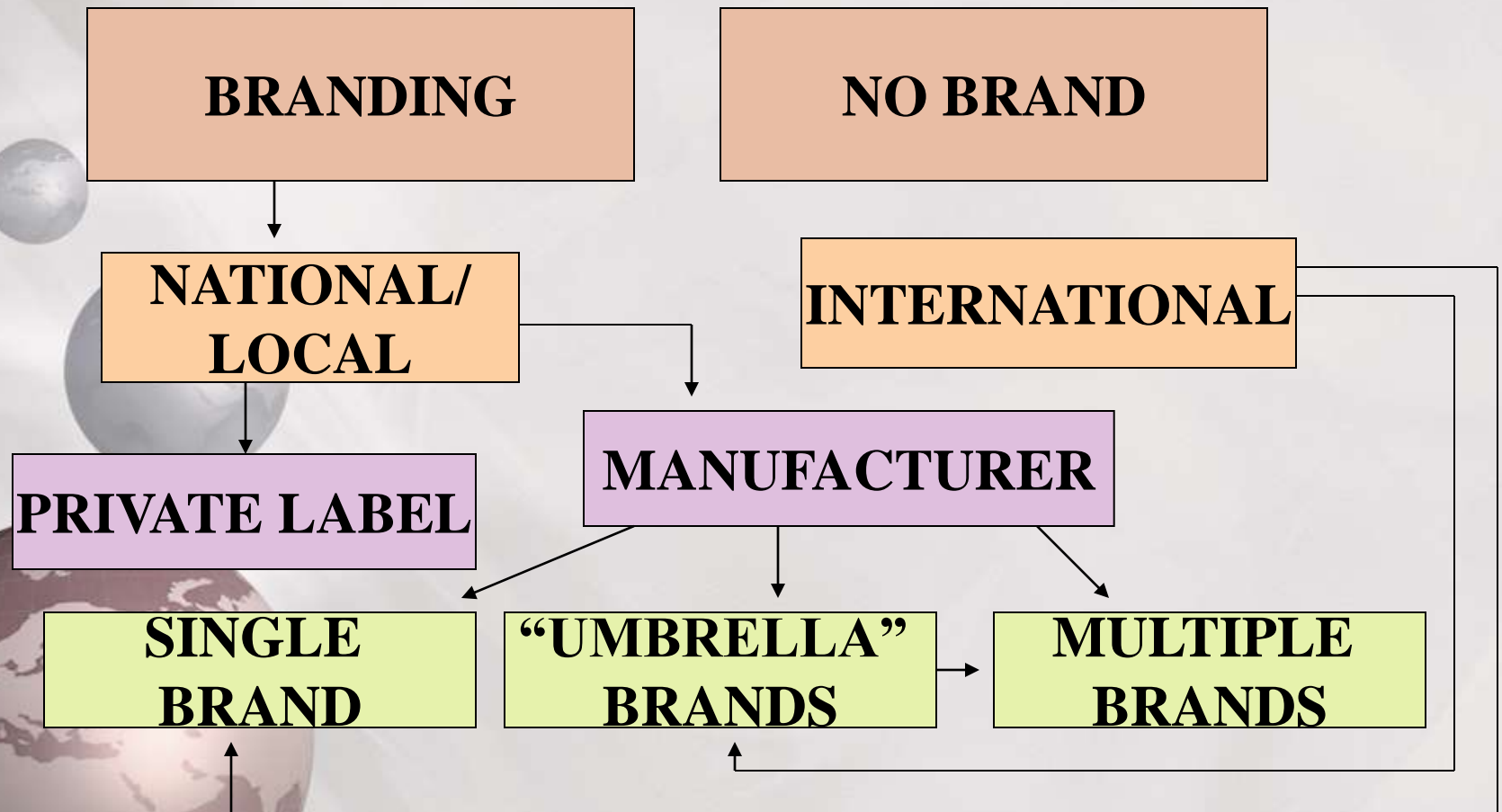
- Modernity
- Homophily
- Physical distance
- High proportion of women in the workforce
- Opinion leadership



Developing New Global Products

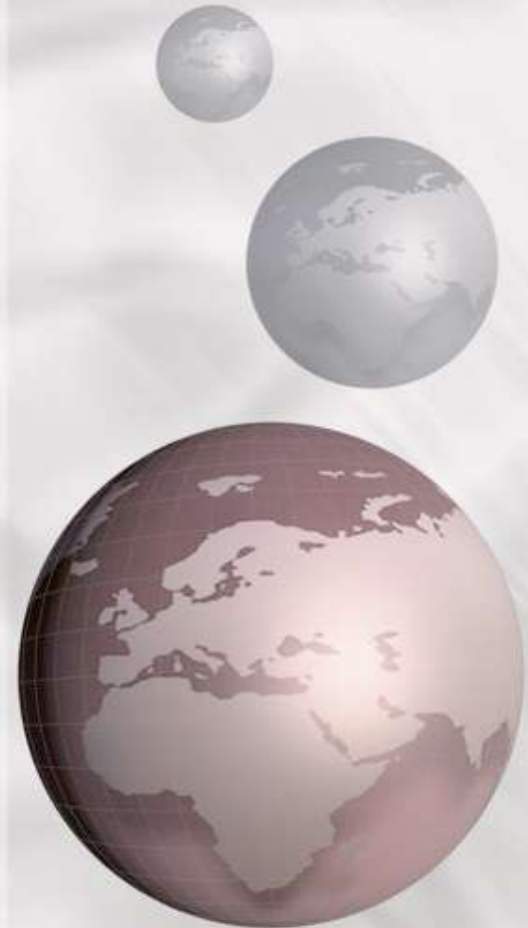


Branding Choices



Branding Choices--Notes

- Combinations are possible—e.g.,
 - Own branding plus additional sales to store branding
 - International brand (e.g., Coca Cola) plus local brand(s), usually sold at lower prices



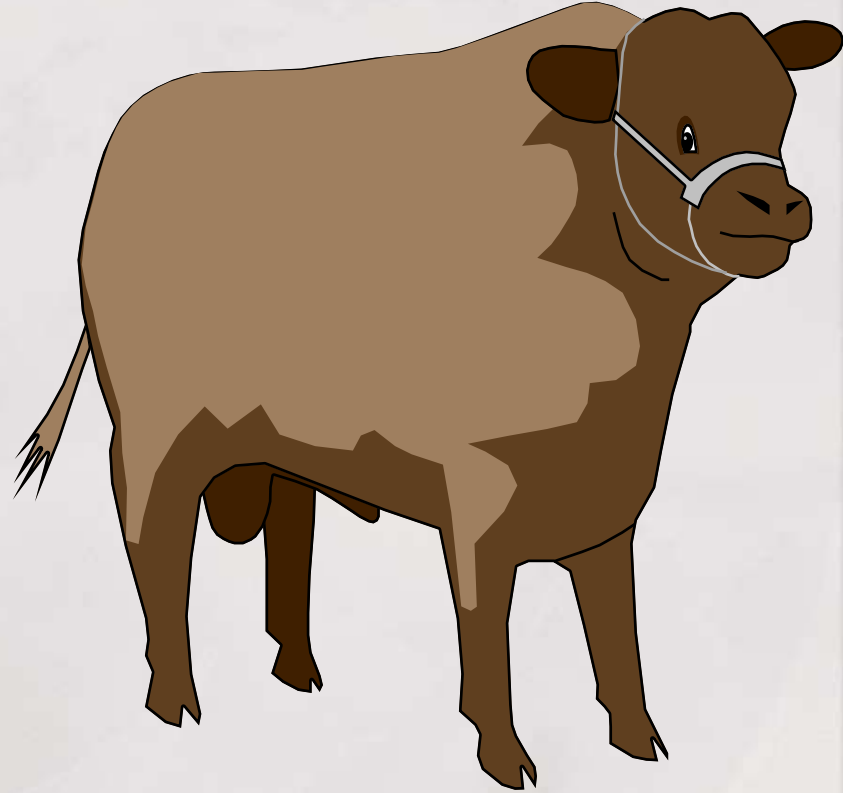
Branding Issues

- Demand spillover
 - Media coverage
 - Internet exposure
- Global customers
- Scale economies
- Importance of brands within country
 - Country of origin
 - Expertise
 - Prestige



Local Market Branding Expectations

- Asian consumers typically have more concern with brands
 - conglomerates have brands encompassing large range of goods (e.g., Mitsubishi food products)



Brand Globalization Potential

- Word meanings
- Word appeal
 - Pleasantness of associations
 - Suitability of associations
 - Pronouncability
 - Pleasantness of sound
 - Writing and pictorial appearance
- Trademark and name availability
 - Access to desired name
 - Protection against close imitations by others (e.g., Lindows)
- Complementarity with other product line items
- Growth plans—regional vs. international



Positioning a Brand

- Position relative to existing brands?
 - Same
 - Generally better
 - Foreign image
 - Lower price
 - Special, unique benefit
- Appeal across segments?
- Usage occasion/need



Counterfeit Products

- Impact
 - Loss of sales
 - Loss of exclusivity/price pressure
 - Possible lack of confidence in quality
 - Warranty issues
- Approaches
 - Legal
 - “Search and destroy”



Physical Product vs. Communication Adaptations

	Communication adaptations not needed (extension)	Communication adaptations needed
Product adaptations not needed (extension)	Some industrial equipment; some electrical equipment	Bicycle; some fast food; chewing gum
Product adaptations needed	Gasoline; laundry detergent	Greeting cards; some fast food
Domestic equivalent does not exist (product invention)	Compass-equipped prayer rug; hand powered washing machine; bottled green tea	

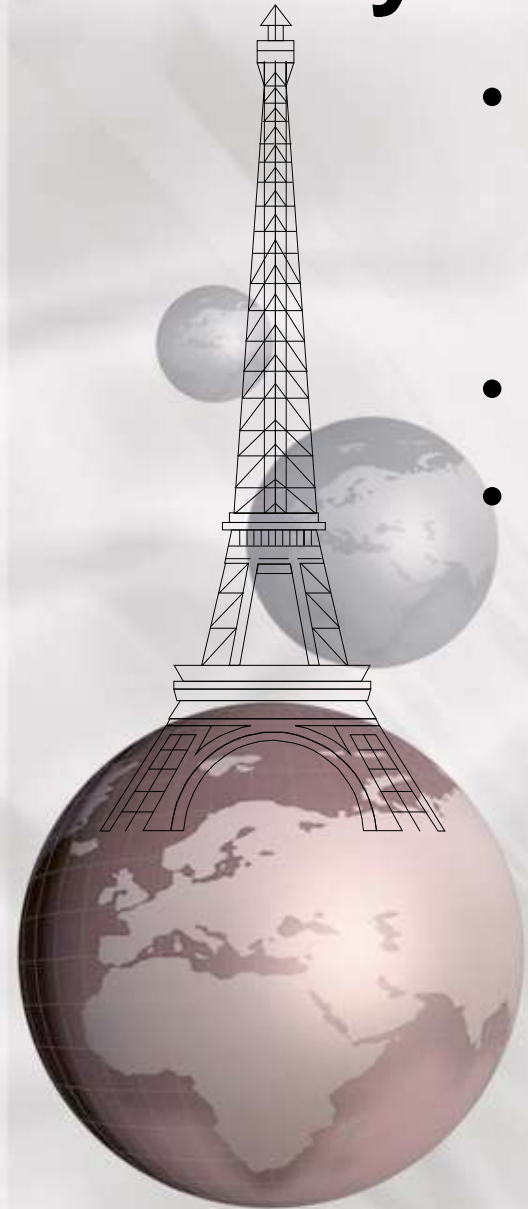
The International Life Cycle

- Market for older technology tends to exist in less developed countries
 - Manufacturing of older generation technology—e.g., Pentium I computers
 - Resale of capital equipment—e.g., DC 8 aircraft, old three part canning machines
- Some countries tend to be more receptive to innovation than others
- “Leap frogging”
 - Going directly from old technology to the very newest, skipping intermediate step (e.g., wireless rather than wired technology)
- Shortening of product life cycles



Country of Origin Effects

- Perception of product
 - quality (e.g., Japan, Germany)
 - elegance and style (e.g., France, Italy)
- Historical associations
- Positioning strategies
 - Emphasis on origin (e.g., French wine)
 - De-emphasis/obfuscation of country of origin (e.g., French beer, American products with French language labels)



Services

- Scope
- Characteristics
 - Intangibility
 - Heterogeneity
 - Inseparability
 - Perishability
- The Service-Tangible Product Continuum



Service Issues

- Country expectations
 - Willingness to pay
 - Quality
 - Speed
 - Competence of personnel
 - Courtesy/deference
 - Decision making authority of personnel
- Cost
- Availability of skilled personnel
- Control over personnel performance
- Overhead issues



Thank You

