

Marketing Management II
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Lecture No. W2-L4
Strategy for New Product Introduction

Hello! Welcome to the IV session of the 2nd week of our course product life cycle Marketing Management part II in which we were discussing Product Lifecycle Management. In the previous session Dr. Mishra has introduced to you the product life cycle concept. And we were discussing about the evolutionary nature of marketing a different stages of the product life cycle. We also started discussing then, the particular emphasis that need to be paid and the different attention, resource allocation, strategies required at the early stage.

So, today I think Dr Mishra, will continue on the final points about the marketing strategy needs at the early stage at the introduction stage. We are putting emphasis on this introduction stage because for new products new services. Which is the overall team of this week the understanding of the fuzzy front end at the design stage or product concept stage, is as important as this early introduction stage and the different finer points of marketing at early introduction stage. Dr Mishra so thank you we started talking about the introduction stage an introduction stage.

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We have talked about the characteristics of this introduction stage like you have technical problems you are ramping up your product facilities. So, that you can cater to the needs of the

market and you are filling your dealers inventory and the push pull strategy and the push pull strategy and in this entire thing. You will see that you have to resolve the technical issues or, whatever the problems are there in this and you have to incur probably a lot of resources in promoting the product. So, these are the some of the important characteristics of an introduction stage.

And now I would like to introduce this choice probably or whether I mean like whether you should enter into the market as a first one or probably you should be the follower. So, this is lot of debate in the academy community whether the one who basically enters into the market first commonly known as a first mover or probably known as pioneer whether they have that advantage in the market in a long run or probably the people who introduce the product by imitation or by being the followers having a wait and watch strategy to enter it into the market whether they are the most successful.

So, one thing is there is what I have observed in the literature is that, scholars are not allow conclusive as usual about any discussions and some people say that being pioneer is a advantages situation on the other side. Some people say that being a follower reserved and we will talk about one of the study professor (()) (3:34) that came into 1993 in general of marketing research.

Which talks about the advantage or which provides the empirical evidence that sometimes, I mean like followers are better placed than the pioneers. I remember in economies magazine I think there was an interesting article that leading edge or bleeding edge absolutely. So, we will talk about in our terminology this is leading what is bleeding edge.

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Advantage: First Mover vs. Follower

- Pioneer vs. Follower strategy
- Pioneer's advantage:
 - High brand recall (Brand-Aid, Zipper, Escalator)
 - Establishes product class attributes
 - Customer inertia,
 - Economies of scale
 - Technological leadership

Now if you look at this choice of who has advantage I first talk about the advantage which are said to this Pioneers have when you introduce the product first in the market in the first thing that comes into the mind is in the high brand recall the fun. The one who enters into the market these are the product generally known as the product the brand becomes synonyms with the product category itself in India.

We have so many example I have some of example from the world-wide brands which have comes in synonyms with I see we have a typographical error here it's a band-age it's should be a band-aid this is a band-aid you know the Johnson and Johnson product absolutely and we have seen that the people go to shop and they ask for band-aid not basically that.

So, there are many other products just come about now but we take advantage of these band-aid popularity. So, there can be digital band-aid or many other band-aid so another thing is like a zipper it is that thing that the thing brings too closed together to close and this vote in uh the world-wide leaders the company they have this brand escalators we known that that basically that product is known by which brand is escalated in India. You see that I still remember the older time older probably older days when the people use to remember this vegetable oil category Dalda.

So, that is one thing that is which is something very big because that is not a only a customer thing it is a phenomena from the distribution side distributors will also keep a products which sells so, whichever has a pull because a district from distributors point of you one has to understand they also have limited resources limited shelf space so first movers brand often

becomes the generic name of the category so that way they have the advantage that means customer will always ask for a brand-name or the customer will there was a time and customer go and ask for a brand.

He or She might be getting another company's product yeah but everything was known as brand everything there was known as Xerox even though so that for example fridge you know was originally brand name then everybody started calling refrigerators as fridge so it became the generic brand name become the generic name the category that is the advantage of the first mover.

So, the second basically the advantage is comes into the and this is very significant if you look into the marketing carries point of view this is something which is which provides the advantage to the any form which enters into the market first, that whatever is the attribute that because the customer or marketers not knowing that product category. If you enter into the market and if you tell the customer this is an important attribute for purchase of the product in and the purchase decision and your product does well on that automatically that chances of you winning over your competitor increases.

So, establishing a product attribute as an important attribute also helps you in basically getting the market share because if you do well in on that attribute so one of the example of this could be the Colgate into the India like Colgate emphasis on that uh tooth whiteness. And that that becomes the important criteria that helped when if it still remains to be one of the most important purchase criteria and where this brand as well or At least the customer perceived that the brand does well is probably a huge advantage to that company or brand in that category.

The third thing that comes into the picture is the customer inertia so this is another important thing that once you custom to a particular brand or the product the chances of you switching of for from that brand to the another brand is or very unlikely and you will not do it unless and until you are not you are not having a sufficient or what you say that strong presence of the shelf strong presence on the shelf or you do not have any strong reason to discard that brand.

Or some somebody else is coming out with significant profit and significant benefits to the customer in terms of discount and some other thing. So, customer will not buy an another competing brand of vehicle unless and until just for the sake of two kilometers of more mileage claim or but it may as your pointed out earlier that sometimes you can induce your dealers by giving them extra commission to create that push to be a place a prominent brand.

So, usually people will go and ask for debt all but, if either date all has not been able to cope up with the distribution challenge and is not present in a tier two city then the customer may look for another category, another brand. But almost they will buy it as if it is if date all though it just an another antiseptic liquid or sometimes. If a new the manufacturer comes up with a variant and then gives a higher discount then the distributors might be pushing.

Otherwise as you have rightly pointed out the customer will keep on buying that product with which he or she initially bought and found it to be good and so that is the advantage of being a first mover provided your product is good. As long as it is said like it the customer is satisfied they will not take more a small differential advantage. So, the any brand which is coming out as a substitute for the existing brand have to offer it significant differential.

No one has to know that mean we talk about significant differential offer to the distributing channel to create the that push from distributor to the customer or offering that direct advantage it to the customer in terms of suppose we will talk about discount so the discount are the higher margin of the distributor or probably discount offer to a customer is going to come from the at the expense of the unit profitability of each unit being soul.

So, that means that could be a sometimes detrimental to are the competing form also so it's a sort of you are getting entrapped into the others basically young game you may start offering a discount as compared to existing or the incumbent brand up pioneer brand but you may not be able to able to sustain that thing.

Because you will not be having enough resources to continue to have that kind of strategy and there is no guarantee that the customer will change their brand behavior or the brand purchase behavior in favor of you because as soon as the discount goes it is quite possible that they come back to the original brand also correct and sometimes the original pioneer brand.

Can do good marketing strategy and permanently give though discounting challenger a position can be created that they will always be considered as the option be yes and the basically fourth important advantage these people have in the pioneer is said to have you that since, you are the first in the market and we talked about in the previous session about how the sales progress in the introduction stage are and we talked about that the fix cost now the one who has the larger number of sale.

I mean sales unit can you spread that fix cost absolutely on a larger unit sales that means your unit fix cost or your over total cost is cost of production is overall cost in terms of the marketing cost also if you have larger sales you can spread the fix cost over those the large number of units. And your cost is less as compared to your competitor's yes there are some of companies which are said to basically they adopt this strategy that with the when they bring the product in the market.

They will keep the prices high and they will keep on bringing the prices down probably Texas instrument follow in some of the product category this table even apple for their I phone follow this so their cost goes down has they reach on the higher levels of the production on the other side the customer. Who another competitor who begins with the lower sales level actually for them to compete at the kind of reduction in the price level is sometimes which is very difficult so those could be the hard time for the competitors if your pioneers have that very significant the advantage of economies of scale.

And then yes you can have the technological leadership which we have talked about that if you bring the product your synonymous with probably the pride or prestige of being the first in the market. And then you are seen as basically a leading brand or the leading company in that that technological area. So, these are some of the advantages which have present in the first mover and there are certain disadvantages which are also attached with the first mover.

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Advantage: First Mover vs. Follower

- Pioneer's Disadvantage:
 - Crude products
 - Improper positioning
 - Earlier arrival
 - Lack of resources to compete big firms
 - Organizational Inertia

And one of the most significant disadvantage which is said to this is that crude products so when you bring the product in the market it is observed that product is generally come having all finer points have not been worked out so it is still have that some little bit of prototype characteristics so whatever you might have done in the lab level it will happen that that you might have tested the product at laboratory level.

But the actual market condition the user's condition or the way the customer uses the product might be different from what has been specified or what has been tested or a design and in that case the product may not do that well in the initial stages. I mean also some new product developers they I mentioned the chasm what happens is that the early adopters or the pioneer buyers they are a little bit more tolerant for the cosmetic features or aesthetic features.

They are more interested in the technological performance of functional or utilitarian performance and so they would like to have the latest phone they would like to have the latest laptops and in these cases the company which is come up with that product might not have paid enough attention to the rounding of the edges of the color or the feel or the weight. And so on and what happens is that good pioneers they have this continuous improvement planned as versions right in the beginning but if in the other hand they have not planned for it then they will be at a disadvantages.

Because as you have the other category which we look at is fast follower they will come and they will come up with some rapid cosmetic improvements early. Which will endear them to the customer? So, the Japanese used to that very often like the original breakthrough products

came in America. But the American products were not that finely value engineer not as good in quality yield as the Japanese product so the Japanese products were followers but they scold in market because the product appear to be less screwed.

The next thing is improper positioning what is the best example then toughed then a we have already discussed Tata came out to a start and then they have positioned it as a people cars and it was labeled as a cheap car. So, this you do not know exactly how the what you are thinking to position and how the market is going to receive and that absolutely no idea about being a our market reaction is probably a disadvantage on the other side if you look at the early leaders what they follow us they can see the market response and all those some kind of feedback or idea about the market reacts is known.

So, this is another advantage and then the one advantage I have already written as early arrival is that you reach to the market you take the product before the timer the market is ready to except for the demand is really yeah before the demand has materialized or the people have real early majority not yet arrived not yet ready.

And the last thing is that is that lack of resource is to compete to big forms so this is another thing which I would like to highlight here is that sometimes or many times this the small times entrepreneurial forms they will face this problems that if your product is your basically a pioneer you got a good technological advancement into the market. And I mean the significant movement or development in the technology those efforts have gone so your product is good is from the technology side.

But you do not have the market power or the resources or the cooperation of the strength of the brand to compete with followers so some of these things like the market power arm the efficiency of our the effectiveness of the marketing a function which probably an existing incumbent firms may already have that could be a hurdle for this pioneers in the market and the last thing is that which is observed in the large organization is an organizational inertia.

So, organizational inertia is that as you are saying like form has to be continuously innovate now what happen is company which brings the product first in the market and place the success in the market many times it happens that there is some kind of complacency seeps

into the organization and that basically makes them not to bring new product into the market or bring continuous improvement into the product.

Keep learning and then probably bring the better versions so that the majority in the market can accept the products that is about what you talked about that value of death and all those things also comes into the picture and these are the things these are the some of important disadvantages which exist with the pioneers I think we can stop here and we will meet in the next class.

We can discuss about the advantages and disadvantages of the follower and then we can wrap this discussion about the first movers VS follower and then we can also talk about an important choice whether you will go with penetration pricing or examine pricing strategy. I thought we can also therefore in the next session discuss a case. which is a very nice one for this first mover VS follower and this case of about paper boat and now which we have fast follower from daber.

So, daber has actually leverage their Hajmola brand and have come up with this those beverages which are exactly like the paper boat beverages harping on nostalgia and in a emotion and they have copied you I will use the word copy within quotes. That they have dauber has come up of similar packaging, dauber has come up with similar beverages varieties. So, they but they have come up with little bit smaller packages with a little bit lesser price and it's an interesting battle playing out right in front of us that whether paper boat will succeed as a first mover.

And we will continue to this battle this thread coming from a much bigger competitor which is big daber. So, all these concept get illustrated in that so maybe we will discuss that and we will ask you our people who are attending this course to make your own observation in your own market place, that how this battle between paper boat and daber hajmola yodel is playing out okay, Thank you!