

Management of New Products and Services (MNPS)
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Lecture – 22

NPNSM -Taking the Product to the Market - Deployment Strategies

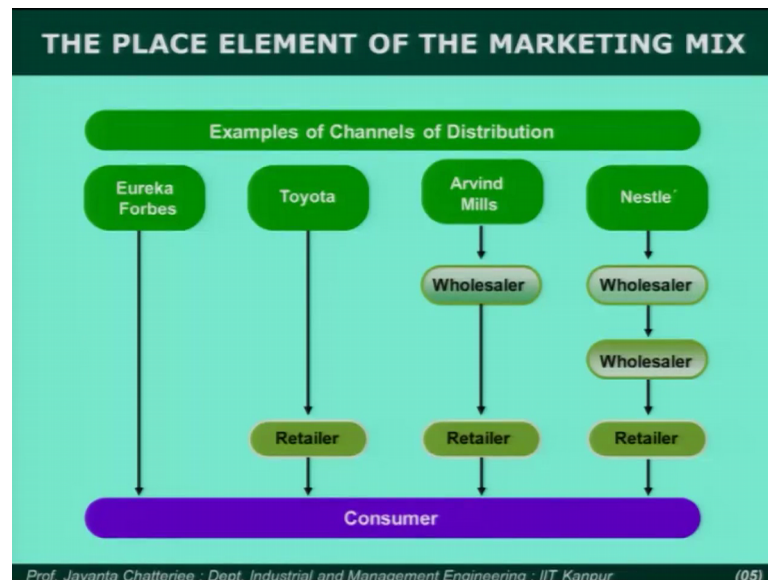
Hello, I am Jayanta Chatterjee discussing new product, new service management and we are now coming to the concluding part of our this series of lectures. In today's session I am going to put together several ideas that we have already discussed, but I will try to put that in a sequence, and some new ideas I will add so that you know comprehensively, how to deploy the final strategy for bringing your new product or new service to the market. The entire range of activities involved in final commercialization.

I think I have repeatedly mentioned that the whole journey starts with CVP - Customer Value Proposition sometimes also called SVP or Strategic Value Proposition. We have discussed at length and in detail that how you structure this value proposition by understanding customers pains and offering some gains in the way the customer can accomplish his or her intended tasks.

So, customers tasks or jobs, the pains and gains are the fountainheads for developing your value proposition. Then I have discussed that the CVP followed by STP, the segmentation targeting and positioning. Now up to this stage the CVP development the STP determination and planning, you are still almost inside your organization or you are in the planning mode or analysis mode, but then finally you have to go out into the marketplace and you have to deploy your strategy. That deployment of your strategy what kind of resources you will have to put in what kind of marketing activity is the discussion relating to what we call marketing mix.

So, CVP STP and the marketing mix we often call it four P's because the marketing mix primarily consists of these four items that you see on your screen, product, place, promotion price. So, CVP STP followed by four P that is the topic of our discussion today.

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The place element of the marketing mix actually relates to that the distribution. How are you going to reach from your production facility or creation facility to the ultimate buyer or consumer? And you see it can happen in different ways, I have of course taken here mostly examples of products the distribution for services will be similar, but sometimes it can be usually just the type you see on the extreme left the path followed by Eureka Forbes.

You know they make a water filter, they were one of the pioneers in the country, but of course there are many other equally proficient or maybe some people claim better manufacturers who have come with more incremental innovation. But the Eureka Forbes they aqua quad still is a very prominent and very strong brand, and often almost synonymously equated this with the whole water filter a range of products.

An, Eureka Forbes from the beginning followed a very interesting marketing approach they did what is called door to door selling or they directly called on consumers buyers. And they of course went through referral routes if the they always request their satisfied customers to give them names of other possible buyers and so on. But as you see here it is a direct connection between Eureka Forbes and the ultimate consumer.

Then you can take a company like Toyota or Maruti or many others they actually have the company and then the retailer. This retailer can be an in house retailer like Maruti now has Nexa, owned by Maruti but or it can be other distributors or whatever name is

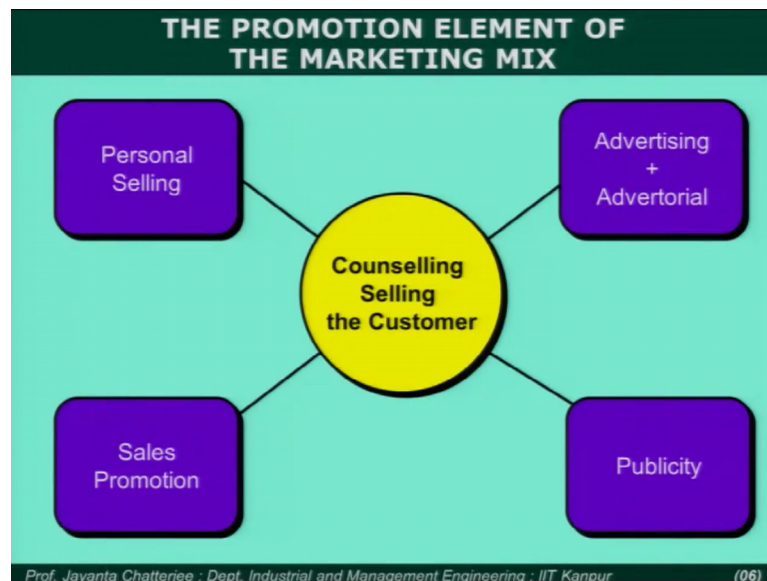
used channel partner. But, fundamentally we do not have the in between stage which we have in case like Arvind Mills, you know the people who make the denim one of the global standard manufacturer in India. Now, they usually will go to the market from Arvind Mills to wholesaler and then to the retailer.

And as I just now mentioned the retailer can be an in house retailer; that means, the outlets can be showrooms or owned by the principle company manufacturing company, or it can be a third parties and there can be sort of a big a showroom supported by many other retailers. All those permutations and combinations are available.

But, most of the fast moving consumer goods, FMCG or packaged consumer products they follow the route that is shown here that they go to a wholesaler a sort of a very large wholesaler may actually be talking to some smaller wholesalers, who are sometimes called distributors. So, it will be like the manufacturer to the wholesaler to the distributor to the retailer, and then to the market. But in if you are a new product business in most cases you will perhaps follow the route that is taken here by Eureka Forbes or maybe you can also involve few retailers. It is very unlikely that for a new product you will have this kind of multi tier retailing arrangement to start with.

It can develop over time if it is a mass market product, but as I said that most new products earlier we discussed you have to go segment by segment. So, in that case actually you know that very precisely defined segments normally will be reached by your own sales people and through a direct channel.

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Then comes this element of promotion. Now, classically promotion means personal selling it means sales promotion which is giving different kinds of discount, schemes or you know offers through in association with other products and then comes advertising.

Usually, whenever we think about promotion, we immediately think about advertising, but for new products or many high tech products advertising can be the last resort.

A for a small start up with some innovative product you can definitely take help of what is called advertorial. That means, most newspapers, magazines, journals they are looking for interesting stories: stories on innovation, stories on something that will attract the reader. And therefore, you can actually collaborate with them and they will be willingly telling your story and how innovative your product or service is and that will carry a lot more weight than your own advertising.

And then of course, you have publicity like hoardings or different kind of handouts or you know different kinds of material that will be used in addition to while promoting some other product. So, there can be an actually some products will be merchandised. So, that is a different form of publicity can take place, but let us focus on these two blocks advertising an advertorial and personal selling or sales promotion.

In some cases where we have this big bang marketing approach for an innovative product or service well funded by venture capital like I as it happened in case of many of the E-commerce forays who came to the market like Flipkart now they have the cash the

venture capital, and they want to attract a very large community of customers in a very short period of time.

So, they have advertising resources with them. So, this spend a lot of money. In fact, in some previous years over the last 5 7 years in some of the years I think it was 2016 perhaps that the ecommerce companies like Flipkart like eBay like Jabong and Myntra and all these people put together they spent more on advertising than all the FMCG people like nestle or hul or Coca-Cola Pepsi that says stupendous the interesting situation that; that means, usually earlier such new product or service companies were shy of going in for big bang advertising on television on movies on print media.

But today you can see that the trend continues even yesterday most of the national newspapers their front page was covered by a full two pages of promotion for some ecommerce companies and its happening quite often. So, the rules of the game for well funded new products new services beefed up by strengthened by the venture capital investment, often go for advertising

But if you are a small start up with an innovative idea you can do very well by the sorting to advertorial. You can get lot of free publicity and that publicity will be far more credible than an advertising.

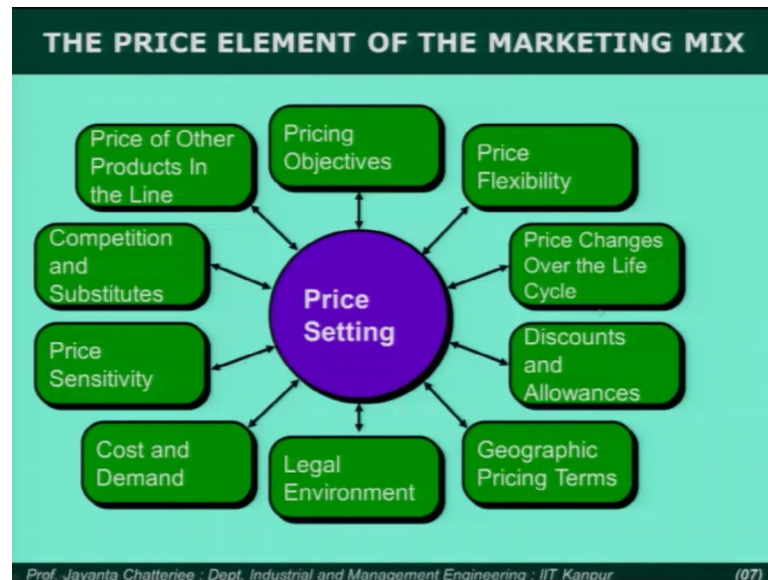
Of course, there is a new methodology which is a kind of advertorial and it is a kind of a sales promotion in this combination is through social media. So, Facebook marketing this is the whole new area of what we now call digital marketing. So, Facebook marketing marketing with the help of Google and other search engines, so search engine marketing in itself is a very interesting subject.

So, the whole area of digital marketing, where you use customers current customers and prospective customers you make them part of your marketing campaign and that is in itself quite an interesting, but traditionally if we talked about promotion we talked about these 4 blocks that you see on your screen.

And now you can add to it the social media platforms and the whole approach of digital marketing. Then comes the other p which is pricing in price setting again this is a subject in itself, perhaps we will have a short course later on pricing itself because its a such a fascinating subject, but because this is where you know marketing psychology market

research economics microeconomics all those come together in and if you go wrong on your pricing, then whatever may be. However, good may be your product it will be very difficult for it to take off.

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So, pricing price setting first of all must you must have a clear pricing objective. The pricing objective will be coming out of your segmentation and targeting decisions and you have to therefore, look at price of other products or competing and substitution products and to what extent your market is price sensitive and this is where actually you have to look at some concepts like price elasticity of demand, whether you are and if you remember those 3 categories of products that we discussed that if you are introducing a product which is going to be a staple or convenience product, which normally is not exactly the category where new products particularly start ups will get in.

But they have to even if they get in like for example, this paper boat a beverage company, they went into the sort of the mass market, but because it is a market which is they were attacking a mature market there to create a very distinctive position. So, they created drinks beverages which actually relied on nostalgia on ethnic taste.

So, they came up with you know [FL] and [FL] and all other different kinds of mixes to attract or I think one particular flavour was called [FL] out something. So, you have to it is possible that you may have a new product and in some a ways if you have seen a paper bought you know it is packaging is innovative it tries to project that I am different and

that difference is also displayed in their product property, but in the pricing as well, but they could not have price their product to different from.

So, if other cold drinks are available cold drinks or soft drinks are available non alcoholic beverages are available at 20 rupees 30 rupees a pack I mean they cannot go to 70 rupees or 100 rupees.

So, they will have to be somewhere around that region only. So, in price you can be very different if you are coming up with a product like say I phone which is so, distinctively away from the pack, that they can afford to price their product significantly at a higher level, but you look at all the other smart phones even if they are actually claiming lot many different new features, but because it they are more or less into the dominant design arena. So, we are pricing as you will see are generally coming in 3 classes either around 10,000 rupees and around 20,000 rupees and maybe around 35 below 40 region.

So, the positioning of I phone which can be at eighty thousand ninety thousand rupees will be something that will be very rare. So, looking at competition and substitute or alternative products and that price sensitivity will be definitely guiding your price setting even if you are coming up with a new product.

I will just not discuss any little later that there are different classes of newness and that also guides that what kind of pricing you can do. Price changes over the life cycle this when we discussed the product life cycle in detail we have brought up this point.

So that means, when you are at the early stage you can when you are actually fighting on the basis of product features and you are fairly new in that category and you might have even introduced a new category as I pod did for example, you can set your own price mark.

So, I pods were not priced in comparison to Mp3 players portable Mp3 players which were then available because it was positioned as a distinctly different, but as time goes by those prices will have to be you know managed in a way that. In fact, in many cases prices start falling you know the more advanced models are introduced per feature the prices actually drop, the per package the prices may slightly go up.

But if you look at say each of the features or each of the advantages offered by that particular product just as it happened in case of computers or laptops or tablets and now happening in case of smart phones the prices tend to drop over time this is a nature its a paradox for many high technology products. So, prices changing over the lifecycle will have to be properly managed, you should also refer to our discussion on the nature of the plc graph is it sharply rising and sharply falling in that case your pricing strategy will have to be different than something that will actually last for a long time not many products are available these days of that type where you have the luxury of a 5 year or 10 year lifecycle.

So, you have to be very prompt and you have to actually think through a pricing strategy over a span of time thinking that if my product is going to last for 2 years, this is how I am going to change my prices. So, on the map of the product life cycle you should actually position your pricing you can vary as the market goes by sometime you may have to accelerate your discounting structure or sometimes you can actually even stay longer with a premium pricing position. But it will depend on also how many competitors are coming in and what substitutes are coming into the market.

So, competition and substitution and price changing over the life cycle these two things are interactive. Actually in many ways all these factors are not independent they are actually interdependent, I think I introduced this concept the difference between independent and interdependent.

So, they are actually interdependent. So, if you are actually managing over the lifecycle, he will actually manage it by way of discounts and allowances and sometimes there are can be legal issues because for example, you are your particular a new medicine a new molecule you introduce, and you are protected by patent not other people can come in and you will be therefore, able to retain a premium pricing within the social norms and other practices, but after what they call off patent.

Once the patent finishes then there will be so, many people who will rush in and. In fact, as you know that many Indian pharmaceutical companies have really done very well by taking the advantage of this off patent areas, and coming up with these generic alternatives to very famous brands and winning by way of pricing.

So, this is. So, therefore, the legal environment also has some impact on pricing and. So, anyway if this generic product developed as an alternative to a famous patented drug, is in a way a kind of a new product. So, new products therefore, will be of different types the newness of it, which we will discuss in a short while.

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What I was saying is therefore, the selection of a target market that STP remember that that must result into these four P's in how in deployment of that strategy.

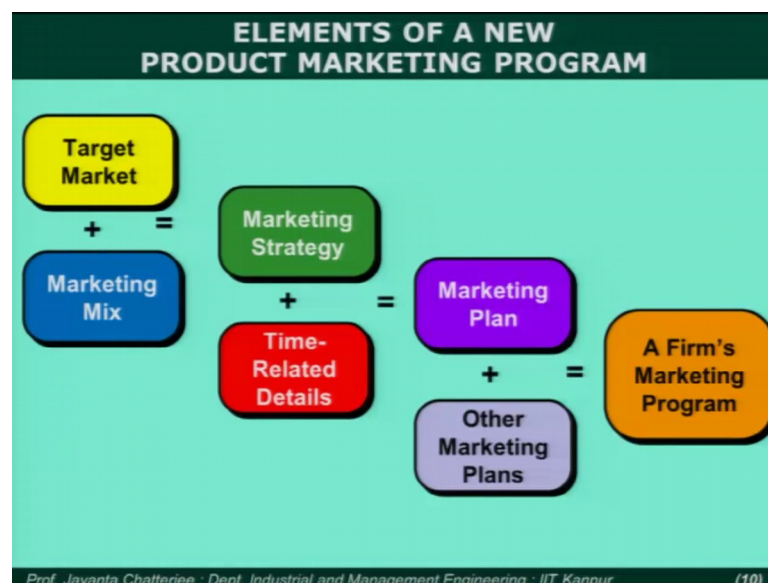
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The slide is titled "CHECKING YOUR KNOWLEDGE". It contains a multiple-choice question: "➤ E-Vehicle Ltd is offering for a new e-Truck, an extension of the length of its bumper-to-bumper warranty from 3 years to 5 years. The marketing mix variable being considered here is:". Below the question are five options: A. product., B. personnel., C. place., D. promotion., and E. price. At the bottom of the slide, there is a footer: "Prof. Jayanta Chatterjee · Dept. Industrial and Management Engineering · IIT Kanpur (09)".

Let us check your knowledge and see if you can answer this flash quiz. Say a company called a vehicle limited is offering a new e-Truck means a electrically driven motor driven truck battery motor combination, an extension of the length to its bumper to bumper warranty from 3 years to 5 years they are offering this particular extension for this promoting this e-Truck. So, the marketing mix variable that is being considered here is what? Is it product, personnel, place, promotion, price think about it.

The warranty period going up from 3 years to 5 years, it actually alludes to which element of the four P's of course, we have introduced an extra p here you should judge it yourself. So, product personnel place promotion price and the warranty extension what does it allude to? Which particular marketing mix factor are you using here put your answer on the forum and we will respond to you.

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So, here in this slide I have put together the steps, target market coming from STP marketing mix which we just now discussed the four P's, that leads to what we call the marketing strategy that is the marketing strategy.

Only thing is you we will actually put some kind of time map on that that first 3 months this next 6 months this that sort of thing your for your market strategy deployment, that leads to what we call the marketing plan and that is together the marketing plan and other related plans is called what is the marketing program.

So, you see before this target market or STP, here only we are looking at t, but there is of course, there is the segment and the positioning which comes from the CVP. So, CVP to STP to 4 p and that is actually generating the marketing strategy with some time related details that becomes a marketing plan, and that is actually what we call the marketing program this whole thing together this journey is the marketing program development.

So, I think now these terminologies will be clear to you from this particular diagram. So, marketing program embraces this entire process, and CVP, STP 4 P relating resulting into the marketing strategy and that with the time plan becomes the marketing plan again let us do a flash quiz check your knowledge

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CHECKING YOUR KNOWLEDGE

➤ An entrepreneurial teenager decides to start a new dog-walking business aimed at dog owners who have to leave their pets at home alone during regular working hours. The teenage develops a thorough description of the people in her target market and their needs. She then comes up with a general outline of the services she will offer, some price ranges, the geographic area she will serve, and some low-cost promotion ideas. What has she developed so far?

- A. A marketing program
- B. A marketing plan
- C. A SWOT analysis
- D. A marketing strategy
- E. Differentiation and segmentation

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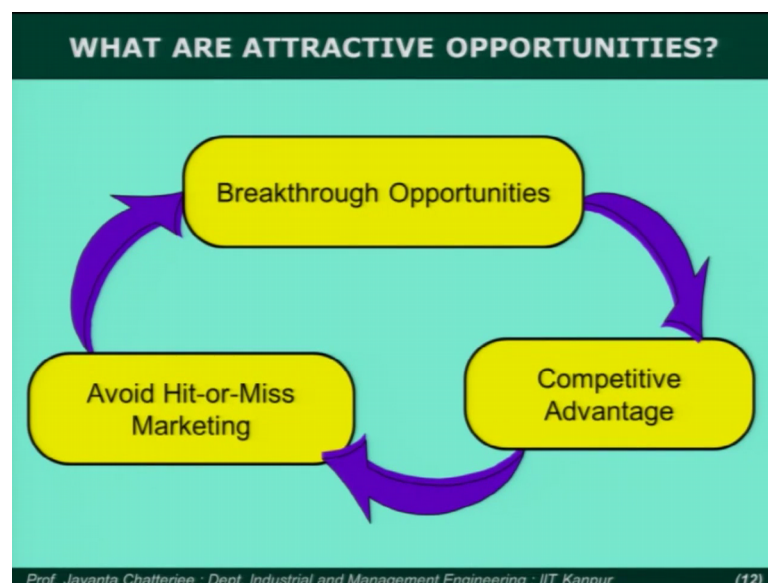
A teenager decides to start a new dog walking business, you know these days many households have you know working couples and they have dogs pets and those pets need to be taken out for the walk, people go out in the morning 9 o clock, they come back home at 7 38 o clock in between the pets need to be taken out for their natural functions and also to keep their morale high.

So, there are you know this enterprising teenager created this service, it is in a way actually a new service creation and she is offering to her locality working couples that she will walk their pets for a certain fee.

Now and then she comes up with the general outline of the service she will offer some price ranges and the area where she will operate and the and also she maybe put some you know something comes out in the local newspaper about our service etcetera. So, what has she develop so far?

A marketing program, a marketing plan, its swot analysis, a marketing strategy, differentiation and segmentation what is it. So, read this a statement carefully which is in front of you, and answered select one of the options and again respond on the forum.

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The next this is where actually I am going to introduce some important concepts, which actually will kind of give you qualifying ideas of some previous discussion. Now normally whenever we are thinking about new products new services we always think in terms of breakthrough opportunities. We think that all new products will be like the I phone or the I pod or the I tune will be the example of a new service.

But not really there are different kinds of newness which we will see just now, but two things will apply to any kind of opportunity seeking activity any kind of new business initiative.

A you must have some competitive advantage we have discussed in detail that what is the meaning of competitive advantage that could be by way of the property of your core product or your augmented product that could be by way of managing your 4 ps in a

certain way and avoid this trial and error marketing. We did discuss about pivoting in a previous session reverting is different from hit or miss marketing pivoting is done is almost like a trial run.

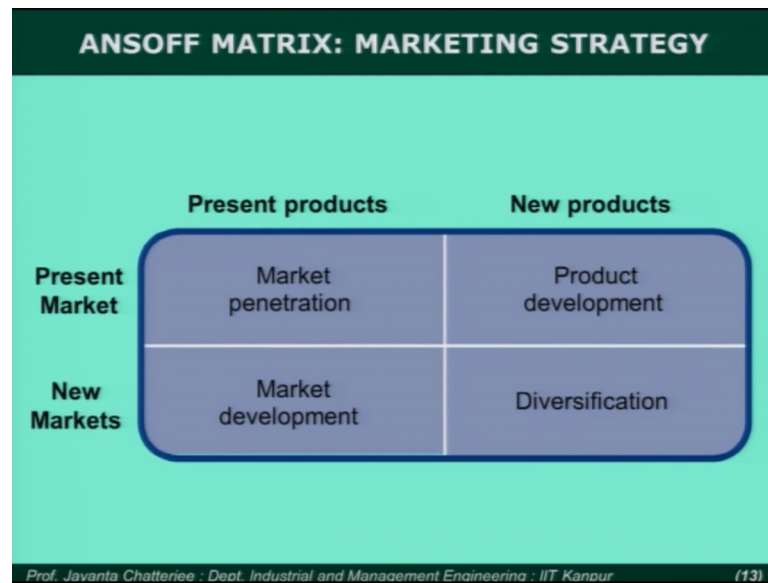
So, you can do few trial runs before you do a major rollout, and it is through those trial runs you may slightly tilt your business plan like we discussed one example that somebody developed an app for diabetic patients to remind them about their food restrictions or guide their diet plan or remind them about their medicines, but then a they realized that actually the caregivers the family members they are more concerned about these regiments than the patient himself or herself.

So, then they develop the app for the you know the sons and daughters or the wives and husbands of the patients and found that to be a far more successful business approach. So, this is an example of pivoting, you are retaining your core value proposition, but you are slightly changing your positioning.

But that is different from hit and miss you, so which means that if you are going for a major rollout be sure about this through the trial and error to the design thinking approach, through proto cepting prototyping going to the customer and then again going back to the drawing board this iteration few times before you go out into the market.

So, when you go into the market really in a full scale manner you have to be fairly sure. This famous matrix I think I discussed it briefly sometime earlier, but I might not have presented this diagram. This is actually to tell you that breakthrough opportunities are of different types.

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That means the newness of new products or new services can be a different. So, you see here on the one side this is a 2 by 2 matrix. So, we have a present market or existing market and new market. So, sometimes I call it e n and e a existing market a new market e m n m and then you have present product or existing product ep and np new product.

So, if you are all companies at any moment of time they are in this quadrant present market present products they are in this quadrant. And you need to continue with your marketing activities to penetrate that market deeper and deeper.

This is actually also if you relate to the product lifecycle situation, this is what is happening when you are in the early majority and late majority section. But that is not really the domain the initial domain of a new product new service market. A new product new service market will either be an existing product in a new market this can be a geographical expansion or offering the same product in a little different application. So, they are what we call this is market development.

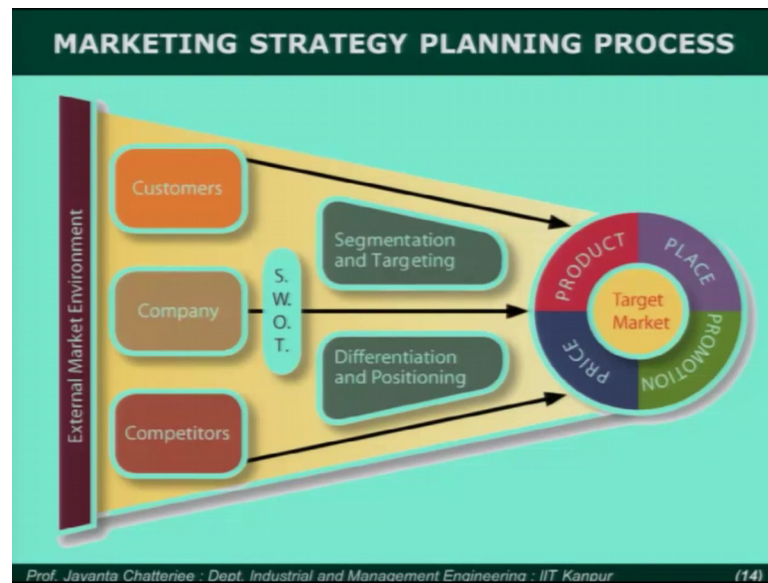
So, the new product new service usually will be either this approach and this is where actually this is the focus is more on actually marketing activities in a way. But new products can either be in the present market; that means, you already have a market a certain range of clients, and now you bring to them a different product or add on product or ancillary product or supplementary complementary product.

Now that will be new product to the present market new product to the existing market. So, this is the domain of product development and 80 percent of their new product activities are actually focused here. That means, new product to the present market 20 percent, they are 20 percent because I mean I am using rough percentages; that means, a lesser number of new products are being tried in new markets why it is lesser? Because this is the; obviously, the riskiest because you neither know the market the buyer or the nature of the buyers their psychology their behaviour nor do you know the all the things about the products. So, this is the riskiest.

So, as I said most of the new product activities are here, new products for known markets and new products for unknown markets is the next block. So, companies are usually hovering in this domain and the new product guys new service guys are actually hovering here, but big companies also from here the foray into here most of the time as we discussed in a previous session on new product activities in large organizations, most of the time they will be developing new products for their existing customers to expand their product line to augment their offering depth and so on.

And then there will be start ups about whose new product activities we discussed also in a previous session, they will be going for this new market in new product. So, this met metrics a simple matrix, but very powerful it tells a lot about marketing strategy under different situation, it also clarifies to you this almost everybody says I have a new product,, but that newness can be different in different situation those situations are captured here.

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So, to sort of coming to our conclusion, we have the famous this is called these are the three C's customers, company and competitors then you have this is actually kind of what we say marketing strategy planning process.

So, earlier I said CVP, STP, four P so that same thing is slightly differently presented here, the CVP issue is here the customer value proposition which obviously to win must be created by understanding the company's internal capabilities competencies as well as what is out there in terms of competition. That leads to also an analysis of the strengths weakness opportunity and threats in the marketplace so, this is strength and weaknesses are internal analysis opportunity and threat or external analysis.

So, again another a combination of internal and external analysis that leads to STP here we have actually put it in two blocks segmentation and targeting, and differentiation and positioning because as we said a positioning has always to be must be distinctive, and that leads to our four P's.

So, this is again to present to you graphically in a little different manner the point that we have been saying CVP STP four P. So, that ends our this session as well as our whole series of lectures or new product new service management.

Thank you very much.