

# Croeso | Welcome Video Lecture Series: Business Studies



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# New Product Introduction: Overview

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# Content

- Product Introduction Overview
- Linkage to strategic direction
- Alignment to Ansoff and Boston Consulting Group Matrix
- Product Line and Mix
- Red and Blue Ocean strategy

# Learning Outcomes

- **TSSBAT:**
  - Explain the challenges a company needs to address to introduce a new product
  - Outline and critically describe the main stages in developing new market offerings
  - Describe the best way of managing the process of developing new market offerings

# Examiners might expect to see...

- That you can integrate several elements together
- Whilst the NPI for Level 3 is fairly uncomplicated, it can be aligned with other models and concepts
- It is also dependent upon finance, resources, capabilities

## Revenue may be

- **Made** by organic growth and/or developing new products that are attractive to the market, e.g. The launch of the new iPhone SE (2) by mid 2020

Or

- **Bought** via acquisition of existing companies, e.g. when iTunes was nearing the end of its product lifecycle, Apple chose to buy “beats music” for \$3billion and rebrand it Apple Music

## This is part of Strategic Direction

- ... typically covered holistically via a discussion of the Ansoff Matrix in his paper
- “a joint statement of a product line and the corresponding set of missions which the products are designed to fulfil”, 1957
- Basically a very early understanding of the product-market strategy



## The Ansoff Matrix



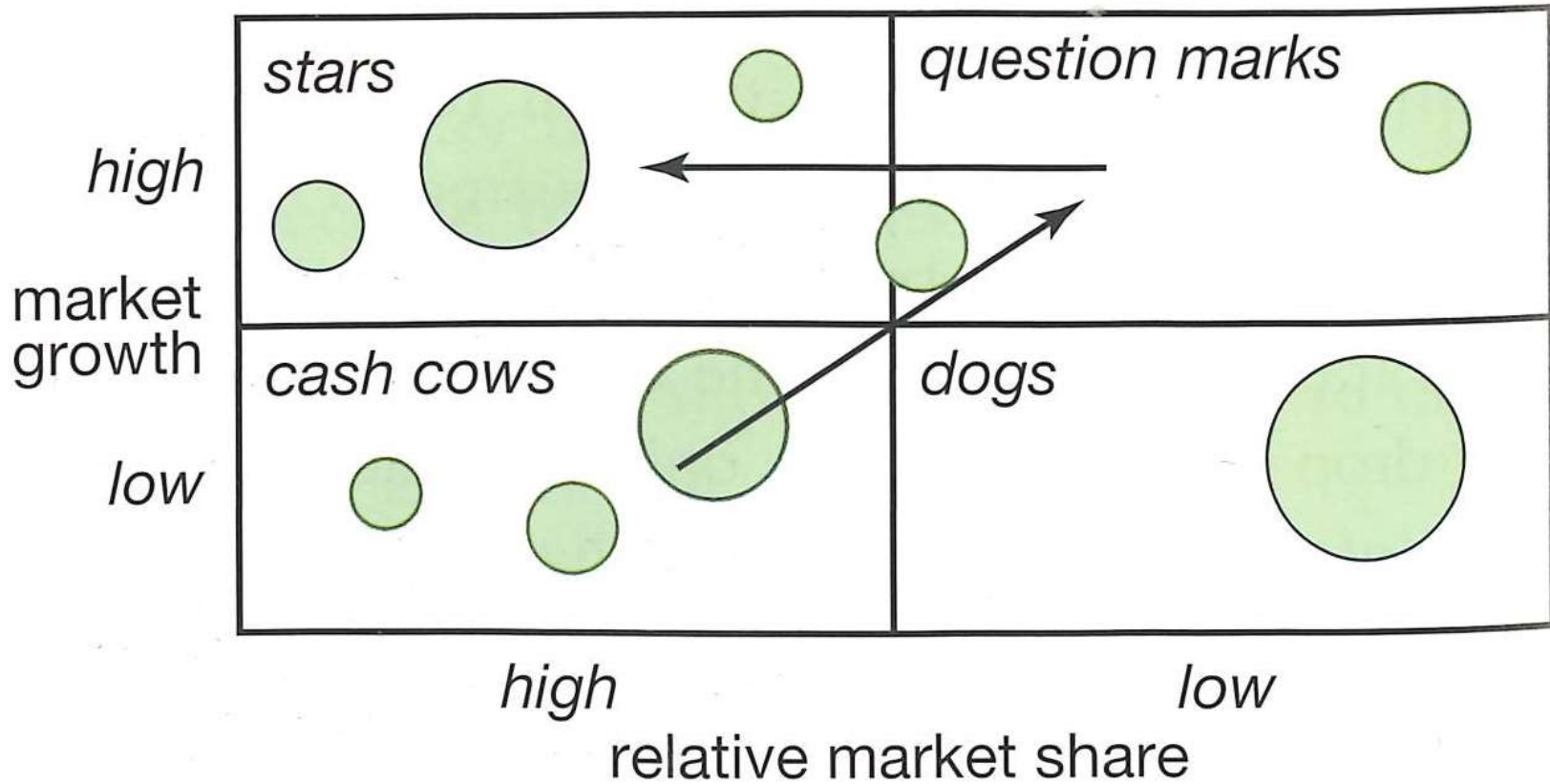


## Peter Drucker, 2006

- “if the prime purpose is to create a customer, the business has two, and only two, functions: **marketing and innovation**. Marketing and innovation produce results. *Everything else is a cost*”

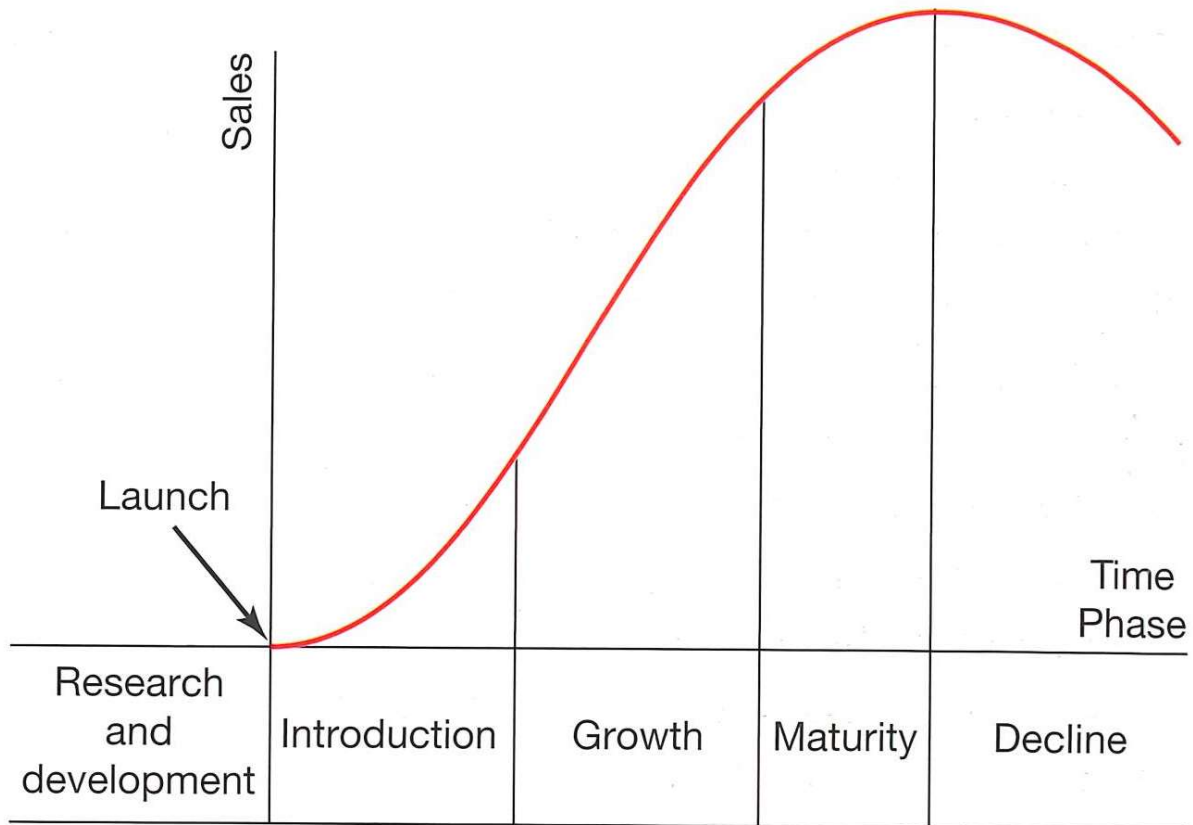
# New Product Introductions

- Corporations introduce new products regularly
- Typically, these New Product Introductions (NPI's) follow a very structured development
- Products that make "cash cow" status fund the development of NPI's
  - Or in technology rich environments this is achieved through direct investment (Angels/Corporate Financers)
  - Or, perhaps now, Kickstarter and the like...



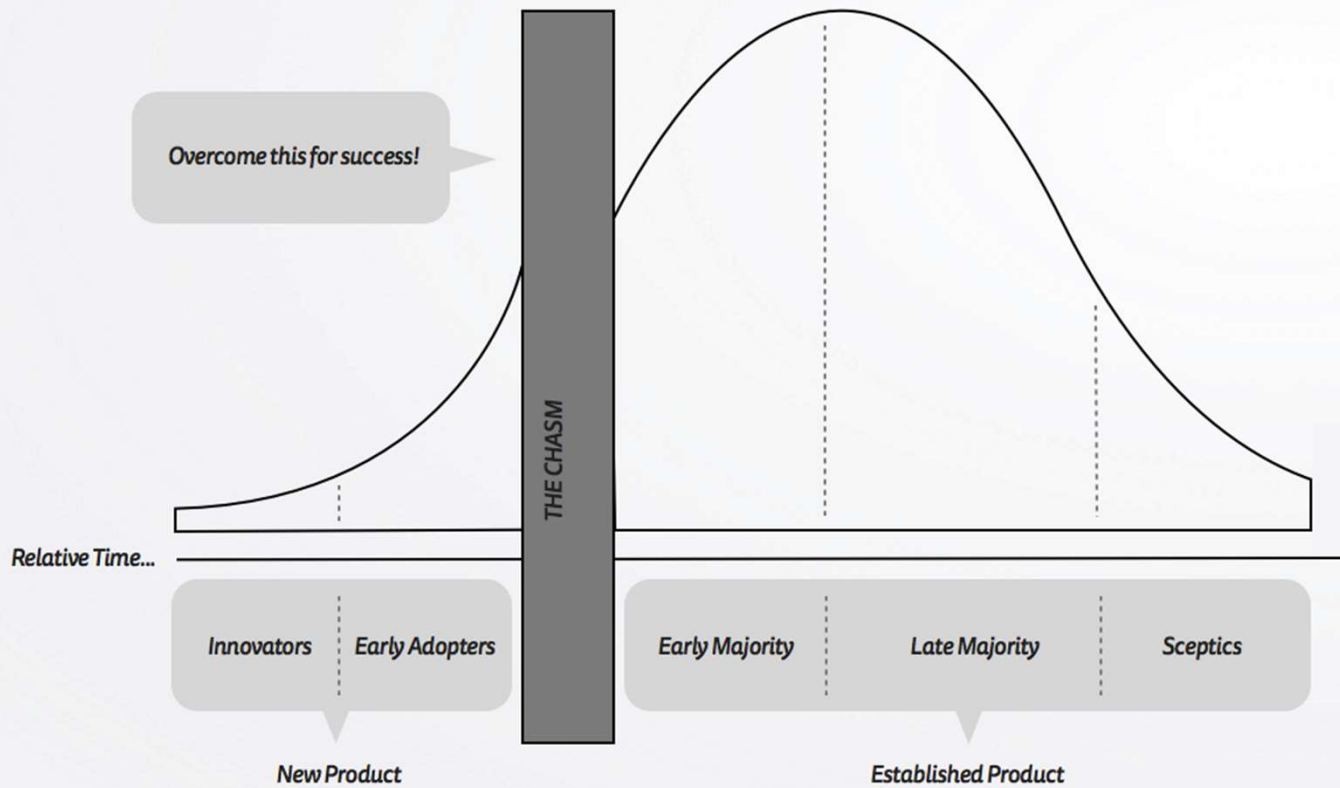


## The product life cycle





## The Chasm / Diffusion Model



# Product Line/Product Mix

- A typical way established brands introduce new products to market
  - Product Line
    - Aims to increase market-share by extending a range of established products
    - Only if research shows potential to capture further market without cannibalising existing market share
  - Product Mix
    - Diversification by the company into new/existing markets with different offers
      - Colgate make Toothpaste, Mouth wash, Toothbrushes etc.

# Academic perspective

- There is considerable and easily accessible materials that support this topic. Below is an example from the Harvard Business Review, April 2011 edition
- [Why Most Product Launches Fail](#)  
– Schneider, J. and Hall, J.

## Launching “completely new products”

- It's not easy
- Think about how long it's taken for Apple to establish the Apple Watch (it's currently at Series 5)
- Completely innovative new products are fairly rare
- No real reproducible basis for estimating “Market” insights
  - Price/Benefits/Offer (think Segment, Target, Position (STP))





# Tesco launches new own-brand plant-based range

By Georgia Wright - September 23, 2019



**// Tesco is introducing hundreds of new vegan meals in hopes to boost profits**

**// Following the success of its vegan range Wicked Kitchen, Tesco set to launch a new one**

**// The grocer will create dedicated plant-based and vegetarian zones within stores**

- In *dynamic environments*, these are some of the typical problems
  - Technological uncertainty
  - Market uncertainty
  - Competitive volatility
  - High investment costs
  - Short product lifecycles
  - Finding the funding

# Why don't New Products constantly cannibalise the market..?

## Reason

Shortage of ideas...

(think of one or two)

- Fragmented markets
- Social and governmental constraints
- Cost of development
- Capital shortages
- Faster required development time
- Shorter product life cycles
- Shortage of ideas

## Have you considered taking the...

- *Aberystwyth University Entrance Exam*
- Successfully complete an exam (*there are multiple exam points in the year and you can take it in the subject/s you are best at*) and earn yourself an unconditional or reduced offer for Aberystwyth Business School (and some large financial awards)
  - More details here:
    - Voice search **Aber Uni Entrance Exam**

# New Product Success

- Incremental Innovation:
  - Occurs where firms gradually improve the core benefits, or where they “port” the product/service to a new environmental need
  - Beneficial because:
    - Already have a good understanding of the market dynamics
    - Have an understanding of competitor response
    - Consumer insights should be available (primary data)

# Red Ocean

- Some corporations have significant cash reserves
  - typically used these to dominate existing markets
  - They can introduce “New Products” that are better than established and win by leveraging overarching brand awareness and recognition
  - Ultimately, they have “more financial reserves” (deeper pockets)

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# THE TIMES

WEDNESDAY FEBRUARY 26 2020 · MIDDAY UPDATE


IN THE NEWS




**Daniel Finkelstein**  
 People, not policies, are the secret of success



**Milan Fashion**  
 Big shoulders and tiny bags - the new fashion formula



**Matthew Syed**  
 It is OK to admire Fury's courage and abhor his opinions



**US election**  
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## Growing number of schools close over coronavirus fears

Pupils back from Italy trips told to stay at home

Growing numbers of schools are shutting or sending pupils home over coronavirus fears after half-term trips to Italy despite a renewed call from the health authorities to stay open. Eight schools have closed across the country, from Middlesborough, North Yorkshire, to Harlow in Essex. These...

[Read the full story >](#)

CORONAVIRUS

## Fears for Nazanin after coronavirus outbreak in Iranian prison



VIDEO

### Just call me Harry, says Duke of Sussex preparing to leave royal life behind

The Duke of Sussex asked to be referred to simply as "Harry" as he appeared at one of his final engagements as a senior working royal today. He was speaking at a sustainable travel conference in Edinburgh after returning to the UK from Canada last night. Ayesha Hazarika, a former...

VIDEO

## Town flooded as River Severn breaches barriers





- To “head-on” compete often competitors will create disruptive innovations that are cheaper to produce but offer the same core benefits
  - Mobile Internet vs. Fixed Line Internet (5G)
  - Tablets vs. Laptop/Notebook Computers
- Often a unique, superior product will win a category; other times better marketing/better environments may be sufficient

# Blue Ocean Strategy

- Chan Kim, W. and Mauborgne, R. (2004)
- Provided a set of tools that allows organisations to “systematically create and capture “blue oceans”: **unexplored new market areas**”.
- The Nintendo Wii is an example of Blue Ocean Thinking (and to a lesser extent the Switch)

- Instead of entering the computational speed (processing) arms race with Xbox and PlayStation, they changed the core target from “young people, predominantly male” to family members “young and old”
- And the games supplied (where they make ALL of their money) from heavy graphics intensive immersive, hyper-real environments, to environments akin to 20 year old 16 bit games console

## Time to think...

- Can you identify other examples of Blue Ocean Strategy..?

- Netflix and video/film distribution
  - 1999 Introduces “Monthly Subscription Concept” for DVD’s delivered through the postal service
  - 2003 Reaches 1 million subscribers
  - 2007 Delivers 1 billion DVD’s
  - 2008 “instant streaming service” introduced
  - 2013 becomes a content producer with the introduction of “House of Cards”

...the rest is history – it is squarely a media production company now...

# Some causes of NPI Failure

- What do you think..?



- Organisational issues
  - Poor fit with culture
  - Lack of organisational support
  - No integrated Venture Team
- Environmental failure
  - Regulations
  - Macro-economic

- Marketing
  - Not sufficient to reach mass market
  - No fundamental differentiation
  - Not meeting customer needs
- Financial support
  - Company runs out of money
  - Insufficient ROI
- Timing
  - Too late or too early (Nike Fuel Band)
- Technical issues
  - Bad design/did not work



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