

New Product Development MYRA School of Business: September 2014

COURSE REQUIREMENTS	<p>You are expected to be fully prepared for class and to hand in assignments on time. Appropriate class preparation involves reading and critically evaluating all the assigned articles. In addition, the intranet contains handouts and notes (written by me) for most sessions. Please read these prior to class. Grades will be based on one team project (containing three assignments) and one individual exam. The exam will be based on an in-class, open book format and will require the use of a laptop computer.</p>
COURSE SUMMARY	<p>Firms that build and capture fundamentally new markets with radical products and services define the competitive arena. This course is designed to make you intimately familiar with the front end of the new product design process and will provide you with concrete, ready-to-apply tools for determining strategies for developing new products based on input from customers. This customer-centric approach involves a combination of qualitative and quantitative approaches to data collection and analysis and is appropriate for both radical or disruptive technologies as well as for the “new and improved” class of products that represent over 90% of all new product introductions. Specifically, you will learn a variety of techniques that are useful for:</p> <ul style="list-style-type: none">• Defining the market for a new product• Determining the market potential for a product category• Incorporating customer preferences in designing the new product attributes• Determining the “ideal” product for different market segments• Developing an “optimal” pricing and advertising budget for the product• Forecasting the market share for the product• Test marketing the product and re-designing it prior to product launch.
PROJECT	<p>The project consists of assignments related to idea development, product attribute development and market share analysis using conjoint analysis, and product positioning via perceptual mapping.</p>
GRADING	<ul style="list-style-type: none">• Project/Presentation: 60%• Assignment 1A: Chindogu: 10%.• Assignment 1B: Finding Your Innovation Sweet Spot: 10%.• Assignment 2: Conjoint: 20%.• Assignment 3: Mapping: 20%.• Final Examination: 40%
SCHEDULE	<p>Class 1: Introduction and Project Review</p> <p>This class we will focus on how companies use market research to generate a continuous stream of world-class new products that are clear winners in the market place.</p> <p>Readings:</p>

- 7251: Value Innovation: The Strategic Logic of High Growth
 - F1104A: Why Most Product Launches Fail
 - 726X: Creating New Market Space
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Class 2: Market Forecasting

In this class you will learn to define markets, forecast their growth potential using the Bass model of new product diffusion and make decisions about market entry under varying market conditions. In addition, we will consider the sources of new product ideas. To get going, you should read my note on getting creative ideas based on the concept of Chindogu. Each team is required to prototype a Chindogu and demonstrate it in class on Friday, September 19. A more formal method of “product deconstruction” is outlined in the HBS case “Finding Your Innovation Sweet Spot” and this forms the basis for Assignment #1B.

Note: Both my Chindogu handout as well as the article “Finding Your Innovation Sweet Spot ” are self-explanatory and will not be formally discussed in class. I expect you to read these on your own and begin work on the two assignments independently.

Readings:

- 9-505-062: Forecasting the Adoption of a New Product
- R0303J: Finding Your Innovation Sweet Spot
- F0904G: What Do Customers Really Want?
- **Intranet: My Note on the BASS MODEL**
- **Intranet: BASS MODEL SPREADSHEETS (Color TV)**
- **Intranet: My Note on Creative Ideas for New Products (Chindogu)**

Team Assignment #1A and #1B : Chindogu and Innovation Sweet Spot respectively (due at the beginning of class on Friday Sept 19.)

Note: Each team should prepare one presentation for both these assignments (10 minutes). The presentation should contain only your ideas and should not repeat details from the two articles (i.e., do not waste time by describing what is already explained in these articles). I value brevity so be concise and limit your two written assignments to a maximum of 3 pages each (double spaced, 12 font).

CLASSES 3 & 4: Modeling consumer preferences

To what extent can we impact share by changing certain product attributes? Can we develop more profitable market segments for our existing products? Will our new products cannibalize the sales of existing products in the product line? How should we price our product? These questions are often answered based on intuition and “gut feel,” but this need not be the case. This session will introduce you to a customer valuation technique called conjoint analysis. This is an invaluable tool for determining appropriate answers to the questions posed earlier. In particular, you will learn how to calculate the manner in which customer’s trade-off among product attributes and how much they are willing to pay for them. An in-class exercise will be used to reify the core concepts and calculations.

Readings:

- 599-112: Analyzing Consumer Preferences

- Intranet: Three Conjoint Spreadsheets (Green, Auto, and Smokeless Cigar)
- Intranet: My Note on Estimating Part-worths in Conjoint Analysis
- Intranet: My Note on Interactions in Conjoint Analysis

Team Assignment #2: Conjoint analysis: See data and questions on the Intranet.

CLASS 5: IN CLASS WORK ON PROJECT #2: Conjoint Analysis

CLASSES 6 and 7: Modeling Consumer Perceptions

In these sessions, we will identify the need to evaluate both consumer perceptions and preferences and discuss the statistical techniques used to generate perceptual maps and ideal vectors. Perceptual maps are visual representations of consumers' perceptions of the different products/brands in their evoked sets, whereas the ideal vectors are based on their expressed preferences for these products/brands. The Land Rover case is about alternative positioning strategies for their new Discovery SUV. The case provides perceptual data for competing brands, and it is easy to develop a perceptual map for the SUV market based on these data. Focus on Exhibit 13 of the Land Rover case (the data are stored as Rover Data.xls on Intranet), as it will form the basis for the mapping exercise in class. Finally, we will discuss how these data can be used for market segmentation and forecasting market share.

Readings:

- 596-036: Land Rover North America. (Case)
- 599-110: Analyzing Consumer Perceptions
- Intranet: My Note on Factor Analysis and Perceptual Mapping
- Intranet: My Note on Infiniti Mapping Procedures

Land Rover Case Questions.

1. Why is the Discovery being launched? What are the major segmentation and differentiation issues in positioning this brand? We will use the data in Exhibit 13 to develop a perceptual map in order to answer this question (in class).

Team Assignment #3: Perceptual Mapping and Market share estimation: See the Mapping Exercise on the Intranet. This assignment is due at the end of class on Friday, Sept 26.

CLASS 8: Marketing Mix

This week we analyze the advertising response phenomenon and consider the important question of determining the optimal advertising budget. With respect to pricing, in addition to the usual methods of value pricing and competitive pricing, we will determine a pricing strategy for "product bundles."

Readings:

- Pricing: A Value Based Approach
 - R0309G: Mind your Pricing Cues
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CLASS 9: Customer Equity

These sessions delve into the world of customization and 1-2-1 marketing. We will use a large data base (see Stickle2300.xls file on Intranet) pertaining to the purchase patterns of over 2000 customers in order to calibrate CRM models and build indices that help you decide how much a firm should spend on acquiring, maintaining and retaining customers. In addition, we will focus on targeting customers based on their LTV and Customer Equity. The idea is to balance the customer acquisition and retention costs in a manner that leads to long term profitability for the firm.

Readings:

- 503019: Customer Profitability and Lifetime Value
- Intranet: My Note on CLV and the Excel file: Customerequity.xls

CLASS 10: IN CLASS WORK ON PROJECT #3: Perceptual Mapping

Final Exam. In class (open-book, laptop required). Date TBA.
