

New Product Management

Course Description and Syllabus

Term 6, 2008-09 (November 24, 2008 - January 4, 2009)

2:45PM-4:45PM, AC8 LT

Instructor: Professor Arun Pereira

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Office Hours: 5PM-6PM, Mondays & Wednesdays, 10AM-11AM Tuesdays & Thursdays.

Course Objectives

The course is targeted to students interested in the broad area of marketing and the specific field of new product management, and those interested in management consulting. It also has particular relevance to student-entrepreneurs, regardless of whether they are grappling with new product ideas or if they are in more advanced stages of their business venture.

New products are the life-blood of companies. More important, the truly successful new products offer managers unique benefits: the foundation to build customer loyalty and ultimately, sustainable competitive advantage for the firm. We will use a variety of methods including lectures, short articles, video/audio clips, and hands-on experience with analytical tools to help understand (a) innovation and concept generation, (b) evaluation and design of alternative product concepts, (c) product testing and forecasting, (d) product launch, and (e) product management to ensure customer loyalty, and long term profitability. The focus is on “learning by doing”; as such, students (working in teams of 3-4 students) will complete a new product project that entails concept identification, targeting, and forecasting—all of which requires the collection of data and the application of cutting-edge tools and techniques.

Key Take-Aways

- The relevance of innovation in firms; sources of new product ideas, concepts and creativity, and the benefits of a systematic new product process.
- “Learning by doing” using analytical tools such as cluster analysis, discriminant analysis, multidimensional scaling, conjoint analysis, etc. for measuring customer perception and preferences, for segmenting and targeting customers, and effectively positioning new products.
- Understanding, measuring, and forecasting the diffusion of products and services.
- New methods in test marketing, simulated test marketing and pre-test marketing.
- The strategic nature of marketing mix decisions for new products, such as pricing (value-based price, dynamic pricing, product line pricing, etc.), advertising (non-traditional advertising, etc.), and distribution (web-based initiatives, etc.).

Course Material

The following will be provided (no books/materials to be bought):

- Packet of readings
- Hardcopies of lectures
- Software: *SPSS* and *Marketing Engineering for Excel*.
- Audio/Video Clips, Interactive Tools, etc. (provided here and at www.arunpereira.com)

Optional Readings listed in the syllabus are drawn from various sources, including the following books (available at **LRC Level 3**):

Urban, G. and Hauser, J., *Design and Marketing of New Products*, 2nd Ed. Prentice-Hall, 1992.

Ulrich, K.T. and Eppinger, S.D., *Product Design and Development*, 3rd ed, McGraw-Hill, 2004.

Nalebuff, B. and Ayres, B., *Why Not? How to Use Everyday Ingenuity to Solve Problems Big and Small*. HBS Press, 2003.

Course Pre-requisites

The core courses are the pre-requisites for this course.

Course Assignments and Components of Course Grade

The following are the assignments for the course and the associated weights; specific dates will be provided when the class meetings for the course are finalized.

Name of the Component	Dates/ Deadlines	Weight
Class Participation	Every Session	20%
Short Written Reports (<i>Individual reports; 10 sentences maximum</i>)	Selected Sessions (<i>See Schedule</i>)	10%
Analytical Assignments (<i>Individual assignments using Marketing Engineering/ SPSS</i>)	Selected Sessions (<i>See Schedule</i>)	20%
New Product Project (<i>Team project; 3 member teams</i>)	Product Concepts (<i>Due: Dec. 8</i>) Final Report (<i>Due: After Final Exam</i>)	25%
Final Exam		25%

Course Administration

The course will comprise of lectures and discussions around topical areas (see attached schedule), based on material provided in the Readings Packet. The readings are thought-provoking articles drawn from the pages of the popular business press (*Wall Street Journal*, *Business Week*, etc.) as well as manager-oriented journals (*Harvard Business Review*, *Sloan Management Review*, etc.). The class meetings will be interactive sessions. You are expected to read the assigned readings before each class and actively participate in class discussions. There will be assignments (written and analytical) that have to be completed, as indicated in the schedule, as well as a team project (see details below).

Assignments

Written Assignments: The written assignments require you to focus on one issue/idea/concept discussed in a specified article, and to write a succinct summary/critique, with a “real world” example to exemplify your point. LENGTH: 10 SENTENCES, MAXIMUM

Analytical Assignments: These assignments will require the use of Marketing Engineering and/or SPSS software. Clear directions will be provided for each assignment in website, www.arunpereira.com, (look under Current Classes, and New Product Management).

Assignment “Delivery”: All assignments should be emailed; specific directions along with the necessary email address will be provided in class. You will lose points for assignments that are late, incomplete, inaccurate, or do not follow directions given.

In general—be it class participation, written reports, analytical assignments, or exams—you will be rewarded for work that reflects substance, clarity and organized thinking.

Team Project

Note: If you want to use this project to further a “serious” product idea that you may have (or to analyze a business venture you are planning to start) please see me before Session 3, so that we can discuss the feasibility of doing so.

The team project will entail the use of various analytical tools that are typically used in a marketing and/or business plan, including *Conjoint Analysis* (to “optimize” product offering), *Cluster Analysis* (for customer analysis, target marketing); *Market Build-Up*, *Intent-Translation Method* (for estimating market potential and brand sales potential) and *Bass Growth Model* (for forecasting market growth).

(a) Identify a new product concept

Given time constraints, the concept you identify is limited to the following: A modification of an existing product or service that has *no repeat buying* (in the near term). That is, your concept should be a modification of an existing “durable” good, with the modification defined as an addition of a new attribute (i.e. a new benefit) that is relevant to some or all of the existing target market, or a new market. For example: a refrigerator *with web access*. The new attribute you propose need not be strictly feasible from a technology/production standpoint; however, please don’t go overboard with science-fiction-type attributes. You will clearly

define the product concept, stating the *core benefit proposition*; specify the *target market* and an approximate *price* at which the product is likely to be offered. The final product design, the segments to target, the specific price, and short/long term forecasts will comprise the project, and will be decided using various analytical tools. Examples of product concepts from past semesters will be made available at www.arunpereira.com, (under Current Classes, and New Product Management).

(b) *Collect relevant data* to enable the use of the following tools: *Conjoint Analysis, Cluster Analysis, Market Build-Up Method (or Chain Ratio Method), Intent-Translation Method, and the Bass Growth Model*. Unless you have a “serious” product idea that you would like to pursue, we will use a “convenience sample” of students in class for our data collection, as the goal of the project is limited to learning how to use the various analytical tools.

Conjoint Analysis: No more than three attributes (with price as one of the three attributes) and with the total number of profiles not to exceed 18. During analysis of your conjoint data, you will choose any 3 “product bundles” (i.e. 3 product concepts), and forecast the “preference share” for each of these three concepts, based on your sample of respondents.

Cluster Analysis: Collect data on “basis” variables and “descriptor” variables.

Market Build-Up Method/Chain Ratio Method: Based on existing secondary data.

Intent Translation Method: Collect data using purchase intentions scale.

Bass Market Growth Model: Use the analogy method.

Class Participation

Active participation is a key aspect of the course. You are encouraged to express your opinions and bring your perspective to our discussions. You will be rewarded for opinions that carry substance (as opposed to expressing the obvious), are relevant, succinctly presented, and reflect logical and organized thinking.

Attendance Policy

You are expected to attend every session, and arrive on time. Coming late and/or leaving early will be considered the equivalent of being absent for the session. If you have to miss class due to unusual circumstances, you must email me before the start of the relevant session. Unless I have excused your absence, the following policy applies to missed classes:

3% reduced from the final grade for each of the first 3 classes missed.

A reduction of 1 letter grade for 4 classes missed.

A reduction of 2 letter grades for 5 classes missed.

A grade of “F” for 6 or more classes missed.

You are expected to use name cards for every session. A seating chart will be made available before Session 2; please follow it for the rest of the term.

Course Schedule and Assignments

Note: The schedule presented is tentative; changes may be made as the semester progresses to accommodate/ maximize student learning. Go to www.arunpereira.com for details on Analytical/ Written Assignments, and Team Project.

<i>Session</i>	<i>Topics</i>	<i>Assignments</i>
Nov. 24	<ul style="list-style-type: none"> • The Innovation Imperative • The New Product Process • Overview of Team Project 	<p><u>Readings (from Packet)</u> Product Development: An Overview How Innovation at Procter & Gamble Restored Pert Plus The Rules of Innovation Inside Google’s New Product Process</p> <p><u>Audio-Clip</u> Jack Welch on Innovation (8 mins.)</p> <p><u>Written Assignment</u> <i>None</i></p> <p><u>Analytical Assignment</u> <i>None</i></p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Urban/Hauser, Chapters 1-3 Nablebuff/Ayres Chapter 1 Spark Innovation Through Empathetic Design Innovation Insights (online slide show) Innovation Trends and Tools (online slide show)</p>
Nov. 27	<ul style="list-style-type: none"> • Ideation: Lead Users/End Users / Technology/Others • Market Definition • Overview of Team Project • <u>Analytical Toolbox</u> Overview of Tools for New Product Management (SPSS/Marketing Engineering) 	<p><u>Readings (from Packet)</u> Urban/Hauser, Chapter 4 Voice of the Customer Eager Sellers and Stony Buyers Customers as Innovators</p> <p><u>Written Assignment</u> <i>Eager Sellers and Stony Buyers</i></p> <p><u>Analytical Assignment</u> <i>None</i> <i>Load Marketing Engineering Software</i></p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Nablebuff/Ayres Chapters 2-3 The Making of World Class Innovators Together We Innovate Lead User Videos Radical Design, Radical Results Top 50 Innovative Companies (online slide show)</p>

<i>Session</i>	<i>Topics</i>	<i>Assignments</i>
Dec. 1	<ul style="list-style-type: none"> • Perception/Preference Analysis • The Saddle and Chasm Effect • The First-Mover Question • <u>Analytical Toolbox</u> Segmentation & Targeting Models: Cluster Analysis/Discriminant Analysis. (SPSS/Marketing Engineering) 	<p><u>Readings (from Packet)</u> Urban/Hauser, Chapter 9 (pages 233-246) First to Market, First to Fail? The S Curves of Innovation Mobil Bets Drivers Pick Cappuccino Over Low Prices</p> <p><u>Online Slide-Show</u> Second-but-Better Products</p> <p><u>Written Assignment</u> <i>First to Market, First to Fail?</i></p> <p><u>Analytical Assignment</u> <i>None</i></p> <p><u>Team Project</u> Finalize Teams</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Urban/Hauser, Chapter 8 Nablebuff/Ayres Chapter Riding the Saddle When Does the Majority Become the Majority? When is it Worthwhile Targeting the Late Majority?</p>
Dec. 3	<ul style="list-style-type: none"> • Preference Models: Conjoint Analysis Preference Score • <u>Analytical Toolbox</u> Perceptual/Preference Mapping: Factor Analysis and MDS (SPSS/Marketing Engineering) 	<p><u>Readings (from Packet)</u> Urban/Hauser, Chapter 10 (258-275) Three Questions You Need to Ask Your Brand Understanding Conjoint Analysis in 15 Minutes Conjoint Analysis: A Review</p> <p><u>Written Assignment</u> <i>Three Questions You Need to Ask Your Brand</i></p> <p><u>Analytical Assignment</u> <i>Assignment 1: Segmentation and Targeting</i></p> <p><u>Team Project</u> Work on Product Concept</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Traditional Conjoint with Excel Interpreting Results from Conjoint Analysis Nablebuff/Ayres Chapters 5-6 Online Interactive Tool: Conjoint Analysis Tutorial</p>

<i>Session</i>	<i>Topics</i>	<i>Assignments</i>
Dec. 8	<ul style="list-style-type: none"> • New Product Forecasting • Estimating Market Potential • Estimating Market/Category Growth • <u>Analytical Toolbox</u> Preference Models: Conjoint Analysis (SPSS/Marketing Engineering) 	<p><u>Readings (from Readings Packet)</u> How to Reduce Market Penetration Cycle Time Life Cycle Diffusion Models</p> <p><u>Written Assignment</u> <i>How to Reduce Market Penetration Cycle Time</i></p> <p><u>Analytical Assignment</u> <i>Assignment 2: Perceptual Mapping</i></p> <p><u>Team Project</u> Finalize Product Concept</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Urban/Hauser, Chapter 12 Bass Model Application: Predicting Internet-based Online Community Size New Product Forecasting (3 Parts): Equifax Corp</p> <p>Online Interactive Tool: Bass Model</p>
Dec. 10	<ul style="list-style-type: none"> • Pre-Test Market Forecasting • Test Marketing • <u>Analytical Toolbox</u> Growth Model: The Bass Model (SPSS/Marketing Engineering) 	<p><u>Readings (from Readings Packet)</u> Responses to Strategic Disruptive Innovation A Virtual View of the Store Aisle Will it Sell in Podunk? Hard to Say With Miller's New Momentum Plan, Beers Seep, Not Splash, Into the Market</p> <p><u>Video-clip</u> Virtual Testing</p> <p><u>Written Assignment</u> <i>Responses to Strategic Disruptive Innovation</i></p> <p><u>Analytical Assignment</u> <i>Assignment 3: Conjoint Analysis</i></p> <p><u>Team Project</u> Work on Survey Questionnaire</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Urban/Hauser, Chapters 16, 17 Virtual Test Markets Surviving Innovation: Common Testing Mistakes</p>

<i>Session</i>	<i>Topics</i>	<i>Assignments</i>
Dec. 15	<ul style="list-style-type: none"> • Managing Product Launch • Product Introduction: Strategic and Diagnostic Decisions • <u>Analytical Toolbox</u> <i>Group Project: Data Issues</i> 	<p><u>Readings (from Readings Packet)</u> Defensive Marketing Strategy Making Portfolio Management More Effective 10 Ways to Make Better Portfolio & Project Selection Decisions</p> <p><u>Written Assignment</u> <i>Defensive Marketing Strategy</i></p> <p><u>Analytical Assignment</u> <i>Assignment 4: Bass Model</i></p> <p><u>Team Project</u> Data Collection</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Urban/Hauser, Chapters 18, 19 Targeting Early Adopters Audio-Clip: New Product Launch (50 minutes long)</p>
Dec. 17	<ul style="list-style-type: none"> • Managing New Products: Pricing Decisions • <u>Analytical Toolbox</u> <i>Complete Team Project Survey Questionnaire and Data Collection</i> 	<p><u>Readings (from Readings Packet)</u> Pricing and the Psychology of Consumption How to Fight a Price War Retailers Private Labels Strain Old Ties Discounting is No Bargain</p> <p><u>Video-clip</u> The Cost of Zero</p> <p><u>Written Assignment</u> <i>Pricing and the Psychology of Consumption</i></p> <p><u>Analytical Assignment</u> <i>None</i></p> <p><u>Team Project</u> Complete Data Collection</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> Beating the Commodity Magnet Pricing Opportunities in the Digital Age How and Why Chinese Firms Excel in the Art of the Price War</p>

<i>Session</i>	<i>Topics</i>	<i>Assignments</i>
Dec. 22	<ul style="list-style-type: none"> • Managing New Products: Advertising/Distribution Decisions • A Framework to Manage/Measure Non-Traditional Advertising • <u>Analytical Toolbox</u> Complete Project Analysis 	<p><u>Readings (Readings Packet):</u> The End of Advertising As We Know It Ambient/Non-Traditional Advertising Out of Home, Not Out of Place</p> <p><u>Video-Clip</u> Non-Traditional Advertising: Moving Boards Non-Traditional Advertising: Holograms</p> <p><u>Written Report Due</u> <i>None</i></p> <p><u>Analytical Work Due</u> <i>None</i></p> <p><u>Team Project</u> Complete Data Analysis</p> <hr/> <p><u>Optional Material (in LRC, Level 3)</u> The Out of Home Meter Project Marketing Communications as a Strategic Function</p>
Dec. 24	<ul style="list-style-type: none"> • Concluding Thoughts on New Product Management • The Future of New Product Management: Discussion <u>Panelists:</u> Gopi Kallayil Head, Google AdSense Google (USA) T.T. Ramgopal Director, Online Sales/Operations Google (India) 	<p><u>Readings</u> <i>None</i></p> <p><u>Written Report Due</u> <i>None</i></p> <p><u>Analytical Work Due</u> <i>None</i></p> <p><u>Team Project</u> Project Report Due</p> <hr/> <p><u>Optional Material</u> Audio Clip: Jack Welch on Changing Jobs</p>

ABOUT THE INSTRUCTOR

Arun Pereira is a chemical engineer with a MBA and a Ph.D. in Marketing. He is Visiting Professor at ISB, and Associate Professor of Marketing at the Cook School of Business, Saint Louis University, St. Louis, MO, and has over 20 years of teaching and consulting experience. He is also active in executive education/training; his most recent custom-program is with Monsanto Co., USA.

His recent teaching awards include: Voted *Best Teacher, Executive MBA* (Class of 2004), and voted *Best Teacher, Executive MBA* (Class of 2005), at the Boeing Institute of International Business, Saint Louis University, St. Louis, MO.

His research has appeared in various journals including, *Journal of the Academy of Marketing Science, International Journal of Management Science, Journal of Business Research, Journal of Product and Brand Management, Psychology and Marketing, Journal of Retailing, Industrial Marketing Management, Journal of Business Ethics*, and *International Journal of Research in Marketing*. His most recent book, co-authored with N. Singh, is *The Culturally Customized Web Site* (Elsevier, 2005).