Chapter 01

The Strategic Elements of Product Development

**True / False Questions**

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| 1. | By definition, new products are limited to significant technological innovations.    **FALSE**  Feedback: Mention new products and people think about technology—iPhones, online shopping, smart watches, self-driving cars, virtual realities, and the like. But most new products are far simpler—low-carb colas, new movies, new singing stars, fast foods, and new flavors of frozen yogurt. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: Setting* |

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| 2. | New products can be tangible goods or services.    **TRUE**  Feedback: New products can be tangible goods or services. New products can be destined for the consumer market, the business-to-business market, or both. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: Setting* |

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| 3. | Radical innovation that displaces or obsoletes current products and creates totally new product categories is critical to the future growth and survival of a firm.    **TRUE**  Feedback: Many managers realize that radical innovation is critical to future growth and even the survival of a firm. Here, radical innovation is innovation that displaces or obsoletes current products and/or creates totally new product categories. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Importance of New Products* |

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| 4. | Business firms expect, and get, a high percentage of their sales and profits from new products.    **TRUE**  Feedback: A successful new product does more good for a firm than anything else. Best business firms not only have a higher percentage rate of successes, but also derive almost twice as many sales and profits from new products (defined as five years old or younger) than do the rest. Best firms are also more efficient in developing successful products. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Importance of New Products* |

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| 5. | A firm's global presence is no guarantee that it will automatically know how to efficiently manage its global operations.    **TRUE**  Feedback: A firm's global presence is no guarantee that it will automatically know how to efficiently manage its global operations. Effectively coordinating and marshaling the efforts across multiple countries to develop and to launch successful new products is a major challenge. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Globalization and New Product Development* |

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| 6. | Firms with a global innovation culture have the most effective global new product programs.    **TRUE**  Feedback: Firms with a global innovation culture have the most effective global new product programs. Having a global innovation culture means that a firm is open to global markets, mindful of differences in customer needs and preferences, and respectful of different national cultural and business environments. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Globalization and New Product Development* |

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| 7. | An ideal new products team is essentially self-directed with limited or no cross-functionality.    **FALSE**  Feedback: An underlying principle of product development is teamwork. The new products team ideally is cross-functional, comprising personnel from marketing, R&D, engineering, manufacturing, production, design, and other functional areas as well. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: How Product Development is Different* |

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| 8. | The term "product innovation" usually applies to functions, especially those of manufacturing or distribution.    **FALSE**  Feedback: The term product innovation applies to the total operation by which a new product is created and marketed, and it includes innovation in all of the functional processes, while the term process innovation usually applies to functions, especially the manufacturing or distribution process, and every new product benefits from this type of innovation. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: How Product Development is Different* |

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| 9. | New-to-the-firm products revolutionize existing product categories or define wholly new ones.    **FALSE**  Feedback: New-to-the-world products revolutionize existing product categories or define wholly new ones. They are the most likely to require consumer learning and/or incorporate a very new technology. New-to-the-firm products are products that take a firm into a category new to it. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 10. | New-to-the-world products are less likely to require consumer learning.    **FALSE**  Feedback: New-to-the-world products revolutionize existing product categories or define wholly new ones. They are the most likely to require consumer learning and/or incorporate a very new technology. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 11. | The number one reason for new product success is a unique superior product.    **TRUE**  Feedback: The number one reason for success is a unique superior product. Additionally, common causes of failure include "no need for the product" and "there was a need but the new product did not meet that need." |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 12. | The terms "product idea," "product concept," and "product prototype" are interchangeable and they are all about the same thing.    **FALSE**  Feedback: An average person might think that a product idea, a product concept, a product prototype, and maybe even a product are all about the same thing. But there are separate distinct definitions for each of these terms, and they are not interchangeable. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Does This Field of Activity Have a Unique Vocabulary?* |

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| 13. | Product portfolio management refers to the procedure that takes a new product idea through concept evaluation, product development, launch, and post-launch.    **FALSE**  Feedback: Product portfolio management helps a firm assess which new products would be the best additions to the existing product line, given both financial and strategic objectives. In this chapter, we introduce the first strategic element, the new products process, as it serves as a framework for everything else. The new products process is the procedure that takes the new product idea through concept evaluation, product development, launch, and post-launch. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Strategic Elements of Product Development* |

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| 14. | Research has shown that at least 40 percent of firms assign a marketing manager whose job it is to manage the phased new products process.    **FALSE**  Feedback: Research has shown that about 70 percent of firms use some kind of formal, cross-functional, phased new products process, and at least 40 percent of firms assign a process manager whose job it is to manage the phased new products process. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Basic New Products Process* |

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| 15. | In a new product process, an evaluation task that includes conditional "Go" decisions is sometimes called a fuzzy gate.    **TRUE**  Feedback: An evaluation task that includes conditional "Go" decisions is sometimes called a fuzzy gate. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Basic New Products Process* |

**Multiple Choice Questions**

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| 16. | Well-known business writer, Gary Hamel, has described \_\_\_\_\_ as "the most important business issue of our time."      |  |  | | --- | --- | | A. | product distribution |  |  |  | | --- | --- | | **B.** | the creation of radical innovation |  |  |  | | --- | --- | | C. | advertising and marketing of services |  |  |  | | --- | --- | | D. | product line extensions |   Feedback: Well-known business writer Gary Hamel has described the creation of radical innovation as "the most important business issue of our time." The Industrial Research Institute identified "accelerating innovation" and "business growth through innovation" as the top challenges faced by technology leaders. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Importance of New Products* |

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| 17. | Which of the following statements is true of the importance of new products?      |  |  | | --- | --- | | A. | The failure rate for new products is estimated to be around 90 percent. |  |  |  | | --- | --- | | **B.** | The new products process is exceedingly difficult. |  |  |  | | --- | --- | | C. | Radical innovation is detrimental to the survival of a firm. |  |  |  | | --- | --- | | D. | All the individuals involved in the creation of a new product generally belong to the same department. |   Feedback: One reason for studying about new products is that the new products process is exceedingly difficult. Hundreds of individuals are involved in the creation of a single product, but all are from separate departments (sales, engineering, manufacturing, and so on) where they may have their own agendas. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Importance of New Products* |

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| 18. | Which of the following is a reason for product failure in a firm?      |  |  | | --- | --- | | A. | Resorting to radical innovation with the new products process |  |  |  | | --- | --- | | B. | Avoiding the use of the ready—fire—aim approach in the product development process |  |  |  | | --- | --- | | **C.** | Chasing a moving target |  |  |  | | --- | --- | | D. | Paying too much attention to customer needs |   Feedback: Some of the reasons why products fail include the following: A firm doesn't understand the customer, or underfunds the required research and development, or doesn't do the required homework before beginning development, sometimes called the ready—fire—aim approach, or doesn't pay enough attention to quality, or lacks senior management support, or chases a moving target leading to issues such as unstable specifications and scope creep. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Importance of New Products* |

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| 19. | With reference to the new products process, a firm adopts the ready—fire—aim approach when it:      |  |  | | --- | --- | | A. | lacks senior management support. |  |  |  | | --- | --- | | B. | does not pay enough attention to quality. |  |  |  | | --- | --- | | C. | chases a moving target. |  |  |  | | --- | --- | | **D.** | does not do the required homework before beginning development. |   Feedback: One of the important reasons a firm fails in the new product process is it does not do the required homework before beginning development, sometimes called the ready-fire-aim approach. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Topic: The Importance of New Products* |

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| 20. | According to the latest Comparative Performance Assessment Study (CPAS), in comparison to the Rest, Best companies are:      |  |  | | --- | --- | | **A.** | more likely to use tradeoff analysis. |  |  |  | | --- | --- | | B. | less likely to rely on portfolio analysis for product selection. |  |  |  | | --- | --- | | C. | more likely to employ informal processes for selecting which concepts to develop. |  |  |  | | --- | --- | | D. | less likely to rely on online communities for information gathering. |   Feedback: The most recent CPAS study reveals that the Best companies at product development manage their new products process differently than do the Rest. Relative to the Rest, the Best are more likely to use market research tools like creativity sessions, tradeoff analysis, alpha and beta testing, and so on. They rely more on portfolio analysis for product selection and tend to use online communities for information gathering. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Importance of New Products* |

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| 21. | Which of the following firms will have the most effective worldwide new product programs?      |  |  | | --- | --- | | A. | Firms that have implemented total quality management |  |  |  | | --- | --- | | B. | Firms that use quality circles |  |  |  | | --- | --- | | **C.** | Firms that follow a global innovation culture |  |  |  | | --- | --- | | D. | Firms that are leaders in their respective industries |   Feedback: The best research available on the new product process finds that firms with a global innovation culture have the most effective global new product programs. Having a global innovation culture means that a firm is open to global markets, mindful of differences in customer needs and preferences, and respectful of different national cultural and business environments. |

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| 22. | Firms with a global innovation culture:      |  |  | | --- | --- | | A. | have a disadvantage in implementing global launches. |  |  |  | | --- | --- | | B. | are unwary of the differences in customer needs and preferences. |  |  |  | | --- | --- | | **C.** | can better manage the R&D tasks associated with the new products process. |  |  |  | | --- | --- | | D. | are only open to domestic markets. |   Feedback: A firm with a global innovation culture is better at integrating its global knowledge, can better manage the R&D tasks associated with the new products process, and has an advantage in implementing global launches. |

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| 23. | Rules of thumb that firms have found that work for them can be referred to as:      |  |  | | --- | --- | | **A.** | heuristics. |  |  |  | | --- | --- | | B. | syntaxes. |  |  |  | | --- | --- | | C. | synergies. |  |  |  | | --- | --- | | D. | charters. |   Feedback: Heuristics are general rules of thumb that firms have found that work for them. Heuristics sometimes leave us holding an empty bag; but without them, projects just won't move forward fast enough. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: How Product Development is Different* |

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| 24. | Products that are inventions and create a whole new market are called:      |  |  | | --- | --- | | **A.** | new-to-the-world products. |  |  |  | | --- | --- | | B. | new-to-the-firm products. |  |  |  | | --- | --- | | C. | "flanker" brands. |  |  |  | | --- | --- | | D. | improvised products. |   Feedback: Refer to Figure 1.4. New-to-the-world products are inventions that create a whole new market. Examples include the Polaroid camera, the smartphone and iPad, Hewlett-Packard's laser printer, Rollerblade brand inline skates, P&G's Tide Pods. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 25. | New-to-the-firm products are:      |  |  | | --- | --- | | A. | inventions that create a whole new market. |  |  |  | | --- | --- | | **B.** | products that take a firm into a category new to it. |  |  |  | | --- | --- | | C. | products that are new to the world, but are not new to the firm. |  |  |  | | --- | --- | | D. | products that are retargeted for a new use or application. |   Feedback: Refer to Figure 1.4. New-to-the-firm products refer to products that take a firm into a category new to it. The products are not new to the world, but are new to the firm. Examples include P&G's first shampoo or coffee, Hallmark gift items, Virgin Atlantic Airlines or Virgin Mobile phone service, and Canon's laser printer. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 26. | New-to-the-firm products:      |  |  | | --- | --- | | A. | most likely require consumer learning. |  |  |  | | --- | --- | | B. | most likely involve the incorporation of a very new technology. |  |  |  | | --- | --- | | C. | tend to revolutionize existing product categories. |  |  |  | | --- | --- | | **D.** | are new to a company, but are not new to the world. |   Feedback: Refer to figure 1.4. New-to-the-firm products are products that take a firm into a category new to it. These products are not new to the world, but are new to the firm. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: What is a New Product, and What Leads to Success?* |

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| 27. | \_\_\_\_\_ are also known as "flanker" brands.      |  |  | | --- | --- | | **A.** | Line extensions |  |  |  | | --- | --- | | B. | New-to-the-world products |  |  |  | | --- | --- | | C. | Improvised products |  |  |  | | --- | --- | | D. | Repositionings |   Feedback: Refer to Figure 1.4. New products can be categorized in terms of how new they really are to the world, or to the firm. Additions to existing product lines are called "flanker" brands or line extensions. These products are designed to flesh out the product line as offered to the firm's current markets. Examples: Dove Men+Care, Tide Pods with Downy, and Special K line extensions (drinks, snack bars, and crystals). |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 28. | When a current product of a company has been enhanced to better serve consumer needs, the product will fall into the new product category of \_\_\_\_\_.      |  |  | | --- | --- | | A. | new-to-the-world products |  |  |  | | --- | --- | | B. | repositionings |  |  |  | | --- | --- | | C. | line extensions |  |  |  | | --- | --- | | **D.** | product improvements |   Feedback: Refer to figure 1.4. Improvements and revisions to existing products are usually current products made better. Examples include P&G's Ivory Soap and Tide powder laundry detergent that have been revised numerous times throughout their history. |

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| 29. | Ace Corporation is a manufacturer of powder and liquid dishwashing detergents. Owing to popular demand, the company introduces a single-load, scented, gel detergent encased in water-soluble bags designed to fit dishwasher detergent trays. The firm's new product is best described as a(n):      |  |  | | --- | --- | | A. | new-to-the-world product. |  |  |  | | --- | --- | | **B.** | line extension. |  |  |  | | --- | --- | | C. | repositioned product. |  |  |  | | --- | --- | | D. | improvised product. |   Feedback: Refer to figure 1.4. The firm's new product is best described as a line extension. Line extensions are additions to existing product lines of a firm, which are designed to flesh out the product line as offered to the firm's current markets. |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Topic: What is a New Product, and What Leads to Success?* |

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| 30. | \_\_\_\_\_ refer to those products that are retargeted for a new use or application.      |  |  | | --- | --- | | A. | "Flanker" brands |  |  |  | | --- | --- | | B. | Line extensions |  |  |  | | --- | --- | | **C.** | Repositionings |  |  |  | | --- | --- | | D. | New-to-the-world products |   Feedback: Refer to figure 1.4. Repositionings are products that are retargeted for a new use or application. Examples include Arm & Hammer baking soda repositioned as a drain or refrigerator deodorant; aspirin repositioned as a safeguard against heart attacks. It also includes products retargeted to new users or new target markets; Marlboro cigarettes were repositioned from a woman's cigarette to a man's cigarette years ago. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 31. | Zooky Inc. is a well-known manufacturer of bubble gums, candies, chewing gums, and edible breath strips. The company recently introduced a new range of sugar-free, antibacterial chewing gum. Zooky's new product can be best described as a(n):      |  |  | | --- | --- | | **A.** | line extension. |  |  |  | | --- | --- | | B. | new-to-the-firm product. |  |  |  | | --- | --- | | C. | new-to-the-world product. |  |  |  | | --- | --- | | D. | repositioned product. |   Feedback: Refer to figure 1.4. Zooky's new product can be best described as a line extension. Line extensions are designed to flesh out the product line as offered to the firm's current markets. Examples: Dove Men+Care, Tide Pods with Downy, Special K line extensions (drinks, snack bars, and crystals). |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Topic: What is a New Product, and What Leads to Success?* |

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| 32. | Luminos Co., a popular manufacturer of kitchen appliances, decides to enter the manufacturing sector of crockery and dinnerware. It markets a line of dinnerware, Illuminia, for the first time in its history. Its dinnerware will most likely fall into which of the following new product categories?      |  |  | | --- | --- | | A. | New-to-the-world products |  |  |  | | --- | --- | | **B.** | New-to-the-firm products |  |  |  | | --- | --- | | C. | Line extensions |  |  |  | | --- | --- | | D. | Product improvements |   Feedback: Refer to figure 1.4. Its dinnerware will most likely fall into the new product category of new-to-the-firm products. New-to-the-firm products or new product lines take a firm into a category new to it. The products are not new to the world, but are new to the firm. |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Topic: What is a New Product, and What Leads to Success?* |

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| 33. | Designethic Co. is known for selling cards, gift-wrapping materials, and collectibles. In a bid to compete with its counterparts, Designethic added fresh-cut flower arrangements to its range of product offerings in the year 2015. Into which of the following new product categories would the floral arrangements fall?      |  |  | | --- | --- | | A. | New-to-the-world products |  |  |  | | --- | --- | | **B.** | New-to-the-firm products |  |  |  | | --- | --- | | C. | Line extensions |  |  |  | | --- | --- | | D. | Repositionings |   Feedback: Refer to figure 1.4. Designethic would fall into the new product category of new-to-the-firm products. New-to-the-firm products or new product lines take a firm into a category new to it. The products are not new to the world, but are new to the firm. |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Topic: What is a New Product, and What Leads to Success?* |

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| 34. | To cater to the constant demands of its customers, Roltez Pretzels, a manufacturer of pretzels and extruded corn snacks, introduces honey-mustard pretzels to its product line. The honey-mustard pretzels are examples of:      |  |  | | --- | --- | | A. | new-to-the-world products. |  |  |  | | --- | --- | | B. | new-to-the-firm products. |  |  |  | | --- | --- | | **C.** | "flanker" brands. |  |  |  | | --- | --- | | D. | product improvements. |   Feedback: Refer to figure 1.4. The honey-mustard pretzels are examples of "flanker" brands. Line extensions may have resulted from a company's desire to increase display space and shelf space. They are additions to existing product lines and are also called "flanker" brands. These products are designed to flesh out the product line as offered to a firm's current markets. |

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| 35. | In an attempt to extend the life of its brand of AquaFresh soap, Agate Inc., a soap manufacturer, makes certain enhancements to the characteristics and quality of its soaps. Agate's products would best fit into the new product category of:      |  |  | | --- | --- | | A. | line extensions. |  |  |  | | --- | --- | | B. | new-to-the-firm products. |  |  |  | | --- | --- | | C. | new-to-the-world products. |  |  |  | | --- | --- | | **D.** | product improvements. |   Feedback: Refer to figure 1.4. Agate's products would best fit into the new product category of product improvements. Improvements and revisions to existing products are an attempt to make them better. |

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| 36. | Which of the following categories of new products would present higher risks and uncertainties as well as associated costs of development and launch?      |  |  | | --- | --- | | A. | Line extensions |  |  |  | | --- | --- | | **B.** | New-to-the-world products |  |  |  | | --- | --- | | C. | Improvised products |  |  |  | | --- | --- | | D. | Repositionings |   Feedback: Generally, if a product is new-to-the-world or new-to-the-firm, the risks and uncertainties faced by the firm are higher, as are the associated costs of development and launch. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 37. | Which of the following products define wholly new product categories and are most likely to require consumer learning or incorporate a very new technology?      |  |  | | --- | --- | | A. | Improvised products |  |  |  | | --- | --- | | **B.** | New-to-the-world products |  |  |  | | --- | --- | | C. | New-to-the-firm products |  |  |  | | --- | --- | | D. | Repositionings |   Feedback: New-to-the-world products revolutionize existing product categories or define wholly new ones. They are the most likely to require consumer learning and/or incorporate a very new technology. Desktop computers with word processing software defined a new product category that virtually obsoleted electric and manual typewriters, and consumer learning was required by those who type for a living. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 38. | A "me-too" product is most likely a:      |  |  | | --- | --- | | A. | new-to-the-world product. |  |  |  | | --- | --- | | **B.** | new-to-the-firm product. |  |  |  | | --- | --- | | C. | repositioned product. |  |  |  | | --- | --- | | D. | reduced cost product. |   Feedback: The new product line category raises the issue of the imitation product, a strictly "me-too." If a firm introduces a brand of a product that is new to them but is identical to those already on the market, it is a new-to-the-firm product and requires the new products process. Canon was not the first laser printer manufacturer, Coca-Cola was not the first orange-juice bottler, and P&G was not the first competitor in the coffee business. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Topic: What is a New Product, and What Leads to Success?* |

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| 39. | Which of the following statements is true of new product categories?      |  |  | | --- | --- | | A. | New product categories do not differ with regard to their associated risks and uncertainties. |  |  |  | | --- | --- | | **B.** | All new product categories are not necessarily innovations. |  |  |  | | --- | --- | | C. | Additions or revisions to existing product lines do not fall under the domain of new product categories. |  |  |  | | --- | --- | | D. | The least innovative category of new products is product repositionings. |   Feedback: Not all new product categories are necessarily innovations. Line extensions, like the Dove soap name, for example, has been extended to almost two dozen box soaps and almost as many liquid body washes, or new flavors of Oreo cookies, may have resulted from a company's desire to increase display space and shelf space. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: What is a New Product, and What Leads to Success?* |

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| 40. | Which of the following is true of new product categories?      |  |  | | --- | --- | | **A.** | If a product is new-to-the-world, the risks and uncertainties faced by the firm are higher. |  |  |  | | --- | --- | | B. | If a product is new-to-the-firm, the associated costs of development and launch tend to be lower. |  |  |  | | --- | --- | | C. | Generally, all the new product categories are innovations. |  |  |  | | --- | --- | | D. | New product categories have to be managed in a similar fashion. |   Feedback: Generally, if a product is new-to-the-world or new-to-the-firm (the first two categories), the risks and uncertainties faced by the firm are higher, as are the associated costs of development and launch. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: What is a New Product, and What Leads to Success?* |

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| 41. | Which of the following is the least innovative among the given set of new product categories?      |  |  | | --- | --- | | A. | New-to-the-firm products |  |  |  | | --- | --- | | B. | Product improvements |  |  |  | | --- | --- | | C. | Line extensions |  |  |  | | --- | --- | | **D.** | Repositionings |   Feedback: The least innovative categories are product repositionings and cost reductions. They tend to outperform the middle categories in terms of meeting financial criteria, returns on investment, and resulting market shares. This is because new products in the "middle ground" are not new enough to really excite new customers, yet different enough from existing products that there are fewer synergies. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: What is a New Product, and What Leads to Success?* |

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| 42. | Which of the following is considered to be the least innovative among the categories of new products?      |  |  | | --- | --- | | **A.** | Cost-reduced products |  |  |  | | --- | --- | | B. | New-to-the-firm products |  |  |  | | --- | --- | | C. | New-to-the-world products |  |  |  | | --- | --- | | D. | Line extensions |   Feedback: Cost-reduced products are new products that simply replace existing products in the line, providing the customer similar performance but at a lower cost. The most innovative new product categories and the least innovative categories (the repositionings and cost reductions) outperform the middle categories in terms of meeting financial criteria, returns on investment, and resulting market shares. This is because new products in the "middle ground" are not new enough to really excite new customers, yet different enough from existing products that there are fewer synergies. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Topic: What is a New Product, and What Leads to Success?* |

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| 43. | Which of the following statements is true regarding invention?      |  |  | | --- | --- | | **A.** | An invention is usually patentable. |  |  |  | | --- | --- | | B. | To managers, invention is a dimension of complexity. |  |  |  | | --- | --- | | C. | There are far more innovations than inventions. |  |  |  | | --- | --- | | D. | An invention refers to the overall process whereby an innovation is transformed into a commercial product. |   Feedback: To managers invention refers to the dimension of uniqueness—the form, the formulation, and the function of something. It is usually patentable. Innovation refers to the overall process whereby an invention is transformed into a commercial product that can be sold profitably. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: Does This Field of Activity Have a Unique Vocabulary?* |

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| 44. | \_\_\_\_\_ refers to the overall process whereby an invention is transformed into a commercial product that can be sold profitably.      |  |  | | --- | --- | | **A.** | Innovation |  |  |  | | --- | --- | | B. | Attribution |  |  |  | | --- | --- | | C. | Brainstorming |  |  |  | | --- | --- | | D. | Pricing |   Feedback: There is sometimes confusion over the terms invention and innovation. To managers, invention refers to the dimension of uniqueness—the form, the formulation, and the function of something. It is usually patentable. Innovation refers to the overall process whereby an invention is transformed into a commercial product that can be sold profitably. The invention may take but a few moments. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Does This Field of Activity Have a Unique Vocabulary?* |

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| 45. | A marketing researcher is most likely to serve as a \_\_\_\_\_ in a new product development team.      |  |  | | --- | --- | | **A.** | functional representative |  |  |  | | --- | --- | | B. | process manager |  |  |  | | --- | --- | | C. | scientific advisor |  |  |  | | --- | --- | | D. | project leader |   Feedback: An example of a functional representative on a team is a marketing researcher or a production planner. These people may be representatives on several teams or just one and maybe full time or part time. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Does the Field of New Products Offer Careers?* |

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| 46. | The job of a \_\_\_\_\_ in the field of new product management is to help project managers develop and use good new product processes.      |  |  | | --- | --- | | A. | team executive |  |  |  | | --- | --- | | **B.** | process manager |  |  |  | | --- | --- | | C. | functional representative |  |  |  | | --- | --- | | D. | technical specialist |   Feedback: One of the specific jobs in the field of new product management is new products process manager, responsible for helping project managers develop and use good new product processes. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Does the Field of New Products Offer Careers?* |

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| 47. | A \_\_\_\_\_ assumes a leadership role that oversees a team of people representing various functional departments.      |  |  | | --- | --- | | A. | functional representative |  |  |  | | --- | --- | | B. | process manager |  |  |  | | --- | --- | | **C.** | project manager |  |  |  | | --- | --- | | D. | marketing researcher |   Feedback: One of the positions in the new product development process is that of a project manager or team leader. This person assumes a leadership role that oversees a team of people representing various functional departments. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: Does the Field of New Products Offer Careers?* |

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| 48. | The \_\_\_\_\_, a strategy for new products, ensures that the new product team develops products that are in line with firm objectives and strategies and that address marketplace opportunities.      |  |  | | --- | --- | | A. | product prototype |  |  |  | | --- | --- | | B. | product portfolio |  |  |  | | --- | --- | | C. | product framework |  |  |  | | --- | --- | | **D.** | product innovation charter |   Feedback: The product innovation charter is essentially a strategy for new products. It ensures that the new product team develops products that are in line with firm objectives and strategies and that address marketplace opportunities. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Strategic Elements of Product Development* |

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| 49. | \_\_\_\_\_ helps a firm assess which new products would be the best additions to existing product lines, given both financial and strategic objectives.      |  |  | | --- | --- | | A. | A product finances charter |  |  |  | | --- | --- | | **B.** | Product portfolio management |  |  |  | | --- | --- | | C. | A product assessment matrix |  |  |  | | --- | --- | | D. | Product value-add assessment |   Feedback: Product portfolio management helps a firm assess which new products would be the best additions to the existing product line, given both financial and strategic objectives. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Topic: The Strategic Elements of Product Development* |

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| 50. | Which of the following is the first phase in the basic new products process?      |  |  | | --- | --- | | A. | Concept ideation and generation |  |  |  | | --- | --- | | **B.** | Opportunity identification and selection |  |  |  | | --- | --- | | C. | Project evaluation |  |  |  | | --- | --- | | D. | Product development |   Feedback: Refer to figure 1.5. The new products process is typically characterized by five phases that include the following: (1) Opportunity identification and selection (2) Concept generation (3) Concept/Project Evaluation (4) Product development (5) Launch. The idea behind the new products process is that the phases represent activities that are conducted by the new product team; between the phases are evaluation tasks, or decision points. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Basic New Products Process* |

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| 51. | Between the phases of the new products process, there are points when:      |  |  | | --- | --- | | A. | the actual developmental tasks of the phases need to be carried out. |  |  |  | | --- | --- | | **B.** | the hard Go/No Go decisions need to be made. |  |  |  | | --- | --- | | C. | the process is stalled, and no work is done. |  |  |  | | --- | --- | | D. | the process enters into buffer phases. |   Feedback: The phases of the new products process represent activities that are conducted by the new product team; between the phases are evaluation tasks, or decision points. It is at these points that the hard Go/No Go decisions need to be made (that is, whether the project looks promising enough to go on to the next phase). |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Basic New Products Process* |

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| 52. | The phases of the new products process represent:      |  |  | | --- | --- | | A. | evaluation tasks that are conducted by the new product team. |  |  |  | | --- | --- | | B. | decision points during which critical Go/No Go decisions need to be made. |  |  |  | | --- | --- | | C. | activities that are conducted by the new product team. |  |  |  | | --- | --- | | D. | periods of critical analysis by team members. |   Feedback: The phases of the new products process represent activities that are conducted by the new product team; between the phases are evaluation tasks, or decision points. It is at these points that the hard Go/No Go decisions need to be made (that is, whether the project looks promising enough to go on to the next phase). |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: The Basic New Products Process* |

**Essay Questions**

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| 52. | Discuss the terms "product innovation" and "process innovation."     Answer: The term "process innovation" usually applies to functions, especially the manufacturing or distribution process, and every new product benefits from this type of innovation. The term "product innovation" applies to the total operation by which a new product is created and marketed, and it includes innovation in all of the functional processes. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: How Product Development is Different* |

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| 53. | Describe the various categories of new products.     Answer: The various categories of new products are:  • New-to-the-world products or really-new products: These products are inventions that create a whole new market. • New-to-the-firm products or new product lines: Products that take a firm into a category new to it. The products are not new to the world, but are new to the firm. • Additions to existing product lines: These are "Flanker" brands, or line extensions, designed to flesh out the product line as offered to the firm's current markets. • Improvements and revisions to existing products: Current products made better. • Repositionings: Products that are retargeted for a new use or application. Also includes products retargeted to new users or new target markets. • Cost reductions: New products that simply replace existing products in the line, providing the customer similar performance but at a lower cost. May be more of a "new product" in terms of design or production than marketing. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Topic: What is a New Product, and What Leads to Success?* |

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| 54. | Briefly explain the terms: new products process, product innovation charter, and product portfolio management.     Answer: The new products process is the procedure that takes the new product idea through concept evaluation, product development, launch, and post-launch. The product innovation charter can be thought of as a strategy for new products. It ensures that the new product team develops products that are in line with firm objectives and strategies and that address marketplace opportunities. Product portfolio management helps the firm assess which new products would be the best additions to the existing product line, given both financial and strategic objectives. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Topic: Does This Field of Activity Have a Unique Vocabulary?* |

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| 55. | What is a fuzzy gate? Explain with an example.     Answer: Evaluation tasks occur after every phase in the new products process. Each phase is always followed by a Go/No decision. An evaluation task that includes conditional Go decisions is sometimes called a fuzzy gate. For example, a new packaged food product might do reasonably well at a concept test, but management might feel they do not really have a read on the market until some product use testing is conducted. An On decision would mean that the product is approved to move to development, but the product use test must yield positive results, otherwise the project would be halted at that point. Fuzzy gates, therefore, speed up the process because time is not wasted in obtaining complete information before the decision is made. They are relatively common. The firm must indeed make a firm decision once the necessary information is obtained; in other words, fuzzy gates still have teeth. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Topic: The Basic New Products Process* |