UNIT 7 INTERNATIONAL PRODUCT PLANNING

Structure

7.0 OBJECTIVES

After going through this unit, you should be able to:

- explain the concept of product planning and development
- describe the importance of product perception in overseas market
- discuss the factors relating to standardisation and adaptation of the product
- describe the concept of product life cycle
- explain the phases of international product life cycle
- describe the role of product development in the long term growth and success of a firm
- develop a step-by-step process of product development
- explain the main characteristics of product development
- draw lessons for the success of a firm in product development exercise.

7.1 INTRODUCTION

You might have noticed that, in day-to-day life, a number of products are hitting the market which, the companies claim, are better than the existing products and are based on the latest technology. You might have also noticed that some of the old products, which you were using, are no longer available in the market at least in the old form, shape, design, colour or packaging and some products disappear from the market at the speed at which they are introduced. What is the reason for all these? Why do companies keep on introducing so called "new" products with such high frequency? How do the companies decide about the stage at which they should replace "old products" with "new" ones? Is any process involved in developing a "new product"? In this unit, you will learn in detail about the product decisions, the product life cycle and the process of the product development.

7.2 PRODUCT DECISIONS

It is the considered view of many that though product is only one of the controllable variables and there are other variables such as price, distribution and promotion in marketing, product decisions are more basic than decisions in respect of other variables. This is because a product, which is "good" i.e., which effectively meets customer requirements, is known to reduce, to a great extent, problems in areas pertaining to other variables such as pricing, distribution, packaging, promotion, etc. On the other hand, a poorly conceived product in terms of market requirement, adds to the problems in other decision areas. Most of us are familiar with the saying: "if a man makes a better mousetrap, the world will beat a path to his door". This signifies that, if a company introduces an item in the market, which is considered by the target segment as better than similar items of other firms available in the market, the customers will seek out, on their own, the sellers of the product. It is quite likely that in today's world, the entire world may not beat a path to the door of the manufacturer, but it certainly implies that, if a company is able to introduce, in the market, a product which is considered by the target customer segment as meeting its requirements, then the customer will put in extra effort to seek out the seller of the product. In the case of certain items that belong to the durable consumer goods/capital goods category, the buyer may not mind waiting for a reasonable period of time and/or paying a higher price for the brand of his choice.

7.2.1 What is a Product?

The first question, then, for which the correct answer has to be found by the producer is: what is a product? Is it physical attributes like shape, dimension, components, form, etc. or services? The product may be defined as bundle of utilities or satisfaction. It refers to the total offering by the marketer. It may be physical dimension, characteristics, services, etc. In other words, the producer must be very clear about the product perception of the customer. Very often the problem arises at this initial stage itself. If a company's product is popular among the customers, it means that the firm has been able to perceive the product in the same way as the customers. This may have happened accidentally or as a result of deliberate effort on the part of the firm. On the other hand, companies, whose product failure rates are high can, to a considerable extent, trace their lack of success to their failure to perceive the product the same way as the customers. The failure may occur in spite of substantial advance research and development. It should also be clear that a customer does not perceive the product on the basis of only one attribute. A product is all that a customer receives when making a purchase. Functional quality alone is not looked for in a product by the customer. If that were to be so, products of high technical quality alone should sell in the market. As is known, in the market place, products of a different quality standard are available at different prices to meet the requirements of different customer segments. Functional quality, may, perhaps, be the most basic requirement of a product; but a product is more a function of the customers' environment than of functional quality. For instance, in the case of high unit value items that are not bought very frequently by customers i.e., refrigerators, air-conditioners, washing machines and television sets, a customer normally attaches maximum weightage to functional quality followed by product service. It is not expected of a rational customer to opt for a low priced brand of refrigerator entirely on the basis of price unless he is convinced of a certain quality in the product. On the other hand, there are products such as vanity items, which are bought, to a great extent, not on considerations of functional quality but on considerations, such as the image of the group to which the customer desires that he should be considered belonging to, by others. There are also items such as vintage cars, postage stamps, antiques, etc. which command premium prices in the market not on the basis of their functional utility to the customer but more on considerations based on sentimental/nostalgic/historical value. Products are preferred or boycotted on religious considerations. There are taboos in using and consuming certain products such as garments, food items, etc. on religious considerations. Thus, a product encompasses the physical entity, besides a number of attributes, some of which may be tangible and some even intangible. In international business, orders are placed for products on political considerations also. In fact, a product is like an onion; it has a number of layers; if the top layer is removed, another layer is found beneath it; if the second layer is removed, beneath is yet another layer; all the layers go to make the onion, each of which has its own role to play. Similarly, a product has a number of attributes, which the customer is looking for in it in certain proportions. The success of the company in product policy, thus, depends first, on how far it is able to understand the customer requirements in a product in terms of its various attributes, and second, on how it is able to adjust its capabilities and resources, on the one hand, to the complex of these variables, on the other.

7.2.2 Product Perception in Overseas Markets

Today, a firm faces a more challenging environment in international market than in domestic market. This is because not only is the perception of a product by the overseas customer likely to be at variance with that of the producer, but it is also likely to be different from that of the domestic customer. Again, if a company is trying to sell its product in a number of overseas countries, it may find that the product perception differs from country to country. For instance, in India, noodles is generally perceived as a snack to be eaten in between two meals to temporarily quench the hunger, whereas, in many overseas countries, the same item is part of the regular menu during lunch/dinner. Condoms in India were originally promoted as a family planning device while in a country like USA, they were promoted as a means of safe sex. In India, a tractor, though used as an agricultural equipment, is very often perceived and also used as a means of transportation, which perception will be totally absent in many other countries. Wrist watches are perceived more as a fashion accessories in western countries, than as utility items. There have been instances in India's export history, where items such as heavy toys and dolls, durable towels, pure wool blankets, etc. were not found acceptable in overseas countries, notwithstanding their better quality as compared to the competing brands, because the markets did not want such "high quality" products but opted for products of "optimum quality" meeting the environmental requirements. Thus, in international business, a firm has to ensure that the company's perception of the product matches not of the domestic customer but, of the overseas customer. This means that even if the company already has, in its portfolio, a product or, can produce/procure the same within reasonable time, it may have to make minor or major adjustments in the product to meet the overseas market requirements. The product adjustment may encompass a number of areas including technical quality, size, shape, colour, raw material content, packaging, labelling, product service, branding, etc.

7.2.3 Standardisation Versus Adaptation

A firm may begin exporting the products it sells in the domestic market. Alternatively, it may recognise the significant differences in customer needs, conditions of product use, etc., and may plan for exporting different products or product versions to meet the specific needs of each of its different global market segments. In the latter case, the exporting firm would thus offer a large product mix. Given the relative merits and demerits of each of the available options, the basic question on international product policy relates to whether the exporting firm should standardise or adapt the product for the export market. Let us learn them in detail.

Standardisation refers to offering a common product on a world wide basis. The advantages of economies of scale, savings on common costs of R&D, product and package design; high cost of adaptation, universal image, etc. make a strong case for product standardisation across different export markets. The reality of the export markets is, however, not so easy to harness. The economic, social, cultural, political and legal environment vary from country to country. This requires making changes in the product to satisfy the local needs. Moreover, customisation of product is one of the important marketing strategy to succeed in the international market. Factors such as the following and their implications influence the exporting firms decision in favour of product adaptations and in extreme cases even for new product development. These factors and their implications on product design are shown in Table 7.1.

Table 7.1: Factors influencing product adaptation

Factor	Implications for Product Design
Customer Orientation	
(purchasing power, habit preferences, socio-cultural characteristics, literacy and education levels).	Product range, size, brand name/mark, labels, package colour and use instructions.
Stage of Market Development	
(availability of infrastructure support facilities, level of technical skills and maintenance).	Product form, packing, product simplification, change in tolerances, service after-sales.
Legal Consideration	
(patent safety standards commercial terms, control requirements).	Brand name/mark, label, language, measurement units and sizes, instructions, and packaging.
Climatic Conditions and Physical Environment	
(hot, cold climate, plains, hilly areas, living environment in home, etc.).	Packaging protections, package size, product storage.

While the listed factors explain the scene of global product adaptation, the extent of product adaptation is governed by cost-benefit accruing to the exporting firm, the state of competitors in the host country market, and also the nature of the product – mere adaptation is needed in consumer non-durable goods for reason of varying tastes and preferences of consumer than in durable and industrial goods. Some illustrations of product adaptations are: McDonald's sell cheese burgers in Australia to one segment of the market as a low-calorie diet food. For want of refrigeration facilities Lever Brothers introduced dehydrated vegetables in India, Pakistan, Thailand and South Korea in place of frozen vegetables marketed by it in developed countries. Campbell Soup Company modified its soup ingredients in Britain to cater to local tastes. Agarbathi exporters from South India modified the intensity and type of perfume in incense sticks to suit the liking of Middle East and North American customers. Electrical system of 220-volt for European market and 110-volt for North America. In Oman, the law requires tobacco manufacturers to print the legend "smoking is a major cause of cancer, lung disease and diseases of the heart and arteries," on both the package as well as on all tobacco products. Nicaragua, Iraq, Thailand and Saudi Arabia require dual-language brand names, labelling and usage instructions. Coca-Cola Corporation did not use the brand name in China as Chinese translation of "Coca-Cola" means phonetically "bite the wax tadpole". Instead, it chose an idiomatic brand name meaning, "pleasure in the mount".

7.3 PRODUCT LIFE CYCLE (PLC) CONCEPT

If the company has to meet the initial two challenges in respect of correct understanding of the product perception of the customer and translating customer perception into an acceptable product, it has an equally challenging job awaiting it later. This challenge arises because of the fast moving changes in the environment including technological environment in the market. It is generally said that products are like human beings: they are born at a particular time, grow (in sales) or die immediately, fall sick (as evidenced by stationary/declining sales) and ultimately, in many cases, die (disappearance from the market). This concept is generally referred to as "Product Life-Cycle" concept. It has been proven empirically that many products, particularly low unit value items which do not involve high technology in production and are frequently bought by customers, go through this life-cycle in a competitive environment. The life-cycle is long or short, as in the case of human beings, depending on the nature of the product and the nature of the market. In a competitive environment, for low technology and low unit-value items, the life cycle tends to be short; in an environment which is protected and for high technology, high unit value items, and for "necessities" for which no effective substitutes have so far been found, the life-cycle tends to be longer. The following Table 7.2 would indicate the prevalence of the life-cycle phenomenon in respect of certain products of common use in India.

Table 7.2 : Brand Launched/Dropped Between 1984-89 In India

Product	Introduced	Dropped
Detergent cakes/bars	18	13
Popular toilet soaps/bars	29	11
Premium toilet soaps	44	21
Safety razor blades	19	11
Shaving systems	6	3
Shampoos	29	2
Anti-septic creams	10	5
Mosquito Repellents	28	16

Source: A&M Weekly, October 1990, p. 10, New Delhi.

Look at Table 7.2 which shows that a useful frame of reference for the life-cycle concept, which indicates the different stages a branded product passes through in its life. Though the life-cycle curve has been drawn in terms of five stages, one can think of a four stage life cycle, seven stage life cycle, etc. It should be noted that the reference in the above figure is to a brand life cycle and not to a generic product life cycle. In fact, one can think of a brand life cycle and a product life cycle, since, just as a brand passes through different stages in its life, so does a product. For a company, what matter is the life cycle of its own branded product.

Environment keeps on changing and, in the present day world, it is changing very fast. Even if a branded product is enjoying a reasonable share in the market, it is more than likely that competition will be constantly making efforts to introduce similar products or close substitutes and win away part of the customer segment, towards its offer. The competing firms may come out with the same type of product with minor or major changes or they may introduce a close substitute for the product or they may make better offers in terms of packaging or product service or win over the customer by a different brand name which finds a better rapport with the customers. Thus, it will be noticed that, in day-to-day life, companies constantly look for opportunities to win over the customers by offering what they may claim a superior product i.e. better than the existing brands available at a particular time in the market in terms of meeting customer requirements.

The concept of life cycle can be made applicable to all types of products. It is quite likely that items which are considered necessities e.g. raw materials, food grains, vegetables, fruits, etc. do not meet with their "death" within a short period. However, it must be remembered that over a long term, technological advancements may dispense with the requirements of certain types of raw materials for example, iron ore, whose finished product steel, and, jute facing severe competition from plastics, copper wire used in telecommunication facing competition from optic fibre and cell phones completely doing away with the requirement of cable; changes in food habits result in declining demand for certain types of food grains and cane sugar; development of alternate energy sources in having its impact on conventional sources of energy such as coal. Thus, it should be clear that though so-called "necessities" may appear not governed by the life cycle concept temporarily, in the long run, they may also have to face competition. They may enjoy relatively a long life like certain human beings, while many other items may meet with early death like certain other human beings. What needs to be understood is that the difference among products is only in terms of length of life but the basic fact is that all things that are born die one day.

7.3.1 Implications of PLC

During the stage of introduction of a new/modified product in the market, the target segment is not familiar with the product and sales turn over is not likely to be high. In this stage, those customers who normally tend to experiment with new products are expected to purchase the product. Besides, the company may have to spend substantial amount on promotion and hence, profits are likely to be minimal and, in some cases, negative also. If the product does not die an immediate death and finds acceptance among the customers, word spreads, sales start growing and since it means less per unit production, promotion and other costs, profits start growing. The maturity/saturation stage is characterized by reduction in unit price and rise in expenditure on promotion to maintain the sales level and hence drop in profits. In the final stage, unless attempts made to stretch the life cycle meet with success, sales start declining and the competing brands gradually start replacing the company's brand leading finally to the withdrawal of the product from the market.

7.3.2 Life Cycle Stretching Strategies

Depending on the nature of the product and the market, a number of alternate strategies may be considered each by itself or in combination with one or more of others, for stretching the life cycle of a product. One of the most commonly employed strategies is to "reposition" the product, in case it is felt that the strategy would create a better image for the item. For example, consequent to increasing health concerns among people, most companies in cooking oil business have repositioned their brands in recent years, emphasizing the cholesterol free attribute of their product while, in the past, it was not the case. Similarly, condoms have been repositioned in India, the emphasis shifting from family planning to safe sex. The second possibility is to try to bring about quality improvement in the product through better engineering and/or use of better quality raw materials and promoting the new product as a more reliable and durable one than the earlier version of the same. This is possible if the product is such that technical quality is the main attribute looked for by the customer in the product, significant quality variations are possible to be brought about in the product and the segment comprises sufficient number of quality conscious buyers. Another strategy could be to bring about feature changes i.e. raising the number of real or fancied benefits of the product to the customer, for example, refrigerators being brought out with two or three doors instead of one door, etc. The fourth possibility is to increase the aesthetic appeal of the product, particularly in the case of fashion items such as garments, hand bags, etc. Nowadays even in products like automobiles, substantial style improvements are brought about frequently.

The above strategies are adopted without the existing version of the product undergoing substantial change, but is subject to minor changes. However, there are instances where the firm's existing product is either replaced by another item meeting the same requirements or in most cases, the firm's existing product and the new product are both made available in the market simultaneously so that the combined sales of the two go to ensure reasonable revenue and profit to the company. For instance, firms normally sell tooth paste and tooth powder or detergent cake and detergent powder together and similarly, a firm in leaf tea business also introduces tea bags. Then, there are instances where a company itself introduces a substitute product for its own brand of a product; for example, there are companies selling ball pens and fountain pens with the same brand name and firms promoting the same brand of cotton and blended textiles. Yet another strategy would be to resort to "line extension" i.e. introducing closely related products or loosely related products; instances here relate to firms in the business of items such as shaving brush, shaving cream and shaving blade under the same brand name, food items such as salt and wheat flour and toiletries such as toilet soap and shampoo. In all the cases, the attempt of the firm is to stretch the life cycle of a product at a higher level of sales if possible, or, maintain the same sales level as obtained in the saturation period or even at a lower level which guarantees reasonable return.

Check Your Progress A

1 What do you mean by a product?

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2. Distinguish between standardisation and adaptation.

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3 What is product life cycle?

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4 State whether the following statements are True or False.

i) Product is not a controllable variable.

ii) In international business, orders are placed for products on political considerations also.

iii) The product perception does not differ from country to country.

iv) Adaptation is required due to legal considerations.

v) The short or long life cycle depends on the nature of the product.

7.4 INTERNATIONAL PRODUCT LIFE CYCLE

You have learnt that the concept of product life cycle is important for the product planning. The different stages of life cycle may be managed in such a way that the product attaining the maturity or declining stages may be introduced in foreign market. Based on the efficient use of factors of production in a particular country, the product may be exported or imported among different countries. Let us learn the international product life cycle in detail.

International product life cycle discusses the consumption pattern of the product in many countries. This concept explains that the products pass through several stages of the product life cycle. The product is innovated in country usually a developed country to satisfy the needs of the consumers. The innovator country wants to exploit the technological break through and starts marketing the products in foreign country. Gradually foreign country also starts production and becomes efficient in producing those commodities. As a result, the innovator country starts losing its export market and finds the import of that product advantageous. In this way, the innovator country becomes the importer of the products. Terpstra and Sarathy have identified four phases in the international product life cycle. Let us learn them.

1) **Export strength is evident by innovator country:** Products are normally innovated in the developed countries because they possess the resources to do so. The firms have the technological know how and sufficient capital to invest on the research and development activities. The need of adaptation and modification also forces the production activities to be located near the market to respond quickly towards the changes. The customers are affluent in the developed countries who may prefer to buy the new products. Thus, the manufacturers are attracted to produce the goods in the developed country. The goods are marketed in the home country. After meeting the demand of the home country, the manufacturers start exploring foreign market and exporting goods to them. This phase exhibits the introduction and growth stage of the product life cycle.

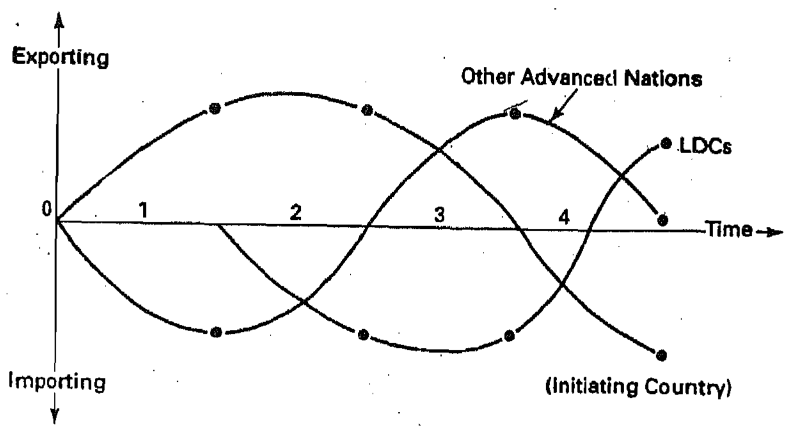
2) **Foreign production starts:** The importing firms in the middle income country realise the demand potential of the product on the home market. The manufacturers also become familiar in producing the goods. The growing demand of the products attracts the attention of many firms. They are tempted to start production in their

country and gradually start exporting to the low income country. The large production in the middle income country reduces the export from the innovating country. This shows the maturity stage of product life cycle where the production activities start shifting from innovating country to other countries.

3) **Foreign production becomes competitive in export market:** The firms in low income country also realise the demand potential in the domestic market. They start producing the products in their home country by exploiting cheap labour. They gain expertise in manufacturing the commodity. They become more efficient in producing the goods due to low cost of production. Gradually they start exporting the goods to other countries. The export from this country replaces the export base of innovating country, whose export has been already declining. This exhibits the declining stage of product life cycle for the innovator country. In this stage, the product gets widely disseminated and other countries start imitating the product. This is the third phase of product life cycle where the products start becoming standardised.

4) **Import Competition begins:** The producers in the low income importing country gain sufficient experience in producing and marketing the products. They attain the economies of scale and gradually become more efficient than the innovator country. At this stage, the innovator country finds the import from this country advantageous. Hence, the innovator country finally becomes the importer of that product. In this fourth stage of product life cycle the product becomes completely standardised. Look at Figure 7.1 which shows international product life style.

Figure 7.1: International Product Life Cycle



Source: On visit and Shaw, International Marketing, PHI, New Delhi

In simple words, the theory of IPLC brings out that advanced (initiating) countries play the innovative role in new product development. Later for reasons of comparative advantage or factor endowments and costs, such a product moves over to other developed countries or middle income countries and ultimately gets produced and exported by less developed countries. Not surprisingly, therefore, that countries such as Taiwan, Hong Kong, Korea, Singapore and even India have emerged as major exporters of growing range of products to USA and western Europe during the last decade and a half. The general pattern of a typical IPLC has been shown in Table 7.3.

Table 7.3.: Pattern of IPLC

Innovating Country: Stage	Other Developed Countries or Middle Income Countries	Less Developed Countries
Production	Early Imports	Late Imports
Exports	Production	Production
Imports	Exports (Large volume declining to small volume)	Exports (Small volume rising to large volume)

The IPLC theory presents the following implications for international product planners:

- Innovative products carry significant export potential;

- The marketer whose products face declining sales in one foreign market may find another foreign market with encouraging demand for his product; and
- Innovative products improve the staying power of the international firm.

7.5 PRODUCT DEVELOPMENT

Product development is an important way of satisfying the growing requirements of the customers. The company should always try for "product development". This means that even if the sales turn over of the company's product(s) in a market is reasonable, the firm should not become complacent, but should be constantly looking for opportunities to improve the items in terms of customer perception. In other words, the company should accept the premise that there is always scope for improvement and be continuously attempting to make the product more and more "knowledge intensive". It is said that an enlightened company should shoot down its own product; otherwise, the competitors will shoot it down sooner or latter, in many cases sooner than latter.

Product development does not necessarily imply technical/quality improvement; it may mean changes in quality, or making alterations in terms of size, shape, colour, design, packaging, branding, labelling, etc. It may mean style or feature improvement and, in respect of certain items, it may mean replacing the old product with a substitute product that meets the same customer requirements better; all these boil down to only one thing i.e. moving towards making the product more and more customer friendly.

7.5.1 Importance of Product Development

Though product development involves a number of risks, some of which may turn out to be quite expensive, the arguments against product development may appear weighty and it is quite likely that a firm may be able to survive, particularly in protected economies, without product development for a reasonable length of time and also earn reasonable profits. It is believed that long term growth and prosperity can be achieved only through product development and companies which have stake in long term business have no alternative but to constantly undertake development of the product. This is because of a number of reasons: one, though product development definitely involves risks, risks are part of business and as such, a company should not be afraid to take reasonable risks. In fact, an enlightened company should move towards risks and not towards safety; the more one takes the risks, more is likely to be the returns; second, risks and successes being part of a business venture, a company's success and growth depends on how far it is able to minimize the risks and maximizes the chances of success; third, it is a fact that, very often, in most businesses, the choice is not between complete success and complete failure because there are various gradations between the two and the success of a firm depends on how far it is able to take maximum advantage of the positive factors and reduce, to the minimum, the risks associated with the negative factors. Perhaps, the most weighty argument in favour of product development is the product life cycle concept itself. It has been established that enlightened companies in free economies consider product development as one of the most important strategies for success.

One of the biggest advantages of product development is that it offers, at least, a temporary monopoly to a firm, which can be taken advantage of by the company for widening profit margins. It must be realized by a firm that competitors will always be making attempts to copy a successful product. If a company is continuously undertaking product development, the competitors will find it difficult to keep pace with their "me too" products because, by the time the competing firm succeeds in copying the company's original product, the company would have come out an improved version of the product.

7.5.2 Risks in Product Development

Though product development should form an integral part of the product planning strategy of a company, it must be remembered that the exercise is not without risks. For one thing, depending on the nature and extent of development that the company wants to bring about in its product, the exercise will involve cost in terms of financial resources, time, technology and manpower. The firm should be clear, right at the beginning, whether it would be able to marshall sufficient resources to undertake product development. To cite some examples, Xerox Corporation had to spend more than $100 million before it could come out with the photo copying machine; it took 14 years of research and development efforts and substantial sum of money before the Gillette Corporation of USA came out with Sensor. A leading chemical company in UK spent 16 years in research and development and invested nearly $500 million before it succeeded in developing a new type of biodegradable man-made fabric. In US, in the case of pharmaceuticals, it takes more than 10 years to create a drug and another 10 years to recover the investment. The average expenditure on a single product discovery is around $400 million in USA and close to another $800 million in the marketing and sales cost. Thus, the product development entails costs and this is the first hurdle that the company has to cross before it proceeds further.

The second hurdle in product development is related to the nature of research and development. It is known that there is high wastage rate in research and development, which means that, even after spending substantial resources, it is quite likely that a company is not able to come out with a satisfactory formula for product development. It has been calculated that 70 per cent is the wastage rate in research and development. Huge investment does not necessarily guarantee successful outcome.

The third problem arises because of the high rate of infant mortality rate among products, particularly in a competitive environment. This means that, even if a company marshals enough resources and succeeds in bringing out an "improved product" that it feels will find customer acceptance, it is likely that the sales turnover of the product may not give enough return to the company to justify continuation in business. It has been calculated that the new product failure rate in a country like USA is as high as 80 per cent and only one out of 60 original product ideas turns out to be a success in terms of sales goals.

7.5.3 Product Development Process

Product development is not, and cannot be uniform for all types of products, all companies, for all times and under all circumstances. Hence, it would be very difficult to suggest any successful formula for product development. Each firm should decide, on its own, its road to product development taking into account the strengths and weaknesses and the opportunities and threats in the environment in which it has to operate. Let us discuss a useful frame of reference for a step by step process in product development in a hypothetical firm.

Idea Generation: The initial step in product development process, as in many cases, is collection/generation of new ideas. It should be the endeavour of the firm not only to look for opportunities to collect new ideas but, if possible, positively encourage new ideas, through a formal set up within the company. Ideas can come from any source from within and from outside. Very often competitors provide a company with ideas. Certain firms may constitute formal groups comprising different interests to generate product development ideas. Whatever may be the size of the firm or its line of business, the management of the company should always look for new ideas. It must be remembered that ideas may emanate from the most unlikely source; at times, these might be the result of deliberate attempts by individuals or specially constituted groups but often, accidental discoveries result in product improvement. A number of today's internationally successful products such as Band Aid, Johnson and Johnson's baby powder, Sony's Walkman and the latest Viagra pill have been the result of either chance discoveries and/or keen observation of the problems faced by consumers in the use of existing products.

Idea Evaluation: If new idea generation is important, evaluation of the generated new ideas is equally important. Very often, a number of ideas do not result in successful products. Empirical evidence establishes the fact that many ideas do not lead to successful products because of environmental or financial or technological or other constraints. Hence, all new ideas that are generated must be carefully evaluated from a number of angles and discussed with as many different interests as possible with the objective of exploring the possibility of converting the ideas into successful products. At this stage, some ideas may be totally rejected, some may be accepted with modifications and some others may find acceptance in toto.

Engineering Development: During the next stage, the technical people, i.e., the engineering department must work on converting the approved ideas into an improved product. At this stage, there are possibilities of failure in the sense that attempts to produce the product may not succeed. It is also quite likely that some modifications need to be made in the idea to suit the realities of the manufacturing process.

Test Marketing: Once the engineering department comes out with the sample of the new/improved product, it should be test marketed. Test marketing is selling the product under conditions in a market which, to the extent possible, reflects the conditions likely to prevail in the target market at the time of commercial sales. While test marketing, the company should guard against two possible dangers. One danger is that, test marketing informs the competitors about the new product. It is quite likely that a competing firm not only saves the resources that it would have otherwise spent on product development but may come out faster with an improved product. The second danger is that it is often said that test marketing produces a "lab effect" i.e. during test marketing, total attention is paid to all aspects, product quality, packaging, service, public relations, salesmanship, etc. with the result the buyers, who find the offer acceptable, start expecting the same high standards subsequently also. If a company is not able to maintain the same standards during commercial sale, customers may feel let down and not only will they turn themselves away from the product, but may indulge in negative publicity. The firm should carefully guard against this possibility and avoid overdoing things. One advantage of test marketing, however, is that sales during test marketing is a reasonably good indicator of the share of market segment that the product can hope to gain subsequently.

Commercialisation: Test marketing is the last stage where the company still has time to decide as to whether any more modifications are required in the product or it can go ahead with commercial production or altogether drop the idea. Once it is decided to go ahead with commercial production, the firm may initiate action in this regard. However, it is highly important that the time gap between test marketing and introduction of the product in the market is kept to the minimum. If the time gap is large, it is likely that, in the meantime, changes have taken place in the environment and/or consumer choices and the investment made by the company so far might turn out to be a wasted one.

It must be emphasized that a firm should not hesitate to abandon the product development effort if test marketing results so indicate. It is a fact that abandonment of the effort at this stage means substantial dead investment, but it must be remembered that if the company proceeds with the introduction of the product even after clear indications against it and the product fails in the market as is most likely, it will add further to the losses. In fact, product elimination is as much part of product planning as product development.

7.5.4 Characteristics of Product Development

There are two aspects of product development which have to be constantly kept in view by the company. First, it must be realized that product development is a continuous process, which does not have a beginning or end. Even if the sales of a particular product is satisfactory, the company should not wait till the sales stagnate or decline and then initiate the process of product development. As soon as a product is introduced in the market and is accepted by the target segment, the company should initiate plans for introducing the next version of the product. It is said that a company should mess with success or, otherwise, success will mess with the company. Japanese firms are known to be constantly striving to move towards zero product improvement time. The Japanese word "KAIZEN" means continuous improvement. The motto should be "status quo is not perfect".

The second aspect of product development relates to the concurrency and interdependence of various activities of the firm. Product development is not the responsibility of any one person or one group of persons or one department in the company. It encompasses all the departments of a firm and the entire staff of the company from top management to the lowest level should get involved in it. Product development efforts should also run concurrently and activities of each department should be geared to the requirement of other departments and vice versa. Marketing research should reflect the realities of the production process and those engaged in production should strive to meet the requirements of the market as conveyed by the marketing department. The persons involved in giving suggestions must realize the strengths and limitations of various functional divisions of the company and not come out with utopian ideas. Product development is a "total" effort and a company's profit, as is well known, is a function of the total efficiency and not of sectional efficiency of the firm. One weak link in the chain will snap the chain. Hence, the success of product development effort depends on how far the company management succeeds in securing the total involvement of all sections of the company in the effort.

Check Your Progress B

1 What do you understand by international product life cycle?

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2 Distinguish between idea generation and idea evaluation.

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3 What do you mean by commercialisation of the product?

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4. State whether the following statements are True or False.

i) International product life cycle does not explain the pattern of product consumption.

ii) Innovative product carry significant export potential.

iii) Product development does not involve any risk.

iv) Competitors do not make any attempt to copy a successful product.

v) Ideas of the new product may come from any source.

7.6 LET US SUM UP

Product planning is one of the important fundamental decisions for successful international marketing. The international marketer has to decide about the standardisation, adaptation, modification or new product development depending upon the requirement of the market. The product refers to the bundle of utility or satisfaction. The required attributes must be identified and incorporated in the product to suit the market. The firm requires to understand the perception of the product in the domestic market and the international market. It should strive to place a product that matches the customers perception. Besides the creation of favourable perception among the customers, the firm has to decide about the standardisation or adaptation of the product. Economics of scale, common R&D cost, universal image of the product, etc. makes strong case for standardisation of the product. The social, political, economic, cultural and legal requirements demand adaptation of the product.

The product strategies may be devised keeping in view the concept of the product life cycle. Depending on the nature of the product and the market, a number of alternate strategies may be considered for stretching the life cycle of a product. The various stages of life cycle like introduction, growth, maturity and decline may be properly analysed for effective product planning. The concept of international product life cycle throws light on the consumption pattern of the product in many countries. Product development is another important way of satisfying the growing requirements of the customers. The marketer requires to improve or develop the products in terms of customer perception. The development of new product may offer temporary monopoly of the firm in the market. The major steps of product development include: idea generation, idea evaluation, engineering development, test marketing and the commercialisation. The product development or improvement should be a continuous process of the firm.

7.7 KEY WORDS

Product: A bundle of utilities or satisfaction.

Target Segment: The group of people which a firm considers as constituting the market for its offer.

Product Life Cycle: The stages through which a product passes from the time it is introduced in a market till it is eliminated from the market.

Product development: The changes that are brought about in a product in order to make it more and more customer friendly.

Repositioning: Creating a different image for a product by communicating to the target segment certain attributes of the product, which were not communicated earlier, with a view to arresting decline in/maintaining/improving the market share.

Test Marketing: Testing the customer reaction to a company's offer in a representative sample population under conditions which correspond to the conditions that are likely to prevail during the sales of the product.

7.8 ANSWERS TO CHECK YOUR PROGRESS

A 4 (i) False (ii) True (iii) False (iv) True (v) True

B 4 (i) False (ii) True (iii) False (iv) False (v) True

7.9 TERMINAL QUESTIONS

1 Examine the different strategies adopted by the Indian jute sector to survive and prosper in the domestic sector as well as in overseas markets, when the traditional use of jute as a packaging material has been threatened by synthetics such as polypropylene.

2 Evaluate the factors of standardisation and adaptation of the product.

3 Describe the phases of the international product life cycle. How does it help to the planning of the product.

4 What are the risks involved in the new product development? Explain the process of the new product development.

5. What are the main characteristics of product development? Discuss the importance of product development in the present highly competitive environment.