

**Global Marketing Management**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology- Roorkee**

**Lecture -21**  
**Global Product Development –Part II**

Welcome to this course on global marketing management and we were talking about the Global product development which is spread over 2 modules module 20 and module 21. We have talked about module 20 and today we will talk about module 21 and in this also in this module also will talk about Global product development.

**(Refer Slide Time: 00:45)**



The slide titled "Module Overview" lists five topics: 1. Introduction, 2. Multinational Diffusion, 3. Developing New Products for Global Markets, 4. Truly Global Product Development, and 5. Conclusion. A small video inset shows Prof. Zillur Rahman. The footer includes the IIT Roorkee logo, NPTEL ONLINE CERTIFICATION COURSE text, and the number 5.

And we will talk about things like multinational diffusion that is how products diffuses new product they get accepted and sold in different Markets. And then we will talk about developing new products for global markets then truly Global product development.

**(Refer Slide Time: 00:58)**

### Introduction

- Global product policy decisions are tremendously important for the success of an MNC's global marketing strategies.
- In this module we will introduce several concepts and insights from multinational new product diffusion research.
- The module also highlights the different stages of new product development process . This process is somewhat similar to the new product development process used domestically.



  6

We have seen that how important a product in a multinational stock portfolio. So, in this module you will introduce several concepts and insight from new multinational new product diffusion research and then this in this module we will also highlight the different stages of the new product development process. This process is to a large extent similar to that of the new product development process in the domestic market.

Now the idea of this multinational diffusion is that the speed and pattern of market penetration of a given product innovation can differ enormously between market. And look at we are talking about the speed and pattern of market penetration of a new product it will be different in different countries so it is not uncommon that new products that wear phenomenal phenomenally successful in one country may not be doing so great in other country.

**(Refer Slide Time: 02:03)**

## 1. Multinational Diffusion

- The speed and pattern of market penetration of a given product innovation can differ enormously between markets.
- It is not uncommon that new products that were phenomenally successful in one country or region turn out to be flops in other markets.
- For Example, **Microsoft's Xbox** Videogame console, first released in the U.S in 2001 saw impressive sales, and subsequently in Japan and Europe in 2002 where the sales were far below expectations.





7

For example Microsoft Xbox that is a video game console first release in US in 2001 and this and it saw impressive sales in US and subsequently in Japan and Europe in 2002 where the sales were far below expectations. So, although in 2001 in USA it was doing it did very well but in your in Europe in Japan it was not the sales were not impressive.

**(Refer Slide Time: 02:30)**

## Multinational Diffusion

- The main reasons for Xbox' failure to woo Japanese gamers are firstly, that it catered to PC games, which is less popular in Japan and secondly, that Japan is home to Xbox' biggest rivals Nintendo and Sony.
- The Adoption of new products is driven by three types of factors:
  - **Individual Differences**
  - **Personal Influences**
  - **Product Characteristics**





8

So, the main reason for the failure of Xbox was to the; it failed to woo the Japanese gamers firstly that it caters to PC games which is less popular in Japan. And secondly that Japan is home to Xbox biggest Rival Nintendo and Sony. So, what are the various factors that affect the adoption of new product the first are the individual differences, personal influences and product characteristics.

Now let us see each one of them in detail how individual what are individual differences and how they affect multinational diffusion.

**(Refer Slide Time: 03:09)**

### Multinational Diffusion

- 1. Individual Differences:** Individuals differ in terms of their willingness to try out new products.
  - Early-adopters are eager to experiment with new ideas or products
  - Late-adopters take a wait and see attitude.
  - They differ in terms of socio economic traits(income, education, social status).
- 2. Personal Influences:**
  - Word of mouth by previous adopters, peer pressure, personality and communication factors.



TIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 9

Individual differences in terms of their willingness to try out new product early adopters are eager to experiment with new ideas or product. Late adaptors take a wait and see attitude and they differ in terms of socio-economic traits for example income education and social status. What are personal influences word of mouth by previous adopters, peer pressure, personality and communication factors.

**(Refer Slide Time: 03:33)**

### Multinational Diffusion

- 3. Product Characteristics:** It relates to the nature of the product itself. Five product characteristics are:
  - Relative advantage
  - Compatibility
  - Complexity
  - Trialability
  - Observability



TIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 10

And the product factors led to the nature of the product itself and there are 5 characteristics here the first is the relative advantage, compatibility, complexity, trialability and observability.

**(Refer Slide Time: 03:48)**



**Multinational Diffusion**

- Other country characteristics used to predict new product penetration patterns include:
  - Homogeneous population: Example Japan, Korea
  - Lead countries and Lag countries
  - Cosmopolitanism: People who look beyond their immediate social surroundings
  - Mobility: Ease with which members of a social system move around and interact with each other.
  - Labor force profile, Developing vs. Developed countries.

HT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 11

Now other country characteristics used to predict new product presentation in it includes the homogeneous population for example some countries the population for example in some countries like Japan and Korea the population is homogeneous when we have we have also seen about lead and lag countries, cosmopolitanism people who look beyond their immediate social surroundings and mobility ease with which members of a social system move around and interact with each other.

And Labour force profile developing versus developed countries for example what is the ratio of unskilled, to semiskilled and to unskilled workers. So, these are some of the characteristics that affect how a products get diffused across different countries in the world. Relative advantage means what kind of advantage this new product has over the earlier products. Compatibility with existing social norms, complexity how difficult it is to use this product, trialability is whether you are able to try this product before you make the full face pack purchase.

And then observability that is whether you are able to observe the advantages of this product without buying and using the product.

**(Refer Slide Time: 05:09)**

## Multinational Diffusion

### Time to “Take off”

- One useful metric to characterize the takeoff of new product is the time-to-takeoff.
- That is time from launch in a particular country market to the takeoff.
- Most new products display a distinct period of time to takeoff
- Varies a great deal across product categories, between countries, previous takeoff experience.
- Time-to-takeoff is declining over years



Time to take of one useful metrics to categorize the takeoff of new product is the time to take off how much time it takes of it takes to take off the product that is time from the launch in a particular country market to take off. Most new product display a distinct period of time to take off and its varies great deal cross product categories across countries and previous take off experience time to take off is declining over period.

The more the time higher the time to take off the more will be the cost therefore companies also want that the time to take off should be lesser and therefore they start communicating in that manner so that the time to take off decreases and that will decrease the cost inturn.

**(Refer Slide Time: 05:59)**

### Mean Time to Take Off Across Product Categories within a Country

<i>Country</i>	<i>Number of Categories</i>	<i>Mean Time-to-Takeoff (years)</i>
Japan	14	5.4
Norway	15	5.7
Sweden	15	6.1
Netherlands	16	6.1
Denmark	15	6.1
United States	14	6.2
Switzerland	15	6.3
Belgium	16	6.5
Canada	12	6.9
South Korea	12	7.2
United Kingdom	14	8.0
France	15	8.2
Italy	15	8.3
Spain	14	8.5
Mexico	11	8.7
Brazil	11	9.3
Thailand	12	10.2
India	14	12.4
Philippines	13	12.6
Vietnam	14	13.9
China	16	13.9



Now this is the meantime to take of a cross product category within a country. Now look at the stable in Japan the number of categories are 14 while the meantime to take off for 14 for 14 categories the time to take off is 5.4 years. While in Thailand it is about for 14 product category r it is about 10 to 10.2 years. In India for these 14 category it is 12.4 years.

**(Refer Slide Time: 06:28)**



**2. Developing New Product for Global Markets**

- For most companies, new products are the bread-and-butter of their growth strategy. The steps are similar to that of domestic new product development and are as follows:
  1. Identifying New Product Ideas
  2. Screening
  3. Concept Testing
  4. Test Marketing
  5. Timing of Entry

14

Now let us move on to the next thing is developed; how to go about developing new product for global markets. So, that was the fourth strategic option that we have talked about in Module 20. So for most companies new product are the bread and butter of their growth strategy. The steps are similar to that of the domestic product development process and they are as follows. First is identified new product ideas, screen those ideas, concept test those ideas, test market and then the timing of entry.

How to identify new product ideas every new product starts with an idea and new from where does this new ideas comes this comes from these four C's.

**(Refer Slide Time: 07:20)**

## Developing New Product for Global Markets

**1. Identifying New Product Ideas.**

- Every new product starts with an idea.
- New ideas can come from:
  - Company.
  - Customers.
  - Competition.
  - Collaborators.
- Many MNCs create organizational structures to foster global (or regional) product development.

} 4C'S





15

Within the company itself from the customers, from the competitors and from collaborators, so many multinational creates organizational structure to foster Global or regional product development, after they have gathered; at this stage maybe the company is able to come up with 100 ideas but all these ideas cannot be investigated further so how to go about screening those ideas. So, once new product ideas have been identified there is a need to filter them.

**(Refer Slide Time: 08:04)**

## Developing New Product for Global Markets

**2. Screening.**

- Once new product ideas have been identified they need to be screened.
- The filtering process can take the form of a formal scoring model.
- Regression models can be used to accomplish this task.
- Most important success factors include product advantage, a fit between project requirements and the company's resources/skills and customer needs.

25 ideas  
to be taken  
up





16

And this filtering process can take the form of formal scoring model, regression models can be used to accomplish this task and most important success factors include product advantage a fit with project requirements and the company's resources and customer needs. Now after having screened the ideas so the company maybe now left with 25 ideas to be taken to the next step.

(Refer Slide Time: 08:43)

### Developing New Product for Global Markets

5/10/15 idea or product concepts

#### 3. Concept Testing.

- Once the merits of a new product idea have been established in the previous stage, it needs to be translated into a product concept.
- A product concept is a fairly detailed description, verbally or sometimes even visually, of the new product or service.
- Focus groups can be used to accomplish the concept testing phase.
- A more sophisticated procedure to measure consumer preferences for product concepts is **conjoint analysis** (sometimes referred to as trade-off analysis).



NPTEL ONLINE CERTIFICATION COURSE 17

The third step is concept testing, now once the merit of a new product have been established in the previous stage it is a need to translate into product concept. So, these are the benefits of this product over earlier products. Now these benefits are to be translated into the product. So, therefore a product concept is a fairly detailed description verbal or sometime even visual for of a new product or service now this product is made.

The concept is detailed and this is the verbal or visual representation of this product is made here. Then the focus groups are used to accomplish the concept testing phase. A more sophisticated procedure to measure consumer preferences of the product concept is conjoint analysis and it is also sometimes referred to as trade of analysis.

(Refer Slide Time: 09:43)

## Developing New Product for Global Markets

### 4. Test Marketing.

- Test marketing (primarily a Western country concept) is essentially a field experiment where the new product is marketed in a select set of cities to assess its sales potential and scores of other performance measures.
- Reasons to run a test market include:
  - It allows them to make fairly accurate projection of the market share, sales volume and penetration of the new product.



We will talk about conjoint analysis and how we go about doing that in moment in this module itself. Now in the second stage the company had 25 ideas now these 25 ideas at this concern concept now they are reduced to 15. These 15 ideas or 10 ideas are then test marketed. This test marketing is primarily western country concept is essentially a field experiment where the new product is marketed in a select set of cities to assess sales potential and scores of other performance measures.

So, now these 15, 5, 10 or 50 ideas that we had here now these are to be test marketed. So, the test marketing concept involves that this product are supposed to be sold in some in some market and not across the country. So, that their performance can be evaluated and it can be seen what is the sales potential of each concept. The reasons to run a test market include it allows them to make a fairly accurate projection of the market share sales and penetration of the new product.

So, now with these 5 ideas or 10 ideas, this 10 ideas are test marketed and seen what is their potential? What will be the market share? What will be the profits etc? And then they from these 10 ideas we will filter down to let us 3 to be taken to the next step.

**(Refer Slide Time: 11:45)**

## Developing New Product for Global Markets

- The companies can contrast competing marketing mix strategies to decide which one is most promising in achieving the firm's objectives.
- Shortcomings include:
  - Time-consuming and costly.
  - Results can be misleading.
  - The strategic concern--it may alert your competitors.
- Many firms prefer to skip this stage and go directly to market simulation or immediately launch the new product.



So, the companies can contrast competing marketing mix strategy to decide which one is most promising in for the firm's objective but the time the shortcoming of this process is that it is time consuming and costly the results can be misleading. So, in some market it may be doing very good but when the product is launched nationally it may not be successful. So, the strategic concern it concern is it may alert your competitors that you are trying to do something new and they may all them they will obviously get to know about it and they will also come up with a competing product.

So, many firms prefer to escape this stage and go directly to market simulation or immediately launch the new product.

**(Refer Slide Time: 12:34)**

<b>Examples of Test Market Countries</b>			
<i>Company</i>	<i>Product</i>	<i>Test Market Used</i>	<i>Geographic Coverage</i>
Colgate-Palmolive	Nouriché (Shampoo)	Thailand	World
Unilever	Organics (Shampoo)	Thailand	World
Toyota	Toyota Soluna	Thailand	Asia
Coca-Cola	Coca-Cola Blak (Coffee-flavored cola)	France	World
Honda	Honda City	Thailand	Asia
Miller	Red Dog (Beer)	Canada	North-America
BMW	Concept Stores	Australia	World
Unilever	Dove Cream Shampoo	Taiwan	Asia
Procter & Gamble	Nutristar (Vitamin-packed Children Drinks)	Venezuela	Developing world
McDonald's	Golden Arch Hotel	Switzerland	Europe
KFC	Breakfast Menu	Singapore	World
Fiat	Palio	Brazil	World
Philip Morris Intl.	Marlboro Gold Edge	Poland	Central & Europe
Philip Morris Intl.	Marlboro Intense	Turkey	Europe
Microsoft	Search based advertising engine	France, Singapore	World



This table shows the example of test marketing countries. So, Colgate Palmolive it tested they shampoo in Thailand and the geographical Geography coverage was worldwide. Unilever test marketed again in Thailand for Organics that is their shampoo. Toyota again they test marketed in Thailand and the Geographic cover was Asia's. So, now you see that this Thailand is used as a test market not only launch a product in Asia but also across the world.

Coco Cola used France and then Honda used again Thailand for Honda City and the coverage was Asia. While BMW for the concept stores they used Australia and the geographic coverage was the world. McDonald's that is the Golden Arch Hotel they use Switzerland geographical coverage was Europe. Now you see that the whole idea of this, there is no one particular place which can be used for test market across product category and by all the companies.

So, you may find that automobile companies they are using Thailand, while for shampoos also Thailand is used for test market. For Philips Morris that manufactures Marlboro golden Edge they used Poland and the coverage was supposed to be central and eastern Europe. While Microsoft search based advertising engine they used France and Singapore so they have used 2 Markets and the coverage was supposed to be the world.

**(Refer Slide Time: 14:26)**



in advance markets and lastly they launch in the less advanced market. This method can be is very time consuming but it is less risky.

So, we have launched in the home country then in advance country and then in less advanced country. So each time we go we launch a product evaluate the performance and then move on. So at every stage performance is evaluated. and then we move on so it is less risky.

**(Refer Slide Time: 16:03)**



**Developing New Product for Global Markets**

**2. The sprinkler strategy** is a simultaneous worldwide entry.

- Rollout occurs in one to two years.
- The growing prominence of universal segments and concerns about competitive preemption in the foreign markets are two major factors behind this expansion approach.

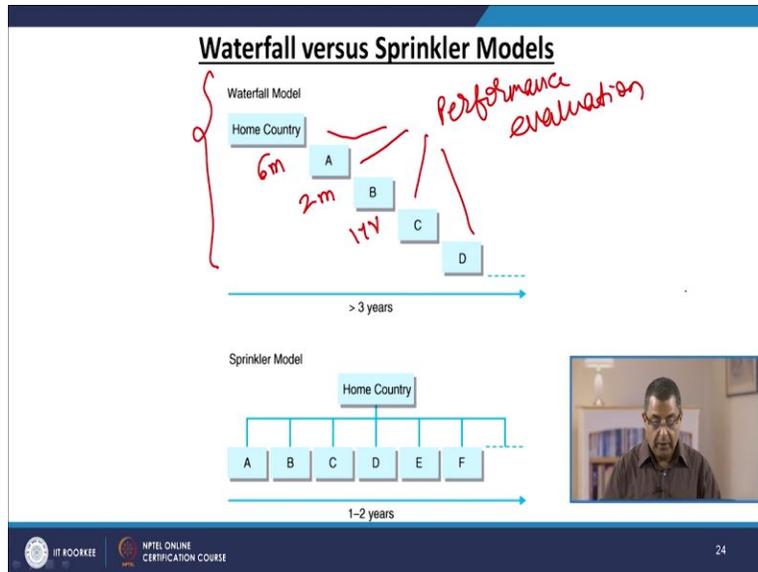
• The waterfall strategy is preferable over the sprinkler model when:

- The lifecycle of the product is relatively long.
- Unfavorable conditions govern the foreign market.
- Weak competitive climate in the foreign market.

TIT BOOMEE NPTEL ONLINE CERTIFICATION COURSE 23

In Sprinkler strategy is moves around and the water keeps on falling all around. So, it is a simultaneous worldwide strategy. It rollout occurs in 1 or 2 years across the world. The growing prominences of universal segments and concern about competitive presumptions in the foreign markets are two major factors behind this expansion strategy. The waterfall strategy is preferable over sprinkler strategy when the life cycle of a product is relatively long non favourable conditions govern the foreign markets and weak competitive climate in the foreign market. This is what happens in waterfall vis-à-vis the sprinkler model.

**(Refer Slide Time: 16:52)**



This is this is the waterfall model this is the home country ABCD so and it moves on and every time you can evaluate the performance at every stage before moving on. So, it may so happen that you have taken 6 months to move from home country to country A while you may take and in country A you are very successful so you have just you have taken just 2 months to move from country A to country B.

While in country B you may not be so successful so you have taken one year to move from country B to country C and so on. So, this is; so, it takes more than 3 years to complete the cycle while in sprinkler strategy from the home country then you start launching it across the world in different countries and the time to market is 1 to 2 years. So, in 1 to 2 years you will cover all the markets all the potential market where you want to be.

**(Refer Slide Time: 18:04)**

### Roll-Out of Xbox 360 and Sony Playstation 3

Launch Date Xbox 360	Location	Launch Date	Location
November 22, 2005	Canada	November 11, 2006	Japan
	United States	November 17, 2006	Canada
December 2, 2005	Eurozone		Hong Kong
	Finland		Taiwan
	Ireland		United States
	Latvia	March 7, 2007	Singapore
	Norway	March 22, 2007	Saudi Arabia
	Portugal		United Arab Emirates
	Sweden	March 23, 2007	Australia
	United Kingdom		Croatia
December 10, 2005	Japan		Denmark
February 2, 2006	Columbia		Estonia
	Mexico		Eurozone
February 24, 2006	South Korea		Iceland
March 16, 2006	Hong Kong		Latvia
	Singapore		New Zealand
	Taiwan		Norway
March 23, 2006	Australia		Pakistan
	New Zealand		Serbia
July 7, 2006	Chile		South Africa
September 25, 2006	India		Sweden
September 29, 2006	South Africa		Switzerland
November 3, 2006	Czech Republic	April 20, 2007	Russia
	Poland	April 27, 2007	India
December 1, 2006	Brazil	August 20, 2008	Mexico
February 10, 2007	Russia	August 2008	Argentina
February 26, 2008	Peru		

Source: [http://en.wikipedia.org/wiki/Xbox\\_360\\_launch](http://en.wikipedia.org/wiki/Xbox_360_launch)      Source: [http://en.wikipedia.org/wiki/PlayStation\\_3\\_launch](http://en.wikipedia.org/wiki/PlayStation_3_launch)



Look at the role of roll out of Xbox 360 and Sony PlayStation 3 launch date of Xbox 360 November 22, 2005 and it was launched in Canada and United States on December 2 2005 it was in about 10 days it was launched in Eurozone, Finland, Ireland and so on so forth. On December 10th again; the next week it was launched in Japan. Then they stayed there in Japan for about a month or 1 and half month and in February 2 more than 1 year they stayed there in United Kingdom and in February 2006 they launched it in Columbia and Mexico and so on and so forth.

And you see that on February 26 2008 to from 2005 to 2008 3 years they launched Xbox in so many countries. While for PlayStation they launched the first launch was on November 11 2006 in Japan that is their home country. Then within 6 days they launched in Canada, Hong Kong and Taiwan. Then they take more than one years to launch date in in Singapore and and in Saudi Arabia while by the end of August 2008 they launched in Argentina.

So, they again took about less than 2 years to complete the launch of Play Station across the different countries potential countries where they wanted to be.

**(Refer Slide Time: 19:42)**

### 3. Truly Global Product Development

- Scores of companies have research centers spread across the world. Challenge is to establish a truly global innovation process that transcends local cultures.
- The **benefits of GPD** include:
  - Greater engineering efficiency.
  - Access to technical expertise that is distributed internationally.
  - Design of products for more global markets.
  - More flexible product development resource allocation.
- Such companies are labelled as **metanational innovators**.



Next thing that will talk about is truly global product development, so we have talked about new product development for the global markets. Now we will talk about truly global product development. Many companies have research centers spread across the world. The challenge is to establish a truly global innovation process that cuts across transcends local culture. So, the benefits of global product development process is that the greater engineering efficiency, access to technical expertise that is distributed internationally.

Design of product for more global markets, more flexible product development resources allocation so, these are benefits of the truly global product development. And such companies are labeled as metanational innovation so they do not keep one country in mind for developing for developing a new product for innovating but they keep the whole world in their mind while developing a new product because of the several benefits have that have been outlined.

**(Refer Slide Time: 20:55)**

## Truly Global Product Development

- **Nokia** is one such example that excelled as a **metanational innovator**. Nokia developed its first digital mobile phone from its R&D lab in the U.K, not Finland.
- Observing consumer trends in Asia, it tapped into design skills in Italy and California to turn mobile phones into fashion accessory.
- It gained miniaturization experience from Japan and improved user interface
- It looked at Asia for skills to lower manufacturing costs.



Nokia is one such example that as excelled as metanational innovator Nokia developed its first global mobile digital mobile phone from its R and D lab in the UK and not in Finland although Nokia the home country of Nokia is Finland. Observing the consumer trends in Asia it tapped into design skills in Italy and California to turn mobile phone into fashion accessories. So, now for Asia they observed consumer trends in Asia and then they used their designer skills that they had in Italy and in California to turn this mobile phone into a fashion accessories.

So, it was not only a phone but they made it into a fashion accessory. It in gained miniaturization experience for Japan and improved user interface, so, now you see that they developed the product in UK they learnt from Asia, they design in Italy and California to make this mobile phone into a fashion accessory. They miniaturizes it an improved user experience in Japan. It looked at Asia for skills to lower manufacturing cost. So, now you see that this one phone got input from different countries across the world.

**(Refer Slide Time: 22:16)**

## Truly Global Product Development

- To harvest the benefits of metanational innovation, a company must pursue three things:
  - **Prospecting**- Find valuable new pockets of knowledge around the world.
  - **Assessing**- Decide on an optimal footprint (number and dispersion of knowledge sources).
  - **Mobilizing**- Companies must find ways to mobilize pockets of knowledge (e.g., technical blueprints, patents, equipment, market knowledge).





28

To harvest the benefit of a multinational metanational innovation a company must pursue 3 things the first is prospecting find valuable new pockets of knowledge around the world from where you can get new ideas from around the world assessing deciding on an optimal footprint number and dispersal knowledge sources. Mobilizing companies must mobilize pocket of knowledge that is technical blueprint, patents, equipment and marketing knowledge.

**(Refer Slide Time: 22:53)**

## Truly Global Product Development

- The optimal strategy for mobilizing knowledge depends on the **type** (simple vs. complex) and **nature** (technical vs. market) of the knowledge involved.
- **4 possible strategic scenarios for mobilizing knowledge:**
  - Exchange information (arm's length, digital transfer is sufficient).
  - Move information about the market where the technology is.
  - Move information about the technology to where the market knowledge is.
  - Move knowledge by rotating people and by temporary co-location.





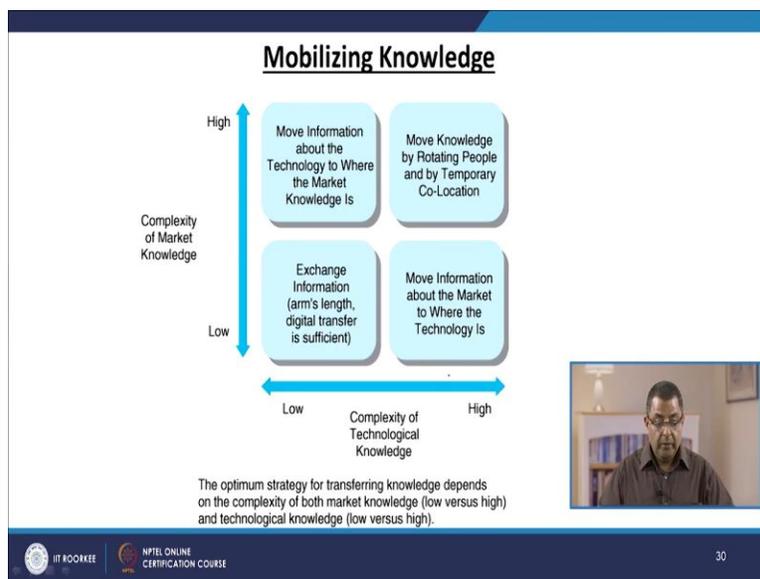
29

The optimal strategy for mobilizing knowledge depends on the type that is simple vs complex and nature technical vs market so these are the two dimension type simple vs Complex and nature that is technical vs market for the knowledge involved and they can be 4 possible strategic

scenarios for mobilising knowledge first is exchange information that is arm's length digital transfer is sufficient.

Move information about the market where the technology is move information about the technology to where the market knowledge is. So first is you move information about the market to where the technology then move information about technology to where the market knowledge is and move knowledge by rotating people and by temporary relocating them those people.

**(Refer Slide Time: 23:46)**



So, these are the four options that we get on these two dimensions complexity of market knowledge that is high and low and complexity of technological knowledge it is again between high and low. So, now when the complexity of technological knowledge is high and complexity of market knowledge is also high then what happens is to move knowledge by rotating people and by temporary relocating those people.

When the complexity of technical technological knowledge is low while the complexity of market knowledge is high then move information about the technology to where the market knowledge is and similarly in this cell that is the third quadrant third cell exchange information of arm's length, digital transformation is sufficient. So, when both of them are low in exchange

information while in these 4 cells you move information about the market to where the technology is.

**(Refer Slide Time: 24:46)**



**Truly Global Product Development**

**Global NPD and Culture**

- Cultural differences heavily influence the NPD process.
- The precise role of culture depends on the stage of the NPD process.
  - There is a distinction between “initiation” and “implementation.”
  - Centralized versus decentralized structures change the strategy.
- Risk avoidance must be observed and certainly has a bearing on the NPD process.

MIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 31

Now let us look at global new product development and the culture the cultural differences they heavily influenced the new product development process. The precise role of culture depends on the stages of the new product development process. So, there is a distinction between initiation and implementation centralised vs decentralized structure change the strategy. Risk avoidance must be observed and certainly has a bearing on the new product development process.

Now what? How to use joint analysis for concept testing now recall from the earlier slide we have talked about concept testing. This is what you are talking all this is the third step in the new product development process for the global market and in the process is more or less similar in domestic market also. So, in this third stage and here we have got reduced 5 or 10 ideas from the earlier stage that was screening.

**(Refer Slide Time: 25:49)**

## Using Conjoint Analysis For Concept Testing

- Most products and services can be considered as a bundle of product attributes. The starting premise of conjoint analysis is that people make trade-offs between the different product attributes when they evaluate alternatives (e.g., brands) from which they have to pick a choice.
- The purpose of conjoint is to gain an understanding of the trade-offs that consumers make.



Now we go about doing concept testing now let us look at what is concept testing and how we go about doing the concept testing. So, most products services can be considered as a bundle of product attributes. The starting premise conjoint analysis is that people make tradeoff between the different products attributes when they evaluate alternatives from which they have to pick a choice. So, there are different bundle of benefits or brands.

So, there can be a brand A, a brand B, brand C and brand D all of them will have maybe that it maybe so that all the all those brands have the same attribute but in different quantities. So, in one brand the price may be lower and in another brand the price may higher but the quality is also high in the third brand you have lots of features and price is high and so on so forth. So, it so all these all these products and brands are bundle of attributes and consumers cannot get or do not want do not need all those attributes.

So, therefore they make a trade-off between what attributes they want to what extent and what they are willing to pay for that. The purpose of conjoint is to gain an understanding of the trade off that the consumer make. So, in this conjoint analysis at the concept testing stage companies try to understand for their target consumers which features which attributes are important for the customers and which are not so important for them.

**(Refer Slide Time: 27:35)**

## Using Conjoint Analysis For Concept Testing

- Most products and services can be considered as a bundle of product attributes. The starting premise of conjoint analysis is that people make trade-offs between the different product attributes when they evaluate alternatives (e.g., brands) from which they have to pick a choice.
- The purpose of conjoint is to gain an understanding of the trade-offs that consumers make.



So, the outcome of these exercise will be a set of utilities for each level of each attribute which attribute and how much in this in this brand derived at the individual household or segment level. So, first we have decide defined as our target segment and then for the target segment or each segment that we target we then decide on what level of each attribute will be there in our bundle of utility that is the product or service that we are selling.

By assuming utilities for any of specific product concept we can see how attracted that concept is to a particular consumer or particular consumer segment higher the utility score more attractive is the concept is to the target customer.

**(Refer Slide Time: 28:29)**

## Using Conjoint Analysis For Concept Testing

- This information allows the company to answer questions such as how much their customers are willing to pay extra for additional product features or superior performance.
- The tool can also be used to examine to what degree a firm should customize the products it plans to launch in the various target markets.



This information allows the company to answer questions such as how much are willing to pay extra for an additional feature or superior performance. So, if they need more higher level of that first feature in the product then how much more they are willing to pay for that whether they need a particular attribute and in what quantity is they are able they wanted to be there and what is their willingness to pay for that level of that attribute.

The tool can also be used to examine degree of form should customize their product is plant launches in the various target markets. So, that if the customer wants more customised product then obviously they would like to; will have to pay more for that. So, this car analysis will help companies to identify what kind of a product should be launched in a particular market. What should be the features in that and what should be the level or quantity of features of a particular feature in that product and what are the consumer willingness to pay for that, that product.

**(Refer Slide Time: 29:39)**

### Conclusion

- We started this module with an understanding of multinational new product diffusion.
- Next the different stages in the new product development process were discussed. By and large, the pattern is similar to the steps followed in developing new products for the home market.
- However there a number of complicating factors that need to be handled.
- In the final section we looked at the characteristics of these so called metanational innovators.



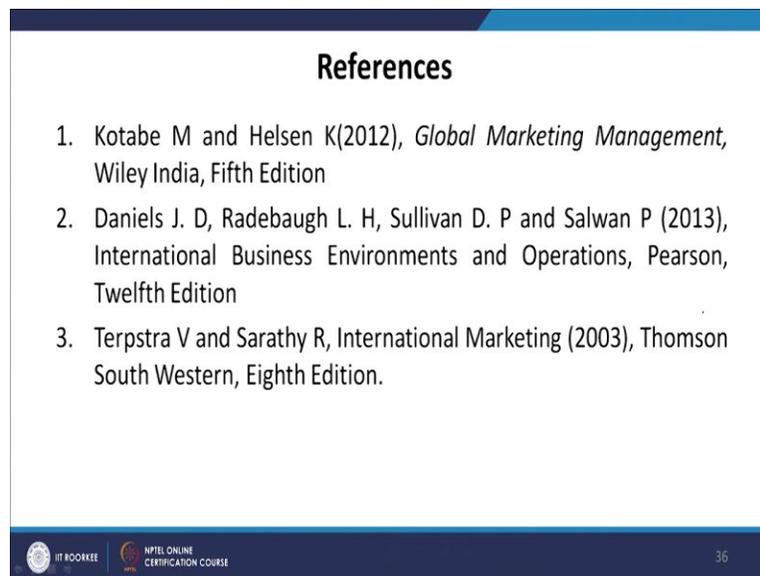
  35

So, now let us conclude and see what we have done in this module so we have understood a multinational what is the multinational new product diffusion process, how does a product diffuses across different countries and what are the factors that affect diffusion process. The next the different stages in the new development product new development process where you so that was we have seen new product development and what does each step in that process means.

By and large the pattern is similar to the steps followed by developing a new product for the home market here it becomes much more complex because you because right from the first stage that is collecting Idea was from a from the different C's and those C's can be spread across the world. In domestic market those C's are located domestically. While in global marketing those C's can be across the world.

So, that makes this process more complex as compared to the new product development process for the domestic market and the final selection we look that the characteristics of so-called metanational innovators.

**(Refer Slide Time: 30:52)**



These are the three books that I have used for this module 21 so you can go through you can use the book for developing further understanding on module 20 and module 21, thank you.