



# Better Product Planning

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## Abstract

*A company introduces new products in order to create a new demand on the market, to improve its revenue and brand value by offering a better version of its existing product, or to compete with rival products (Fleisher and Bensoussan, 2003). The process of product planning increases the possibility of success for a product. Product planning allows for a systematic approach to creativity which improves the effectiveness of resources invested in developing the product, and is also relevant throughout the lifecycle of the product, as the market, demand, price or channel of distribution for the product change (Kotler and Keller, 2011). This research paper studies each stage of product planning in order to understand which of the processes applied are the most effective. By drawing upon and interpreting the findings of research carried out over a period of decades in a range of industries, it recommends best practices for each stage of the product planning process. It also recommends processes for choosing a feature set, price, channel, target demographic and communication strategy for maximising the likelihood of success for the product over the duration of its production. Lastly, it also makes specific recommendations based on the product category in order to facilitate better prediction of changes in market demands, so that the product mix can be tweaked accordingly and the revenue stream maintained by sustaining the demand for the product irrespective of market upheavals.*

## Chapter 1: Introduction

### 1.1 Background to the research

To remain competitive and be successful in the modern business environment, companies must bring innovation into their processes and create products that meet the needs of the market in a better way than their competitors. A recent example of successful innovation in product planning is the Pebble smart watch (Techland, 2012). Competing with electronic apparel endorsed by major mobile device companies, such as Samsung Gear and the Sony SmartWatch, the Pebble has incorporated design flexibility and versatility which allows it to be paired with Apple iPhones as well as Android devices. Its creators engaged in rapid prototyping, following which the project was funded through crowdfunding campaigns (Bloomberg, 2012). Crowdfunding, in turn, not only created a viable business model that reduced the financial risk of manufacturing an innovative technological product, but also served to create awareness about the product and created a ready pool of customers who, having contributed to its invention, have become its first adopters and evangelists. Thus, without a significant promotion budget, the creators of Pebble have created a market for their product, established a financially viable business model and created mass awareness through word of mouth and product distribution (Techland, 2012). Without investing in stores, a large sales team, or building a network of wholesalers or distributors, Pebble has tasted product success in a highly competitive market dominated by large companies. This is just one of many recent examples of the opportunities presented by the new business environment, which allow for profitability through synergy and seamless integration between product planning and distribution management. As evident in the supply chain management of successful global companies like Zara, Apple and Amazon, distribution management has become a key factor in achieving and sustaining competitive advantages (Fleisher and Bensoussan, 2003).

Take for instance Lego bricks, which have remained a popular toy for decades, and maintain their popularity in the market with regular new product launches, Lego conventions and innovative design to capitalise on the established product concept. Lego Corporation has thus managed to turn what could have been a fad over a simple product concept into a toy with mass appeal and a cult following (Kumar and Phrommathed, 2005).

## 1.2 Rationale

Product planning has been widely studied by researchers over the past four decades. However, much of this was researched before the world was changed irrevocably by globalisation, the exponentially increasing reach of the World Wide Web, crowdsourcing, media democratisation and innovations to product design (Chandon et al., 2000). In light of these changes of the past decade and the significant technological and social changes anticipated in the near future, product planning needs to be re-examined to explore what business practices and findings of previous research remain relevant, and what practices warrant review.

This dissertation explores product planning and innovation in the launch of new products by companies. Product planning is essential to establishing the reputation of the brand on the market, gaining new customers, maintaining high levels of consumer loyalty and thereby, increasing the chances of success for subsequent product variants or new products from the company. Thorough, innovative product planning, which creates synergy across the value chain, is imperative to creating successful products and adding value to the lives of its consumers (Titus, 2000). The World Wide Web has rewritten the rules of communication for companies – word of mouth, expert reviews and popular culture hold greater legitimacy than any other time in human history. Effective product planning is key to creating brand value and turning consumers into product evangelists.

### 1.3 Discussion of the problem

In order to capture a significant share of the market and sustain growth over the long term, a company must create a product and service model which delivers value to the consumer on a consistent basis. The business environment has evolved in recent decades to be characterised by high levels of competition, a rapid pace of expansion and shrinkage of markets, and the additional challenge of rapid spread of information among consumers, reliance on word of mouth communication over official and managed channels of information sharing in the consumer base, changes in preferred mediums of communication – moving from advertisements in print and television to product reviews on web-enabled mobile devices, for instance, and rapidly evolving consumer perceptions of products (Belch et al., 2008). The impact of globalisation has created comparable demands for products worldwide, in developed as well as emerging economies. At the same time, the presence of high competition, high levels of consumer awareness and the impact of globalisation have had the impact of greatly shortening the lifecycles of many product categories, including technology products which require heavy investment of funds and research (Titus, 2000). Therefore, dedicated investment of time and resources into the product planning process has become imperative for companies which aim to remain competitive in the face of globalised competition, retain customer loyalty, achieve sustained revenue growth and remain profitable and recover the costs of innovation and product development in the shortest possible time.

Product planning begins at the conception of the product itself (Urban et al., 1995). This research paper aims to study and investigate the best practices in product conception, design and prototyping. It will also explore how value is created by following proven practices in the design and conceptualisation of products. Furthermore, it will explore the importance of studying the needs of the market, latent and known customer needs which are not fulfilled by

the product offerings of existing players, and relevance of gauging the needs of the consumer through the process of market research.

I will also explore how the design of a product is influenced by the competition. A company that aims to launch a successful product and achieve sustained revenues needs to have an understanding of the offerings of competing products and companies. This paper will explore effective techniques for secondary research and the effectiveness of various research tools used for analysis of competitor data. It will also explore how a company can choose and define the appropriate market and placement for its product.

This paper will explore various strategies for market research, their merits and demerits, choosing the appropriate questions for market research, choosing the appropriate tools for data collection, and the analysis of collected data, to execute primary market research prior to prototyping or beta launch of the product. It will weigh the advantages and disadvantages of quantitative and qualitative market research, and which is appropriate under what circumstances. It will also explore what market research shows about the consumer perceptions of a product prior to design, vis-a-vis its perceptions following introduction, for example, differences between the responses to questionnaires prior to design and feedback from focus groups who experience the prototype.

Next, this paper will study the effect of marketing communication at various stages of the product life cycle. It will study the pros and cons of advertisements and sales promotions and the effective application of both these tools of communication. It will explore the effective application of communication channels preceding product launch, after the establishment of the product, during the introduction of existing products to new markets and during promotional activities. It will study the pros and cons of advertisements, press releases, web reviews and other means of influenced communication with consumers, and their effective



usage. The research also aims to recommend strategies for launch of a product, the extent of its rollout and the demographic characteristics of the market segment which should be targeted initially – age group, income bracket, location, geographic reach of launch, etc.

In the globalised world where information and trends spread rapidly, this paper aims to explore how product planning can maximise the chances of success of a product and capitalise on its unique features or innovations prior to losing these competitive advantages to rival products and companies. This paper will explore how product planning needs to change so as to gain maximum revenue and market impact from shortened and increasingly complex product lifecycles.

## 1.4 Aims and objectives of the research

### 1.4.1 Aim

To explore best practices in product planning and management and to examine whether existing best practices need to be refined in order to allow companies to remain competitive in the future. Furthermore, to examine the potential impact of new technological trends, changes to patterns of communication and information dissipation, and mediums of communication on production perception, and how product planning can help adapt to them.

### 1.4.2 Objectives

The objectives of this research are:

1. To understand the importance of product planning to the design of new products, to study the competition and to allow a company to deal with disruptive competition from future competitors.
2. To identify tools of market research and management that can allow for product planning and facilitate innovation in product design to appeal to the market. To identify efficient means of market research and studying the competition.

3. To explore the advantages that being innovative in the product planning stage can provide, if any. Also, to explore the advantages and disadvantages, respectively, of being a first mover in the market, a second entrant and a late entrant. To explore how a company can use its position the market to its advantage and minimise risks of failure or losses from competitor products.
4. To explore the factors that maximise the chances of a successful product launch – its appropriate market demographic, an appropriate geographic reach for initial launch, an appropriate pricing, the cost to value benefit of design innovation on product success and the role of advertising

### 1.5 Research questions

With a view to studying product planning practices and distribution management and their synergy, in accordance with the aims and objectives explained above, this dissertation will aim to answer the broad questions outlined below:

1. What are the best practices in product planning as explored in literature? How can the processes of product planning be made more effective and integrated seamlessly with each stage of the product life cycle to maximise product reach and profitability following a product launch, considering shortened product life cycles, the significant changes to the business environment, threats from competitor products, rapidly changing demands of the markets and the threat of disruptive innovation in unrelated industries that can render the product obsolete?

2. What are the possible impacts of decisions during product planning on the success of a product in a particular market, geography or competitor mix, at different stages in the life cycle of a product?
3. How can a company choose an appropriate product mix for market success by choosing the right product features, price, product placement and the right mix of advertisements and sales promotions?

## Chapter 2: Literature Review

### 2.1 Products

New products are introduced either as the outcome of an innovation, that is, to create a market for a new product, or to replace an existing product of the company, or as a rival to the product of a competitor (Kotler and Keller, 2011). The performance of a product on the market and its perception by the consumer is characterised by a number of factors which are collectively called the product mix (Kotler and Keller, 2011). The product mix is typically considered to be made of the product's feature set, the price that it is sold at, its distribution on the market – which affects its ease of availability and its perception, and the marketing communication tools employed in order to create demand for it.

### 2.2 Product planning

Product planning is the process of defining the features of a product, which satisfy the needs of the market (Kotler and Keller, 2011). The product planning process is ongoing and lasts throughout the lifecycle of the product (Rink and Swan, 1979). Product planning is used for all stages of the product's life cycle, from conception, to design, introduction, maturity and decline, and for determining the product's features, price, service offerings and promotional strategies (Belch et al., 2008).

## 2.3 Stages of product planning

According to Wind and Mahajan (1988), product planning consists of seven interrelated phases:

1. Determining the company's objectives in developing the product, the availability of the company's resources and the constraints of the company's target market
2. Monitoring the current and anticipated business environment
3. Situational analysis of the market that the product is addressing
4. Prepare tentative marketing programmes
5. Evaluate possible approaches to product marketing
6. Organisation for marketing implementation and control (Wind and Mahajan, 1988)

## 2.4 Need to introduce a new product

There are a number of reasons for introducing new products. Imitation products, for example, are introduced in order to gain revenues from a market category in which the company did not have a presence already. It allows the company to check the growth of the competition (Urban et al., 1993). It also creates the possibility of bringing in revenues without the need to make investments in developing a new product category, perform elaborate market research or take other substantial risks (Ulrich and Eppinger, 1995). A replacement product serves to be an improvement on an existing product, addressing the lacunae in the product or better serving the need of the market. This allows a company to gain revenues on basis of an established market need. Launching replacement products also allows companies to maintain a revenue stream as the revenues from an existing product begin to decline. Being the first company to launch an innovative product provides the company with a first mover advantage (Urban et al., 1993).

New products can therefore be launched to adapt to changing customer needs, to make use of new advances in technology, to compete more strongly in the market, to bring down costs of development and research, and to sustain growth for the company despite the pressures of the product's natural life cycle.

## 2.5 Stages involved in conceptualising a new product

The first stage in conceptualising a new product is idea generation. Tools like brainstorming sessions are typically used for idea generation (Titus, 2000). Idea generation allows for the rise of new and unconventional ideas that may lead to the design of an innovative product. Idea generation offers a company a chance to not only meet a market need, but to create a new market for a new kind of product. Therefore with the right idea conceptualisation and a focus on it into development and implementation, idea generation can let a company be the first mover in a market category created by its product. With proper product planning, this can lead to high revenues and a sustained competitive advantage over a period of time. Idea generation is an unrestrictive process which involves inputs from the design team, employees, and even partners like suppliers and distributors. Following idea generation, the ideas are screened in order to determine which ideas are feasible for implementation (Toubia and Florès, 2007). Idea screening helps a company to focus on ideas which are easier to implement and are more likely to develop into successful products. Idea screening can be further refined by the involvement of customers through research tools such as focus groups. When an appropriate idea is chosen for development, the company can proceed with prototyping and testing the prototype on the market. The feedback received is used to make further improvements to the product and to refine its launch strategy. By creating a product design that has a greater likelihood of success, and by fine tuning the market penetration strategy, the product is launched on a commercial scale.

## 2.6 Purpose of competition research

Competition research is important to the product planning process for two reasons. First, it allows the company to understand the competitors to its product offering. This lets the company know what the capabilities and limitations of their product are, versus the product offerings of their competitors. It also allows the company to understand the strengths and weaknesses of the product and service offerings of its competitors. This allows them to plan their product to target a specific, profitable niche in the market by tapping into latent customer needs (Fleisher and Bensoussan, 2003).

The second purpose that studying the competition serves is to reduce the resources, money and time needed to research the market. Studying the competition allows the company to understand what the demands of the market are, what trends and services customers respond to, and what where the shortcomings of the competitors are, that is, an opportunity for successful entry into the market (Porter, 1986). Studying the competition can thus reduce the time and resources that the company spends on designing and developing the product. Time spent in product development means less time spent on selling the product on the market, which means lower revenues for the company. This is especially crucial for products with short life cycles, such as profitable but brief fashion fads (Kotler and Keller, 2011). Spending long periods of time in product design can reduce company revenues significantly; studying the competition allows the product planning team to create a product that has the strengths of its competing products and fewer of its weaknesses.

## 2.7 Need for market research

Market research reveals information about the market which can allow for more effective product planning. First, research can reveal market information such as the prices of competitor products, consumer demand for a product and the dynamics of supply and demand existing in

the market. It can help planners understand the social, ethical and legal aspects of introducing a product on the market, which will allow for a more effective launch of the product on the market by creating new demand and meeting existing demand better than competitors (Kotler and Keller, 2011).

Market research provides product planners with the data they need to segment the market as appropriate. Such market segmentation allows product planners to divide the market into subgroups of customers with similar demographics, economic levels, motivations for purchase and similar attitudes toward a product and services (Malhotra et al., 2003). This allows the product planning team to coordinate the product's design, launch, market reach and pricing so as to maximise its chances of being more successful upon launch than its competitors.

Thirdly, market research allows the product planning team to predict future trends in the market. A product needs to be launched not only to meet existing needs, but also to fulfil long term needs of the market, if revenues from the product are to grow sustainably. This is especially true for products with short life cycles, such as new trends in mobile phones, or fashion fads. Market research allows the company to predict the upward or downward movement of the demand for the product or the market appeal of key aspects of the product design (Kotler and Keller, 2011). In case of the launch of an innovative product, it also allows the product planning process to consider the future size of the market for the product.

A purpose of market research is to carry out an analysis of the needs of the market and of customers. Market research allows a company to gain information regarding the lacunae in design and perceived shortcomings of the product and service offering. By allowing a company to find the gap between customer expectations and actual product offerings, market research allows a company to determine the needs in the market. This allows the company to modify

the product concept and to tweak its design and service offering to increase the chances of the product finding acceptability on the market.

A need gap analysis, which is made possible by market research, can allow a company to design and introduce a new and innovative product while minimising the risk of failure or financial loss. It allows the company to make improvements to existing products and to continue or improve upon its share of the market. It also allows the company to improve the service quality and develop newer service offerings. The findings of market research can also help a company increase the efficiency of its distribution chain and to make improvements to the production process (Kotler and Keller, 2011).

## 2.8 Data collection

In terms of methodology, market research can be based on observation or on questioning. Market research also involves the use of analysis tools to better understand the needs of the market and the competition. Data collected from market research may be qualitative or quantitative in nature.

Both qualitative and quantitative data are collected from research that uses the methodology of questioning the sample of customers who are being surveyed. Qualitative marketing research is generally used for the purpose of getting a feel of the needs of the market, with the intention of gaining insights which will allow the product to succeed on the market upon its launch (Carson et al., 2001). Qualitative research can help a company develop products which fulfil latent needs in the company which even the customers themselves are not aware of. Qualitative research typically involves a smaller number of respondents as opposed to quantitative research, and not the whole population. Qualitative research can be conducted using tools such as focus groups, in-depth interviews and applying projective techniques to gauge market needs on basis of the qualitative responses provided (Malhotra et al., 2003).



Quantitative marketing research, on the other hand, is used to test specific hypothesis and to draw specific conclusions based on them. Quantitative research usually uses random sampling techniques and administers surveys and questionnaires to a larger population, which is chosen at random for a given demographic parameter. The research then applies mathematical techniques such as variance analysis in order to understand the needs of the market and opportunities for launching products which satisfy those needs (Frances and Paap, 2001).

Market research based on observation is non-intrusive and determines the needs of the market by observing consumer behaviour – for instance, observing behaviour at a retail outlet. These observations may all be made in a single time frame, which is called cross sectional observation, or over a period of time and across a range of market segments, or longitudinally.

A plan for market research typically involves more than one approach. For instance, the research may begin with secondary research to study existing literature and findings, determine the validity of hypotheses on basis of this, and then proceed with primary research to verify the findings. The primary research may involve qualitative research such as using a focus group and quantitative research like a questionnaire based market survey (Malhotra, 2008).

## 2.9 First mover advantage

A product planning team must consider the pros and cons of adopting a first mover advantage. Being a first mover in the market can cement the company's position and make it a market leader with sustained competitive advantage. Being a first mover is favourable if the product is creating a new category that satisfies an existing need in the market (Lieberman and Montgomery, 1988). On the other hand, being a first mover and defining a product category can also be risky and expensive (Kerin and Varadarajan, 1992). Entering a market after the first mover defines the product category and makes investments in advertisements and promotions,

can be a strategic move if the company that is entering later can bring superior technology, quality or brand equity (Suarez and Lanzolla, 2005).

Most research indicates that market pioneers have the greatest competitive advantage in the market. Carpenter and Nakamoto (1989) found that 19 out of 25 companies who were market leaders in 1923 were still market leaders 60 years later, in 1983. Robinson and Min, who surveyed the industrial goods market, found that in their sample, 66% of the market pioneers survived for at least 10 years, as opposed to early followers, of whom a substantially lower percentage of 48% survived the first 10 years. Companies such as Coca Cola, 3M and Amazon.com have developed and sustained market dominance by capitalising on the first mover advantage and defining the product category.

## 2.10 Second entrant advantage

On the other hand, other companies have failed to sustain their business in the face of competition, despite having the first mover advantage. Examples include IBM's PC business, IBM Lotus Notes email client, which has been practically driven out of the market by Microsoft Outlook, the Netscape Navigator web browser, Reynolds ball point pens and Apple Newton Personal Digital Assistant, all of which were overtaken by late entrants (Carpenter and Nakamoto, 1990). As a product enters the introduction phase, product planning should take measures to ensure that its first mover advantage, if any exists, is not lost to second movers on account of poor planning and product characteristics. Studies by Shankar et al. (1998) and Hoppe (2000) help us understand the characteristics of products and companies that lose their first mover advantage to competitors, and indicate that first movers lost their competitive advantage on account of poor product planning. The first mover advantage was lost because the products were improperly designed, positioned toward the wrong market, introduced before a sufficient demand was created, improper budgeting, due to which high costs of development

left the company with no resources to fight larger competitors and an inability to adapt (Kopel and Löffler, 2008). On the other hand, second entrants wrested the control of the market from first movers by proper application of product planning, by launching the product at a more attractive price, improving the product continuously, heavier investment in promotion and expanding the product to newer markets (Hoppe and Lehmann-Grube, 2001).

During the product introduction stage, product planners should develop a communication strategy in order to reach out to the target market, create awareness about the product and strengthen their position in the market. There are two basic approaches to communication: advertising and promotion. The aim of advertising is to offer a customer rational and emotional reasons to buy a product, whereas the purpose of a sales promotion is to offer incentives for the act of purchase.

### 2.11 Advertising and sales promotions

During the introduction of a product, product planning needs to prepare a combination of promotional approaches to market the product effectively. Consumer promotion targets the consumers of the product directly to incentivise the act of purchase. This includes add-on promotions like patronage rewards, warranties and special rewards, and price promotions such as discount coupons, cash refunds and free samples (Chandon et al., 2000). Trade promotions incentivise wholesalers and distributors to stock and sell a product. These include price discounts, advertising allowances and free goods. A third kind of promotion is business promotion or sales promotion, which aims to boost the sales of the product by participation in trade shows, trade conventions and promotions in trade journals.

In a mature market with a large number of companies and variety of products, sales promotion is more effective as a means of communication, than advertising. The reasons for the effectiveness of sales promotion are an increase in the number of brands in the market, sales

promotions for competing products, lack of differentiating traits between products, and increased price sensitivity in the target market. Furthermore, advertising involves challenges such as high cost and media clutter, which carry the risk of budget overextension and ineffective communication (Belch et al., 2008). Product planners need to weigh the pros and cons of choosing sales promotions with care. For example, sales promotions such as added value promotions, can increase the brand's value, whereas price promotions carry the risk of a brand being devalued. In price promotions, there is the added risk of the product being associated firmly with a low price band and being considered a budget product. Customers may also permanently associate sales promotions offered during the initial launch as an aspect of the product pricing, and resist purchasing the product without these promotions (Blattberg and Neslin, 1990).

However, research also shows that sales promotions do not build brand loyalty. On the other hand, advertising has been shown to build brand loyalty and lead to sustained growth in sales for the product (Rossiter and Percy, 1987). One of the factors that a planner should consider for deciding the proportion and nature of advertising and promotion is the audience size. Audience size can be measured by the circulation of a medium, the audience targeted by the marketing campaign, the number of people targeted who have the desired characteristics of the target audience, and the number of people with the desired traits in a target market who have actually seen an ad.

## 2.12 Product life cycle

Product planning should take into account the rise and fall in demand for the product over a period of time. If the product has been planned intelligently and is tailored to satisfy a demand in the market, then the demand for it will increase for a period of time, following its introduction. After some time on the market, there will be two factors which are likely to lead

to a slump in demand. Firstly, as the needs of the market are satisfied, the customer base which needs to be serviced may shrink (Kotler and Keller, 2011). Secondly, following the initial success of the product, its competitors will launch products which will address the same demand in the market. This increased competition will present customers with more choice, which will reduce the demand for the product. A typical solution to this is to respond with a reduction in price (Cannon and Morgan, 1990). The product may also be introduced in new markets in order to continue and sustain growth for the company. This is how the marketing mix of product, pricing, placement and promotion varies over a period of time, to adapt to the changing demands of the market. The product plan needs to take these variations into account in order to allow a company to adapt to market changes.

## Chapter 3: Methodology

### 3.1 Introduction to the research process

The process of research as it pertains to aspects of marketing primarily involves the collection of data, its interpretation and drawing conclusions based on this interpretation which offer direction to the research (Kotler and Keller, 2011). For the research to be relevant and useful, it should be guided by research objectives, a set of questions which encapsulate its scope, and a review of the industry and existing research to offer context and direction to the study (Saunders et al., 2000). Therefore, the research process will be outlined in this chapter before the paper proceeds with the study.

### 3.2 Research philosophy

Holden and Lynch (2004) recommend that the process of research should not be guided by methodology. On the other hand, the chosen methodology should be an outcome of the researcher's philosophical approach to the area of study. Crossan (2003) has suggested that research philosophy is the major guidance in the research process, and that the processes of

collecting data are not distinct, but part of an integrated system of research inputs. He states that quantitative and qualitative research methodologies are not distinct in contemporary research, and that research is more effective as a mutually interpretative combination of multiple approaches, and presents positivism as a research philosophy.

Firestone (1987) contends that the social world is constructed by the collective impacts of the perceptions of individuals. In contrast, the philosophy of positivism suggests that the purpose of research is to use scientific laws to explain and predict phenomena, irrespective of the researcher's perception (Sarantakos, 1993). Positivism states that the purpose of research is to study and explain factual events, as well as to make predictions (Crossan, 2003).

The purpose of product planning is to create a product which alters consumer perceptions, thereby altering the market or creating a new market. The steps involved in product planning go into meticulous detail to control the perception and usage of a product when it is introduced to the market, with a scientific application of market research and design expertise. Therefore, the positivist research approach is more relevant to this paper, and will be used in this paper.

### 3.3 Research approach

A research approach may be either inductive or deductive (Malhotra et al. 2003). The inductive approach relies on the researcher to interpret meanings in the information available. It is thus influenced by the perceptions and judgement of an individual. On the other hand, the deductive approach places emphasis on quantitative data and statistical interpretations.

The study of product planning has been influenced by decades of studies carried out over a range of industries by observation and measurements in meticulous detail. Decisions in the creation of a product are derived from data gathered in market research and competition research, and product prototypes are subjected to extensive tests before the product is launched. The deductive approach is therefore the most appropriate, and will be used for this study.

### 3.4 Research strategy

Several tools are available for research within the scope of each research philosophy and approach. It is therefore essential to determine whether the research is exploratory, explanatory, evaluative or descriptive (Saunders et al, 2000). Using the exploratory strategy, the research explores as existing and established phenomenon. In the explanatory strategy, the research begins by forming hypotheses to explain a phenomenon, and then verifies those hypotheses on basis of the research findings. The evaluative approach is used when the findings are to guide the decision-making process for an event. The descriptive approach begins by studying a phenomenon or event and then developing hypotheses or explanations to explain it. Therefore, this research will use the descriptive strategy as it is most relevant to the data examined. This data and available research will be interpreted to understand the factors affecting product planning. This paper will explore the best practices in different stages of product planning on basis of the data studied, and recommend ways to apply them for greater success in product planning.

### 3.5 Data collection: Method and procedure

This research uses secondary research in order to study product planning and its impact on the product's success in the market. One of the important reasons why secondary research has been chosen is the availability of the wide body of literature available on all aspects of product planning. As the market has undergone change, the business environment has globalised and the mediums and dynamics of communication have changed because of the World Wide Web, marketers have had to adapt constantly to the changing business environment in order to sustain the demand for their product. This has presented research with an extensive range of data to study product planning. Another reason for choosing to use secondary research is because the impact of the different aspects of product planning is measured in and depends on the decisions made by marketing teams of companies. It cannot be studied effectively by interacting with

consumers. Thus, in this case, primary research would present the research with a limited sample size for study, whereas secondary research involves a larger population, from a range of industries, studied over a period of time.

## Chapter 4: Analysis

Berry and Wilson (2000) recommend that a product plan should be evaluated on basis of the criteria that it be simple, concrete, achievable and detailed. First of all, the plan should be simple and easy to implement. It should be easy to explain to a team and should be understandable by stakeholders, if warranted.

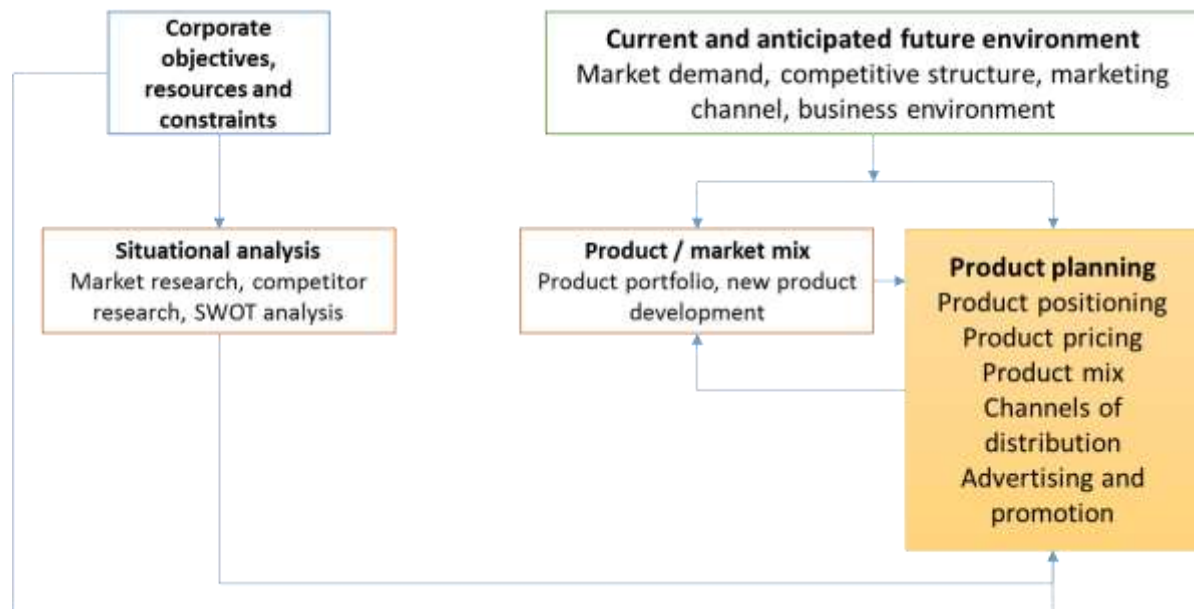
The product plan should also be specific and concrete. It should include specific actions and should distribute tasks across the team, or involve a range of tasks during various stages of the implementation. Thus, the product has to be conceptualised in such a manner that the stages of its implementation can be fleshed out. Each of its objectives should also be measurable. Each objective should have specific dates of completion. It should also allot responsibilities to specific people, and allot budgets to specific tasks (Berry and Wilson, 2000).

Thirdly, the outcome of product planning should be a realistic, achievable schedule of tasks. The milestone dates should be achievable. The expense budgets should also be realistic and accommodate for possible exigencies and implementation challenges. The product plan should undertake an honest self-critique to address possible concerns and business risks (Berry and Wilson, 2000).

Lastly, the plan should be complete and cover all the necessary aspects of the project, from conceptualisation to implementation, in the necessary detail (Berry and Wilson, 2000). It should include an assessment of the competition that presents a clear picture of the strengths as well as the weaknesses of the product and its competitors in the market. It should also



highlight the opportunities in the market as well as possible risks to the market share of the product, and present a plan for expansion of the market share of the product over a planned period of time.



**Figure 1: Product Planning Model. Inspired by Wind and Mahajan (1988)**

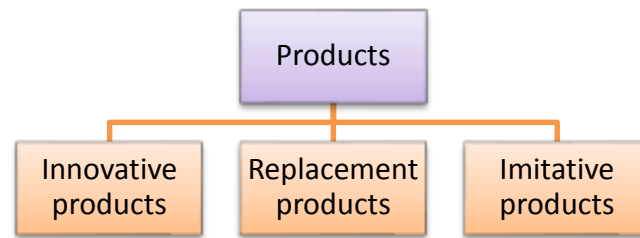
## 4.1 Conceptualising the product

### 4.1.1 Setting the objectives

This stage of the product planning process involves determining the company's objectives in rolling out a product. First, the anticipated benefits to the company from designing and rolling out a new product are determined. Following this, the relative importance of each is evaluated so as to choose the appropriate product planning approach (Mahajan et al., 2000).

### 4.1.2 Product categorisation

Depending on the purpose that products serve, and the niche that they fill in the market, they can be classified as innovative products, replacement products and imitative products (Kotler and Keller, 2011).



***Figure 2: Categorisation of products. Inspired by Kotler and Keller, 2011***

Innovative products are developed on basis of new product concepts. They satisfy a need in the market that is currently not satisfied by any other product. Innovative products typically involve considerable research and investment during the design and development stages. They also require heavier investments in promotion in order to create customer awareness about their existence and the purpose served by them. Innovative products carry greater risk during introduction, but also higher financial rewards if they succeed. Introducing them typically develops a new market or invents a new product category (Kotler and Keller, 2011).

Replacement products are developed to replace an existing product from the company's product portfolio. Typically, the purpose of designing replacement products is to create a product version that serves the needs of the market better than an existing product. Replacement products are developed in response to market feedback to an existing product offering from the company (Kotler and Keller, 2011). The development of a replacement product commences in the maturity stage of the presence of the product version that is existing on the market already, when the existing product is providing the revenues necessary to allow for further research and development and for the introduction of a new product on the market.

Replacement products may also create a new product category altogether which serves the same need as an existing product. In this respect, the replacement product, although not of the same category as the product that is already existing on the market, may create a product category that shrinks the market share of the product category that it replaces. An example of

this would be the introduction of mobile phones, which, by displaying the current time, serve a need in the market, which is the need for a product that shows the time conveniently. In this respect, mobile phones are a replacement product for wristwatches (Kotler and Keller, 2011).

Imitative products are products which are developed by a company in order to compete with existing product offerings of competitor companies. Imitative products serve the same need as the competitor product and also typically have the same functionality and design. Imitative products involve less cost of research and development because they capitalise on the findings of the market research conducted by existing players and for the innovative product. They also carry a lower risk of failure, since a market for the product is known to exist. However, they also lack the first mover advantage which tends to make an innovative product the leading product in the market (Kotler and Keller, 2011). Imitative products can, however, become market leaders if they are launched by a company that has the capability to provide an offering of higher quality, at competitive price, promote it better and to launch it more widely on the market.

## 4.2 Studying the Competition

### 4.2.1 SWOT Analysis

A common technique for analysing the competition is called SWOT analysis. SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. By applying SWOT analysis to the competition, the product planning team can understand the strengths and weaknesses, or shortcomings of competing products. By also understanding the strengths and weaknesses of its own product, a SWOT analysis on the competition can help the company understand the opportunities present in the market for products that meet the demands of the market, and possible threats from competing products which can damage the company's competitive advantages and hurt the success of the product (Kotler and Keller, 2011).



*Figure 3: SWOT analysis. Inspired from Kotler and Keller (2011)*

#### 4.2.2 Risk from future competition

It is necessary to study the competition, not only to understand the product offerings of competing companies, but also to gauge the risk from future competitors. When a product is launched, it needs to be in demand for a period of time in order to make enough sales to overcome the costs of research. Even if the cost of product development is kept to a minimum, the launch of new, competing products in the future can affect the demand for the product and also shorten its life cycle on the market. Competition to a product can also arise from disruptive innovation in unrelated industries (Charitou and Markides, 2003). Studying the competition helps to reduce the risk of costly research, product development and introduction on a market that is likely to have lower demand for the product in the present or in the future.

### 4.3 Market research

#### 4.3.1 Secondary research

Market research is an essential aspect of product planning, because market research allows the company to understand the behaviour of the customers and the needs of the market. It can let the company understand how customers will respond to the product when it is launched, and the factors that will affect its acceptability on the market and therefore, determine its level of success. Market research is either primary research or secondary research (Malhotra et al., 2003). Secondary research involves the study of existing literature and the findings of market surveys in order to understand trends in the market. Secondary research allows the company to save financial resources by purchasing data on a market based on existing surveys (Bradley, 2007). This can help the company develop a product that meets the needs of the market, without the need to undertake a costly and complex market research exercise of its own. A disadvantage of secondary research is that it cannot provide insights into the likelihood of success for innovative products or untested aspects of consumer behaviour in the market. Secondary research is not useful in instances when a product is a pioneer in the market or is creating a new niche in the market.

#### 4.3.2 Primary research

Primary research, on the other hand, is the exercise of carrying out research on the market to gauge the likelihood of success of a product or to determine gaps in the market which can allow a new product to be accepted. Primary research involves two broad categories of data collection: qualitative research and quantitative research (Malhotra et al., 2003). Qualitative research collects subjective data, worded responses and uses tools such as focus groups to gain insights into the needs of the market. Quantitative research collects objective data and uses tools like survey questionnaires to collect data about the perceptions of a product and the attitudes and needs of the market. While qualitative research typically involves a smaller sample size and carefully selected participants, quantitative research is carried out for a large

population size and the participants are chosen at random (Bradley, 2007). The data for quantitative surveys is analysed using mathematical and statistical techniques to gain insights into market needs.

#### 4.4 Product introduction

If the results of the market surveys and analysis of the competition indicate that the product may be successful, then the company can choose to introduce it on the market. Typically, the product is introduced to a limited portion of the target market – for example, in one or a few cities or retail chains (Katila and Ahuja, 2002). If the response to the product is favourable, it may be introduced to a larger market. When a product is introduced, profits are low or negative.

##### 4.4.1 Choosing a pricing strategy

In order to maximise the chances of success for a product upon introduction, the product planning team also needs to choose an appropriate price range for it. The pricing plan will depend on the nature of the product being sold, the market that it is offered in and the pricing strategies adopted by the product's competitors. Some of the common pricing strategies are:

1. **Markup pricing:** Markup pricing involves adding a standard markup to the cost of production. This is the most straightforward approach to pricing, however it is not considered to be an efficient method of product pricing. This is because markup pricing ignores elastic forces like current demand, pricing strategies of the competition and the perceived value of the product. However, markup pricing can work in a market where the company's competitors also use the markup pricing method. It is also perceived to be a fair form of pricing and can ensure customer loyalty to create a sustainable demand for the product (Cannon and Morgan, 1990).
2. **Target return pricing:** Target return pricing is used for the pricing of products which require large investments to commence production. Examples of companies which use target return pricing include public sector utilities, automobile manufacturers and high

technology electronic items. Target pricing allows the company to obtain the target rate of return on investment (Kotler and Keller, 2011).

3. **Value pricing:** Value pricing can be offered in a market with a large number of players in order to secure the position of the company which is a late entrant to this market. It can also be used by a first mover to continue to retain its market position following the entry of competitors to the market. The strategy of value pricing is to earn customer loyalty by offering high quality products at low prices. The value pricing strategy is thus based on perception and the price is determined by the competition. Product planning is crucial for the use of a value pricing strategy, because in order to provide low prices for high quality, the company must meticulously plan its design process, development and prototyping, manufacture, introduction on the market, promotion strategies and distribution network in order to minimise wastage, cut costs and increase efficiency without compromising on quality (Hoch et al., 1994). Companies choose two broad strategies for value pricing. Either they can offer low prices on a regular basis without special discounts, offers and sales promotions, which is known as everyday low pricing (EDLP). On the other hand, it could also provide products at a competitive price which is higher than what it could have provided using an EDLP strategy, but regularly offer discounts and run sales promotions that cut prices and offer products at prices lower than EDLP prices in the duration of the promotion. This is known as a high low pricing strategy. Research shows that customers perceive everyday low pricing as delivering greater value than high low pricing (Bell and Lattin, 1998). For the implementation of either strategy, the entire process from product conception to its distribution on the market needs to be planned in meticulous detail as part of product planning.

4. **Perceived value pricing:** Perceived value pricing is a popular pricing strategy. In this, the price of the product is determined by the value of the product as perceived by the customer. In order to use perceived value pricing, the product planning team must communicate the value offered by the product through the appropriate mix of sales promotions and advertisements, differentiate itself from the competition and create a brand image to ensure that the value of the product as perceived by the customer is equivalent to the price being charged for this product. The perception of the product's price as a value proposition will depend on the buyer's perception of the product and its associated service, including the durability of the product, its design, its warranty and support, and the ease of availing this service. It also depends on soft factors that are driven by perception, such as the product's reputation, the prestige associated with it and its exclusivity or ubiquity, as is relevant. Moreover, the perception of product value depends on the buyer's concept of what determines value for money. For ease of price planning, customers are classified as price buyers, value buyers and loyal buyers. In order to target price buyers, the product offering should be stripped to essentials and offer restricted services to keep prices low. In order to target value buyers, the product planning strategy should accommodate for consistent innovation and offering new value with each offering. Loyal buyers are targeted by investing more in the quality of post purchase service. A product introduction plan that targets loyal buyers should emphasise on building the relationship between the buyer and the company at each point of contact. It should emphasise on offering value in the long term with each product purchase (Estelami, 1997).
5. **Going rate pricing:** The going rate strategy for product pricing is relatively easy to implement compared to the above strategies, because in this strategy, the product's price is determined by the prices of equivalent offerings of its competitors. Going rate

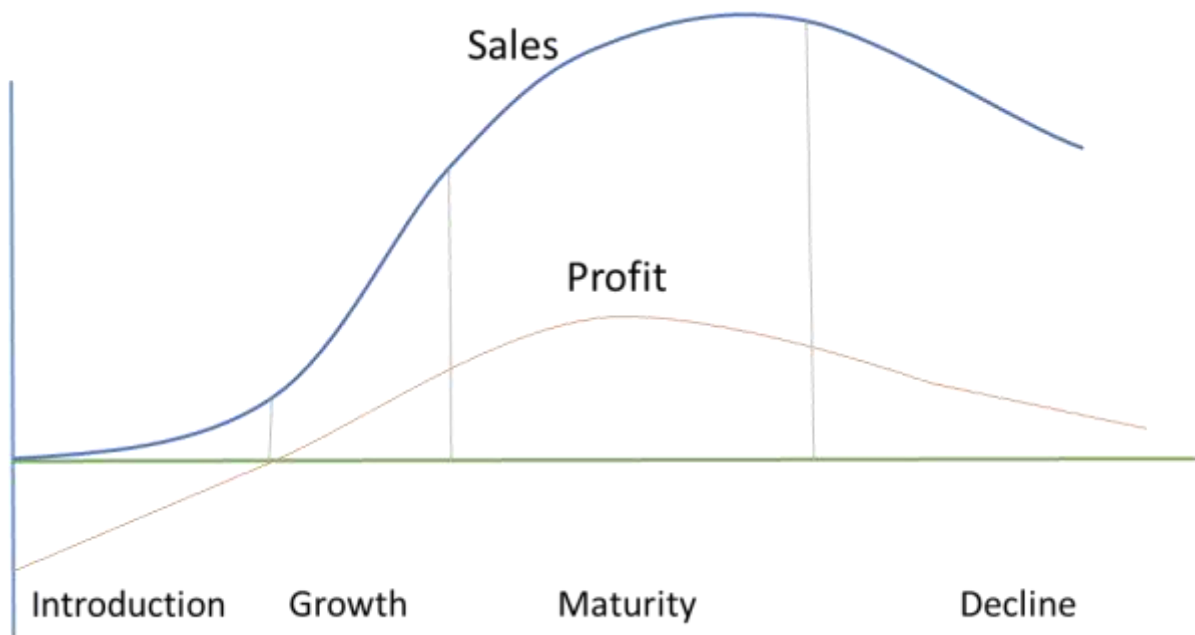


pricing is a popular strategy in industries with a limited number of established companies which produce generic products that are difficult to brand or differentiate from those of their competitors. Examples of such industries are steel, oil, or industrial chemicals. If the company is a market leader or first mover to the market, the product planning team can set the price for the product as per its goals. For late entrants to the market or for smaller players, an appropriate strategy is to set prices according to the prices set by the market leader (Cannon and Morgan, 1990).

## 4.5 Product life cycle

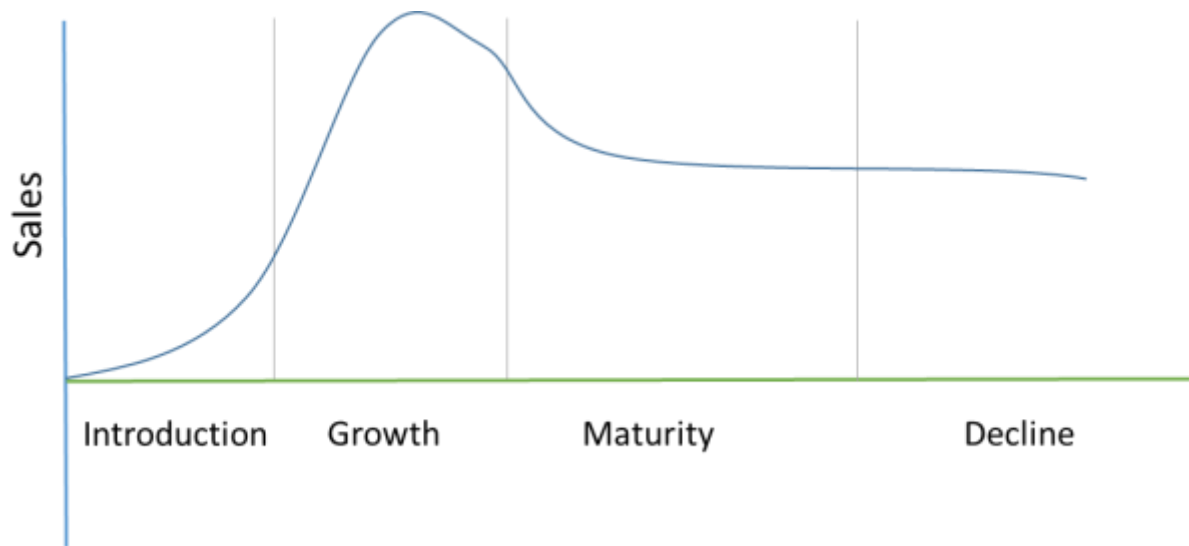
### 4.5.1 Stages of a product life cycle

For the purpose of product planning, the life cycle of a product is considered to be made up of four stages (Klepper, 1996). Upon introduction, the efforts of the company are directed toward ensuring wider acceptability for the product in the market. The stage of product introduction is a stage of slow growth in sales. These sales do not result in a profit, due to the expenses involved in product introduction. As demand for the product increases, its sales help recover the costs of design, prototyping and launch. When the costs of development and introduction are recovered, the sales of the product provide profit to the company. At this stage, the company can also direct its revenues toward advertising and promotion (Blattberg and Neslin, 1990). The product is now said to be in the growth stage of its life cycle. As the product becomes popular, its sales eventually begin to decline as it reaches much of its target market, and faces competition from rival products targeted at the same market. This stage of the product's life cycle, in which its profits stabilise or decline, is called the maturity stage (Kotler and Keller, 2011). Over a period of time, as the dynamics of the market change, the product enters a stage of decline, wherein its sales of the product continue to decline and its profits erode.



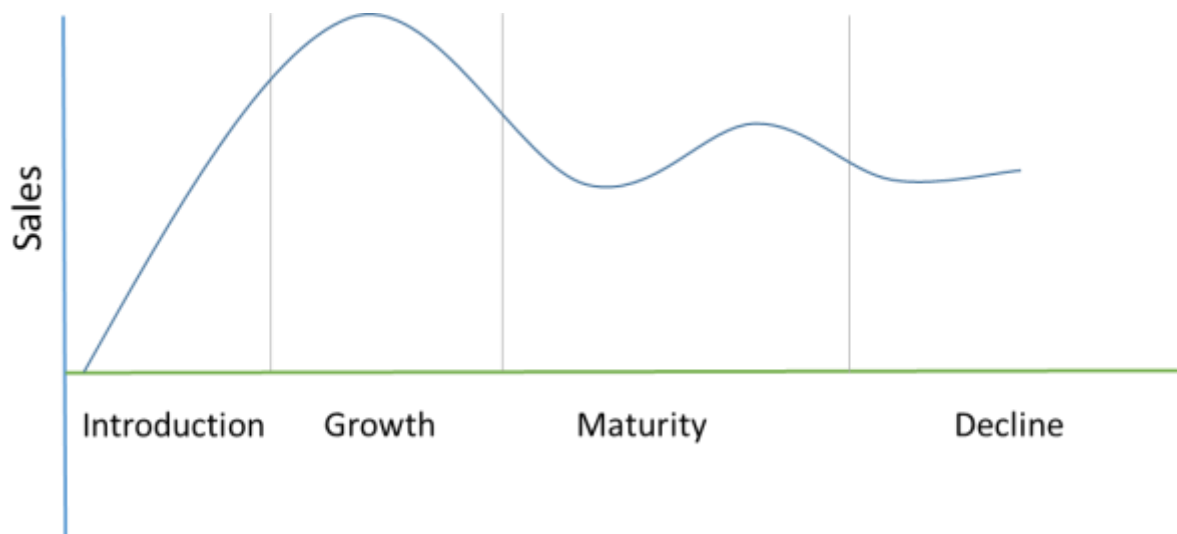
***Figure 4: Product life cycle***

The rise and decline of a product over its life cycle can typically be represented as a bell-shaped curve, as shown in the above figure. However, the pattern of growth, maturity and decline over the lifecycle of the product are more dependent on the product itself, and the market in which it has been introduced. An innovative but inexpensive product, which is easy to replicate, experiences rapid increase in sales as its popularity increases. Following its capture of the market and the release of rival products, its sales experience a rapid slump. This is followed by a period of stabilisation, as sales are sustained by late adopters who purchase the product to try it, and existing customers who replace their product. Examples of products which follow the growth, slump, maturity pattern are kitchen appliances (Day, 1981).



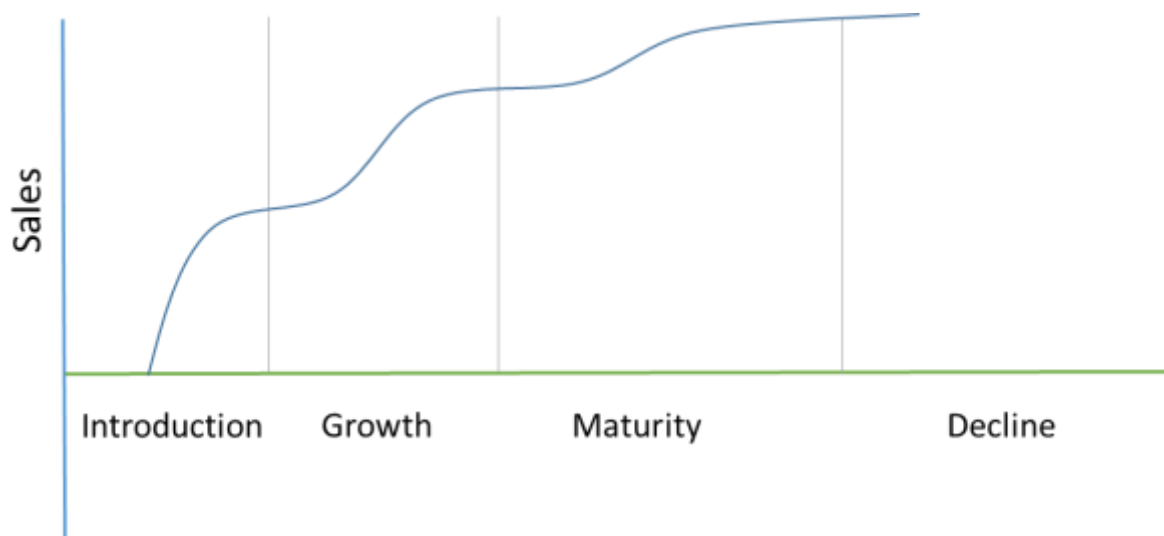
***Figure 5: Growth, slump, maturity pattern***

For products which require heavy promotion to be adopted by consumers, the rise and decline of sales runs in cycles. Sales increase as the company promotes the product aggressively, then decline as advertising and promotion are scaled back. Sales rise again with a renewed push in promotions, and so on in a cycle, recycle pattern. The subsequent sales cycles are typically of a smaller magnitude and duration. Examples of products which follow the cycle, recycle pattern are pharmaceutical drugs.



***Figure 6: Cycle, recycle pattern***

A third common product life cycle is called the scalloped product life cycle. In a scalloped product life cycle a product passes through a succession of life cycles over a period of time, as new characteristics and uses of the product are discovered. With each new discovery, the sales of the product are incremented, resulting in greater profits for the manufacturing company. Scalloped life cycles typically exist not for products that serve a specific purpose, but new materials and generic products. An example is the life cycle of nylon, which has experienced a spurt in demand with each new discovery of its versatile applications: fabric, rope, boat sails, car tyres, garments, hosiery, parachutes and so on.



***Figure 7: Scalloped pattern in the product life cycle***

#### 4.5.2 Common variations caused by different product types

Another characteristic which affects the life cycle of a product is whether it serves consumer needs as a style, fashion or fad. A product follows the pattern of a style if it is a product of recurring utility. A style is a fundamental but distinguishing form of design appearing in a product. A style can last for a very long period of time, as it repeatedly goes in and out of demand in the market (Rink and Swan, 1979).

A fashion represents a currently accepted and popular product characteristic. When a fashion is adopted by the market, it typically passes through four stages, similar to the stages of the

product life cycle. First, the fashion gains widespread acceptance because of its distinctiveness. As it is adopted widely by the market, its distinguishing characteristics are copied by the competition. This is called product emulation. With the company and also its competitors using the distinguishing characteristic of the products to gain competitive advantage, the fashion attains wide popularity and is classified as a mass fashion. Following widespread adoption, and with little scope for further evolution, a fashion goes into decline at the end of its life cycle. As part of product planning, the trends in adoption should be studied and planned prior to launch, so as to predict the product life cycle with greater accuracy and structure the product's budget, promotions and introduction to new markets to achieve greater success.

The length of a fashion cycle is hard to predict. It has been suggested that fashions go into decline because they represent a compromise from the point of view of the consumer. For instance, consider the fashion of cars getting smaller. As cars get smaller, they also become less comfortable. With such an experience with smaller cars, a growing number of buyers start wanting larger cars. Over a period of time, as too many car buyers purchase larger cars, smaller cars begin to seem like a practical and more attractive option to an increasing number of car buyers. The fashion then declines and moves in a different direction again (Klepper, 1996).

It has therefore been suggested that the length of a fashion cycle depends on the extent to which the fashion meets a genuine need. A fashion should also be consistent with other relevant trends in society and meet societal norms and values. Furthermore, the fashion should not exceed technological limits as it develops.

A fad is a fashion which comes rapidly into public view, and is adopted widely and rapidly by the consumer market. However, it peaks early and declines very fast. Since the period of its lifecycle is short, it manages to attract only a limited following. Fads do not survive because they normally do not satisfy a strong need. Therefore, when the product has the characteristics

of a potential fad, the planners must make the efforts to leverage them into products with staying power. This may involve constant reinvention of the product, and the creation of new fads to keep the product popular.

## Chapter 5: Conclusion

### 5.1 Aligning findings with research questions

This research has studied existing literature and industrial statistics to explore the role of product planning in business. Analysing existing studies in the context of the modern business environment has offered insights into the underlying principles that guide the best practices in product planning.

In accordance with the research objectives stated in Section 1.5, this paper has explored the best practices in product planning by examining how the processes of product planning make the conception, design and introduction of a new product more effective, with minimal loss of time and effort, and by using financial resources as effectively as possible. The research has explored how product planning can be integrated seamlessly with each stage of the product life cycle to maximise product reach and profitability following a product launch. Next, a deeper study of literature has revealed the possible impacts of decisions during product planning on the success of a product in a particular market, geography or competitor mix, at different stages of its life cycle. In that respect, this paper has examined how a company can choose an appropriate product mix for market success by choosing the right product features, price, product placement and the right mix of advertisements and sales promotions, and the factors that affect these decisions. It has also studied the impact of decisions at the different stages of the product planning process on the market reach, pricing and consumer perception of the product, and consequently, its long term success in the market.

## 5.2 Recommendations

Product planning begins at the conception of the product itself (Ulrich et al., 1995). The design of the product depends, not merely on the function of the product, but also the niche that it occupies in the market. A product will need a different strategy for design, prototyping, manufacture, pricing introduction on the market and promotion, depending on whether it is an innovative product, a replacement for an older variant or a competitor to an established product (Kotler and Keller, 2011). Creating an innovative product involves considerable investment of resources, and sustained promotion following product launch, but is an attractive option because it creates the possibility of having a first mover advantage and defining the market category. However, second entrants can gain a competitive advantage over first movers – the key to this, again, is better product planning. Considering these risks and challenges, it is essential that a company study its competitors before investing in market research, design and development, manufacture and product launch. In the modern business environment, the company needs to analyse not only the product's strengths and weaknesses compared to those of competing products, but also explore the threat of disruptive innovation in an unrelated industry that may render the product obsolete before sufficient profit is milked from it (Charitou and Markides, 2003). If competitor analysis reveals opportunities in the market, the company may proceed with market research to understand the needs of the consumers, latent demands and modify the product design accordingly. Qualitative data can provide valuable insights, but quantitative research is also essential for the application of statistical tools on larger population sizes, in order to understand the market preferences. When a product is launched, its price is determined by the prices of competing products and the nature of the product itself. This paper has explored the pros and cons of each common method of pricing. The demand for the product can be sustained by an appropriate mix of advertising and sales promotions (Belch et al., 2008). The need for advertising and sales promotion will be

influenced by the demands of the market. The demands of the market increase and decline over a period of time, and the resulting variations in sales create a pattern which can be studied. This is called the product life cycle. A product life cycle is influenced by externalities such as the market reach and competitors, but is largely a factor of the product type itself, which affects its demand over a period of time (Kotler and Keller, 2011). Depending on the stage of its lifecycle that the product is in, the product plan needs to vary its mix of availability, features, price and promotional activities to maximise profit in a sustainable manner. Product planning is thus required for every stage of the product's existence on the market – from its conception to eventual retirement from the market.

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