

Launching of a new product on the market and marketing management at SC Electrecord S.A.

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Abstract: A product is deemed to be new when it is new for the host country but not for the international market. Among the reasons for launching a new product, the following could be mentioned: serving an ignored market share, meeting an unsatisfied need, adapting a domestic product for a better supervision of the product / market ratio, adapting to the short product lifecycle and challenging the competition. This paper presents the sources used for launching new products on the market, the stages of development of new products and the policy of promotion specific to SC ELECTRECORD S.A.,

Key words: product, market share, development of new products, policy of promotion of new products.

1. Sources used for launching new products on the market

The main sources used for launching new products on the market are as follows:

- organisation of research-development compartments on the territory of the origin country – the new products are firstly launched on the domestic market. The centralised research reduces the company efforts, aiming to maximise the results.
- leader markets – they are a pattern for the product evolution in other countries, being a major source of ideas for new products.
- external subsidiaries – they can play an active role in the research-development field only if they do have production-related responsibilities.
- research acquisition – the necessary information may be acquired from other independent sources (leader

markets). Licences may be acquired and technological assistance agreements may be concluded with a foreign company.

- import of new technologies – the import of end products directly from the foreign companies, product trading under its own name and quick access to new products without research-development expenses but with the loss of its own innovation capacity.
- company acquisition – for getting access to new products and technologies substantial amounts of money should be paid, these amounts exceeding the related market value.
- joint venture – joining a company holding advanced technology can contribute to the development of new products with lower costs. The companies put together their resources in order to obtain competitive advantages.
- consortia – collaboration relationships are developed without involving the establishment of new entities. The aim is to share the huge costs involved by the development of new products. Once the new products created, the companies may enter other alliances.

2. Stages of development of new products

Stage 1. Generating ideas

➤ the consumers' needs and requirements impose the generation of ideas for the creation of new products;

➤ sources of ideas: current and potential customers, distributors, competitors, suppliers, consultants, government programmes, publications, international fairs

and exhibitions;

➤ it resorts to: inquiries, designing tests, market researches, encouragement of its own employees to bring ideas for improving products.

Stage 2. Selecting ideas

➤ the selection is made depending on certain criteria in order to preserve only the attractive, feasible and internationally required ideas;

➤ the selection criteria are as follows:

- the product compatibility with the international range of products;
- the possibility to meet the profit-related goal;
- the possibility to recover the investments;
- the existing competitive environment;
- the technical requirements necessary for manufacturing the product;
- the possibility to improve the company image;
- the size and the potential of the product market;
- the product compatibility with the company goal and resources;
- the product standardisation may be total or partial.

Stage 3. Assessing ideas

➤ the main objective is to search information relating to:

- the product marketing viability;
- the no. of countries where it might have success;
- the possible level of standardisation of the product;
- the image and market acceptability;
- the market protection and demand analysis assessment;

- the data quantified in profits and losses, all implications being assessed;
- the markets being grouped by revenues, costs and profits;

During this stage, the previous decisions may be reconsidered depending on the data rendered by the analysis.

Stage 4. Product developing

- it involves the designing and effective creation of the product (size, weight, packaging, design, selection of the internationally accepted brands);
- all characteristics should meet the international requirements.

Stage 5. Product testing (pilot experiment)

➤ the market reaction is tested to see whether the potential demand is satisfactory enough so as to allow the product launching on the market;

➤ it is carried out in a controlled environment, representative for the target country, during a period without circumstantial influences;

➤ the test is an instrument used to dissipate any doubts regarding the new product launching and its characteristic features:

- adequate packaging and labelling;
- colour, design;
- promotion, communication;
- consumers' preferences;
- justification of the production-related expenses.

➤ the market selected for being tested should be representative for the markets where the product is supposed to be launched;

➤ the selected country should have institutions specialised in collecting data

regarding the response of the market to the tested product;

➤ the test should be comprehensive enough in order to obtain representative results.

Test advantages:

- it is an instrument used to obtain accurate information;
- accurate forecasts of sales;
- possibility to discover in due time any product shortcoming.

The test is not recommended if:

- the competitors have obtained product-related information;
- the test results have been distorted;
- the test has delayed the product launching on the market;
- the company has not enough resources so as to finance such a project.

Stage 6. Product marketing

It depends on the marketing test results and encompasses the following variants:

➤ the test results fully meet the trader's requirements:

- the product is created as it has been designed before the test performance and the order according to which it will be marketed on different markets, identified as target markets (market potential; company renown; distribution cost; competition; promotion cost), is established;
- the selected strategy is that of simultaneously marketing the product on all markets.

➤ the results of the test are partly satisfactory

There are four options:

- acceptance of results and product marketing;

- performance of additional tests;
- identification of any shortcoming and bringing the related changes to the product or to its mix;
- product full removal.

► the results of the test are not satisfactory:

- product or marketing mix changing;
- planning of a new test in another country;
- product concept removal.

3. Policy of promotion specific to SC Electrecord S.A.

In order to establish the strategy specific to the marketing functional area, the "four P" represent a primordial element based on which the strategies existing at the level of the strategic unit are detailed and concretised at the level of the functional area of the activities, forming the strategy mix. Representing the essence of the marketing activity of a strongly market oriented strategic unit, the marketing mix comprises the key elements of the "four P" namely the supplied product / service, the price or the price range, the sale promotion and the distribution, respectively the assembly containing wholesales, retailers and the transportation and storage system¹. The strategic marketing planning comprises, according to J.H.Myers, successive sequences of opportunity identification, company relevant market selection, product positioning, quantitative target setting and marketing mix development.

Identifying the market opportunities means performing a thorough analysis of the marketing opportunities as well as of the technological and financial capabilities of

the company to profitably take advantage of them.

The market opportunities of the company ELECTRECORD are especially based on the customers' share to which it addresses, mainly private companies and institutions representing the demand greatest part. The company succeeds in satisfying the requirements of this market share by practising advantageous prices, by providing a series of ancillary facilities (discounts for high quantities, promotional prices and offers), but also by promoting the products through advertising on the sale place. Another equally important issue is related to the promotion of its own product range by trademarks, representing products already existing on the market, but under a different name. This type of product use and of labelling under its own trademark allows the company to practice lower prices for products with a quality similar to that of the products registered as trademarks of different manufacturing companies. This type of products and own trademarks represents the point towards which the company is going to direct in the near future.

ELECTRECORD has a special creation-marketing department making market researches, taking part in fairs, studying specialty journals and making polls so as to set the premises for efficiently promoting the company products.

Also, it permanently promotes its products and services by brochures, advertising in newspapers and magazines (Financial Newspaper, Money and BIZ Magazines) and by means of its own web site www.electrecord.ro.

a) Advertising

Advertising represents a series of techniques and means by which a message is sent

¹ Myers, J.H- "Marketing ", McGraw-Hill Book Company, New York, 1986, page 6

to the public via mass-media (written press, radio, television, cinematograph, advertising board). The advertising role is to make the offer known, to render its basic features, to build an image of its own and to incite to purchase and consumption.

Two issues are to be settled during two separate stages: the creation of the advertising message (spot) and the selection of the advertising support (media-planning).

The message creation starts with the selection of an advertising axle meaning a central idea the message should transmit to its recipients. The advertising axle should be distinctive, product tailored, based on motivation or inhibition, centred on a spectrum of positive or negative connotations and it should reach a large public.

The message is built on this axle under the form of texts, images, sounds or combinations of the above-mentioned.

b) Advertising sizes and structure

The spot is selected based on certain criteria such as: cost, covering level, efficiency, need for iteration and multiple insertions etc.

The main media proper for consideration are as follows:

- written press (local newspaper, national newspaper, weekly newspaper, magazine, specialty journal, professional bulletin);
- radio (local, national, specialty radio);
- local and national television;
- poster or advertising board;
- cinema.

A delimitation of the miscellaneous advertising media depending on several criteria (out of the above-mentioned ones) is presented in table 1.

c) Advertising: Centralised or decentralised?

The second issue faced by those resorting to the international advertising refers

to the necessity of centralising or decentralising the process of adoption and application of the decisions regarding this activity. Its solution is directly related to the solution of the previous issue – the advertising standardisation or differentiation – which, at its turn, is influenced by the similarities and differences ascertained as concerns the circumstances of the national markets. The centralisation or decentralisation of the responsibility for adopting and applying the decisions regarding the international advertising is determined by the action of 5 main factors:

- *General and marketing goals of the company.* It is probable for a company placing the accomplishment of the marketing global goals before the accomplishment of the internal goals to centralise its advertising and communication decisional process. The decentralisation of the decisional process is preferred only by a company aiming particularly to get profitable on the short run and to reach its goals locally.

- *Product uniformity.* More alike the products and services traded in different countries, greater possibilities for a uniform approach allowing for the centralisation of the advertising activity management.

- *Product attractiveness.* The maintenance of the product attractiveness elements represents the reason why it is used. The consumption motivation can vary from one country to another, depending on each one culture, irrespective of the consumers' demographic or psychological features. French women drink mineral water to maintain their silhouette while German women drink mineral water to preserve their health. The registration with a golf club in Singapore is closely related to that person social status while in

Great Britain this is deemed to be just an ordinary activity for spending the spare time, save for the clubs established based on certain

criteria. If the attractiveness elements are significantly different, the decentralisation of the decisional process is recommended.

Table 1. Characterisation of the main advertising media

Criteria purpose	Newspaper	Poster	Radio	Specialty journal	Mail, phone, fax	Television	Cinema
Cost	Modest	High	Acceptable	Modest	Low	Very high	High
Efficiency (cost/efficiency ratio)	High	Low	High	High	Very high	Low; Acceptable; High; Very high	Low
Impact on the public (covering)	Acceptable	Acceptable	Acceptable	Low	Very low	Very high	Acceptable
Uses	Regular campaign; Product descriptions; Price	Exhibitions Fairs; Public locations	Sensitisation of shares; General use assets	Presentation of some technical details	Target point; Hit point; Precise shares	Mass consumption; Large public; General use assets	Sensitisation
Effects	Long run campaigns have good results	Creates image	Sensitises if the station is adequately selected	Modest but deep impact	Precise target; Deepness; Certitude		Image; Sales

- *Cultural sensitivity.* If the use and the attractiveness elements of the product are related to culture under the form of the local inhabitants' consumption attitudes, customs and preferences, as for beverages and food, much decentralisation is necessary.

- *Legislative constraints.* The rules and regulations specific to each country influence the adoption and application of the advertising-related decisions. The decentralisation of responsibilities for valuating the local inhabitants' experience and knowledge is necessary wherever there are highly strict regulations imposed to the advertising field. Until getting to the point of a genuine "harmonisation" at the European Union level, the companies should continue to pay a special attention to the subtle differences existing between the rules and practice codes implemented by different countries, in order to avoid making expensive mistakes.

The international organisations have tended to centralise their marketing activities, including the advertising-related ones. This case was particularly obvious in Europe. For many categories of products such as: motor vehicles, durable goods, electronic appliances, cosmetics and beverages, the international companies in Europe have created, at continental level, advertising networks by only one specialised agency. Yet, the retailers, mass-media companies and food industry producers enjoy less the centralisation idea, as they have to adapt their activity to the culture and legislation of each country.

d) Sales promotion

The sales promotion comprises a set of techniques aiming to enrich the offer by adding additional value to the product, price and distribution, for a limited period of time,

considering the business goals of the company and having in view to gain a temporary competitive advantage.

1. Discounts

S.C. ELECTRECORD S.A. gives up on getting benefits, partly or in full, usually only for a few products of its catalogue or for limited periods of time, for several reasons, namely:

- - for penetrating certain markets - penetration prices;
- - for keeping away or for discouraging the competition - keep-out prices;
- - for promoting sales - promotional prices;
- - and more others.

Also, the commercial practice of S.C. ELECTRECORD S.A. is based on the purchasers' psychological stimuli, on their different sensitiveness to the product prices and on the rational and irrational components of their purchasing behaviour. They are called "psychological" prices and encompass a large variety of prices such as: "prestige prices", "leader prices", "bait prices", "magic prices" (ending by figure 9), and others.

S.C. ELECTRECORD S.A. also uses the so-called discrimination prices, depending on the quantities of purchased goods, purchase place and time. These are: fixed prices, negotiable prices, single prices, (for a large variety of products) prices with bonuses or incentives and so on.

Sometimes S.C. ELECTRECORD S.A. handles prices in a specific manner aiming not to render profitable any product or service but to gain long run global optimisation of its activity, enlargement of its stable customers and market strengthening.

2. Other types of promotion

Beyond the traditional techniques used to promote sales, S.C. ELECTRECORD S.A.

also uses the so-called non-conventional promoting techniques, among which those favoured by certain special occasions of the company or by sponsorships granted on specific events or public manifestations.

- a) Techniques relating to the evocation of special events – they are designed to foster and promote human contacts at multiple levels. Such events are as follows:

- ▶ “Natural” events – anniversary of the establishment of S.C. ELECTRECORD S.A. or inauguration of a commercial or economic objective (work point, store).

- ▶ Events specially created by the company – public signing of an agreement of international cooperation, different economic, scientific, cultural or even sport events.

The most representative event is the Golden disk award, a prize granted to singers, either for a high volume of sales (10000 albums sold), or for their entire carrier.

- b) Sponsorship – it represents the financial support offered by S.C. ELECTRECORD S.A. for certain public events in order to make known to the new public the brands under which it provides its products to the market share.

The sponsoring activities have begun in the seventies; they have developed initially in the sport field, then, in the eighties, they have extended to the culture field and finally, in the nineties, they have entered the social and political area.

The interaction between the sponsor companies and the sponsored agents (natural persons, groups or organisations) has as basic premise the existence of common communication goals relating to the market activity, similar to those specific to the other promotional instruments.

The interest for sponsorship has been driven by the successful experiences registered by S.C. ELECTRECORD S.A. which succeeded in this way to produce large audience events, occasions on which it has launched a significant range of products and services.

The last decade, in most developed countries, the number of large sponsoring companies has considerably increased, concomitantly with the enlargement of the sponsored activities.

In many countries, the sponsoring activities benefit from legislative regulations facilitating such promotional approach of the market agents.

3. Personal promotion

If in the past, in the service provision field, the active role was held by the customer, nowadays, the personnel charged with the service rendering has become a key condition in the process encompassing the provision, contacting, transmission of information and settling of the customer's issues.

The direct approach of sales is very important for the commercial and after-sale service provision sector, as the service being sold is intangible; therefore, the advantages of its acquisition from S.C. ELECTRECORD S.A. have sometimes to be explained to the customers. Each employee interacts either with domestic customers or with foreign customers. The quality of the service received by the domestic customers strongly influence the quality of the service extended to the foreign customers. The employees' attitude and behaviour can erode or improve the company renown.

But in order to become efficient, a seller needs, besides some specific innate features, to develop its selling aptitudes by specialty

courses and training. Such courses should cover the following topics:

- interpersonal communication ability;
- familiarisation with specific services and products;
- familiarisation with competition and selling methods.

It hereby results that the recruitment, promotion and training of the personnel as well as the issues relating to the professional activity are very important.

The implementation of the marketing concept as key factor in rendering a business successful implies a certain degree of involvement of the employees. The whole personnel of the company should be involved in the marketing strategy in order to make it succeed.

The professional selling methods generate new business and help the company employees to preserve the customers by meeting all their needs.

The high quality personal sales also maximise the benefits brought by advertising. An efficient publicity campaign may lead to the increase of the number of demands, but the personal sale is the key element cementing the business.

We cannot say that only the personnel coming into direct contact with the public is engaged in sales, but each and every employee. The latter serve the 'first line' employees charged with the responsibility of selling the company products. Therefore, there is a

directly proportional ratio between the quality of the services provided to the company colleagues and the quality of the services provided to customers. The manner of settling a claim, answering the phone and other similar actions affect the perceptions of the customers about the quality of the services provided by the company and will influence their decisions relating to the possibility of purchasing other products from the competition.

An efficient training in sales always starts with an adequate knowledge of the product.

The company can also use programmes for stimulating its employees to improve their knowledge about the company products and services. They should know:

- exactly what the service is about and how it should be provided;
- details about the advantages and benefits provided by the service;
- the market shares to which the service is addressed;
- the cost of the product or service;
- the contact person able to offer them further information.

The rewarding of sales performances and other methods of moral motivation are being used nowadays by most of the companies in order to stimulate their employees.

Therefore, in conceiving its promotional mix, S.C. ELECTRECORD S.A. should pay a very special attention to the personal promotion.

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