

Products, Services & Brands

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MGM204
PRINCIPLE OF MARKETING

Lecture 05





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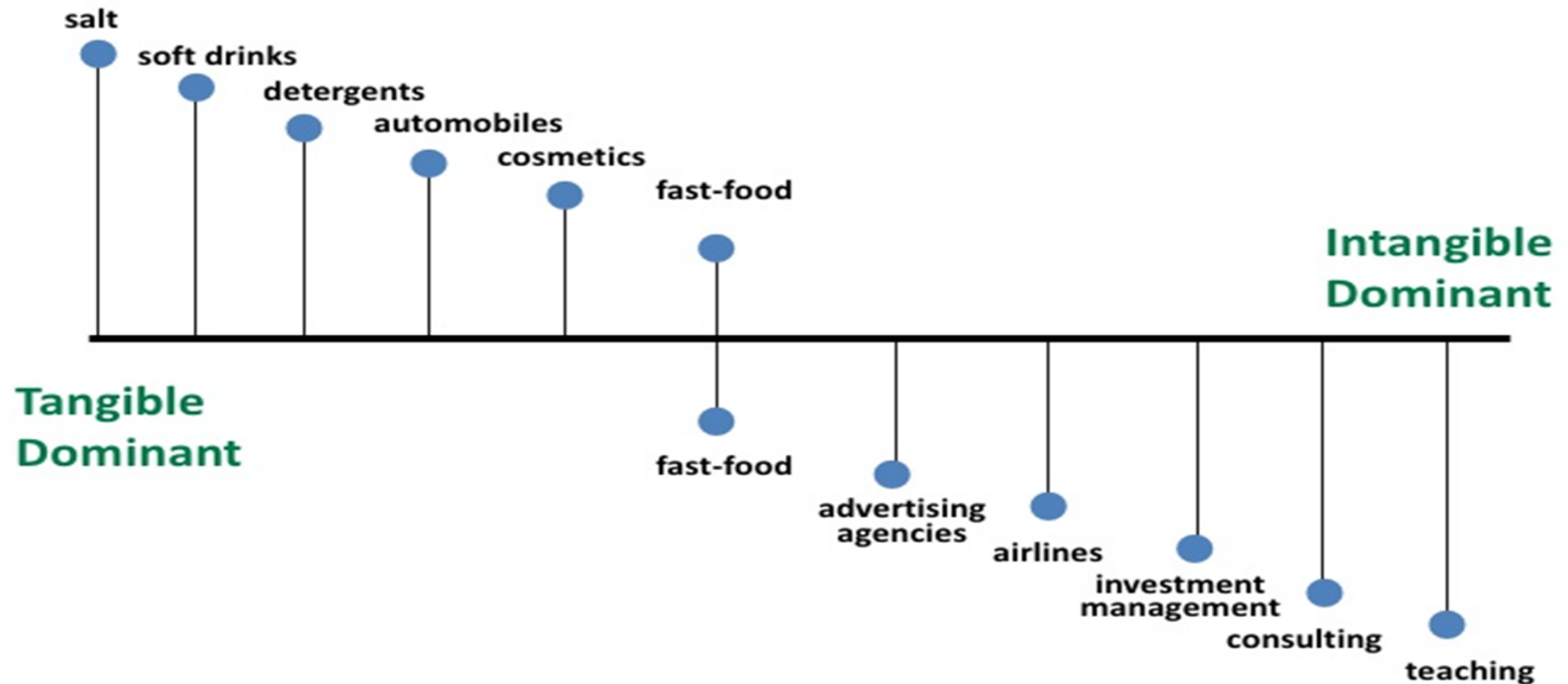
WHAT IS A PRODUCT?

- **PRODUCT**= Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.
- **SERVICE** = An activity , benefits, or satisfaction offered for sale that is essentially intangible and does not result in the ownership of anything.
- Broadly defined, products include tangible products, services, event, persons, places, organization, an idea, or a mixture of these.



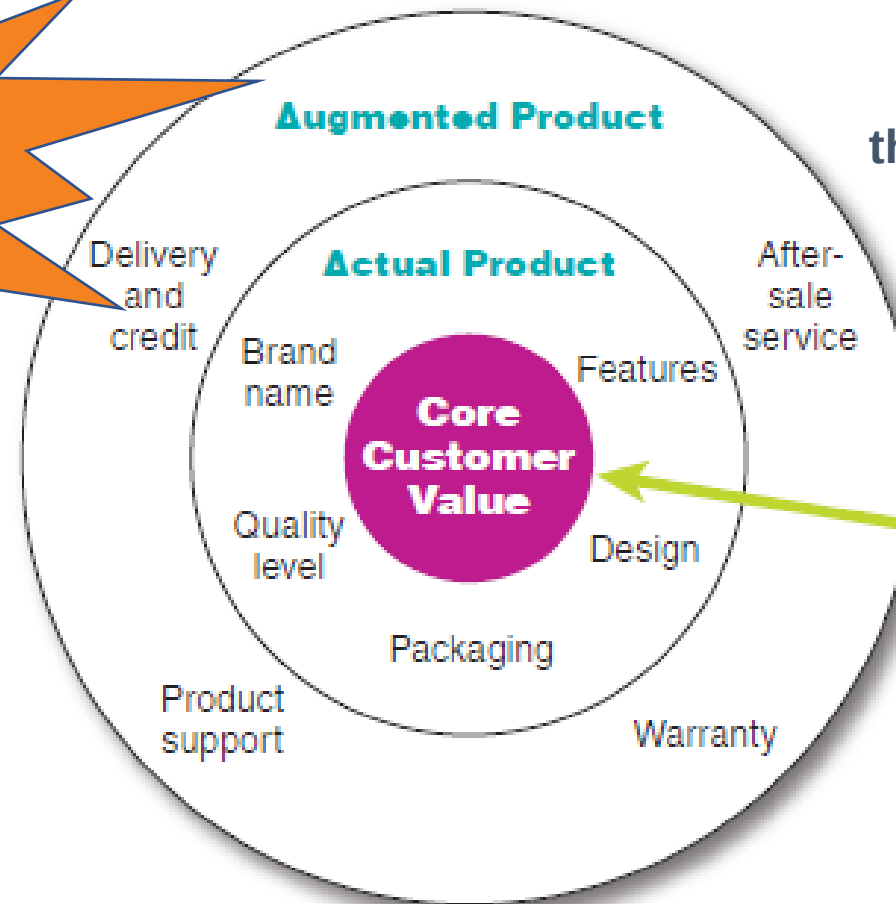
Product & Services

Degree of Tangibility



Level of Product & Services

Each level adds
more customer
value



three levels of Product

At the most basic level, the company asks, "What is the customer really buying?" For example, people who buy an Apple iPad are buying more than just a tablet computer. They are buying entertainment, self-expression, productivity, and connectivity—a mobile and personal window to the world.

Level of Product & Services

Consumers see products as complex bundles of benefits that satisfy their needs. When developing products, marketers first must identify the *core customer value* that consumers seek from the product.



WHAT ARE CUSTOMERS REALLY BUYING?



Charles Revson of Revlon saw this early: “In the factory, we make cosmetics; in the store, we sell hope.”

They are buying entertainment, self-expression, productivity, and connectivity with friends and family—a mobile and personal window to the world



Product and service classifications

- 1. Consumer Products:** are products and services bought by final consumers for personal consumption (Convenience, shopping, specialty, and unsought products).
- 2. Industrial product:** A product bought by individuals and organizations for further processing or for use in conducting a business. (materials and parts, capital items, supplies & services).

Consumer Products Classification

Type of Consumer Products	Definition	Example
Convenience product	A consumer product that customers usually buy frequently, immediately, and with minimal comparison and buying effort.	Laundry Detergent Fast-food...
Shopping product	A consumer product that the customer, in the process of selecting and purchasing, usually compares on such attributes as suitability, quality, price, and style.	furniture, clothing, major appliances, hotel services...
Specialty product	A consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.	specific brands of cars (Ferrari), high-priced photography equipment, designer clothes...
Unsought product	A consumer product that the consumer either does not know about or knows about but does not normally consider buying.	New innovations, life insurance, blood donations to the Red Cross.

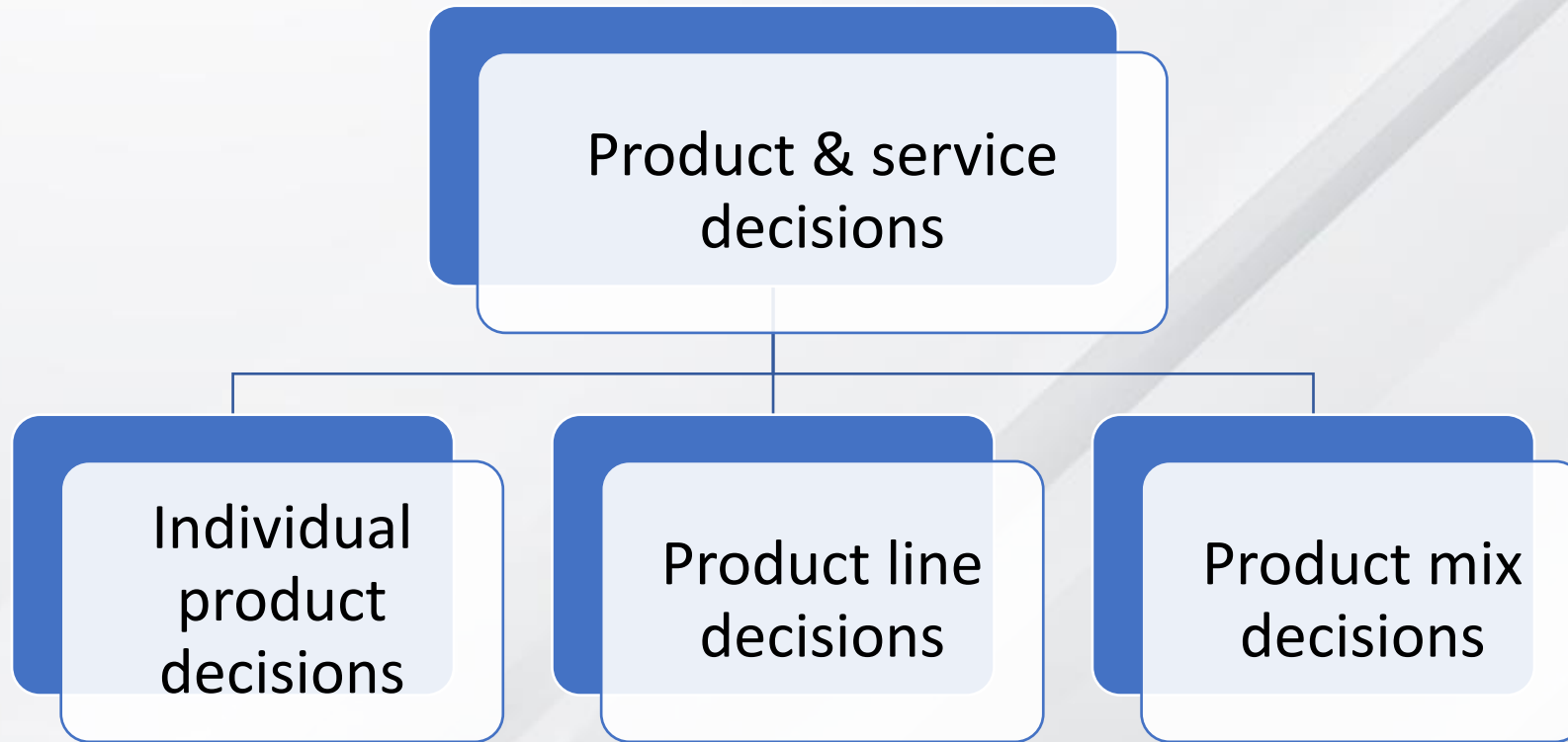
Industrial Products Classification

- Capital items are industrial products that aid in the buyer's production or operations
- Materials and parts include raw materials and manufactured materials and parts usually sold directly to industrial users
- Supplies and services include operating supplies, repair and maintenance items, and business services

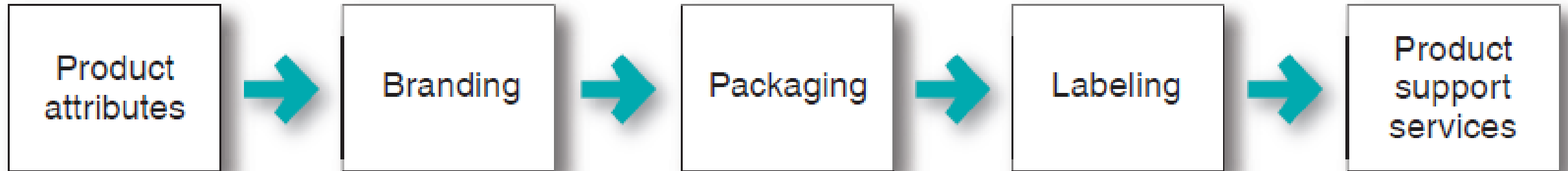
Marketing Considerations for Consumer Products

Marketing Considerations	Type of Consumer Product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness or knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Red Cross blood donations

Product and service Decisions



INDIVIDUAL PRODUCT DECISIONS



Product Attributes

- Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes such as
 - Quality
 - Features
 - Style
 - Design.



Product Attributes



1. Product Quality:

- It is “the characteristics of a product or service that bear on its ability to satisfy stated or implied customer needs”
- Siemens defines quality this way: “Quality is when our customers come back, and our products don’t.”
- Product quality has 2 dimensions: Performance & Conformance.
 - **Performance quality**—the product’s ability to perform its functions.
 - **Conformance quality**- freedom from defects and consistency in delivering a targeted level of performance.

Product Attributes

2. Product Features:

- A product can be offered with varying features. A stripped-down model, one without any extras, is the starting point.
- The company can then create higher-level models by adding more features

Features



4000 mAh battery
Fingerprint sensor
32 mega pixel camera
Wireless charging
8 GB RAM and 1.8 GHz processor
5 ' 7 inch AMOLED panel

Benefits



Long lasting battery
Security
Good pictures
Handy charging
Fast processing
Comfortable screen size

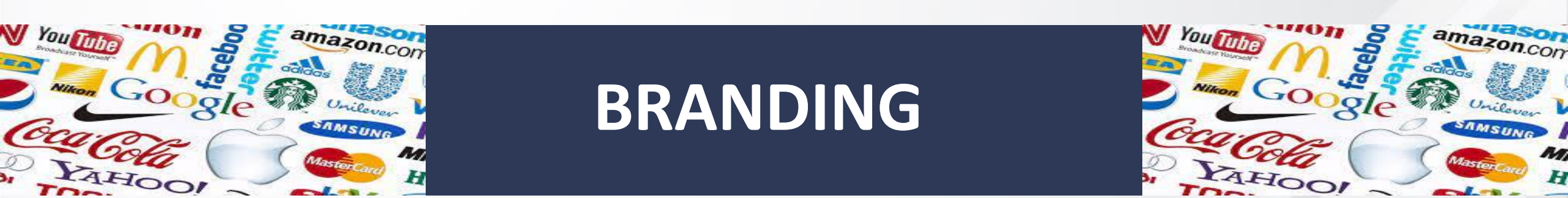
Product Attributes

3. Product style and Design:

- **Style** simply describes the appearance of a product.
- **Design** contributes to a product's usefulness as well as to its looks.



a wireless speaker system that's not just stylish but also easy to set up, easy to use, and easy to move to meet changing needs. (No need for routing wires through walls, complex installation...)



BRANDING

- **Brand:** “A name, term, sign, symbol, or design or a combination of these that identifies the products or services of one seller or group of sellers and differentiates them from those of competitors”.
- Brands represent consumers’ perceptions and feelings about a product and its performance—everything that the product or the service means to consumers.

BRANDING

- Brands exist in the heads of consumers: “Products are created in the factory, but brands are created in the mind.”
- A powerful brand has high brand equity.
- **Brand equity** is the differential effect that knowing the brand name has on customer response to the product and its marketing. It’s a measure of the brand’s ability to capture consumer preference and loyalty. A brand has positive brand equity when consumers react more favorably to it than to a generic or unbranded version of the same product. It has negative brand equity if consumers react less favorably than to an unbranded version.

BRANDING

Brand Positioning:

1. At the lowest level, they can position the brand on *product attributes*. however, attributes are the least desirable level for brand positioning. Competitors can easily copy attributes. More important, customers are not interested in attributes as such—they are interested in what the attributes will do for them.
2. A brand can be better positioned by associating its name with *a desirable benefit*. Exp: Nike (performance), and Instagram (capturing and sharing moments).
3. The strongest brands go beyond attribute or benefit positioning. They are positioned on *strong beliefs and values*, engaging customers on a deep, emotional level.

BRANDING POSITIONING EXAMPLE

- **Product attributes:** fluid absorption, fit, and disposability
- **Desirable benefit:** baby skin-health benefits from staying dry
- **Strong beliefs and values:** love, sleep, and play



BRAND NAME SELECTION

1. It should suggest something about the product's benefits and qualities: Slimfast, Snapchat.
2. It should be easy to pronounce, recognize, and remember: iphone
3. The brand name should be distinctive: Pepsi
4. It should be extendable—Amazon.com
5. The name should translate easily into foreign languages. Bing
6. It should be capable of registration and legal protection.

WHAT ABOUT THIS ICE-CREAM BRAND?

WHAT DO YOU THINK ABOUT THE NAME?



BRANDING

Branding Advantages for buyers:

- Brand names help consumers identify products that might benefit them.
- Brands give consumers clues about product quality and consistency.

Branding Advantages for sellers:

- The seller's brand name and trademark provide legal protection.
- Branding helps the seller to segment markets

PACKAGING

Packaging:

- The activities of designing and producing the container or wrapper for a product.
- Companies are realizing the power of good packaging to create immediate consumer recognition of a brand.
- Poorly designed packages can cause frustration for consumers and lost sales for the company.
- Distinctive packaging may even become an important part of a brand's identity.



Packaging main functions

1. Protect product contents and features



2. Facilitate the process of trading and storage



3. Attract customer attention (“the silent seller”)



4. Facilitating the consumption



LABELING

- **Label:** range from simple tags attached to products to complex graphics that are part of the packaging.
- They perform several functions.
 - label **identifies** the product or brand
 - The label might also **describe** several things about the product (who made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safely).
 - The label might help to **promote** the brand and engage customers.

LABELING

Label

- Labels and brand logos can support the brand's positioning and add personality to the brand.
- Customers often become strongly attached to logos as symbols of the brands they represent. Consider the feelings evoked by the logos of companies such as Coca-Cola, Google, Twitter, Apple, and Nike.

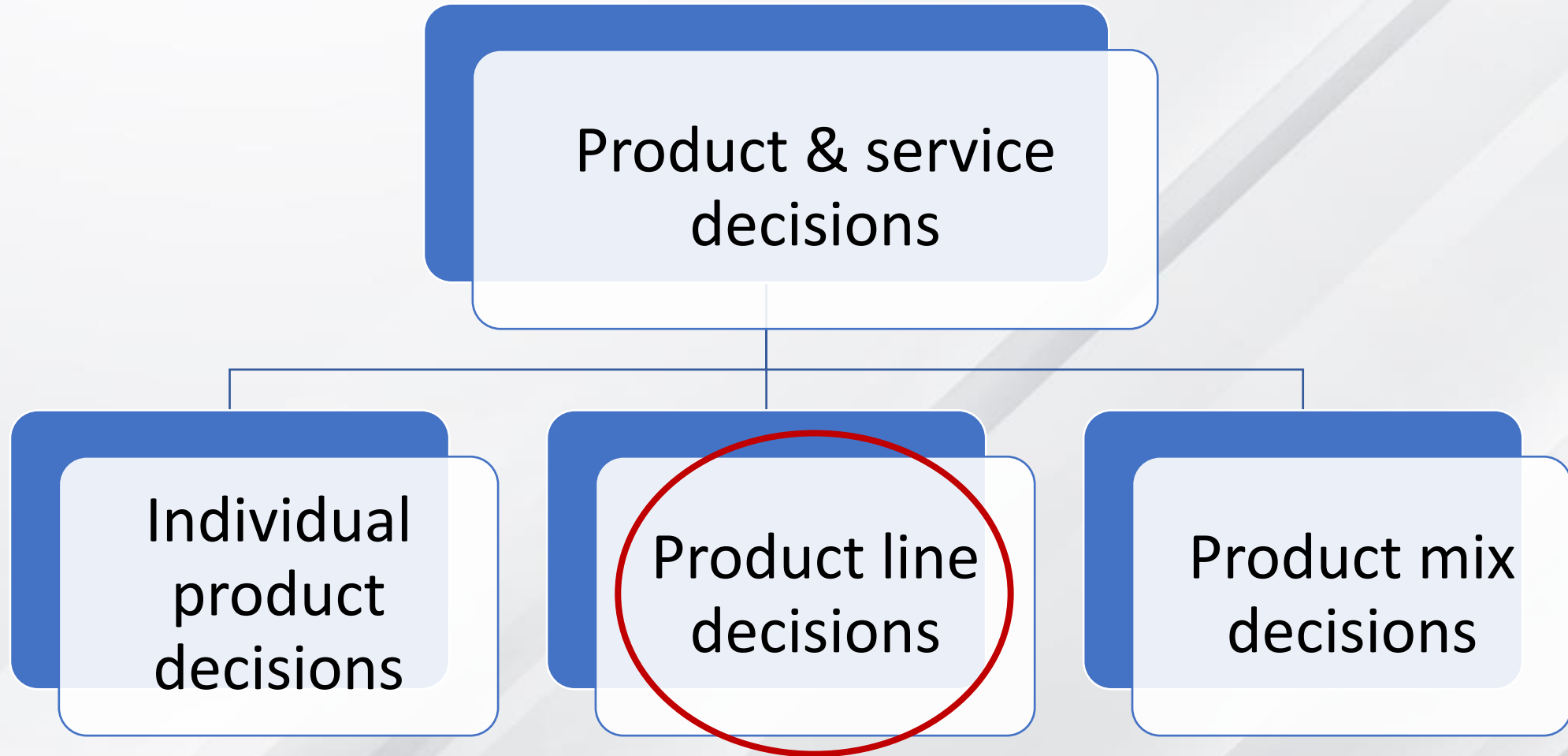


Product support services

- Keeping customers happy *after* the sale is the key to building lasting relationships.
- Support services may include:
 - Warranties
 - Deliveries
 - Repair and maintenance
 - Installation
 - Other services



Product and service Decisions



Product Line Decisions

- **Product line:** A group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.



Product line decisions

- The major product line decision involves *product line length*—the number of items in the product line.
- A company can expand its product line in two ways: by line filling or line stretching
 - *Product line filling* involves adding more items within the present range of the line
 - *Product line stretching* occurs when a company lengthens its product line beyond its current range

Product line decisions

Product line filling

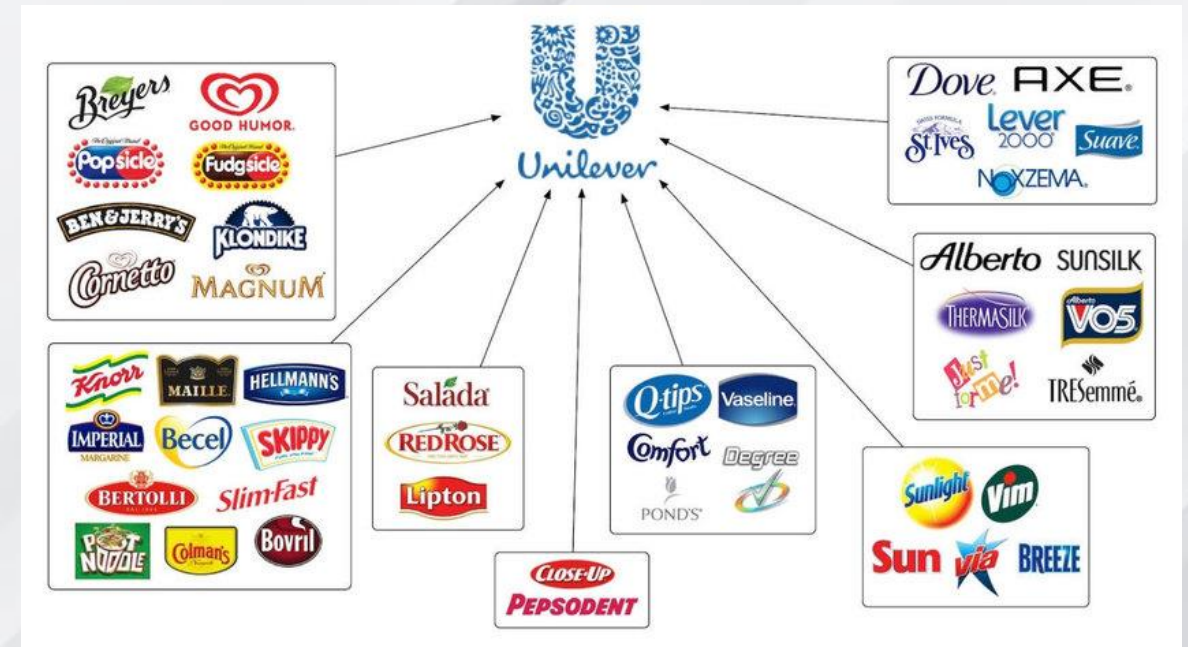
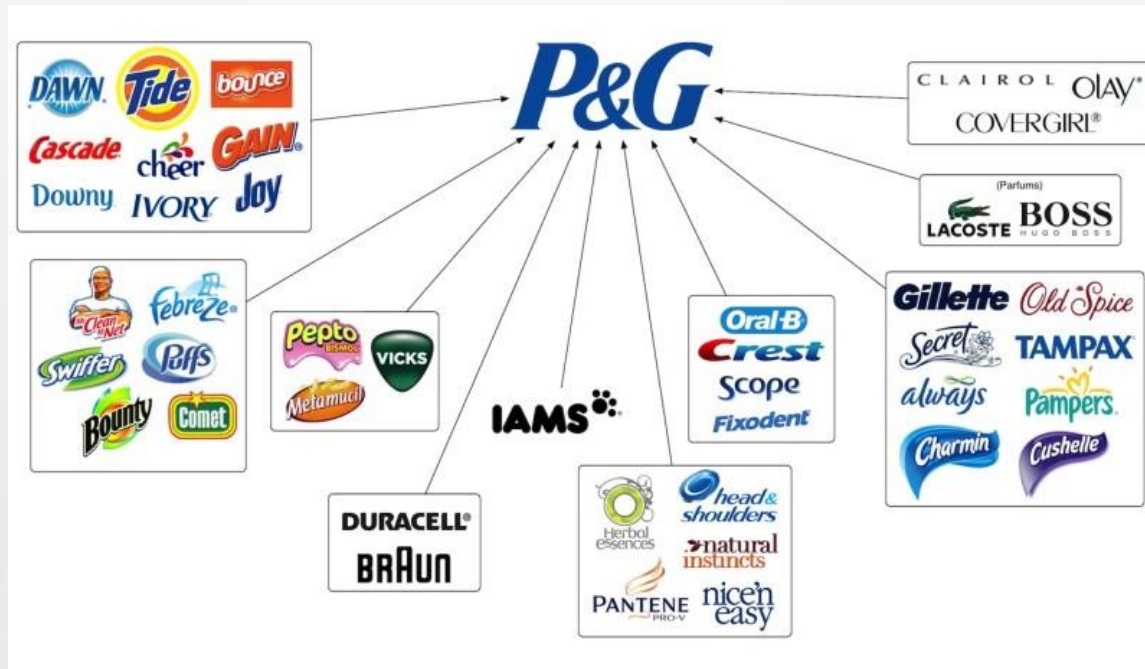


Product line stretching



Product Mix decisions

The set of all product lines and items that a particular seller offers for sale.

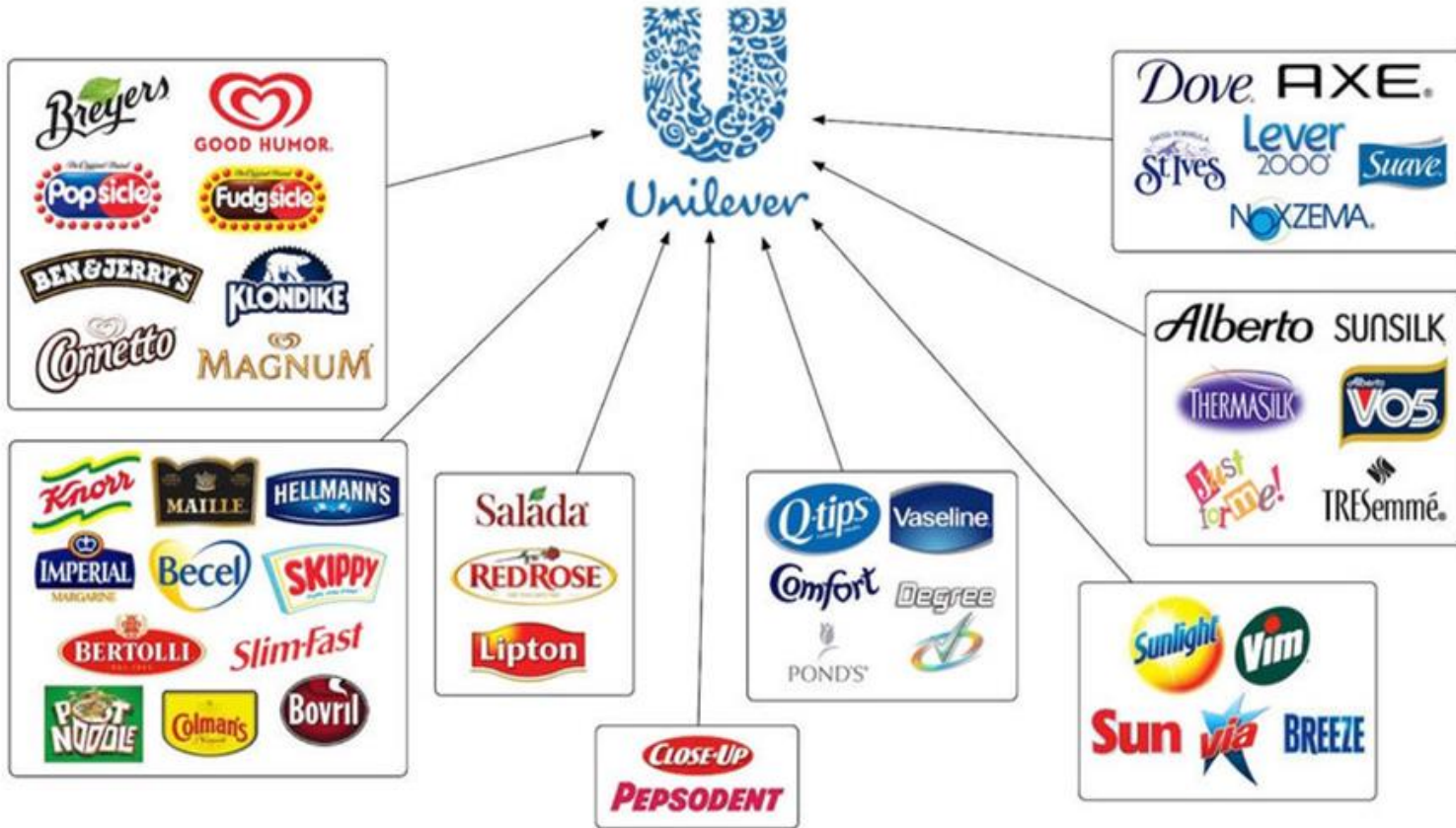


Product mix decisions

A company's product mix has four important dimensions: **width, length, depth, and consistency.**

Product mix dimensions	Definition
Product mix <i>width</i>	The number of different product lines the company carries.
Product mix <i>length</i>	The total number of items a company carries within its product lines.
Product mix <i>depth</i>	The number of versions offered for each product in the line.
Product mix <i>Consistency</i>	How closely related the various product lines are in end use, production requirements, distribution channels, or some other aspect.

Product Mix Example



Width = 7 Lines of products

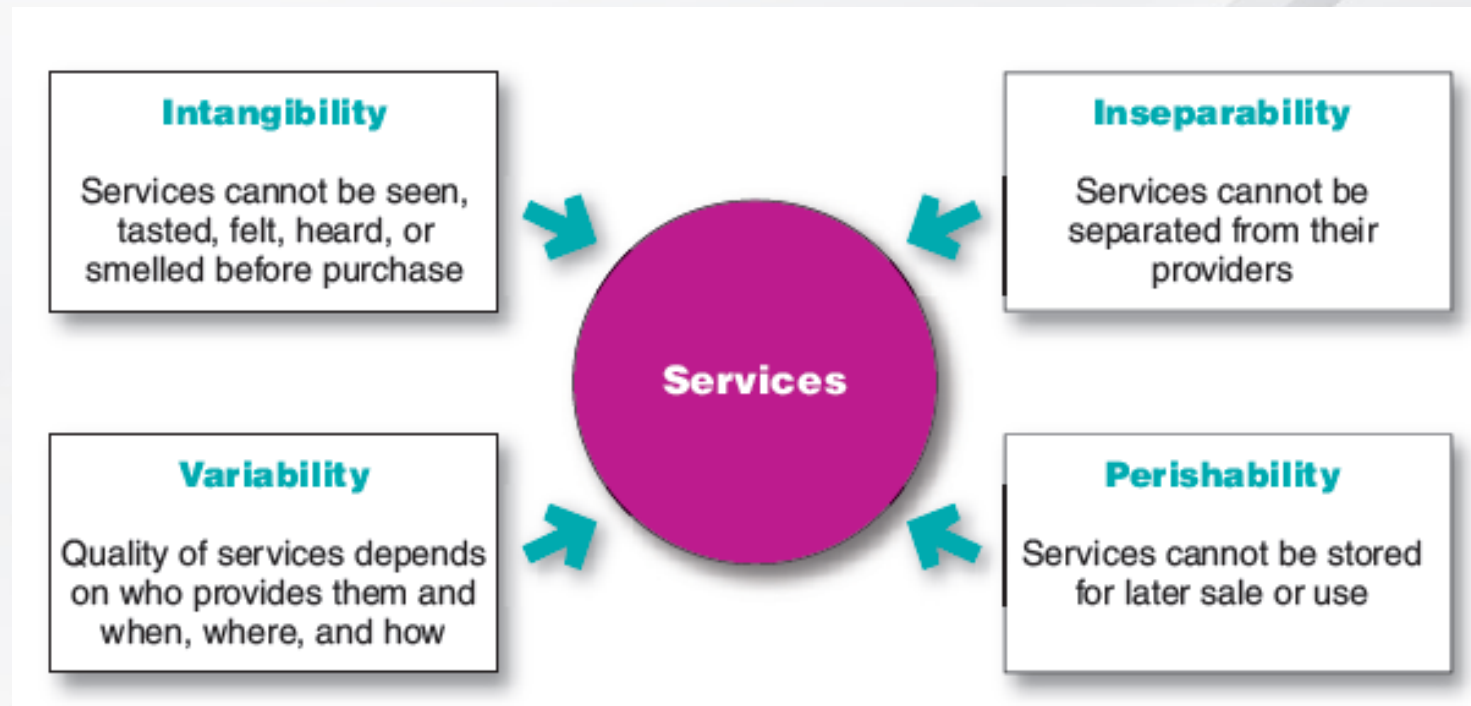
Length= The ice cream line, for example, has 8 different brands.

Depth= The Breyers line has various flavours

Consistency= Home & Personal care + Food

Nature and Characteristics of Services

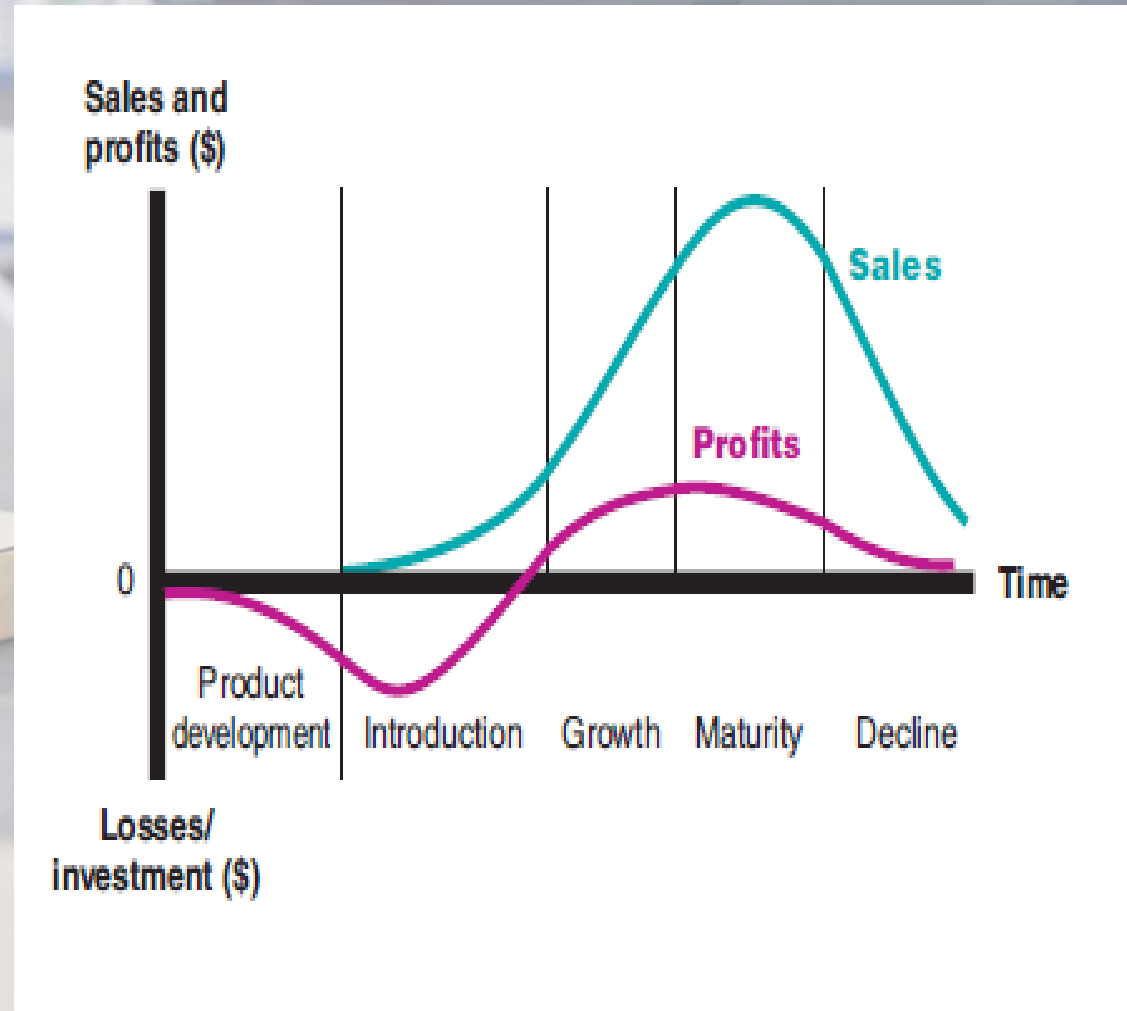
- A company must consider four special service characteristics when designing marketing programs: intangibility, inseparability, variability, and perishability



Product Life Cycle Definition

All products have a particular life span, which is called the product life cycle. The length of time a product is on the market is largely contingent upon its competition, technology and even the savvy of a company's marketing department. One of the best ways of extending a product's life cycle is to continuously garner feedback from consumers, finding out what they need and want from a particular product.

Product life cycle (Plc): The course of a product's sales and profits over its lifetime.



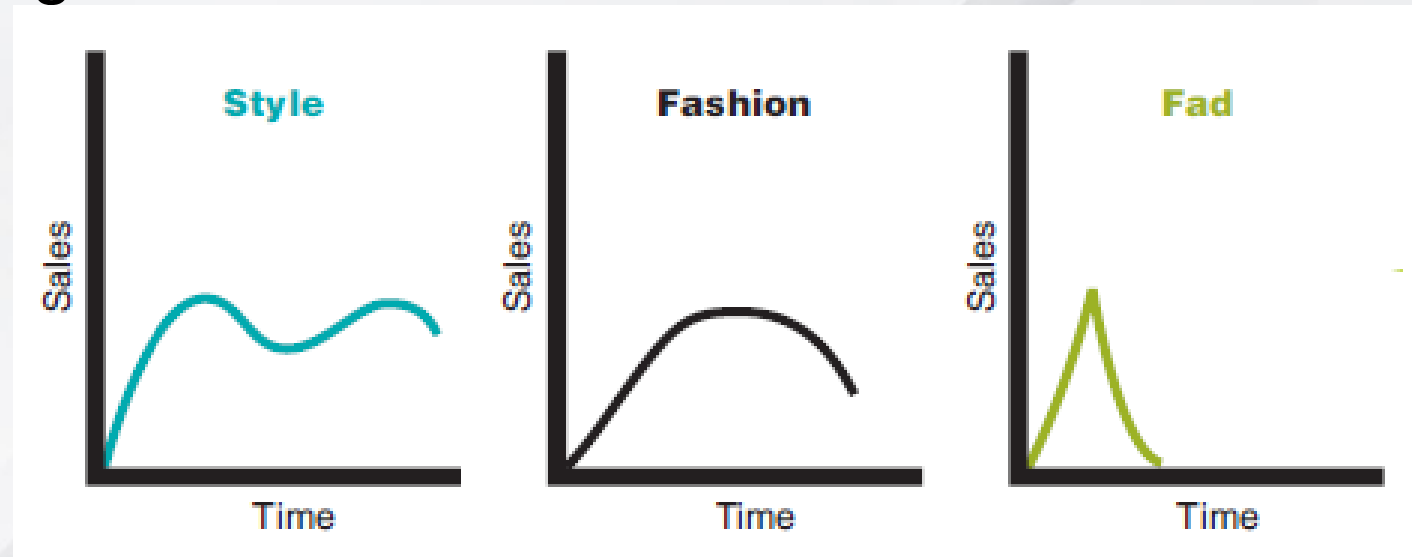
THE PRODUCT LIFE CYCLE

The PLC has five distinct stages:

1. **Product development:** begins when the company finds and develops a new product idea. During product development, sales are zero, and the company's investment costs mount.
2. **Introduction:** is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.
3. **Growth:** is a period of rapid market acceptance and increasing profits.
4. **Maturity :** is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.
5. **Decline:** is the period when sales fall off and profits drop.

THE PRODUCT LIFE CYCLE

- Not all products follow all five stages of the PLC. Some products are introduced and die quickly; others stay in the mature stage for a long, long time. Some enter the decline stage and are then cycled back into the growth stage through strong promotion or repositioning.



THE PRODUCT LIFE CYCLE

The Development Stage:

- Initial Ideas – possibly large number
- May come from any of the following –
 - Market research – identifies gaps in the market
 - Monitoring competitors
 - Planned research and development (R&D)
 - Luck or intuition
 - Creative thinking – inventions, feeling
 - Futures thinking – what will people be using/wanting/needing 5,10,20 years hence?



THE PRODUCT LIFE CYCLE

Introduction Stage:

- It's the PLC stage in which a new product is first distributed and made available for purchase.
- Profits are negative or low because of the low sales and high distribution and promotion expenses.
- This stage requires an increase in advertising and personal selling efforts and marketing efforts should be directed towards creating brand awareness, positioning the products in the consumers' minds and demonstrate its benefits and superiority.
- Marketers should follow up and make any necessary modification as defects may appear as a result of the actual consumption of the products.



THE PRODUCT LIFE CYCLE

Growth Stage:

- It's the PLC stage in which a product's sales start climbing quickly.
- The product captures larger segments of the market
- Sales increase significantly at this stage.
- Attracted by the opportunities for profit, **new competitors will enter the market.**
- Company improves product quality and adds new product features and models. It enters new market segments and new distribution channels.
- Companies keep their promotion spending at the same or a slightly higher level. It shifts some advertising from building product awareness to building product conviction and purchase,
- It keeps prices at the same level or lowers prices at the right time to attract more buyers.



THE PRODUCT LIFE CYCLE



Maturity Stage:

- It's the PLC stage in which a product's sales growth slows or levels off.
- This maturity stage normally lasts longer than the previous stages, and it poses strong challenges to marketing management.
- Competitors begin marking down prices, increasing their advertising and sales promotions, and upping their product development budgets to find better versions of the product. These steps lead to a drop in profit.
- In **modifying the market**,
 - the company tries to increase consumption by finding new users and new market segments for its brands.
 - The company may also look for ways to increase usage among present customers

THE PRODUCT LIFE CYCLE



- The company might also try **modifying the product**
 - changing characteristics such as quality, features, style, packaging, or technology platforms to retain current users or attract new ones.
- The company can try **modifying the marketing mix**—improving sales
 - Changing one or more marketing mix elements. The company can offer new or improved services to buyers.
 - It can cut prices to attract new users and competitors' customers.
 - It can launch a better advertising campaign or use aggressive sales promotions—trade deals, cents-off, premiums, and contests.
 - The company can also move into new marketing channels to help serve new users.

THE PRODUCT LIFE CYCLE



Decline Stage:

- The PLC stage in which a product's sales fade away. Sales may plunge to zero, or they may drop to a low level where they continue for many years.
- Sales decline for many reasons, including technological advances, shifts in consumer tastes, and increased competition.
- Some firms withdraw from the market. Those remaining may prune their product offerings. In addition, they may drop smaller market segments and marginal trade channels, or they may cut the promotion budget and reduce their prices further.

THE PRODUCT LIFE CYCLE



- Companies must identify products in the decline stage and decide whether to maintain, harvest, or drop them.
- Management may decide to *maintain* its brand, repositioning or reinvigorating it in hopes of moving it back into the growth stage of the product life cycle
- Management may decide to *harvest* the product, which means reducing various costs (plant and equipment, maintenance, R&D, advertising, sales force), hoping that sales hold up. If successful, harvesting will increase the company's profits in the short run.
- Management may decide to *drop* the product from its line. The company can sell the product to another firm or simply liquidate it at salvage value.

Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Mainstream adopters	Lagging adopters
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives				
	Create product engagement and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build engagement and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyalists
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

LOONEY TUNES



"That's all Folks!"



Thank You