



POLITECNICO  
DI MILANO



## Marketing mix: **Introduction Product - Service – Experience**

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Analyze the Market done  
STP done  
analyze of company  
...

place, distribution is  
problem most of the  
times



1. Introduction to marketing mix
2. Product
3. Service
4. Experience

## Strategic marketing

(Vision, Business mission, Objectives, Industry/Demand/Market Analysis, Pestel, Competitor Analysis, Purchasing Behavior, STP, BI, Portfolio Analysis,....SWOT)



Consistent to corporate strategy

Aimed at satisfying customer needs

Resulted in the definition of a suited value proposition



## Operational marketing

Translation of the marketing strategy into decisions

Decisions about:

Product/service/experience

Price

Promotion (Communication)

Place(distribution)



## **Endogenous variables** (marketing effort) affecting demand

Product/service

Pricing

Distribution

Promotion / Communication

Personal selling



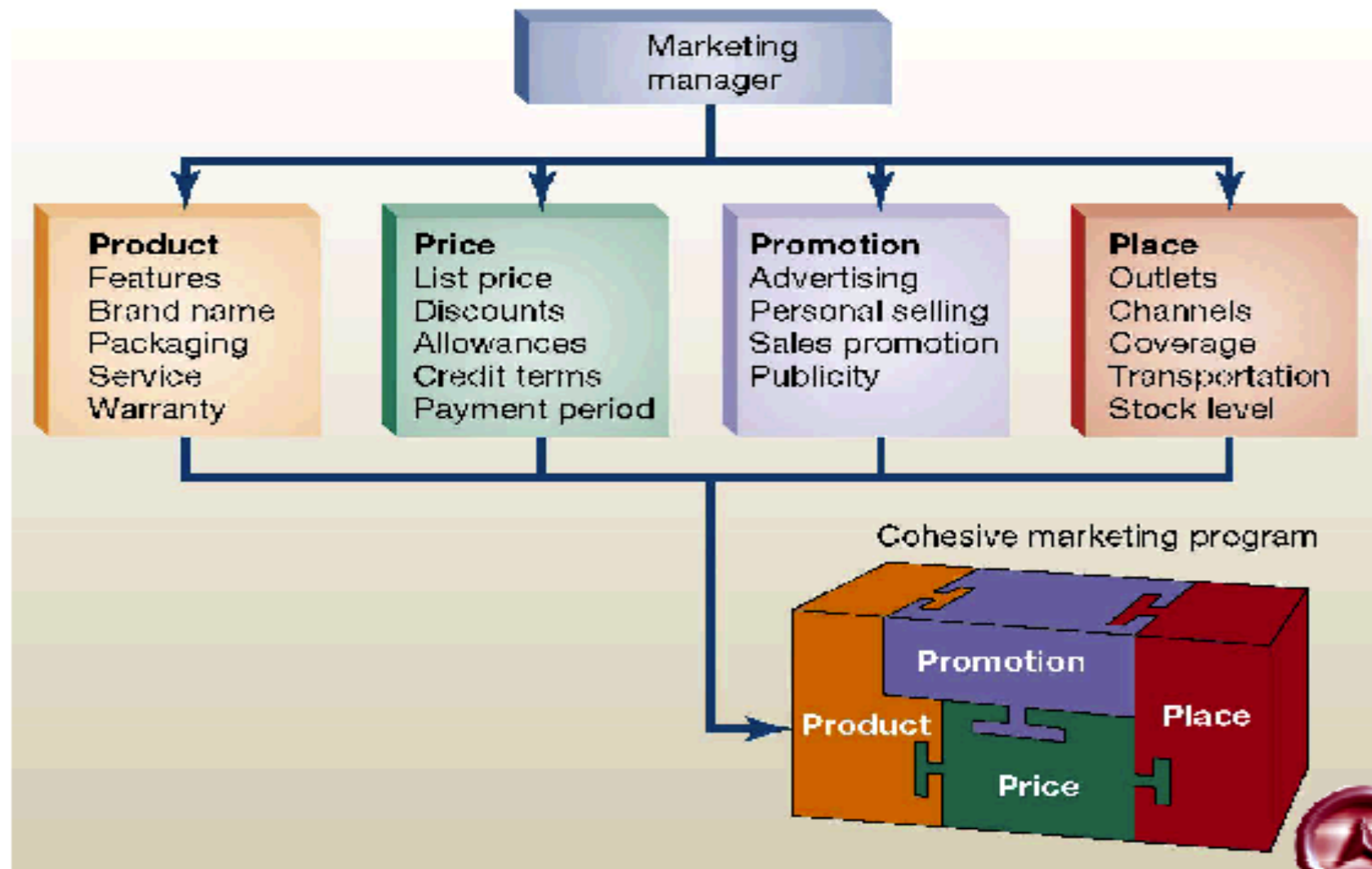
Marketing mix is a set of **marketing levers**

The most famous model of marketing mix is the so-called **4P** model  
(McCarty, 1960)

- Product
- Price
- Place
- Promotion



# “4P” model





V.A. Zeithaml e M.J. Bitner





**People.** The **company's employees** are important in marketing specially when they are the ones who deliver the service. Having the right people to support the company's service is a must. Excellent front end personnel can provide support with clearly known expectations. Knowledgeable staff adds much value to the service offering.

**Process.** The systems and processes of the organization affect the execution of the service. The **service companies need solid procedures and policies**, customer oriented.

## **Physical Evidence.**

Physical evidence refers to everything your customers see when interacting with your business. This includes:

- the physical environment where you provide the product or service
- the layout or interior design
- your packaging
- your branding.

Physical evidence can also refer to your staff and how they dress and act.

purple cow => innovation



To be effective, a company's marketing mix must be designed and implemented according to some fundamental rules

The marketing mix must be:

- 1 ^ Rule: Consistent with customer needs
- 2 ^ Rule: Consistent with the objectives of competitive advantage
- 3 ^ Rule: Consistent with the positioning objectives
- 4 ^ Rule: Capable of an effort (marketing investment) appropriate to the objectives of market share
- 5 ^ Rule: Equipped with a solid "internal" consistency among its various components
- 6 ^ Rule: Consistent with general corporate policies



## 2. Product

- ♦ A product is the result of the transformation of materials into goods that have some value to people (economic, aesthetic, symbolic).
- ♦ A product is the object resulting from transforming activities using materials, into a good that can be offered on the market to satisfy wants or needs.
- ♦ A product is something that can be offered to a market to satisfy a want or a need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas” (Philip Kotler).
- ♦ This is a broader view that includes services and incorporates the concept of a commercial offering.



## ♦ DURABILITY AND TANGIBILITY

- ♦ Durable goods (clothing, refrigerators, cars, etc.,)
- ♦ Nondurable goods (food, soap, etc.,)
- ♦ Services (repairs)

## ♦ CONSUMER GOODS

- ♦ Convenience goods (purchased frequently and with minimum effort. e.g.: cigarettes, newspapers, etc.,)
  - staples (purchased on a regular basis) -> toothpaste
  - impulse goods (purchased without any planning) -> candy bar
  - emergency goods (purchased when a need is urgent) -> umbrella during a rainstorm
- ♦ Shopping goods (goods the customer compares on such bases as quality, price and style) -> furniture, clothing, major appliances.
- ♦ Specialty goods (have unique characteristics for which buyers are willing to make a special purchasing effort) -> Mercedes
- ♦ Unsought goods (goods a customer does not normally think of buying) -> smoke detector, gravestones.

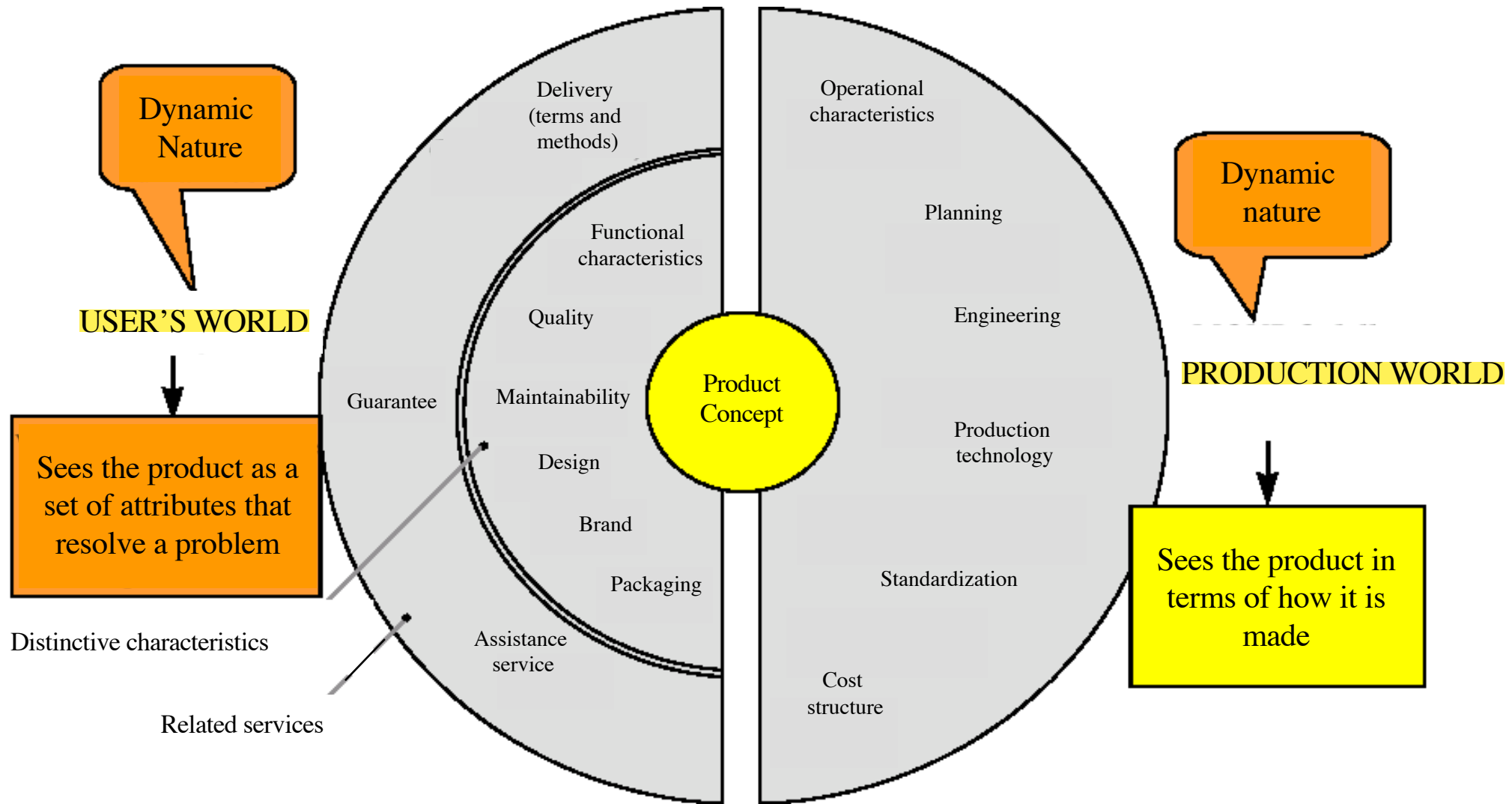


## ♦ INDUSTRIAL GOODS

- ♦ Materials and parts (enter the product completely)
  - Raw materials
  - Manufactured materials and parts
- ♦ Capital items (enter the product partially)
- ♦ Long-lasting goods that facilitate developing or managing the finished product
  - Installations
  - Equipment
- ♦ Supplies and business services (do not enter the product).
- ♦ Short-lasting goods and services that facilitate developing or managing the finished product.



# The product model



# The product concept : the basic dimensions

The product concept expresses:

- What it is
- What it does
- Who it is intended for
- What it signifies for customers

*E.g. Compact sports car : small, light, good acceleration, aggressive design, range of prices...*

*E.g. Pallet packaging machine, extendable polythene, without pallet rotation, medium capacity and high reliability, price no more than 20% higher than that of competitors ...*

# Product from a **user perspective**: distinctive characteristics

- **Functional characteristics:** what the product gives and can do, what problems it resolves. Communicated in user language
- **Quality:** measured using parameters relating to the particular class of product considered
- **Maintainability:** product's ability to undergo maintenance
- **Design:** not only aesthetics
- **Brand:** associates the product with the producer, evoking general characteristics of quality, reliability, etc ...
- **Packaging:** protection during transport and storage, easy to dispose of recycle, appropriate for use of the good it contains and informative/evocative



# Quality as a Product Objective

Product quality is the overall ability of a product to satisfy customer expectations

Dimensions of product quality

- durability
- reliability
- precision
- ease of use
- product safety
- aesthetic pleasure

# Product from a producer perspective

- **Operational characteristics:** technological-project translation of the functional characteristics
- **Engineering:** aims to render the project more suitable to being manufactured using the chosen productive technology.
- **Standardization:**
  - **Internal:** reduces the variety of the components
  - **External:** fine-tuning of the technical characteristics with the market standard, to broaden possible users
- **Cost structure:** production-market system relationship. Variety drives costs, thus it is necessary to face the increase in costs due to augmented complexity
  - Flexible specialization
  - Standardization
  - Modularization

# Key element for a product in marketing

- A. The product «level»
- B. The voice of the customer
- C. Product life cycle
- D. Product line assortment
- E. Product strategy formulation
- F. New product development

## A. The 5 product levels

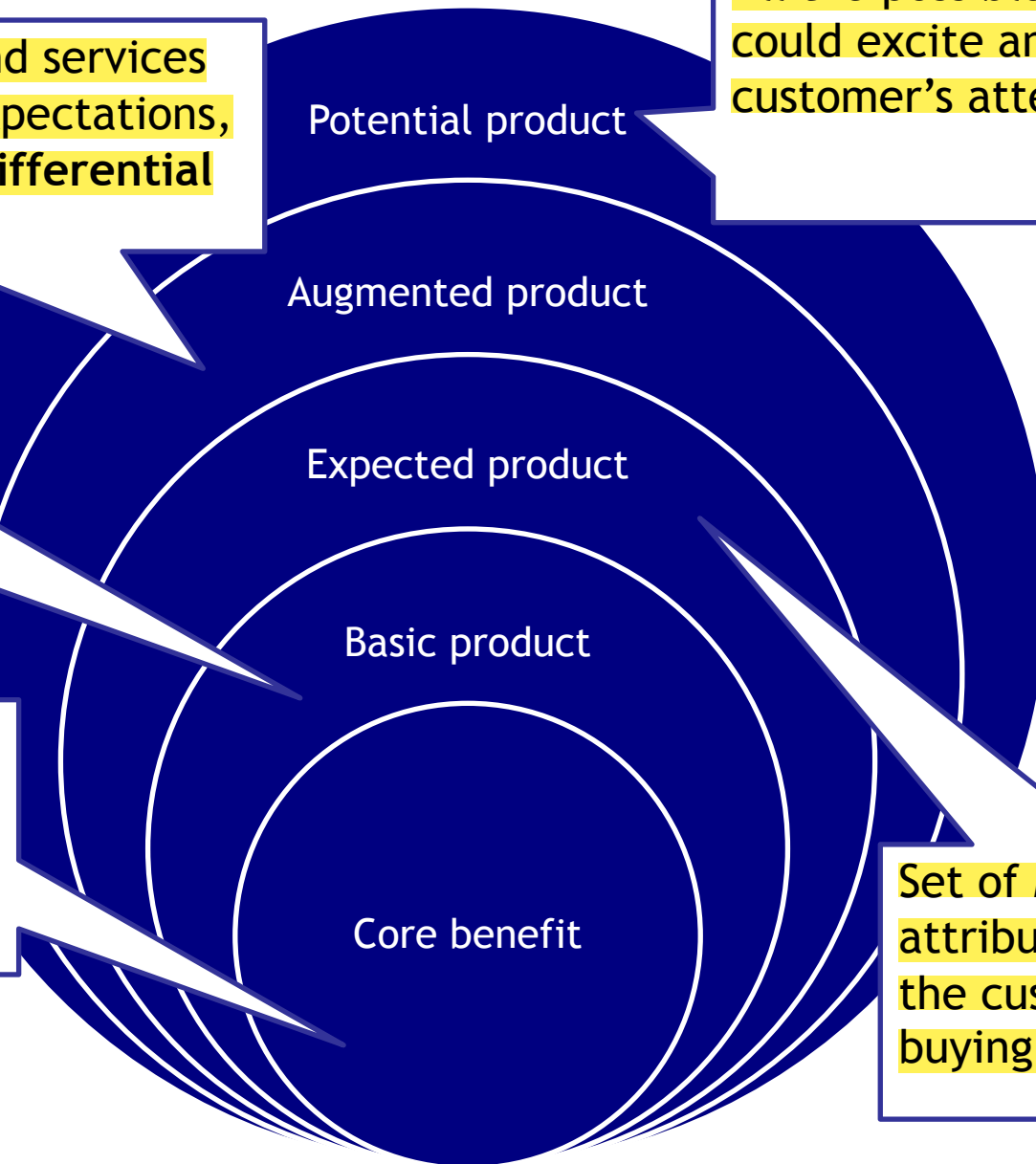
Complementary features and services going beyond customers' expectations, creating the competitive differential

All the possible additions that could excite and stimulate a customer's attention

Basic technical specifications of the product ("the thing")

fundamental service or benefit that the customer is seeking (e.g. drill → hole)

Set of *minimal* attributes looked for by the customer when buying the product



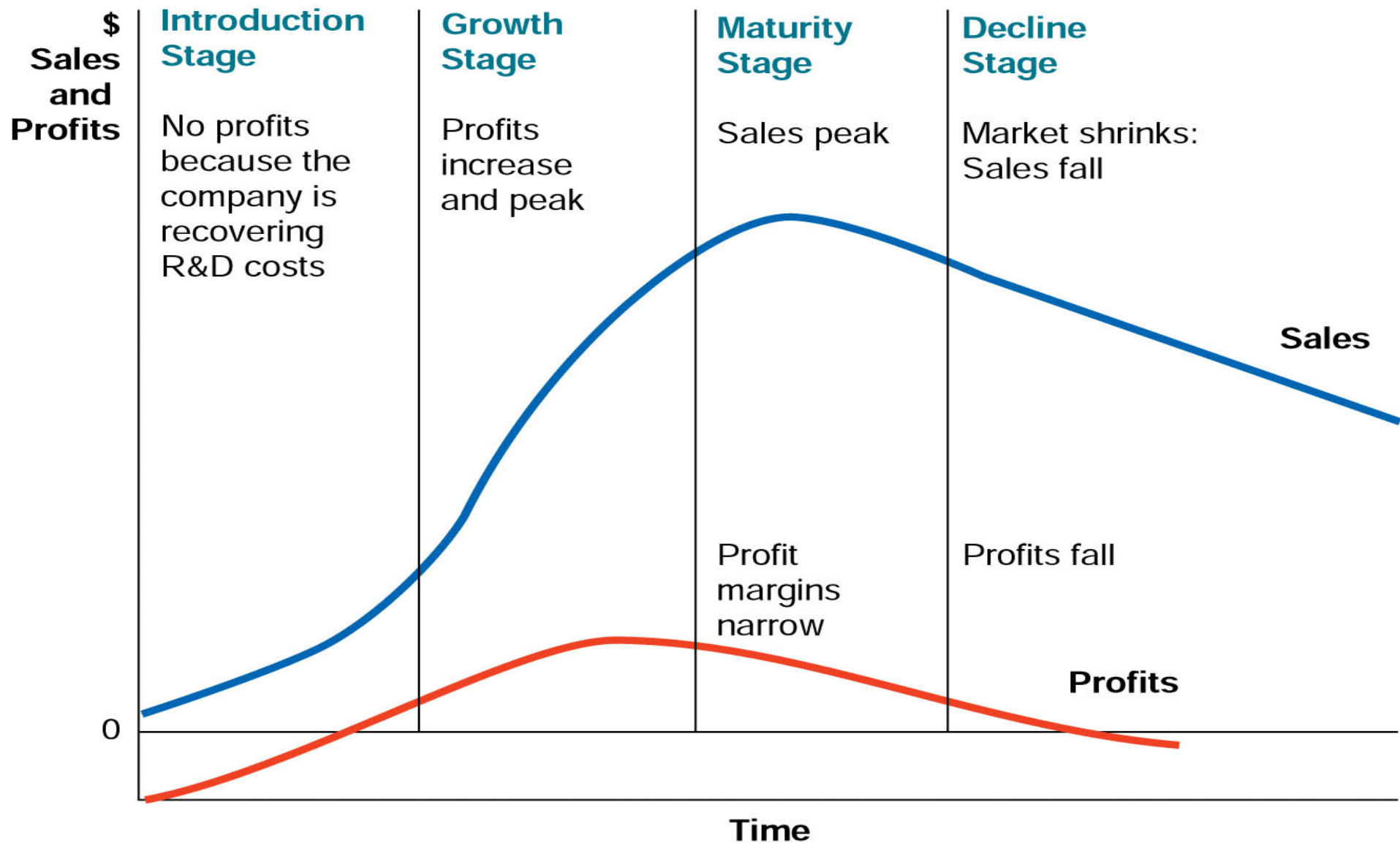


## B. The voice of the customer

- ♦ Identify the Voice of the Customer
- ♦ Translate Voice of the Customer into Critical to Quality Characteristics (CTQs)
- ♦ Rank the CTQs into three categories:
  - Dissatisfier - Must be's - Cost of Entry
  - Satisfier - More is better - Competitive
  - Delighter - Latent Need - Differentiator
- ♦ Evaluate Current Performance

kanno model

# C. Product Life Cycle



# Lifecycle Stage Characteristics

	Intro	Growth	Shakeout	Maturity	Decline
<b>Market growth rate</b> (constant dollars \$\$)	Moderate	High	Leveling Off	Insignificant	Negative
<b>Technical change in product design</b>	High	Moderate	Limited	Limited	Limited
<b>Segments</b>	Few	Few - Many	Few- Many	Few-Many	Few
<b>Competitors</b>	Small	Large	Decreasing	Limited	Few
<b>Profitability</b>	Negative	Large	Low	Large for high market-share holders	Low

# Company's response

**Intro**

**Growth**

**Shakeout**

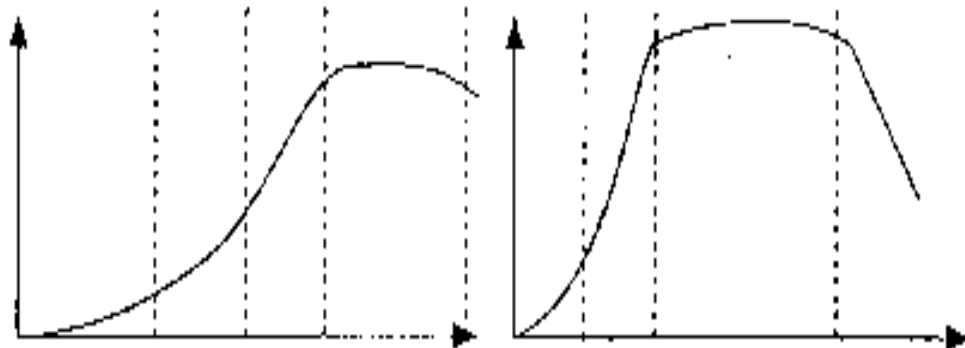
**Maturity**

**Decline**

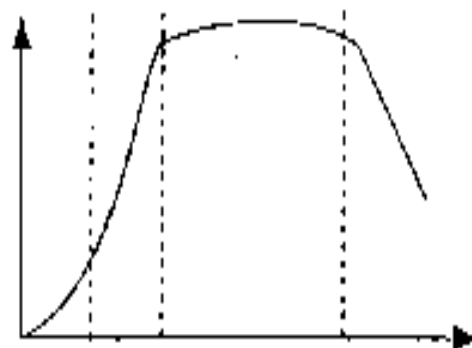
Strategic Marketing Objectives	Stimulate Primary Demand	Build Share	Build Share	Hold Share	Harvest
Product	Quality Improvement	Continue Quality Improvements	Rationalize	Concentrate on Features	No Change
Product Line	Narrow	Broad	Rationalize	Hold Length of Line	Reduce Length of Line
Price	Skimming vs. Penetration	Reduce	Reduce	Hold or Slightly Reduce	Reduce
Channels	Selective	Intensive	Intensive	Intensive	Selective
Communications	High	High	High to Declining	High to Declining	Reduce



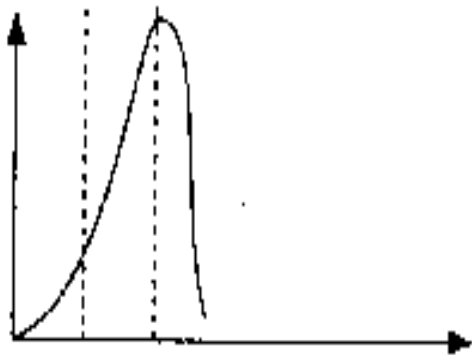
# Examples of product life cycle



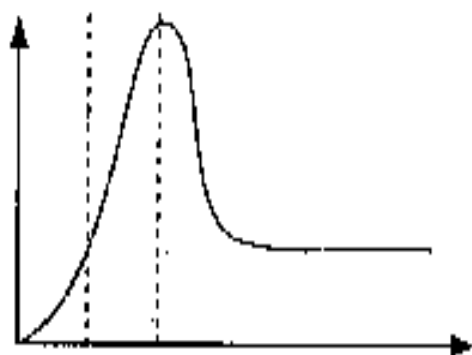
(a) Apprendimento lungo



(b) Nessun apprendimento



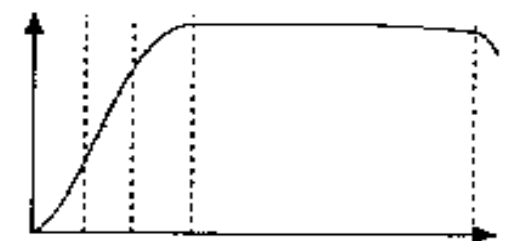
(c) "Fuoco di paglia"



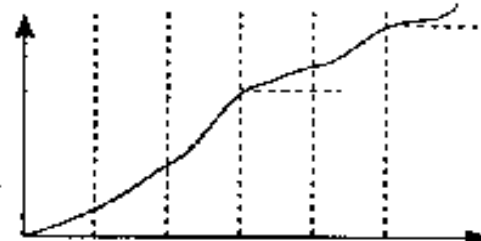
(d) "Fuoco di paglia"  
con mercato residuo



(e) Fiasco



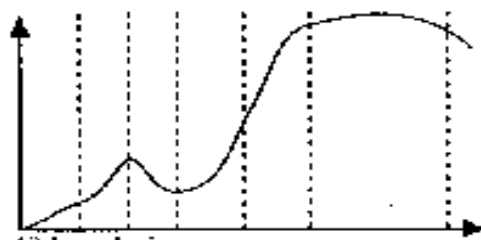
(f) Ciclo lungo



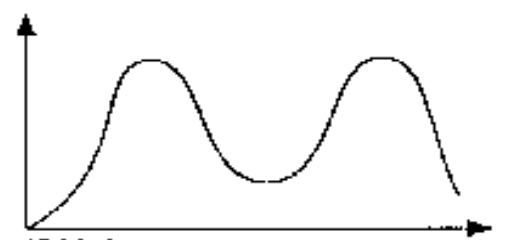
(g) Riprese successive



(h) Nuovo inizio



(i) Introduzione mancata



(j) Moda

pre-sales !  
Crowd funding

## D. Product **Line Assortment**

A product line is a firm's total product offering designed to satisfy a single need for target customers

Product lines are groups of products characterized by:

the same **function**

the same **target**

the same **channels**

the same **price range**

# Product line decisions

A product mix is a firm's entire range of products (chainsaws, grass trimmer, garden tractor,..)

Product lines (ie chainsaws) are groups of products characterized by:

- ☐ the same function
- ☐ the same target
- ☐ the same channels
- ☐ the same price range

# Product line decisions

## A) Line analysis

Sales and profit analysis  
Market analysis

## B) Line length

For high market shares → extension  
For high margins → cherry picking

## C) Line stretching

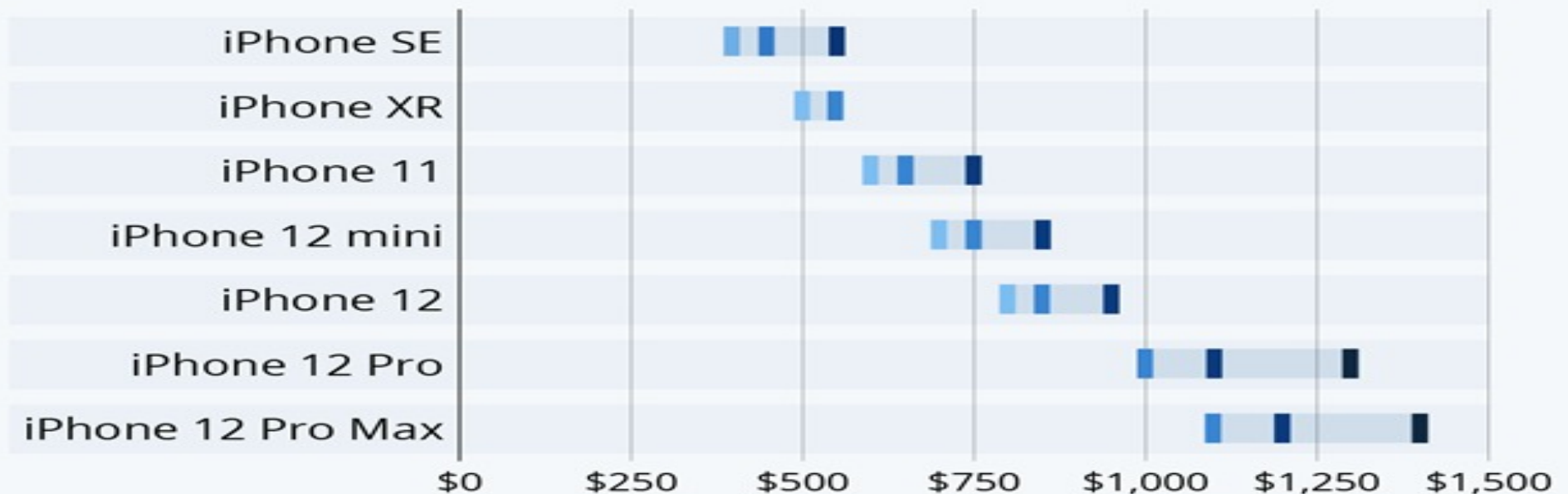
Downward  
Upward  
Two-way

# Line filling

## An iPhone for (Almost) Every Wallet

Pricing of Apple's current iPhone line-up in the United States (as of October 2020)

64GB 128GB 256GB 512GB



Source: Apple



## E. Product Strategy Formulation

Why have this product?

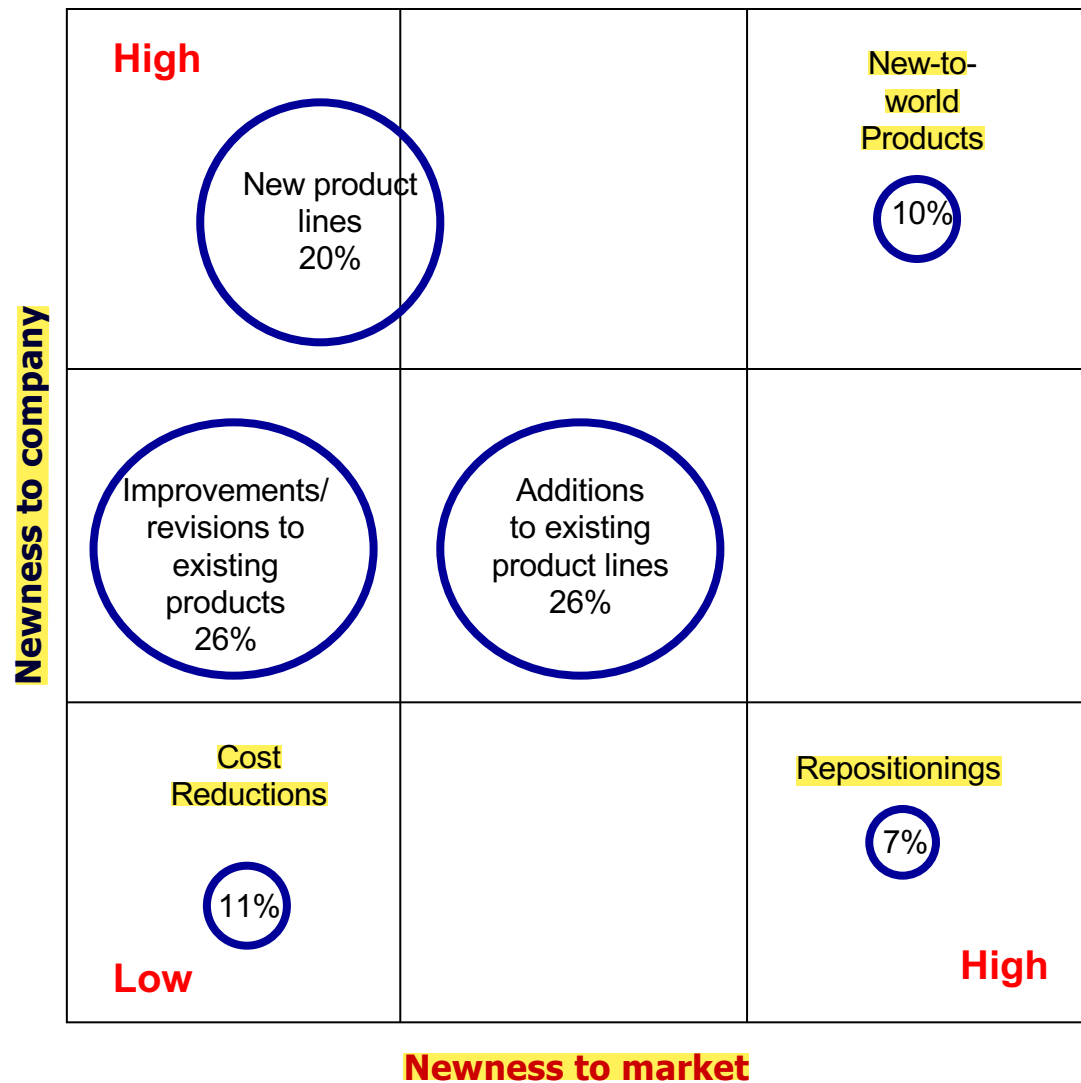
- growth
- using excess capacity
- market share
- target new segments

# Product Strategy Formulation

## Key Management Decisions

- product features
- related services
- product mix
- branding
- packaging
- product line decisions
- product deletion

## F. New product development



Size of circle denotes number of introductions relative to total.



# Reasons for new product success

- Adaptation of the product to market needs (85%)
- Austment of the product to the strengths of the company (62%)
- superiority of the technological product (52%)
- Supporting the general management towards the new products (45%)
- Accuracy of the evaluation process (33%)" favorable competitive environment (31%)
- Adaptive organizational structure (15%)

Source: Booz Booz, , Allen Allen & & Hamilton

# Reasons for new product failure

- Overestimation of market size
- Poor design
- Incorrect positioning
- Wrong timing
- Wrong channel
- Priced too high
- Bad communication
- Ineffective promotion
- Management influence
- High development costs
- Competition
- ...



### 3. Services

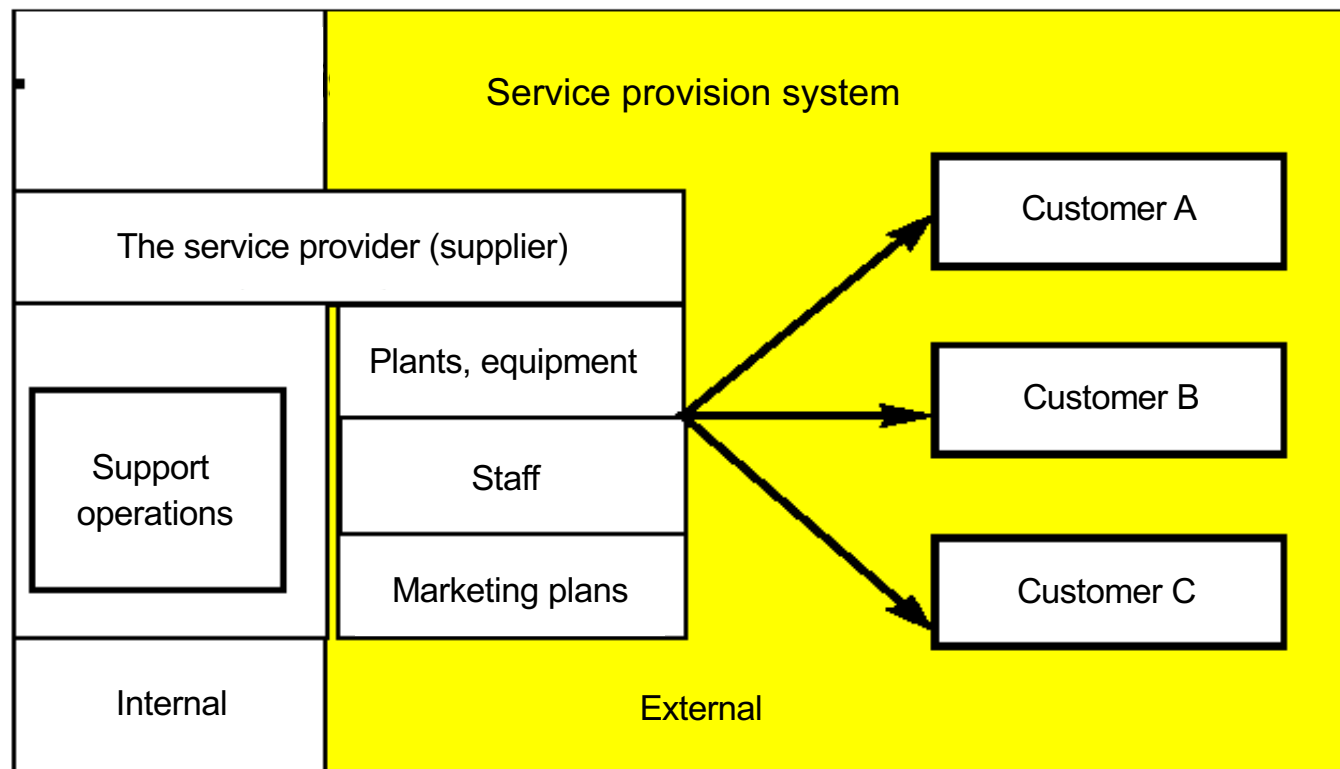
- ♦ A service is an activity or series of more or less **intangible activities** which usually, but not always, involve an interaction between the customer and the providing personnel and/or individuals or goods and/or systems of the providing entity, for the purpose of providing solutions to a customer's problem. (Giacomazzi, 2002).



A service consists of *facts*, produced by a combination of means or people.

It has no form or stable structure.

It cannot be possessed or stored but only provided.





Services are (very often) characterized by :

- ♦ Intangibility
- ♦ Non-storeability
- ♦ Heterogeneity (variability of quality)
- ♦ Variability



- ♦ A service normally involves goods and people in a set of organizational and composition rules that establish the proportions, functions, methods and timing of use.
- ♦ **Goods and services are two completely different entities**; the former are individual objects, defined and mastered, with an established form and which can therefore be measured at any given moment. The latter are actions or retroactions of goods on the subject, of the subject on goods or from goods to other goods.



1. **Basic services:** supply of products
2. **Intermediate Services:** Product Repair, Condition Monitoring, Field Service, and Customer Support
3. **Advanced services:** pay per use, fleet management, availability agreement and integrated solution



- Production and consumption inseparable in services
- Benefits without Ownership
- Labor, skills and expertise rentals
- Rented goods services
- Defined space and facility rentals
- Access to shared facilities
- Access and use of networks and systems

Source: Prof. Keith Perks





- Increasing size of the service sector across the globe
- The relative share of employment between agriculture, industry and services is changing dramatically
- Service output is growing rapidly and represents more than 50% of Gross Domestic Product (GDP) in the industrialized countries
- Government policies, social changes, business trends, globalization, and advances in information technology and communications are among the powerful forces transforming today's service markets
- Development of IT and communications
- Innovations in big data, cloud computing, user generated content, mobile communications, networking technologies, artificial intelligence, and app-based self-service technologies bring service revolution



## Organizations providing service:

- ♦ **Public institutions:** police and fire department, post office, public administrations, hospitals, etc.
- ♦ **Private not-for-profit organizations:** schools and universities, charity, museums, etc.
- ♦ **Industrial organizations:** banks, airlines, hotels, law firms, consultancy, telecommunication, etc.

Services have also become an important value-adding and differentiating strategy for products manufacturers, distributors and retailers



The reasons that induce a manufacturing company to undertake the **product-service strategy** are different and to a large extent attributable to the needs that companies feel today to compete:

1. the reduction of product profitability
2. the (presumed) best margins obtainable with the services
3. the greater stability of revenues and cash flows that the services can ensure

## Core Product

- ‘What’ the customer is fundamentally buying
- The core product is the main component that supplies the desired experience

## Supplementary Services

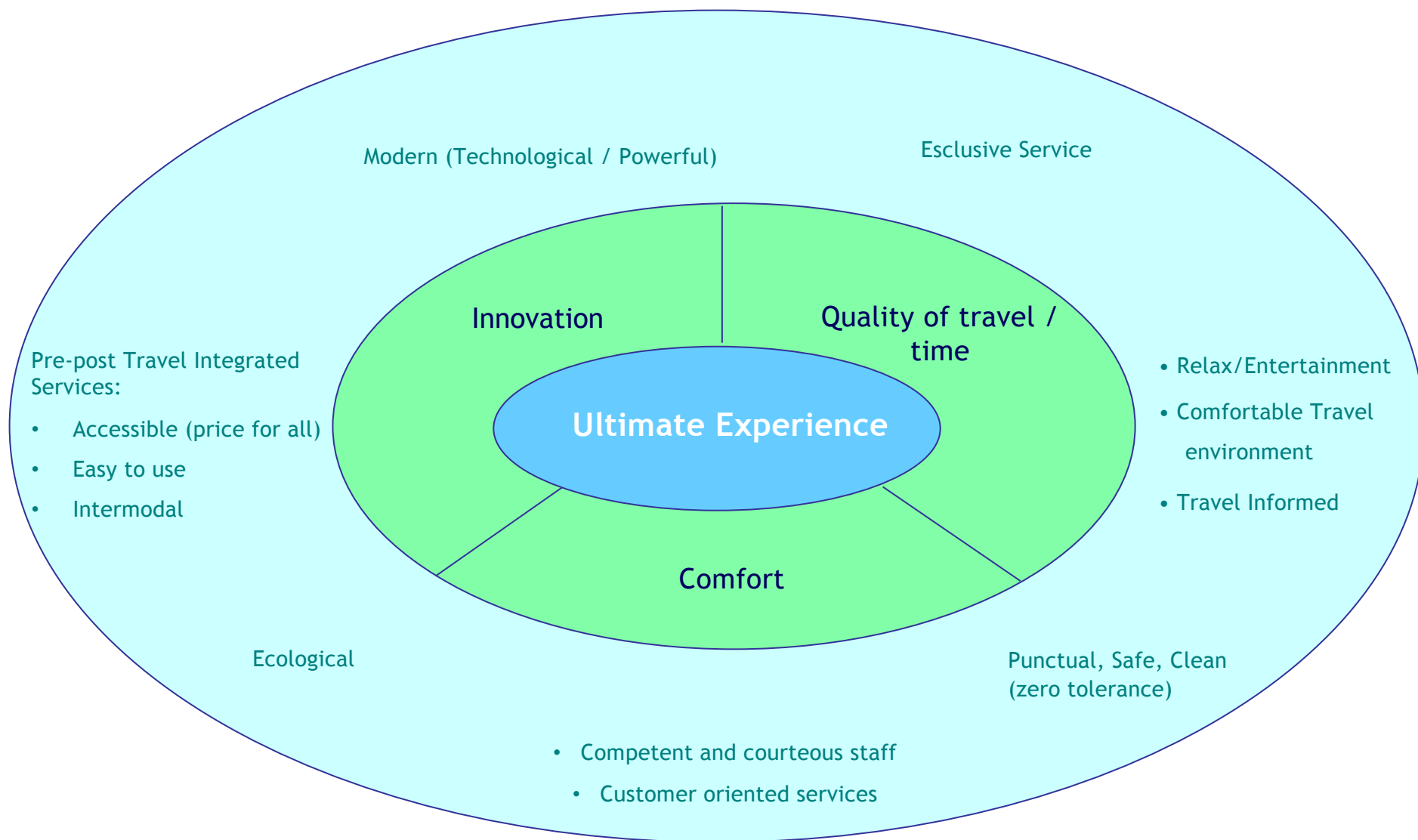
- The core product is usually accompanied by a variety of other service related activities referred as supplementary services
- Supplementary services augment the core product, both facilitating its use and enhancing its value

## Delivery Processes

The processes used to deliver both the core product and each of the supplementary services



# Example: Brand promise Italian High-Speed trains





An "offer" able to interest, be credible and convince a customer (problem solving) better or in a distinctive way compared to those of competitors. Through the promise, the company seeks to ensure distinctiveness in the relationship with the customer.

Answer the 3 key questions:

What	the performance
To whom	the customer
How	in order to meet customer expectations



A total organizational approach that makes the quality of the service, as perceived by the customer, the underlying inspirational force in the management of the company

The general orientation of company management changes:

- From the benefit based on the product to the total benefit in the relationship with the customer
- From short-term transactions to long-term relationships
- From the technical quality of the product to the total quality perceived by the customer



The customer judges the **quality of the service** he receives **based on the quality of the result obtained** (good lunch at the restaurant) but also based on the quality of the process through which it passed (waiting times, staff behavior, ordering methods, etc.)

The **processes are particularly important** when the customer interacts significantly with the service provider (i.e. for a significant portion of the service production process) and/or when the result of the service is not clearly perceptible/measurable (legal services, doctors, car repairs, teaching)





1. know the customer's expectations
2. identify the expected result
3. engineer the process
4. make the process economical
5. measure customer satisfaction and results
6. improve the process
7. guarantee consistency and quality of service



The key task of the service company is to manage the various features, with particular emphasis on the processes and care of front-line personnel

- manage the evidence
- take care of front-line staff
- standardize performance
- planning the activities



## 4. Experience

What does customer experience mean?

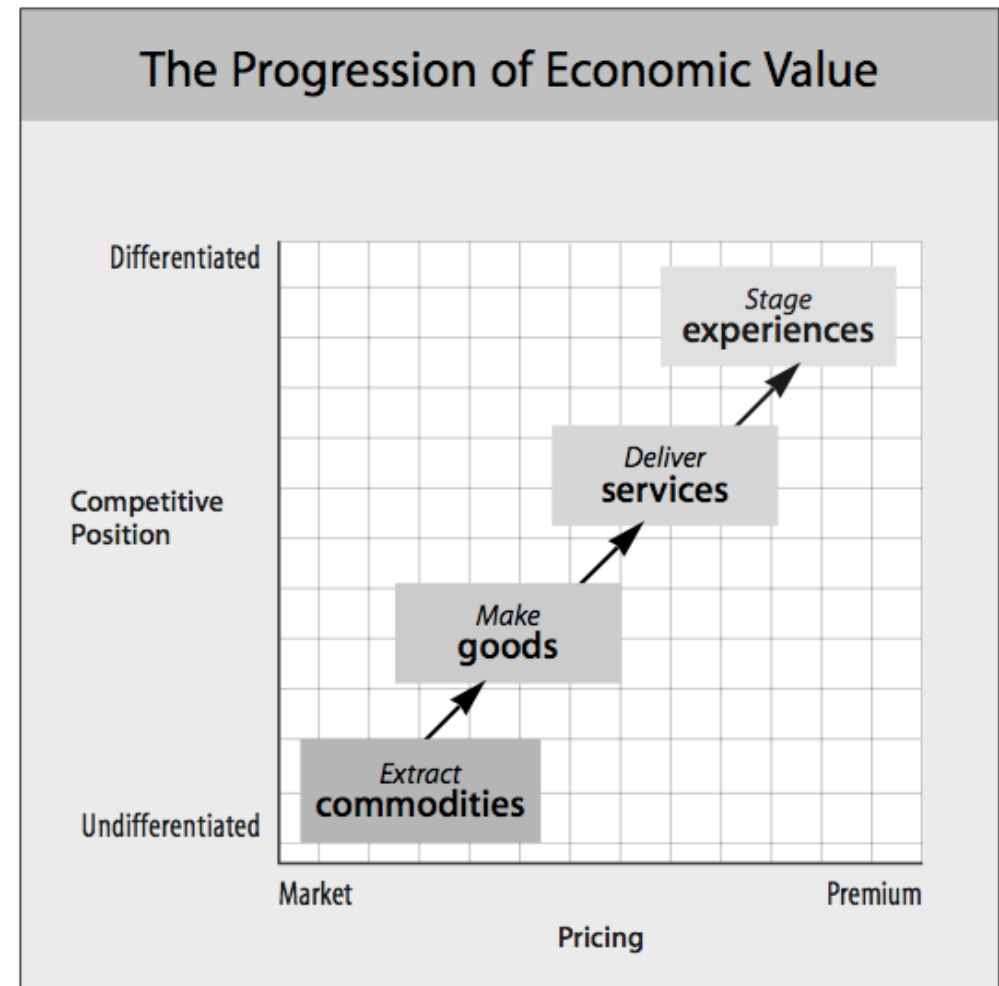
*Customer experience originates from a set of **interactions** between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly **personal** and implies the customer's **involvement** at **different levels** (rational, emotional, sensorial, physical, and spiritual) (Gentile et al., 2007)*

*Customer experience is defined by the direct contact of the customer with the different **touchpoints** in order to generate, through the **five senses**, changes that may be **functional**, **cognitive** and **emotional** in nature. Interaction after interaction, the value perceived by the customer in terms of quality of the experiences tends to enhance (Boaretto et al., 2007)*



## Why customer experience is so important?

*Economists have typically lumped experiences in with services, but experiences are a distinct economic offering, as different from services as services are from goods. (Pine and Gilmore, 1998)*





## Why customer experience is so important?

The ability to offer a relevant customer experience is a source of competitive advantage!

**There are different levels of brand involvement**

*Rational / Cognitive*

*Emotional*

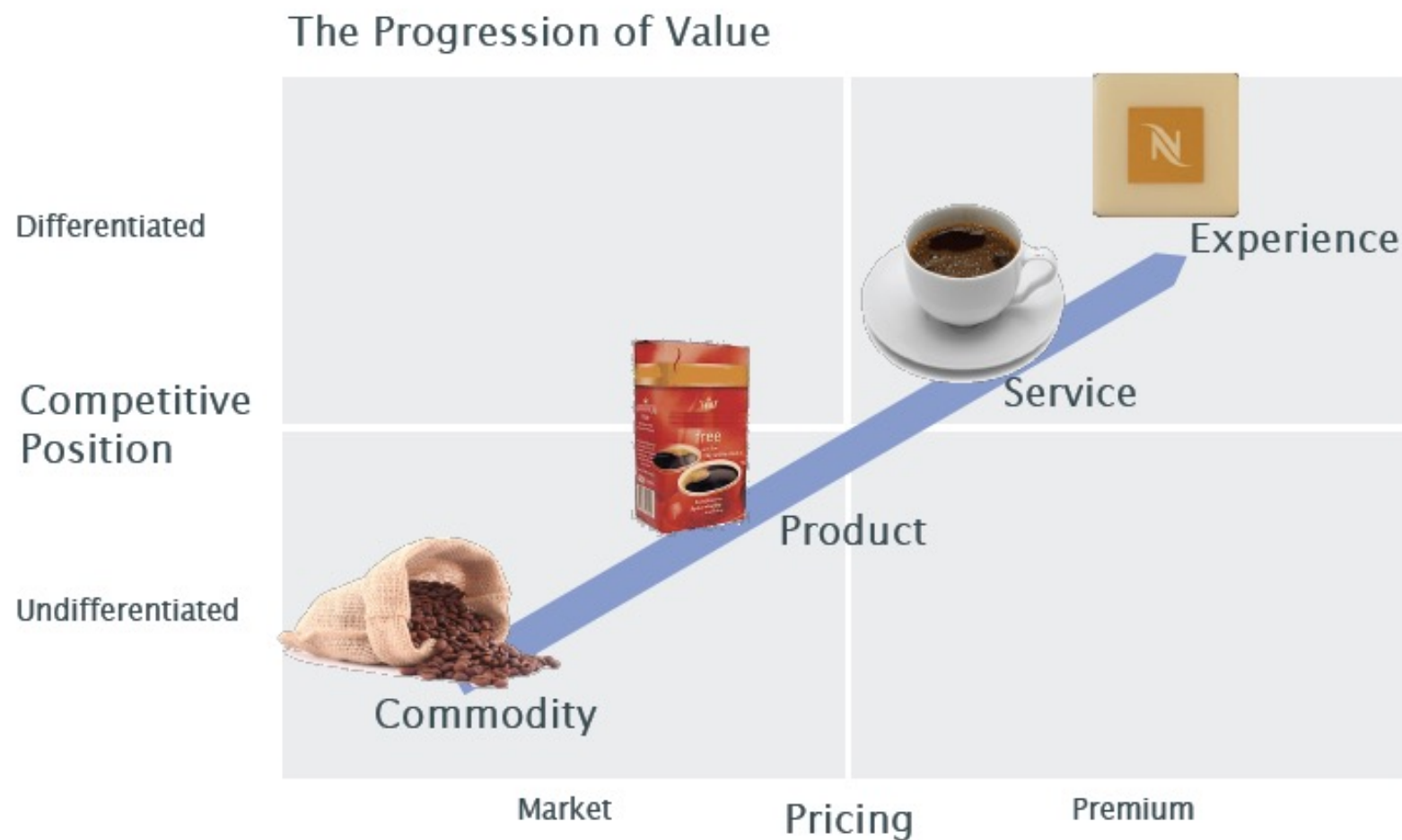
*Sensorial*

*ecc.*



From product-centric, to service-centric, to experience-centric offer

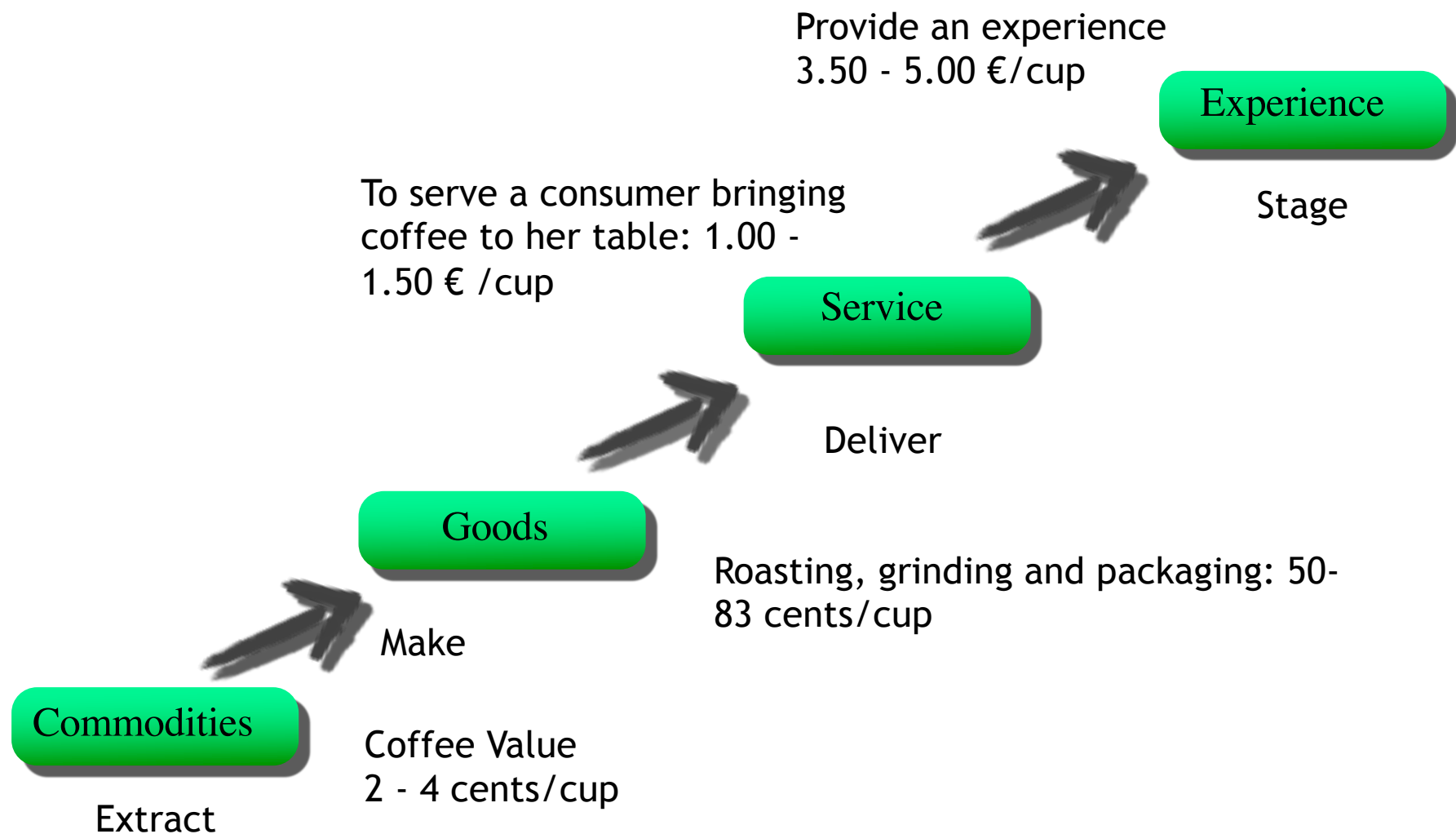
Customer **experience** as a source of **competitive advantage**





# From product-centric, to service-centric, to experience-centric offer

...to reach a premium-price





We live in a world in which **attention and retention** are the real scarce resources

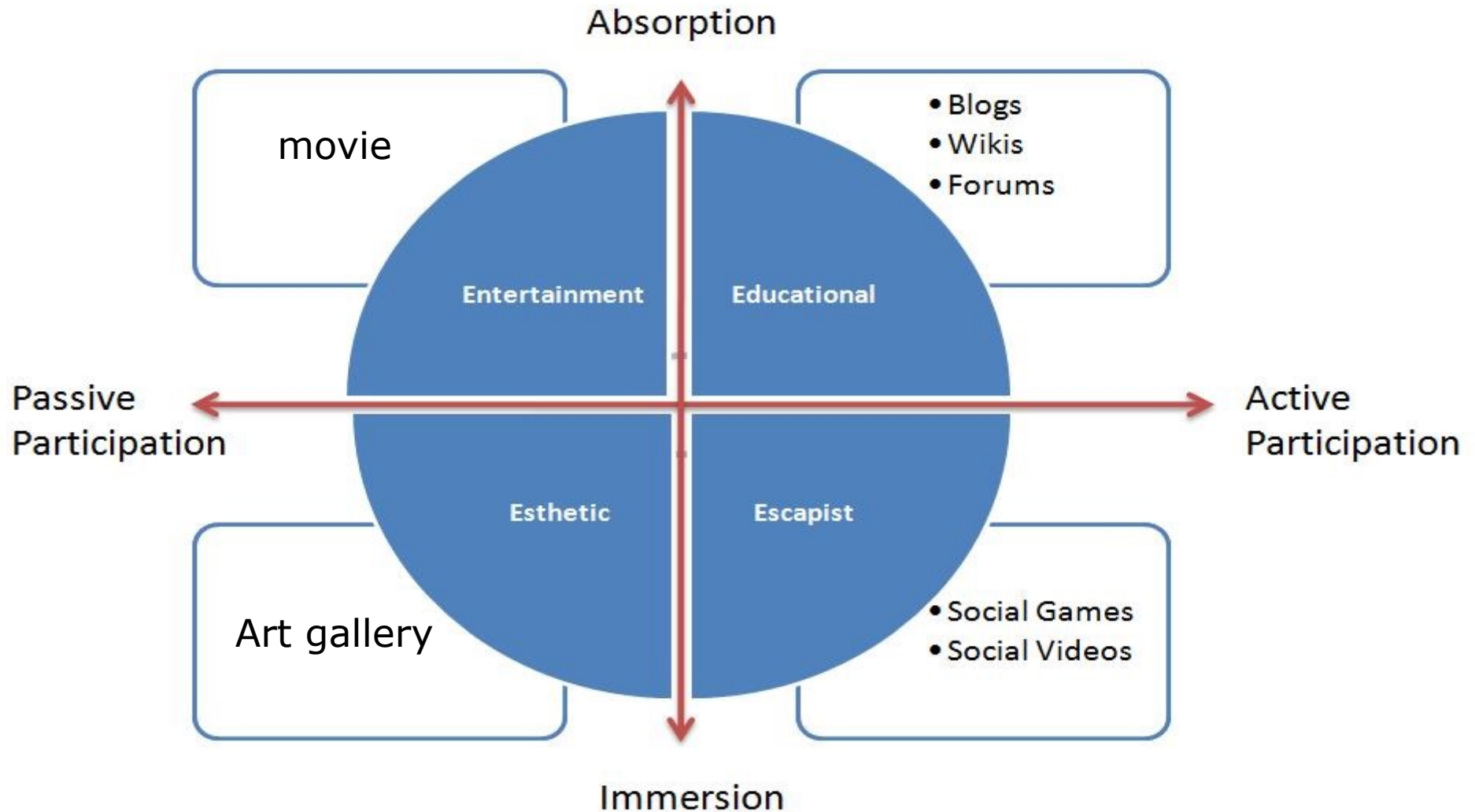
Customer remember and value great experiences:

- ♦ **Word of mouth**
- ♦ **Loyalty**
- ♦ **Customer involvement with the brand (co-creation, advocacy, etc)**





## The Four Realms of an Experience





To summarize: an extended view of products

Intimate, holistic

Experience

Intangible, depending on  
human resources

Service

Tangible, stable,  
storeable

Product