

DESIGNING, DEVELOPING AND MANAGING MARKET OFFERINGS

Bibliography:

Kotler and Keller (2012), Marketing Management, 14ed.,
Pearson, cap 11 e 12.

DEVELOPING SERVICE / PRODUCTS

Bibliography:

Kotler and Keller (2012), Marketing Management, 14ed., Pearson, cap 12.

Wirtz and Lovelock (2016), Services Marketing, 8th ed., Chapter 4.

Product Characteristics/Classifications

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Persons



- Experiences
- Events
- Properties
- Organizations
- Information
- Ideas



Services



Goods



Places

Product and Service Decisions

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Individual Product and Service Decisions



The Components of a Service Product

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- **Core product** comprises all elements of service performance, both tangible and intangible, that create value for customers
 - 'What' the customer is fundamentally buying
 - Main component that gives the desired experience
- **Supplementary (or secondary) service** represent both the tangible and augmented product levels
 - Variety of other service-related activities that usually accompany the core product, enhancing it and/or facilitating it
- **Delivery Processes**
 - The processes used to deliver both the core product and each of the supplementary services

Video: MAD TV No Frills Airline

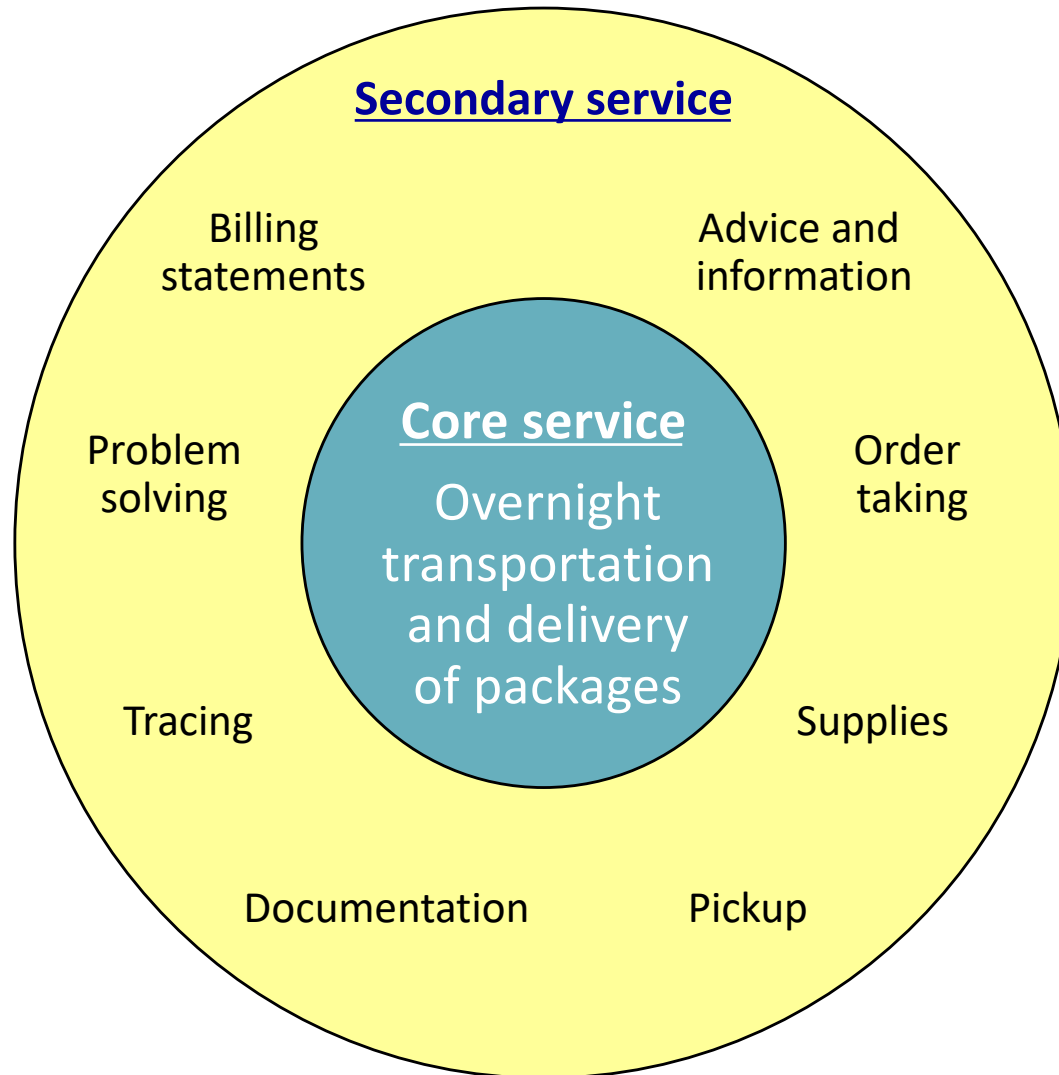
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http://www.youtube.com/watch?v=gSJwzYiB_Pc

Core and Supplementary Services for FedEx

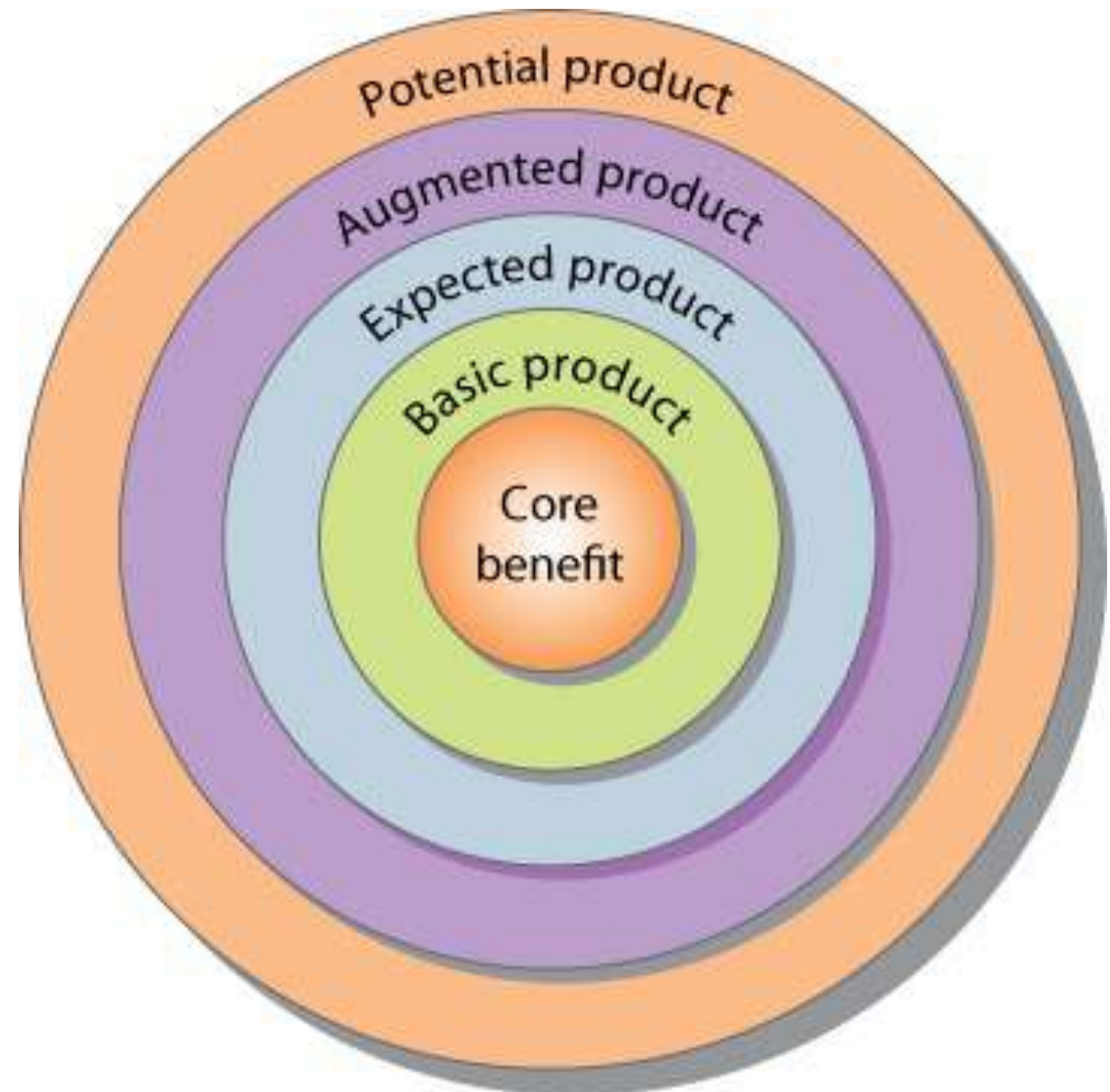
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Five Product Levels (Kotler)

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- Offering that seeks to satisfy a want or need, and may involve physical goods, services, experiences...
- Each level adds more customer value, and together the five constitute a customer-value hierarchy.



Product Levels

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Core Benefit

(Rest and sleep)

Basic Product

(Bed, bathroom, towels)

Expected Product

(Clean bed, fresh towels)

Augmented Product

(Free Internet; free breakfast)

Potential Product

(Future augmentations)



Customer-value
Hierarchy

Augmenting the Core Product

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- Are supplementary services **needed to facilitate** use of core product or simply to **add extra appeal**?
- Can we **charge more** for higher service levels? For example:
 - ▣ Faster response and execution, better physical amenities, easier access, higher staffing levels
 - ▣ Should customers be **charged separately** for each service element? Or should **all elements be bundled** at a single price?
 - ▣ Alternatively, should we **cut service levels** and charge less?

A look into the future – No “Anything” Service???

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Product and Service Differentiation

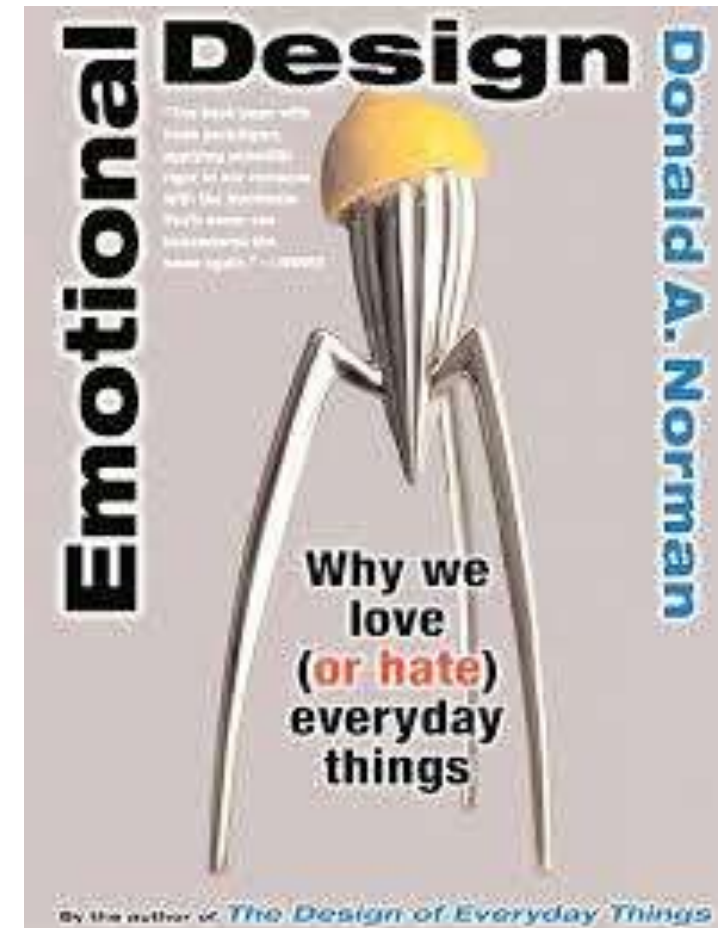
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- Product (market offering) differentiation.
 - ▣ Form, features, customization, performance quality, durability, reliability, style, durability, customization
- Service differentiation
 - ▣ Service itself or services associates with the product
 - Example: ordering ease, delivery, installation, customer training, customer consulting, maintenance and repair, and returns.
- Design
 - ▣ Features that affect how a market offering looks, feels and functions...

Design

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- The totality of features that affect the way a product looks, feels, and functions to a consumer
 - ▣ Important in fashion and durable products
 - ▣ Design offers functional and aesthetic benefits and appeals to both our **rational** and **emotional** sides.



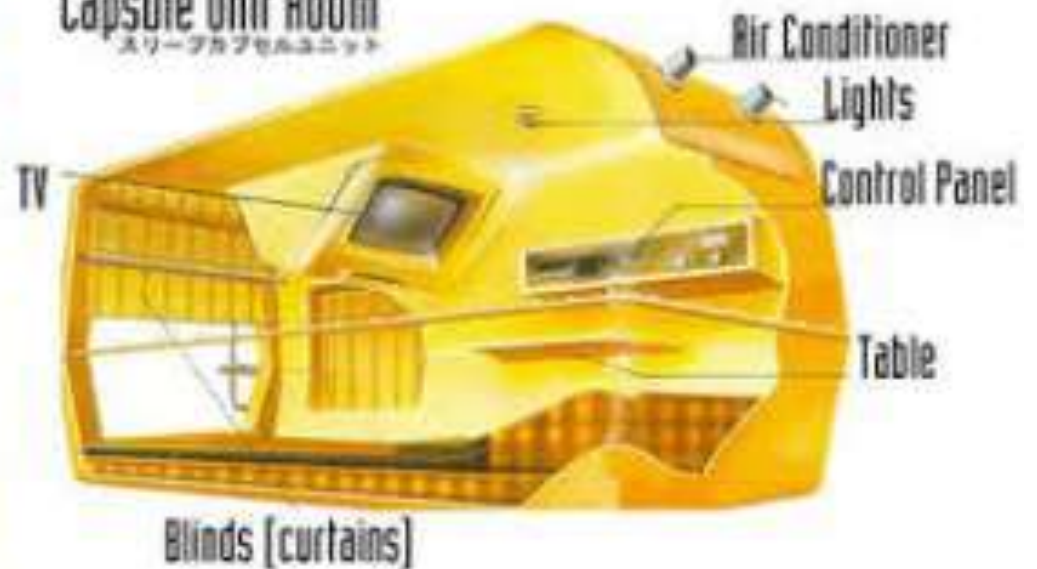
New innovative design

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Capsule Hotels in Japan

Capsule Unit Room
スリープカプセルユニット



Environmental Issues

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- Environmental issues are also playing an increasingly important role in product design and manufacturing



Developing new services

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- Major service innovations
 - ▣ New core products for previously undefined markets
- Major process innovations
 - ▣ Using new processes to deliver existing products with added benefits
- Product-line extensions
 - ▣ Additions to current product lines
- Process-line extensions
 - ▣ Alternative delivery procedures
- Supplementary service innovations
 - ▣ Addition of new or improved facilitating or enhancing elements
- Service improvements
 - ▣ Modest changes in the performance of current products
- Style changes
 - ▣ Visible changes in service design or scripts



Product Hierarchy

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Need Family

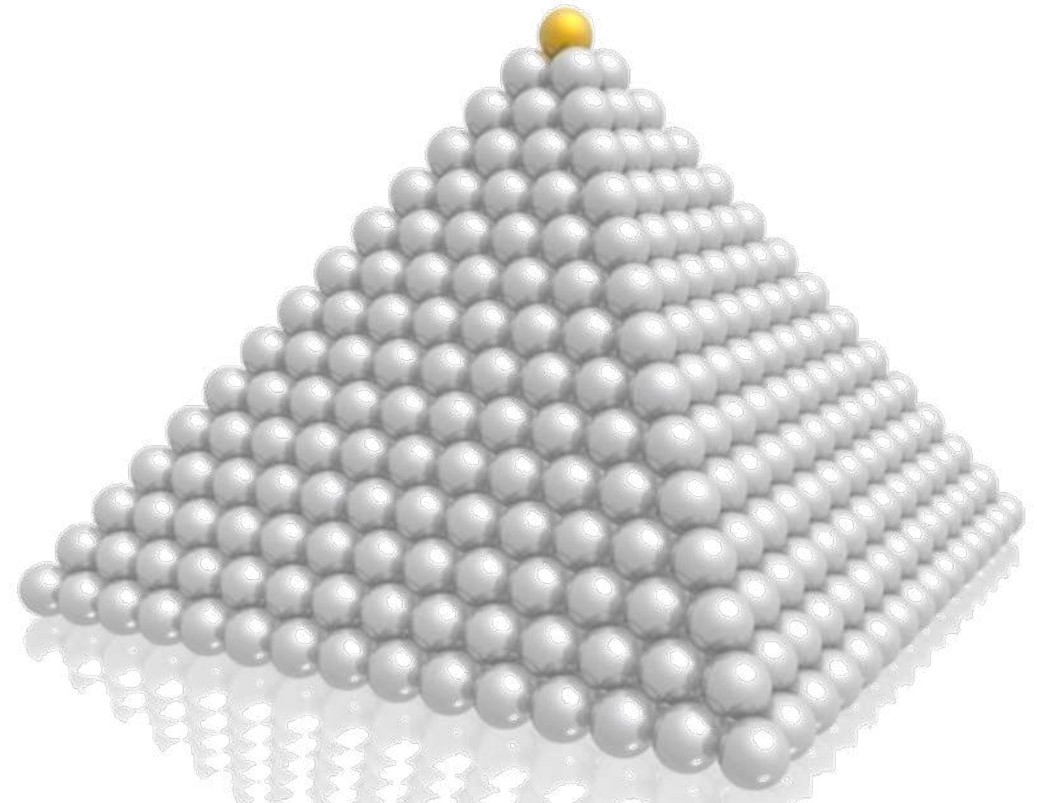
Product Family

Product Class

Product Line

Product Type

Item



Product family

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- All the product classes that can satisfy a core need with reasonable effectiveness.
- Example:
 - ▣ Basic need: thirst
 - ▣ Product family: beverages



Product class

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- A group of products within the product family recognized as having a certain functional coherence, also known as a product category
- Each product class may have several product lines
 - ▣ Example: non-alcoholic beverages.



Product line

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- A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges.
- A product line may consist of different brands, a single family brand, or an individual brand that has been line extended.
 - ▣ Example: fruit juices



Product type

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- A group of items within a product line that share one of several possible forms of the product.
 - ▣ Example: light fruit juices



Product service systems (PSS)

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- A product system is a group of diverse but related items that function in a compatible manner to create an integrated offering.



Product mix

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- A product mix (or product portfolio) is the set of all products and items a particular seller offers for sale. A product mix consists of various product lines.



Example: Proctor & Gamble Product Mix

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Packaging and Labeling

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Packaging Objectives

1. Brand identification
2. Persuade
3. Protection
4. At-home storage
5. Aid consumption



Labeling Objectives

1. Identify
2. Grade
3. Describe
4. Promote



COLOR EMOTION GUIDE

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Color wheel of branding and packaging

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Red symbolizes excitement, energy, passion, courage, and being bold.

Orange connotes friendliness and fun. It combines the energy of red and the warmth of yellow.

Yellow, as the color of the sun, is equated with warmth, joy, and happiness.

Green, as the color of nature, connotes health, growth, freshness, and renewal.

Blue, as the color of the sky and sea, is associated with dependability, trust, competence, and integrity.

Purple has symbolized nobility, wealth, and wisdom. It combines the stability of blue and the energy of red.

Pink is considered to have soft, peaceful, comforting qualities.

Brown, as the color of the earth, connotes honesty and dependability.

Black is seen as classic, strong, and balanced.

White connotes purity, innocence, and cleanliness.

Source:; Kotler and Keller (2015), Marketing Management, 15ed., Pearson

Creative packaging

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Pizza Box



Parmesan Pencils



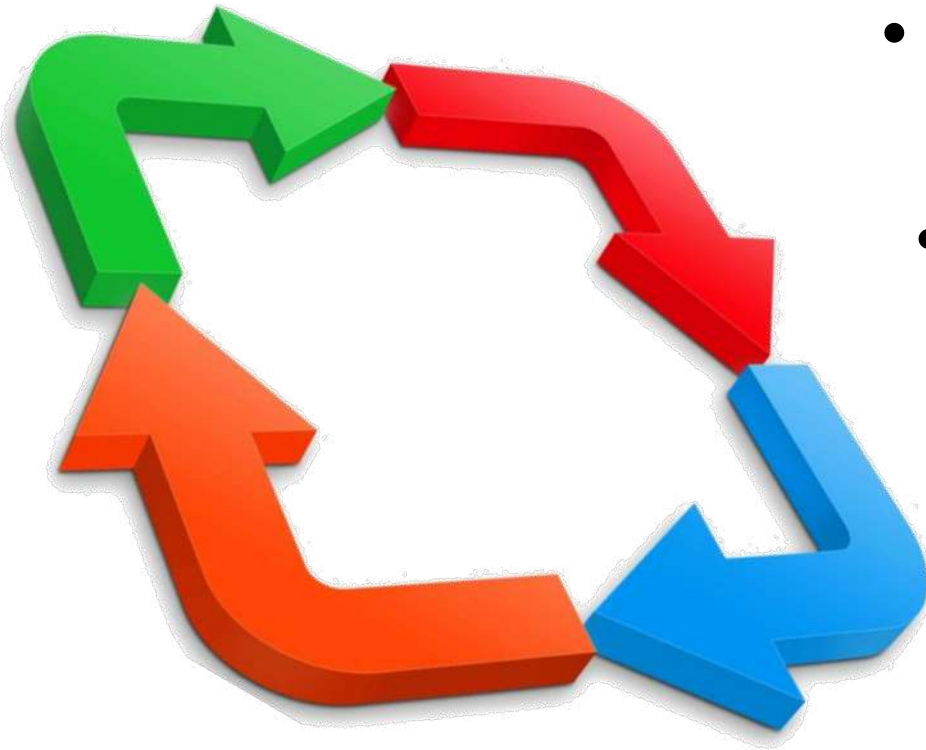
PRODUCT LIFE CYCLE

Bibliography:

Kotler and Keller (2012), Marketing Management, 14ed.,
Pearson, cap 11

Product Life-Cycle (PLC) Strategies

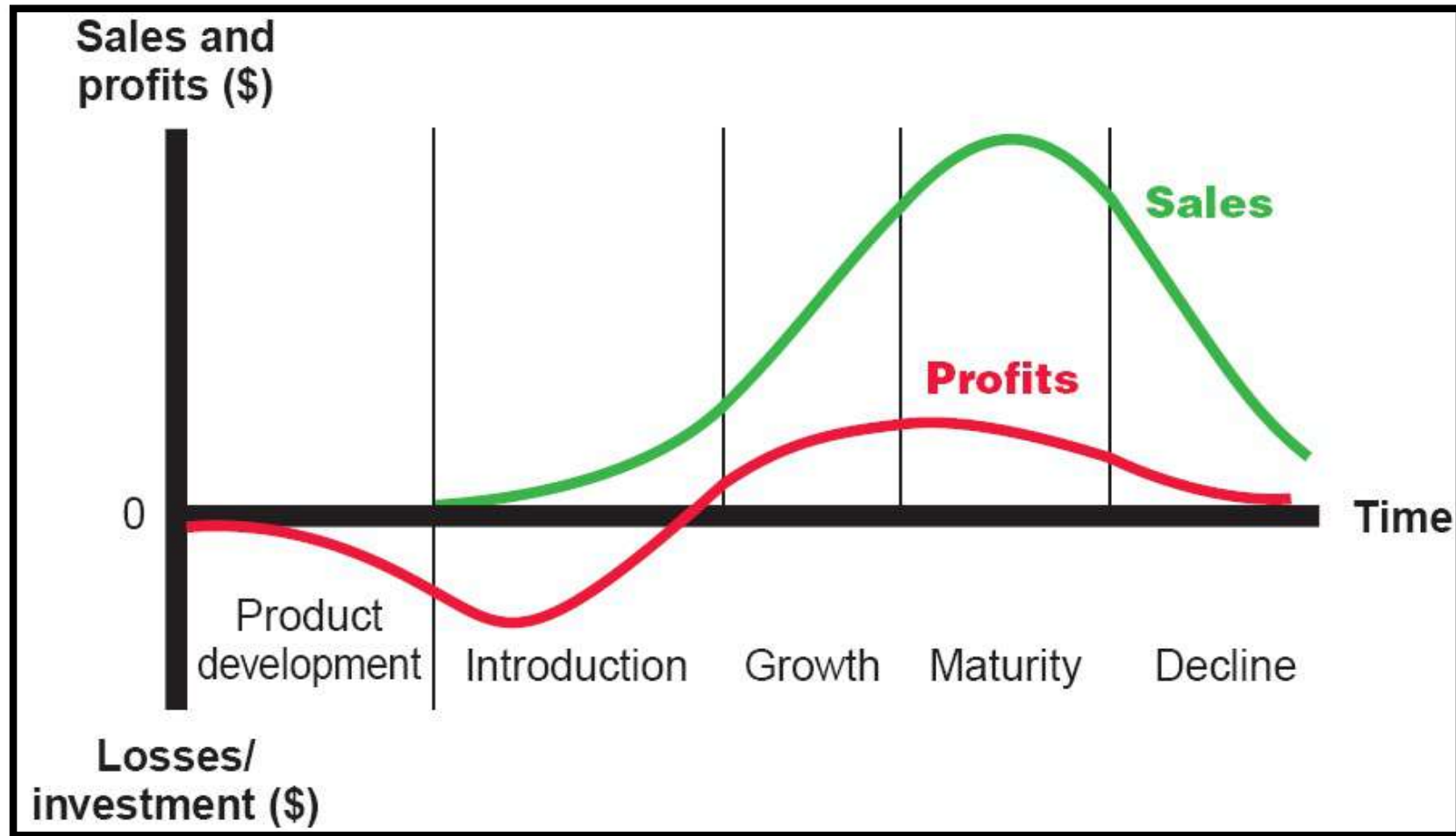
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- Products have a limited life
- Sales pass through stages, with different growth rates
 - Profits rise, then fall
- Different strategies needed

Sales and Profit Life Cycles

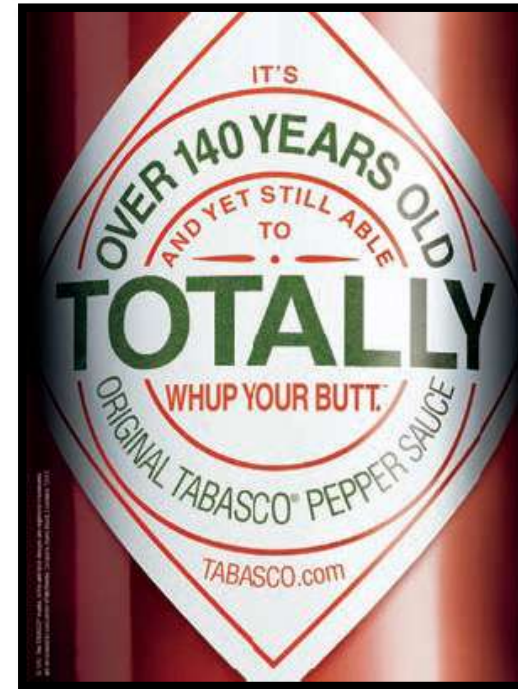
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The Product Life Cycle (PLC)

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- All products do not follow all five stages of the PLC
- Marketers can apply the PLC as a framework for describing how products and markets work



Some products die quickly, while others stay in the mature stage for a long, long time like TABASCO® sauce

PLC: Introduction Stage

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Slow sales growth, negative profits

Marketing Strategies:

1. Create awareness
2. Induce product trial
3. Secure retail distribution.



Which is more profitable over 5 years?

- 6 months late, but on budget?
- On time, but 50% over budget?

Order of Market Entry

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First Mover Advantage

- Brand name association
- Define product class attributes
- Customer inertia
- Producer advantages



Imitator Advantage

- Lower prices
- Improve more the product and can surpass innovators

PLC: Growth Stage

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Rapid sales growth; New competitors

Marketing Strategies:

1. Improve product quality; add new features
2. Add new models and flanker products
3. Enter new market segments
4. Focus advertising on preferences
5. Increase distribution coverage
6. Lower prices to attract the next layer of price-sensitive buyers



Example: Telecel

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<http://www.youtube.com/watch?v=QBN5eHAFDtg>

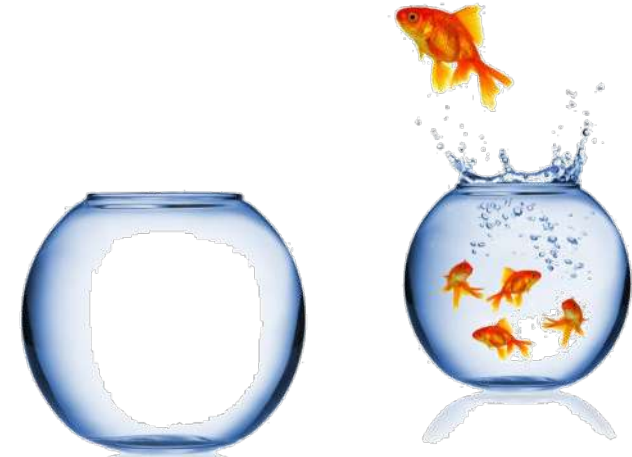
PLC: Maturity Stage

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Growth slows; Weak competitors exit

Marketing Objectives:

1. Maximize profit
2. Defend market share



□ Marketing strategies

- ▣ Market modification (expand the market)
- ▣ Product modification (improve quality, features, or styles)
- ▣ Marketing program modification (alter price, distribution, communications).



Market Modification strategies for maturity stage

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Expand the number of brand users	Increase the usage rates among users
Convert nonusers	Have consumers use the product on more occasions
Enter new market segments	Have consumers use more of the product on each occasion
Attract competitors' customers	Have consumers use the product in new ways

PLC: Decline Stage

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Slow sales growth, negative profits



Product Options:

1. Rejuvenate (maintain product / brand)
2. Harvest (gradually reducing various costs while trying to maintain sales)
3. Drop the product



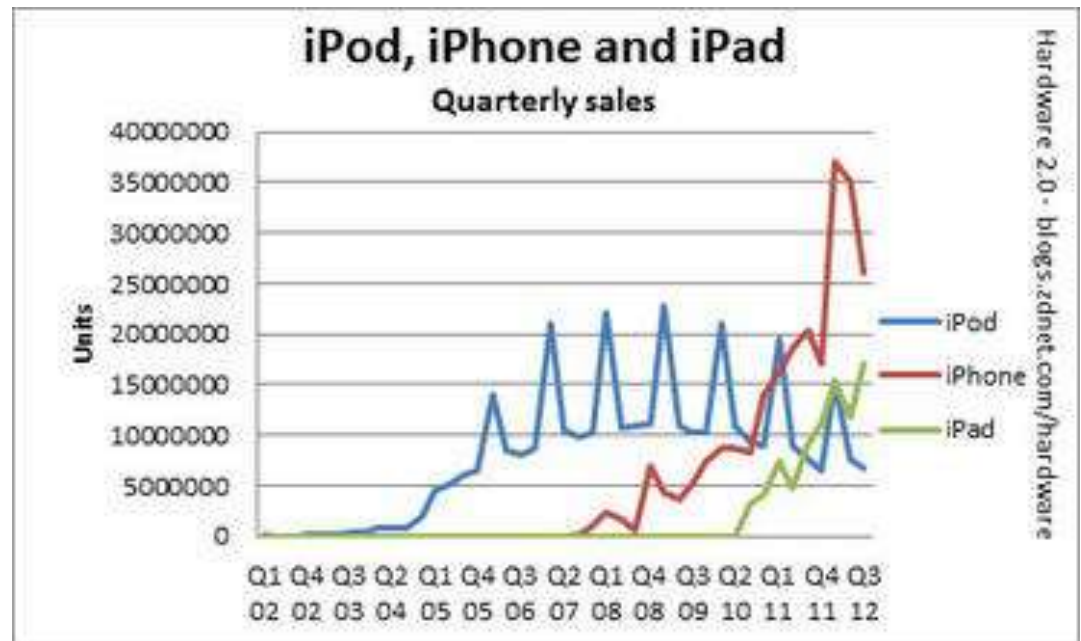
PLC: Decline Stage

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Marketing Mix for iPod Shuffle (Decline Stage)

- **Product:** Plays music
- **Price:** 2GB: \$69 ;4GB: \$89 - \$109
- **Promotion:** Focus on small size and low price.
Less advertisement than other products.
- **Place:** Online, Apple Store, Best Buy, Costco.

Apple has sold over 350 million iPods since its debut in 2001



Characteristics of the PLC

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	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs/customer	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	Middle majority	Laggards
Competitors	Few	Increasing	Stable number beginning to decline	Declining number

PLC Objectives and Strategies

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	Introduction	Growth	Maturity	Decline
MARKETING OBJECTIVES				
	Awareness and trial	Maximize market share	Maximize profits; Defend share	Milk the brand, reduce expenditure
STRATEGIES				
Product	Offer basic product	Product extensions; service, warranty	Diversify brands and models	Phase out the weak items
Price	Charge cost-plus	Price to penetrate	Price to match or beat competition	Cut price
Distribution	Selective	Intensive	More intensive	Go selective, phase out the unprofitable
Communications	Awareness early adopters, entice trial	Awareness w/ mass market	Stress brand benefits	Reduce to minimal level