

**Course: BSc in Information Technology**

**Class BSc. in IT 4.2**



**Unit Title: Entrepreneurship & Product Devt**

**Unit Code: CIT 4201**

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**Week 2 : Monday Jan 25<sup>th</sup> 2021**



# Business Analysis Stage of New Product Development

- ❑ Once you've selected the idea for your product and tested it on your prospective target audience, **it's time to carry out in-depth business analysis.**
- ❑ **Its purpose is to define the viability of your future product.**
- ❑ Will your new product find its audience and survive the competition? Maybe. Will it generate a sufficient amount of profit to support the entire business? Nobody knows.
- ❑ Business analysis allows you to predict the success or failure of your product based on the collected data, not guesses.



## Business Analysis stage helps the company realize the following:

- ☐ Will the product be able to generate profit?
- ☐ How much will the product cost & what are its production costs?
- ☐ Is there a demand for your product? Is this demand changing or regular? Which market is interested in your product most of all?
- ☐ What about competitors? Does your product have any? Are they large or small, old or new?
- ☐ What customer needs does your product satisfy and how large is its prospective market? How are sales for similar products changing in time?
- ☐ Does your product require significant investments in promotion and advertising?
- ☐ How big will your profit be? Will it be sufficient to cover the new product development and launching expenses?



- ❑ Business analysis stage includes such concepts as, revenue forecasts, cost estimation, profit projections, risks assessment and finally the possible cannibalization of sales..

*“Cravens and Piercy (2005)”*



# Product Development

- ☐ Develops concept into a physical product.
- ☐ Calls for a large jump in investment.
- ☐ Prototypes are made.
- ☐ Prototypes must have correct physical features and convey psychological characteristics.
- ☐ Prototypes are subjected to physical tests



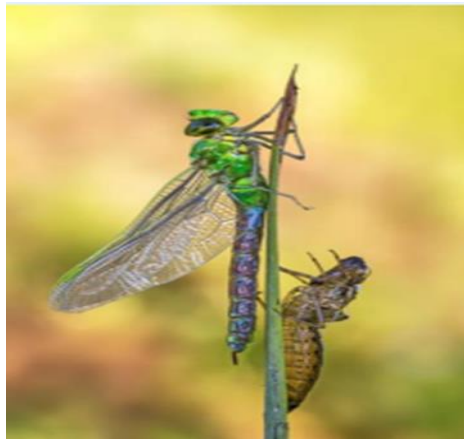
How many similarities can you find in these DeWALT cordless tools?



- ❑ How can a company design and develop an effective product family?
- ❑ The pictures below relate to the new Samsung phone models developed in the past 10 years



- ❑ Today's highly competitive and volatile marketplace is reshaping the way many companies do business as rapid innovation and mass customization offer a new form of competitive advantage.
- ❑ In response, companies have successfully implemented strategies to design and develop an entire family of products to satisfy a wide variety of customer requirements.





# Prototyping

- ❑ How can you make an idea more concrete to increase the probability that every team member of your NPD has the same mental picture of the product
- ❑ Do you know that producers for all **Lexus cars** before going into **mass production often make cars out of clay** ?
- ❑ To visualize ideas, create a **prototype**



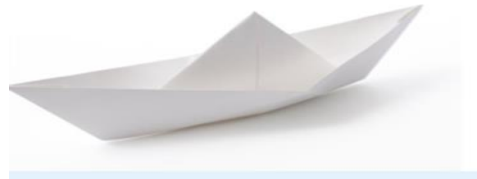
- Prototyping

- ❑ This is the first example of something such as a machine or other industrial product from which all later forms are developed
- ❑ **Prototyping** is an approach that makes ideas and concepts more tangible and visual as compared to written ideas.
- ❑ It helps us to **empathize** with the user in terms of the viability of the solution and further minimizes the risk of failure at large scale.



# Prevention of early surrender ; Failure

- ☐ Suppose you have been given a task to build a small boat from a small sheet of paper and allowed just a few minutes !
- ☐ How does your boat look like !



- ☐ You must have failed! Ending up with a cramped up piece of paper
- ☐ Failure is common during the start up of a new business



- This stage consists of turning that prototype or concept into a workable market offering; ironing out the technicalities of the product; and alerting and organizing the departments involved with the product launch, such as research and development, finance, marketing, production or operations.



# Test Marketing Stage of NPD

- ❑ This is a stage in which the product and marketing program are tested in a more realistic market setting.
- ❑ At this stage the **company tests the entire marketing program i.e. positioning strategy, advertising, distribution, pricing, branding and packaging. Three approaches to test market:**
- ❑ 3 approaches to test market:
  - 1) **Standard test markets** – Is where a company selects a city or town, conducts a full marketing campaign in this town and uses shop audits, consumer and distribution surveys to gauge product performance. The results are used to forecast national sales and profits, discover problems and fine tune the marketing programme.



## 2) Controlled Test markets –

- ❑ A group of customers are selected, and they are directed to participating shops. Within the shops the company researchers have control factors such as shelf placement, price packaging and promotions for the product being tested.
- ❑ Behaviour scan is used to track the consumer behaviour for new products from a television set to a checkout counter.
- ❑ Detailed scanner information on each consumer purchases is fed into a central computer where it is combined with the consumer demographic and TV viewing information, and analysis done and conclusions drawn based on a daily or weekly report.



### 3) Simulated test markets –

- ❑ The Company shows advertisements and promotions for a variety of products, including the new product being tested to a sample of consumers.
- ❑ It then gives the consumers a small amount of money and invites them to a real or laboratory store where they are allowed to buy anything using the money.
- ❑ The researchers note how many consumers will buy the new product or competing brands. The researcher then asks the consumers the reason for purchase or non purchase.
- ❑ Some weeks later, they interview the consumers by phone to determine product attitude, usage, satisfaction and repurchase intentions.



# Commercialization

- After the testing stage, you'll know whether you're ready to launch or return to an earlier stage.
- The commercialization phase means you're prepared to launch your new product into the market, and it means more than just advertising.
- You'll need to ensure that your production, distribution, marketing, sales, and customer support team are all in place to ensure a successful launch and ongoing campaign.
- Commercialization is the introduction of a new product into the market.





- ❑ The company launching a new product must first decide on:
  - 1) **Introduction timing** – Depending on economic trends.
  - 2) **Where to launch the product** – In a single location, region, the whole nation or internationally.
- ❑ This stage marks the beginning of the product life cycle (PLC)



# Consumer and Business Buyer Behaviour

- **Learning outcomes**
- Demonstrate an understanding of the consumer market and the major factors that influence consumer buyer behavior.
- Identify & discuss the stages in the buyer decision process.
- Describe the adoption & diffusion process for new products.
- Define the business market and identify the major factors that influence business buyer behavior.
- List and define the steps in the business buying decision process.

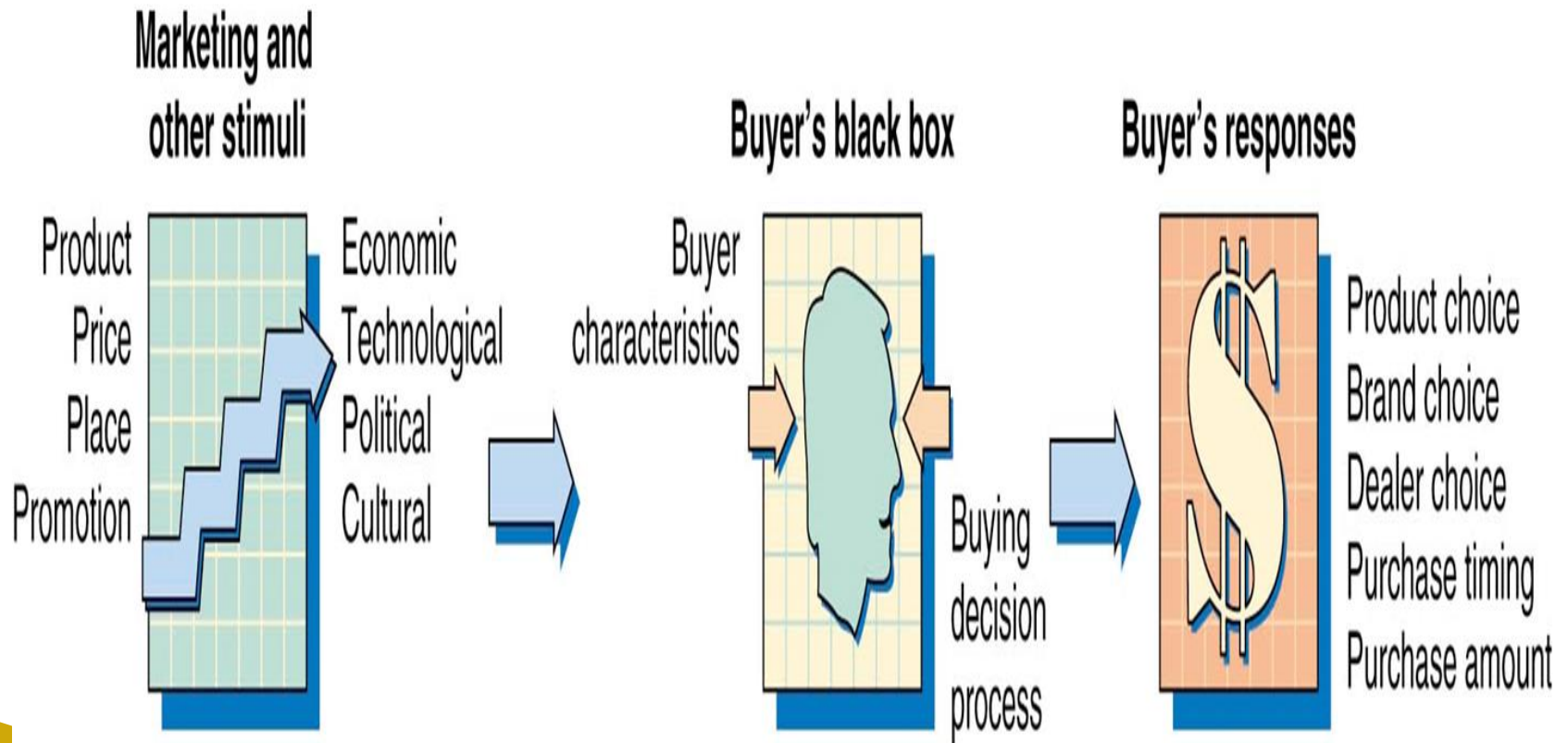


# Consumer Buying Behaviour

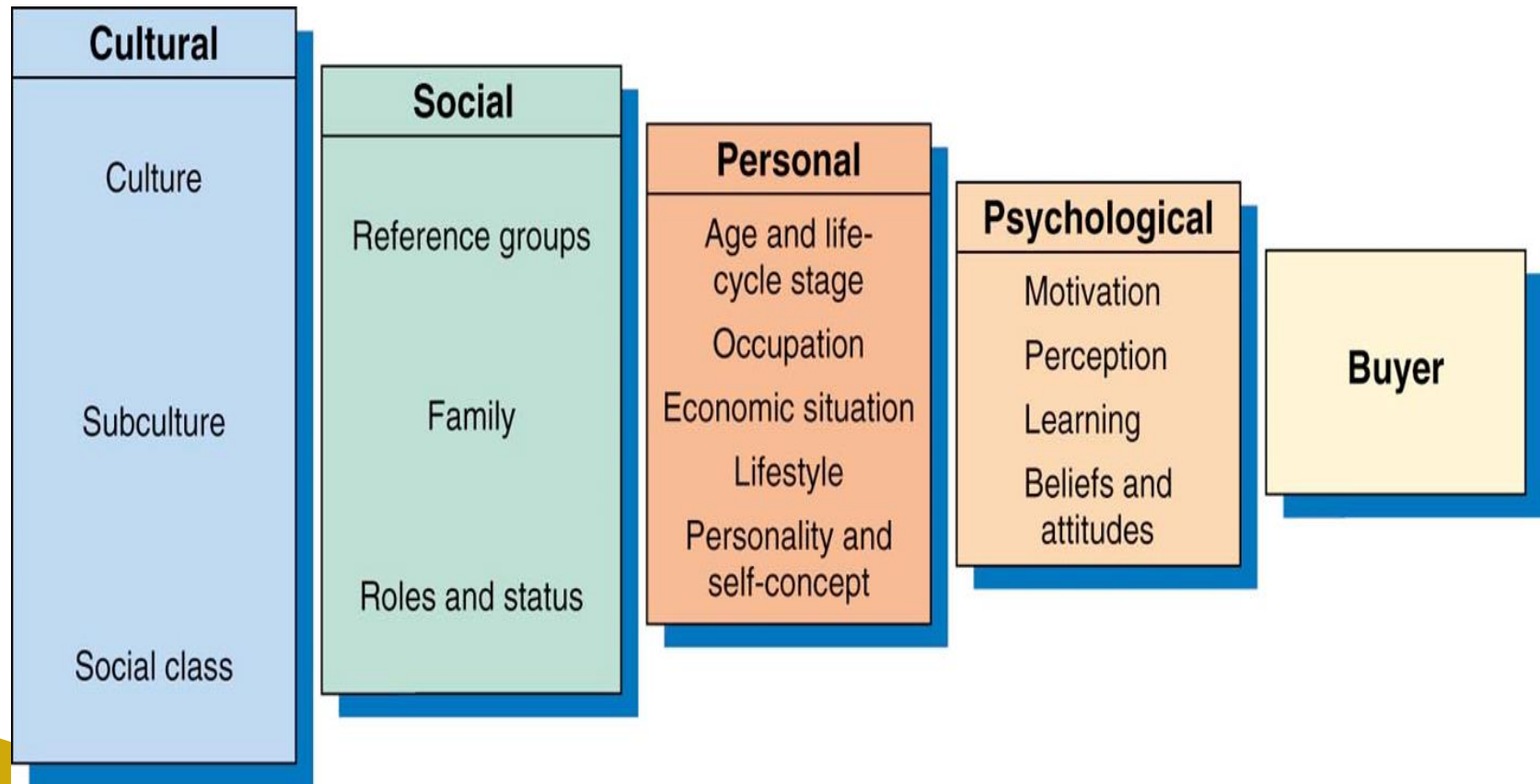
- ❑ Consumer Buying Behavior refers to the buying behavior of final consumers -individuals & households - who buy goods and services for personal consumption.
- ❑ These final consumers make up the consumer market.
- ❑ The central question for marketers is: “How do consumers respond to various marketing efforts the company might use?”



# Model of Buyer Behaviour



# Factors Influencing Consumer Behavior



# Factors Affecting Consumer Behavior: Culture

- Culture is the Most Basic Cause of a Person's Wants and Behavior.

## Subculture

- Groups of people with shared value systems based on common life experiences.
- Hispanic Consumers
- African American Consumers
- Asian American Consumers
- Mature Consumers

## Social Class

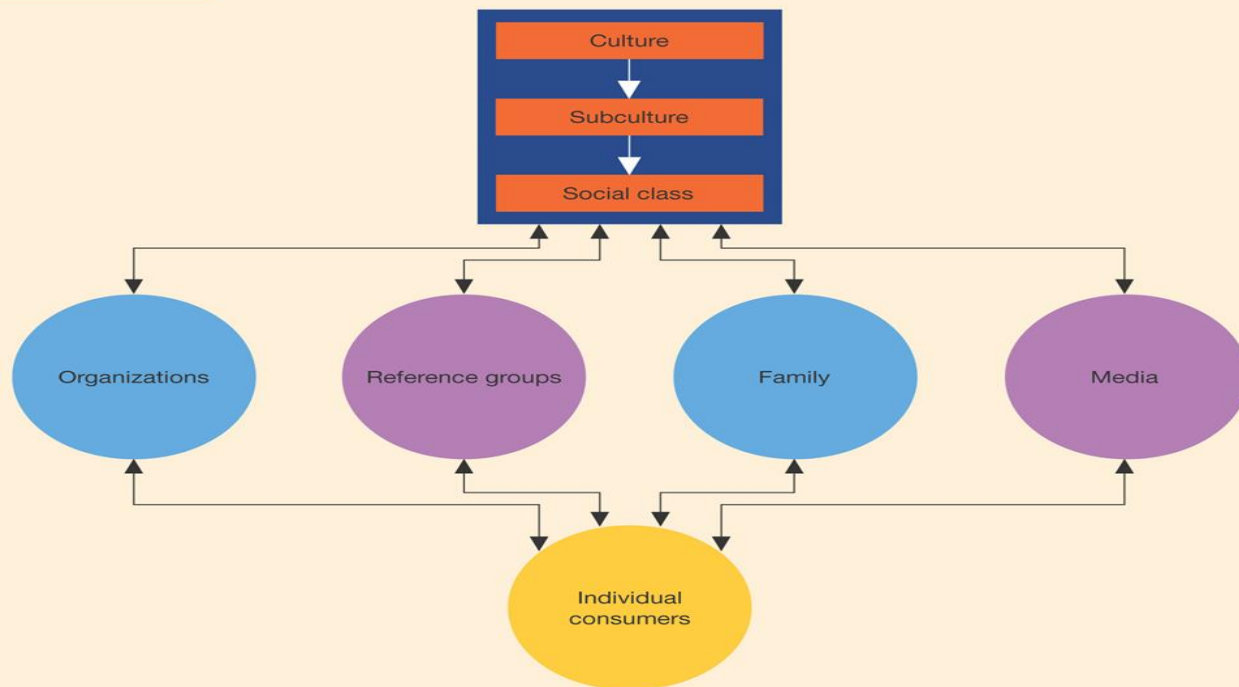
- Society's relatively permanent & ordered divisions whose members share similar values, interests, and behaviors.
- Measured by a Combination of: **Occupation, Income, Education, Wealth and Other Variables.**



- ❑ *Culture refers to the values, ideas, attitudes, and symbols that people adopt to communicate, interpret, and interact as members of society.*

Exhibit 4-3

*Flows of influence within the social environment*



- ❑ Culture is learned and transmitted from one generation to the next.
- ❑ **Socialization:** *Refers to the process of absorbing a culture*
- ❑ **Consumer Socialization:** *When socialization is applied to marketing and consumer behavior.*
- ❑ **Values:** *Shared beliefs or cultural norms about what is important or right.*

Cultural values directly influence how Consumers view and use individual products, brands, and services.





## □ The List of Values (LOV):

- Self-respect
  - Self-fulfillment
  - Respect from others
  - Security
  - Fun and enjoyment in life
- Warm relationships
  - Sense of belonging
  - Excitement
  - Sense of accomplishment



- **Sub-Cultures : Ethnic Patterns:** *The norms and values of specific groups or subcultures within a society.*
- **Social Class Influences**

**Social Classes:** *Relatively homogeneous divisions within a society that contain people with similar values, needs, lifestyles, and behavior.*



# Family Influences and the Family Life Cycle

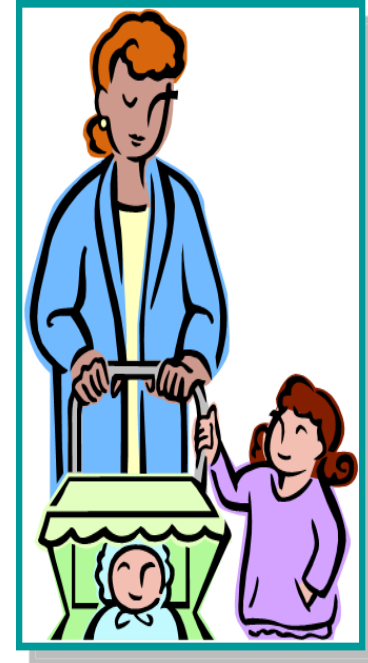
□ Family influences play 2 important roles in:

- ❖ The socialization of people.
- ❖ Affecting individual purchase decisions.

- Family Life Cycle:

- *The sequence of steps a family goes through:*

- ❖ From young, to
    - ❖ Single adults, to
    - ❖ Married couples whose children
    - ❖ have left home, to
    - ❖ The retired survivor



# Social Class

- Groups  
Reference,

Membership,  
or Aspirational

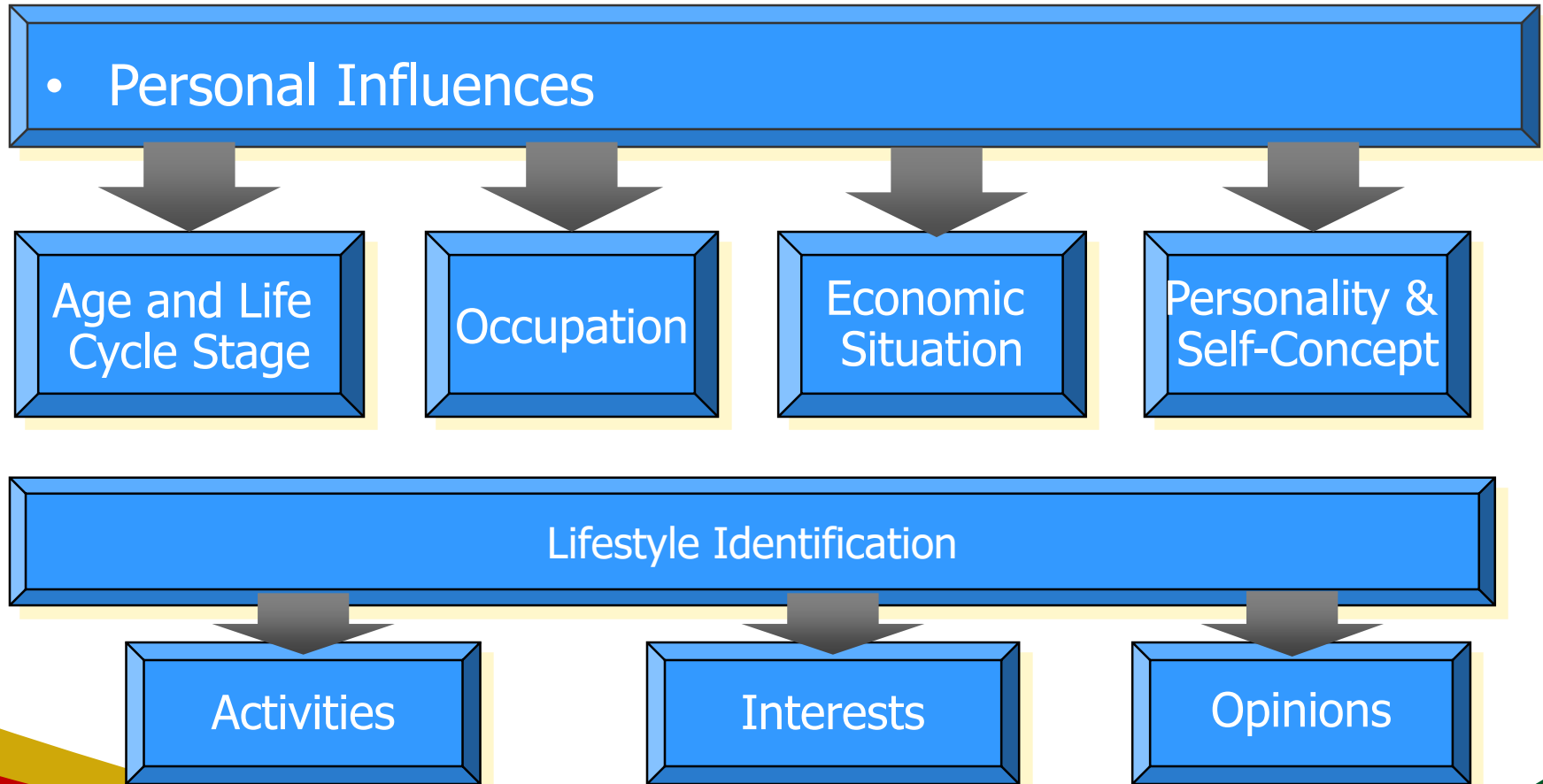
Family

Most Important Consumer  
Buying Organization

Roles and Status



# Factors Affecting Consumer Behavior: Personal



# Factors Affecting Consumer Behavior: Psychological

- Motivation: **Motivation** is the inward drive we have to get what we need. In the mid-1900s, Abraham Maslow, an American psychologist, developed the hierarchy of needs shown



- ❑ Maslow theorized that people have to fulfill their basic needs—food, water, and sleep—before they can begin fulfilling higher-level needs.
- ❑ **Perception**: Refers to how you interpret the world around you and make sense of it in your brain. You do so via stimuli that affect your different senses—sight, hearing, touch, smell, and taste. How you combine these senses also makes a difference.
- ❑ Consumers are bombarded with messages on television, radio, magazines, the Internet, and even bathroom walls
- ❑ Have you ever read or thought about something and then started noticing ads and information about it popping up everywhere? Many people are more perceptive to advertisements for products they need.



- **Beliefs and Attitudes**

- ☐ They are “mental positions” or emotional feelings, favorable or unfavorable evaluations, and action tendencies people have about products, services, companies, ideas, issues, or institutions.
- ☐ *Learned predispositions to respond favorably or unfavorably to a product or brand.*
- ☐ Attitudes tend to be enduring, and because they are based on people’s values and beliefs, they are hard to change
- ☐ Attitudes have valence; they can be positive, negative, or neutral.
- ☐ **Strong attitudes are resistant to change.**
- ☐ Attitudes can erode over time if not reinforce.





# Attitudes – Marketing Implications

1. Attitudes are based on beliefs consumers hold about the attributes or features (price, level of services, quality) of the products they are evaluating.
2. Attitudes are primary causes of behavior causing consumers to buy or not buy products



- ❑ **Learning:** refers to the process by which consumers change their behavior after they gain information or experience. It's the reason you don't buy a bad product twice.
- ❑ Learning doesn't just affect what you buy; it affects how you shop. People with limited experience about a product or brand generally seek out more information than people who have used a product before.
- ❑ **Psychologists broadly describe learning as relatively permanent changes in thought and behavior that result from experience.**
- ❑ **Learning requires memory** – the ability to summon past thoughts and events to mind. Thus, it is a change in the content or organization of long-term memory. This change takes place as a result of information processing.



- ❑ consumer evaluation of product alternatives is enhanced through learned behavior.
- ❑ Learning occurs when consumers respond to a stimulus and are rewarded with need satisfaction or are penalized by product failure.
- For example, consumers may be stimulated by a need for a cold drink on a hot day. Their response may be to try different soft drinks brands until they find a product that satisfies their needs. After this, they will tend to make similar responses on future occasions.
- The consumer has learned. Thus, for our purpose, we mean, for consumer study, learning may be defined as the acquisition of new responses to behavioral cues in the environment, occurring as the result of reinforcement.



- ❑ To promote its new line of coffees, McDonald's offered customers free samples to try. Have you ever eaten the food samples in a grocery store? **This is effect of learning**
- Another kind of learning is **operant or instrumental conditioning**, which is what occurs when researchers are able to get a mouse to run through a maze for a piece of cheese or a dog to salivate just by ringing a bell.
- In other words, **learning occurs through repetitive behavior that has positive or negative consequences.**
- **Companies engage in operant conditioning by rewarding consumers, which cause consumers to want to repeat their purchasing behaviors.**



## Economic Situation

- ❑ Economic situation of an individual affect his/her buying ability. A high income earner has more income to spend and a low income earner has little income to spend.
- ❑ Marketers of income sensitive goods watch trends in personal income, savings and interest rates.
- ❑ During economic recession, marketers must re-price reposition or even redesign their products.



## Lifestyle

- ❑ Lifestyle is a person's pattern of living as expressed in his or her activities, interest and opinions. Marketers classify people based on how they spend their money and time as follows:
- **1. Status oriented buyers** – Base their purchases on the actions and opinions of others.
  - **2. Action oriented buyers** – Are driven by their desire for acting, risk taking and variety.
  - **3. Principle oriented buyers** – Consumers who buy based on their views of the world.



❑ Based on lifestyle, consumers can also be classified as:

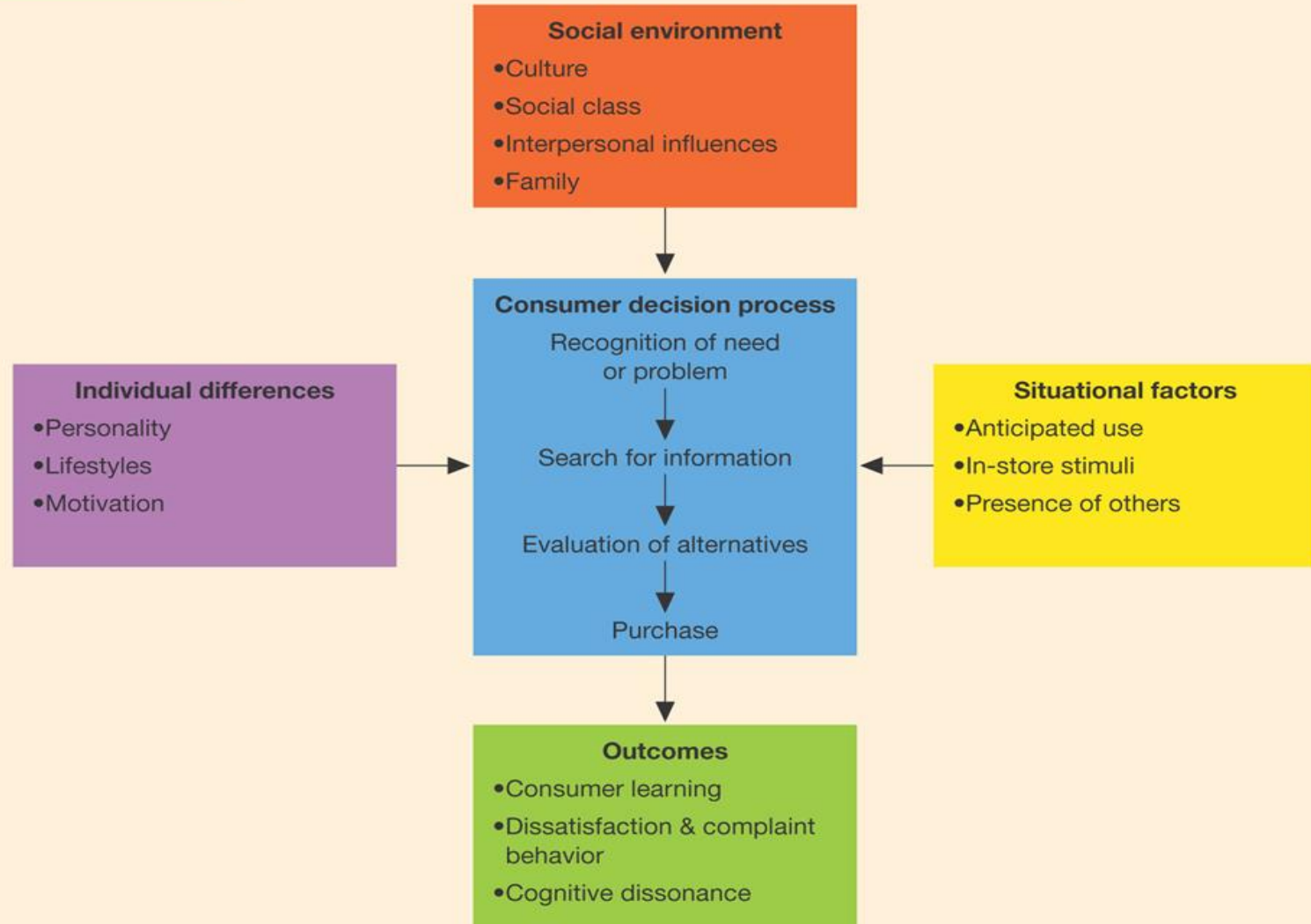
- 1. **Actualizes** – People with so many resources that they can indulge in any of the orientations above.
- 2. **Achievers** – People with middle income and just enough resources. They strive to be actualizes and are often status oriented.
- 3. **Strivers** – People with little resources and are principle oriented.
- 4. **Strugglers** – People with too few or no resources. They are often not included in any consumer orientation.

❑ Lifestyle study is used by marketers to design appropriate adverts for each class of consumers.



**Exhibit 4-2**

*A general model of consumer decision making and influences*



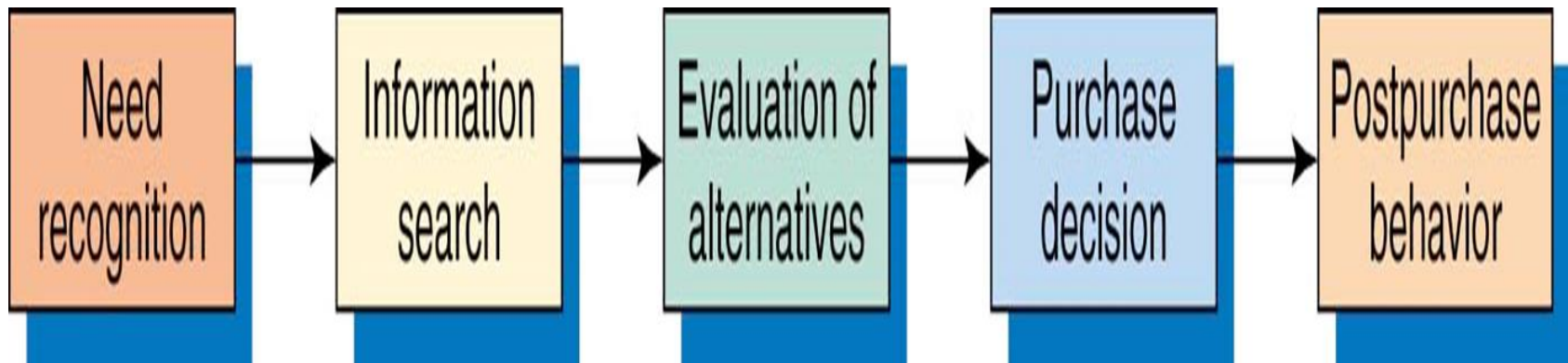


# THE BUYING DECISION PROCESS FOR A NEW PRODUCT

- ❑ A new product is a good or service or idea that is perceived by some potential customers as new.
- ❑ New products take sometime before they are finally adopted for use by the consumers.
- ❑ The process through which a new idea or product is received and consequently accepted is referred to as the adoption process.
- ❑ **Adoption Process:** This is the mental process through which an individual passes from first hearing about an innovation to final acceptance of the product.



# Buyer Decision Process



# Buyer Decision Process

## Step 1. Need Recognition/product Awareness

- ❑ Buyer Recognizes a Problem or a need arising from:
  - ❖ Internal Stimuli – Hunger OR External Stimuli –Friends
- ❑ In the awareness stage, individuals become aware that the product exists, **but they have little information about it and are not concerned about getting more.**
- Adopters may be informed through advertising, publicity, or any other effort of the marketer.

## ❖ Step 2. Information Search/Product Interest

- ❖ The consumer seeks information about the new product.
  - i) Personal Sources : Family, friends , neighbors



ii) **Commercial Sources** : Advertising , sales people,

iii) **Public sources** : Mass media, consumer rating groups

iv) **Experiential Sources** : Handling the product, Examining the product , Using the product

- ☐ By this time, the innovation is introduced. It is now the time for the decision-makers to determine whether the innovation relates to their needs.
- ☐ They enter the **interest stage when they are motivated to get information about its features, uses, advantages, disadvantages, price, or location.**
- ☐ Interest may or may not sparked, depending on whether the decision-makers perceive the innovation as a relevant, feasible alternative to existing items.



- **Step 3. Product Evaluation**

- ❑ The consumer tries the product on a small scale to improve its value estimate. The consumer considers whether trying the new product makes sense.
- ❑ Adopters of the innovations have to establish some evaluation measures to compare the new product with existing ones.
- ❑ During the evaluation stage, individuals consider whether the product will satisfy certain critical criteria for meeting their specific needs. The potential adopters consider the innovation's benefits and determine whether to try it.



- **Step 4. Product Trial**

- ☐ The consumer tries the new product on a small scale to improve their estimate of its value. If the consumer is satisfied with the product, they enter the adoption stage, deciding to use the new product thoroughly and regularly.
- ☐ At this stage, the potential adopters examine, test, or try the innovative product to determine its usefulness.
- ☐ In this stage, they use or experience the product for the first time, possibly by purchasing a small quantity, taking advantage of a free sample or demonstration, or borrowing the product from someone.



- **Step 5. Product Adoption**

- ☐ The consumer decides to make full and regular use of the new product. The new product is a good, service, or idea perceived by some potential customers as new.
- ☐ Individuals move into the adoption stage when choosing that specific product and they need a product of that general type
- ☐ Here the buyers purchase the new product and can be expected to use it to solve problems.
- ☐ Do not assume that they will eventually adopt the new product because a person enters the adoption process
- ☐ **Rejection may occur after any stage, including the adoption stage.**



# Adoption Rate of a New Product

- ❑ Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories.
- ❑ It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system.
- ❑ According to Rogers theory of innovation, people differ greatly in their readiness to try new products.
- ❑ There are five groups of people based on their adoption rate.
- ❑ When promoting an innovation, there are different strategies used to appeal to the different adopter categories.



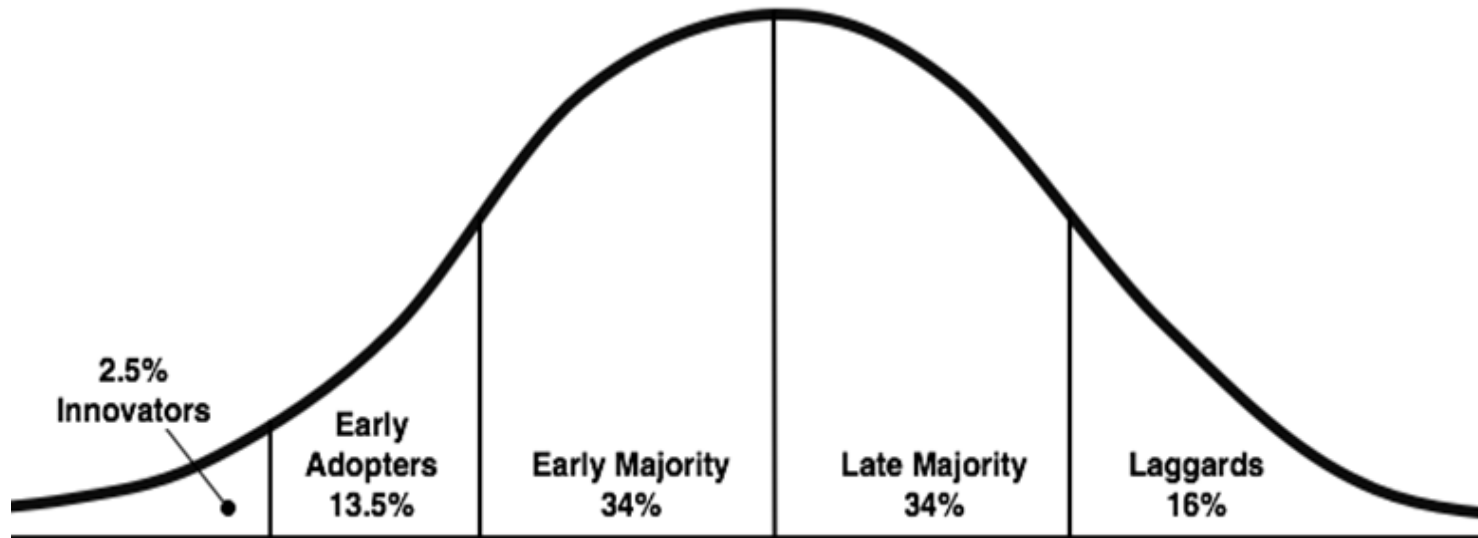


- 1) Innovators - These are people who want to be the first to try the innovation.
- They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
- 2) Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.



- **3)Early Majority** - These people are rarely leaders, but they do adopt new ideas before the average person. They need to see evidence that the innovation works before they are willing to adopt it. **Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.**
- **4)Late Majority** - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. **Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.**
- **5) Laggards** - **These people are bound by tradition and very conservative.** They are very skeptical of change and are the hardest group to bring on board. **Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.**





Source: Everett Rogers, Diffusion of innovations model

In general, innovators and early adopters are relatively younger, better educated, and higher income than late adopters and non adopters. Marketers with new innovations should research the characteristics of innovators and early adopters and should direct marketing efforts towards them



# PRODUCT LIFE CYCLE -PLC

❑ Management of every organization **knows that each product has a life cycle that starts at conception of product idea and ends at the death of a product.** The company therefore aims at maximizing its profits before the product's useful life ends.

## ❑ Assumptions of the PLC

- ❖ A product has a limited life
- ❖ Product sales pass through distinct stages each posing different challenges to the seller
- ❖ Product profit rise and fall at different stages
- ❖ Each stage requires different financial, marketing, manufacturing, purchasing and personnel strategies.



## ❑ Stages in the Life Cycle

- ❖ Product development

- ❖ Introduction

- ❖ Growth

- ❖ Maturity

- ❖ Decline

❑ *Like human beings, products also have a limited life-cycle and they pass through several stages in their life-cycle.*

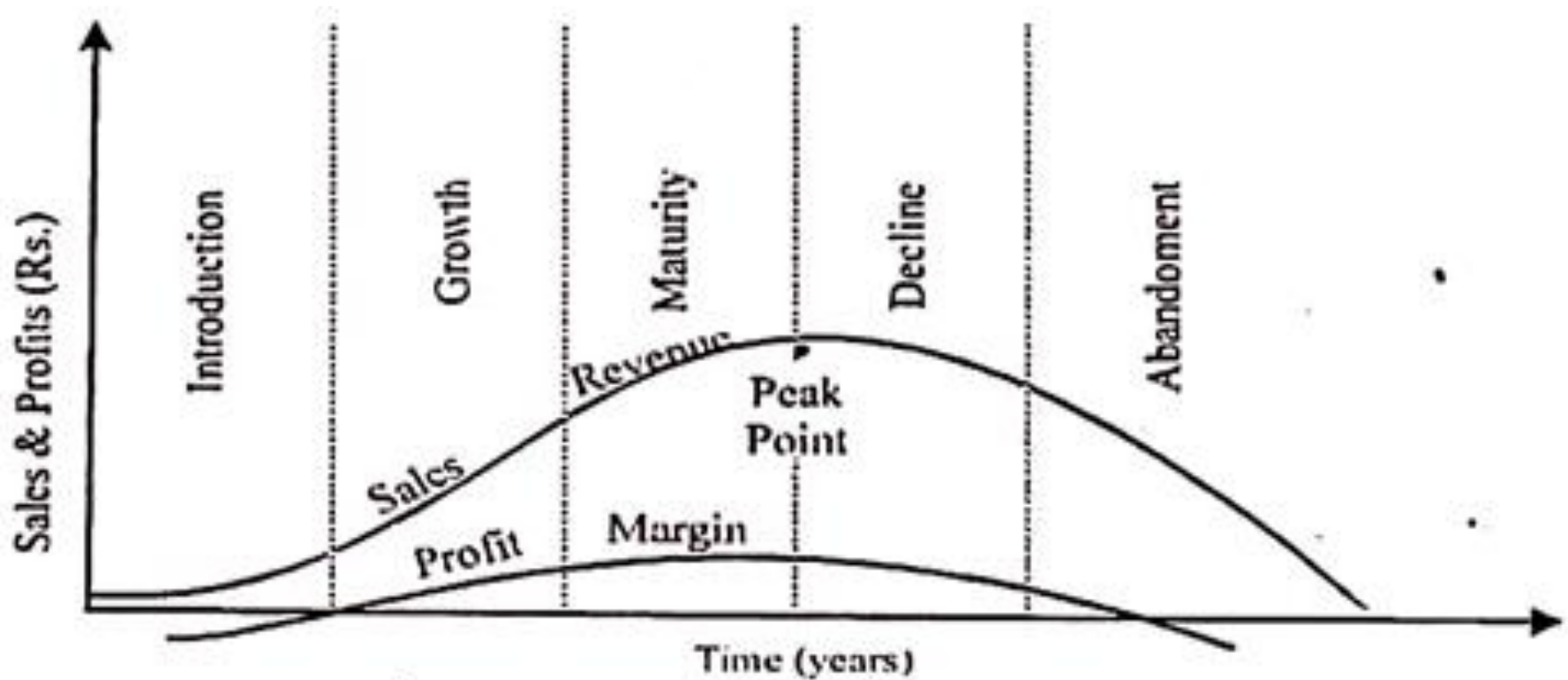
❑ *The product during its life cycle goes through many phases, involves many professional disciplines, and requires many skills, tools and processes.*



- ❑ The length of the cycle and the duration of each stage may vary from product to product, depending on the rate of market acceptance, rate of technical change, nature of the product and ease of entry.
- ❑ But sales volume and profit level change from stage to stage
- ❑ Every stage creates unique problems and opportunities and, therefore, requires a special marketing strategy.



# Product Life Cycle



NB: The PLC shape presented above is a general shape but different products will have different shapes.

Product Life-Cycle



# MARKETING STRATEGIES AT THE VARIOUS STAGES OF THE PLC

## ❑ INTRODUCTION STAGE

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. The introduction stage starts when the new product is first launched.

- ❑ In this stage, profits are negative or low because of low sales and high distribution and promotional expenses. A company that is pioneering a market must choose a launch strategy that is consistent with the intended production positioning.
- ❑ Firms therefore focus their selling to those buyers who are most ready to buy and not on maximizing profits. These groups of first time buyers are also called innovators.





## ❑ Strategies at the Introductory Stage

There are four possible strategies at this stage and these are displayed in the table below.

		HIGH	LOW
		PROMOTION	
PRICE	HIGH	<b>RAPID SKIMMING</b> High Profile Strategy	<b>SLOW SKIMMING</b> Selective Penetration Strategy
	LOW	<b>RAPID PENETRATION</b> Pre-emptive Penetration Strategy	<b>SLOW PENETRATION</b> Low Profile Strategy



❑ **Rapid Skimming**: An organization can decide to employ rapid skimming if;

- ❖ Large Part of the market is unaware of the product
- ❖ Market willing to buy at high price
- ❖ Competition is present
- ❖ Market is large

• For Example Safaricom mobile phone service provider

❑ **Slow Skimming** : An organization may employ slow skimming if

- ❖ Market is relatively limited in size
- ❖ Large part of the market is unaware of the product
- ❖ Market is willing to pay high prices
- ❖ A little threat in competition



**❑ Rapid Penetration: May be employed if ;**

- Market is large in size
- Market is relatively unaware of the product
- Market is price sensitive
- Potential competition exists
- For Example EABL and Alvaro

**❑ Slow Penetration : May be employed if;**

- Market is large
- Market is aware of the product
- Market is price sensitive
- Established competitors exist
- For Example entry of Orange mobile phone service providers into Kenya



## ❑ GROWTH STAGE

- ❑ In the growth stage, sales climb quickly. The early adopters start to buy the product especially after hearing favourable word of mouth about the product.
- ❑ The increasing profits soon attract new competitors who join the market in the hope of gaining from this opportunity.
- ❑ The increase in competitors leads to an increase in the number of distribution outlets and sales jump up. Educating the market remains key to marketers, while keeping watch of competition.
- ❑ Profits increase as promotions are spread, while per unit cost falls as indicated by the first growing profit curves.



- **Strategies here include:**

- ☐ The company improves product quality and adds new product features to beat competition.
- ☐ The company opens new distribution channels.
- ☐ It shifts advertising from building product awareness to building product conviction and loyalty.
- ☐ Prices may be lowered to attract new buyers or as a means of creating competitive advantage.
- ☐ A sustained effort on product improvement, promotion and distribution may lead the company to capturing a dominant position.



## MATURITY STAGE

- ❑ This is the stage in the PLC in which sales growth slows or levels off. This stage usually lasts longer than the growth stage.
- ❑ Most products die at this stage, because competition is greatest at this point. It is divided into three stages:
  1. **Growth Maturity:** This is the point where the growth rate starts to decline though some laggard buyers continue to come in.
  2. **Stable Maturity:** A stage where sales level off because the market is saturated.
  3. **Decaying Maturity:** A stage where there is absolute decline of sales because customers are seeking substitute products. Competitors begin reducing prices, increase their advertising and sales promotion and increase their research and development budgets to find better versions of the product. This eventually leads to a drop in profits



- **Strategies here include:**

- 1) **In modifying the market**, the company tries to increase the consumption of the current segments. It also looks for ways of increasing usage among present customers. **The company can also move into a new market segment.**
- 2) **In modifying the product**, quality, features, styles and designs are upgraded to inspire more consumers to use it. Alternatively, the company might add new features that expand the products usefulness, safety or convenience.
- 3) **In modifying the promotional strategy**, the company's objective will be to improve sales. It can cut prices to attract new users and lure competitor's customers. It can launch a better advertising campaign or use aggressive sales promotions, trade deals, price offs and contests.
- 4) **In terms of pricing**, the company can maintain current prices as long as they are competitive. The company might reduce prices if doing so gives them a competitive advantage.



## DECLINE STAGE

- ❑ This is the PLC stage in which a **products sales decline**.
- ❑ Sales may plunge to zero or they may drop to low levels where they continue for many years.
- ❑ As sales decline, many competitors exit the market, drop smaller market segments or cut off promotional budgets and reduce their prices further.
- ❑ A weak product can be costly to maintain. It takes a lot of management time, it requires advertising and sales force attention.
- ❑ Management therefore needs to identify the aging products and decide whether to maintain, harvest or drop each of them.





## Strategies here include:

- ❑ Management may decide to maintain the product in the hope that competitors will exit the industry, leaving the company with an advantage.
- ❑ **Harvest the declining product** - which means reducing various costs (e.g. advertising sales force, research and development etc.) and hope that sales hold up. If successful, harvesting increases the company's profits in the short run.
- ❑ **Management may decide to drop the product**. It can sell it to another firm or simply liquidate it at salvage value.



- ❑ Management may decide to divest. Divesting strategies enables management to do away with a product whose performance is below expectation.
- ❑ Two approaches can be used;
  1. **Concentric diversification** - Diversification is the creation of products similar to the one existing or creating products completely different from existing ones but which may appeal to existing and new customers e.g. Coca cola deciding to produce and sell Dasani water
  2. **Conglomerate diversification** - Conglomerate diversification is the involvement in production of products or provision of services that are not related with the current products and services e.g. EABL deciding to produce Alvaro.



# PRODUCT DECISIONS

- ❑ A product is anything that can be offered to satisfy human needs.
- ❑ Products are broadly divided into two depending on consumers who use them:
  - 1) Consumer products
  - 2) Industrial products



## Consumer Products

Are products bought by final consumers for personal use. Based on how consumers buy them, consumer products are further classified as follows:

- **Convenience products** – are consumer products and services that consumers buy frequently, immediately and with little or no comparison and buying effort e.g. salt, bread, soap etc. – Habitual buying behaviour
- **Shopping products** – are less frequently purchased consumer products that customers compare carefully on suitability, quality, price and style e.g. furniture, cars – Dissonance reducing buying behaviour
- **Specialty products** – Are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort e.g. photographic equipment, designer clothes - Complex buying behaviour
- **Unsought products** – Are consumer products that the consumer either does not know about or knows about but does not think of buying e.g. cemetery plots, life insurance – Complex buying behaviour



- **Industrial Products**

These Are those purchased for further processing or for use in conducting a business.

There are three groups of industrial products i.e.

- **Materials and parts** – Include raw materials and manufactured materials and parts e.g wheat, cotton, crude petroleum, iron ore, rubber, cement price and service are the major marketing factors.
- **Capital items** – Are industrial products that aide the buyer's production activities e.g factories, offices, generators, forklift trucks etc.
- **Supplies and services** – Supplies include stationery, lubricants, brooms etc. They are purchased with little effort.



# PRODUCT DECISIONS

- ❑ Marketers indulge in a number of product decisions which include **Product Attributes**. **Product** attributes include quality, features and design. **Marketers make decisions about product attributes as follows:**
  - ❖ **Product quality:** the ability of a product to perform its functions as expected by the consumer or to satisfy consumer needs.
  - ❖ **Product features** – Features are the external appearances of a product that distinguishes it from other similar products. Companies often conduct consumer surveys to understand what consumers want and design features that meet consumer needs. **Common Products features include; Packaging, Colour, Options, Sizes, Image amongst others.**



- ❖ 3. Product style and design – Style describes the contemporary appearance of a product. A good design is that which contributes to products usefulness as well as to its looks

## Product Line

- ❖ A product line is 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 outlets or fall within a given price range.
- ❖ Example of product lines:
  - ❖ 1. Toyota: Toyota Corolla :EE 90,100,110,120 Toyota Rav: Rav 4 Rav J
  - ❖ 2.EABL: Tusker, Guinness, Smirnoff, Alvaro
  - ❖ 3.Coca-cola; Fanta, Coke, Sprite, Bitter Lemon



- The major product line decisions include:
  - ❖ **Product line length** – Refers to the number of items in a product line. The line is too short if the manager can increase profits by adding items. The line is too long if the manager can increase profits by dropping items e.g. by adding Alvaro to their products EABL lengthened their line
  - ❖ **Product line filling** – Involves adding more items within the present range of the line. May be done for the following reasons, to increase profits, satisfy dealers, or to utilize excess capacity e.g. Fanta orange, Fanta black current and Fanta citrus.
  - ❖ **Product line stretching** – Occurs when a company lengthens its product line beyond its current range. The company can stretch downward (to penetrate a new market currently held by competitors) or it may stretch upward to add prestige to their current products e.g Barclays Prestige Account.





## Product Mix Decisions

- ❑ A product mix (or product assortment) is the set of all product lines and items that a particular seller offers for sale for example EABL produces a product mix made up of Tusker, White Cup, Guinness, Alvaro, Smirnoff amongst others. Toyota product mix include Toyota Corolla, Toyota Caldina, Toyota Nadina. Toyota Prado, Toyota RAV 4, Toyota Camry etc.
- ❑ A product mix has four important decisions, product mix width, product mix length, product mix depth and product mix consistency.NB:
- ❑ The product line decisions discussed above applies to the product mix
- ❑ The fewer the number of lines and product mixes, the better for each company.



# BRANDING

## BRANDING

- ❑ Brands are vital to both consumers and producers. But how are these brands generated and maintained? How do you brand a product like a fish or a chicken?
- ❑ Although marketing departments and producers provide the drive for brand creation through their promotional programs and other activities, ultimately, a “brand” is an intangible entity with intrinsic and or monetary value that resides exclusively in the minds of consumers.
- ❑ According to Kotler & Keller (2012, p. 265), “A brand is a perceptual entity rooted in reality, but it is more than that - it reflects the perceptions and perhaps even the idiosyncrasies of consumers.”



- ❑ This is the process of giving a product a label, making it distinct from other products that may be functionally similar or even the same, and giving it meaning through attributes imbued in the brand.
- ❑ It's a process of telling the consumer this is what our (the brand's) product can do for you, and why it's different from the same product with different brand labels and why you should buy this product over another.
- ❑ The key to branding is a psychological one. The branding process creates a mental map or an interconnected web of information that helps consumers arrange their knowledge about goods



- ❑ Whenever and wherever consumers are deciding between alternatives, brands play an important decision-making role;
- ❑ The key to success here is **convincing consumers that all the product offerings in the category are not the same and that meaningful differences exist.**
- ❑ Having an understanding about how our memory works helps to show why this is so important.



# Description of Brands

- **Brand name:** Utter able or verbalized part of the brand i.e. Toyota, Kimbo, Imperial, Fanta, Safari Boot, Nike, Firestone.
- **Brand mark:** Part of the brand that can only be recognized i.e. Merc Symbol, Barclay eagle etc.
- **Trademark:** Part of the brand given a legal protection. Trademark® is an exclusive right to use a brand or part of a brand
- **Copyright:** This is the exclusive right to reproduce, publish and sell.
- **Brand equity:** Monetary value of a brand. High brand loyalty builds higher brand Equity: **Coca Cola has brand equity of US\$ 36 billion**



- **Significance of Branding to Consumers**

- ❖ Identify the products they need faster.
- ❖ Brands tell consumers something about quality. Customers of a particular brand expect the same features, benefits and quality each time they buy.
- ❖ It enhances a sale of a new product
- ❖ It also enables profitable pricing from time to time

- **Significance of Branding to Sellers**

- ❖ The brand name provides a basis of selling special qualities.
- ❖ Legal protection of brands from copying by competition
- ❖ Helps sellers segment markets e.g Toyota Lexus for the actualizes, Toyota Prado for the achievers, Toyota Corolla for the strivers.



- **Characteristics of a “good” brand name**

- ❖ Easy to pronounce, recognize and to remember
- ❖ Short
- ❖ Distinctive, unique
- ❖ Describes the product and product use
- ❖ Describes product benefits
- ❖ Has a positive connotation
- ❖ Reinforces the product image
- ❖ Legally protectable locally and internationally



# PRODUCT PACKAGING

- ❑ Packaging is the activity of designing and producing the container or wrapper for a product.
- ❑ Traditionally, the primary function of the package was to contain and protect the product. Today packaging performs numerous functions including attracting, attention, describing the products and making the sale.
- ❑ A good package is one which is in line with the packaging concept (should offer protection, introduce a new dispensing method, or suggest product qualities.
- ❑ A good package further addresses issues such as size, shape, materials, colour, text and brand mark.





# Levels of Packaging

- **Primary package** - This is the product's immediate container i.e. the tube containing the after shave or tooth paste.  
**Secondary package** - This is the material that covers or protects the primary package and is discarded when the product is just about to be used.  
**The shipping package** - This is the packaging necessary for storage, identification and transportation.



# PRODUCT LABELING

- ❑ Labels may range from simple tags attached to product to complex graphics that are part of the package.
- ❑ Labeling performs the following functions:
  1. Identifies the product or brand
  2. States the price
  3. Promotes the product – Attractive graphics
  4. Describes the product – Manufacturer, where made, when made, content, direction of use, safety etc.



- **PRODUCT WARRANTIES**

Product warranty protect the buyer and gives essential product information

Expressed warrantees are written guarantees

Implied Warranty is an unwritten guarantee that an item is fit for its purpose

## **UNIVERSAL PRODUCT CODES**

Abbreviated as UPCs and was introduced in 1974. They are numeral codes appearing as thick and thin vertical lines. They are used in high volume outlets and supermarkets to ease identification of goods. Lines are computerized to match codes with brand name, size and price.



