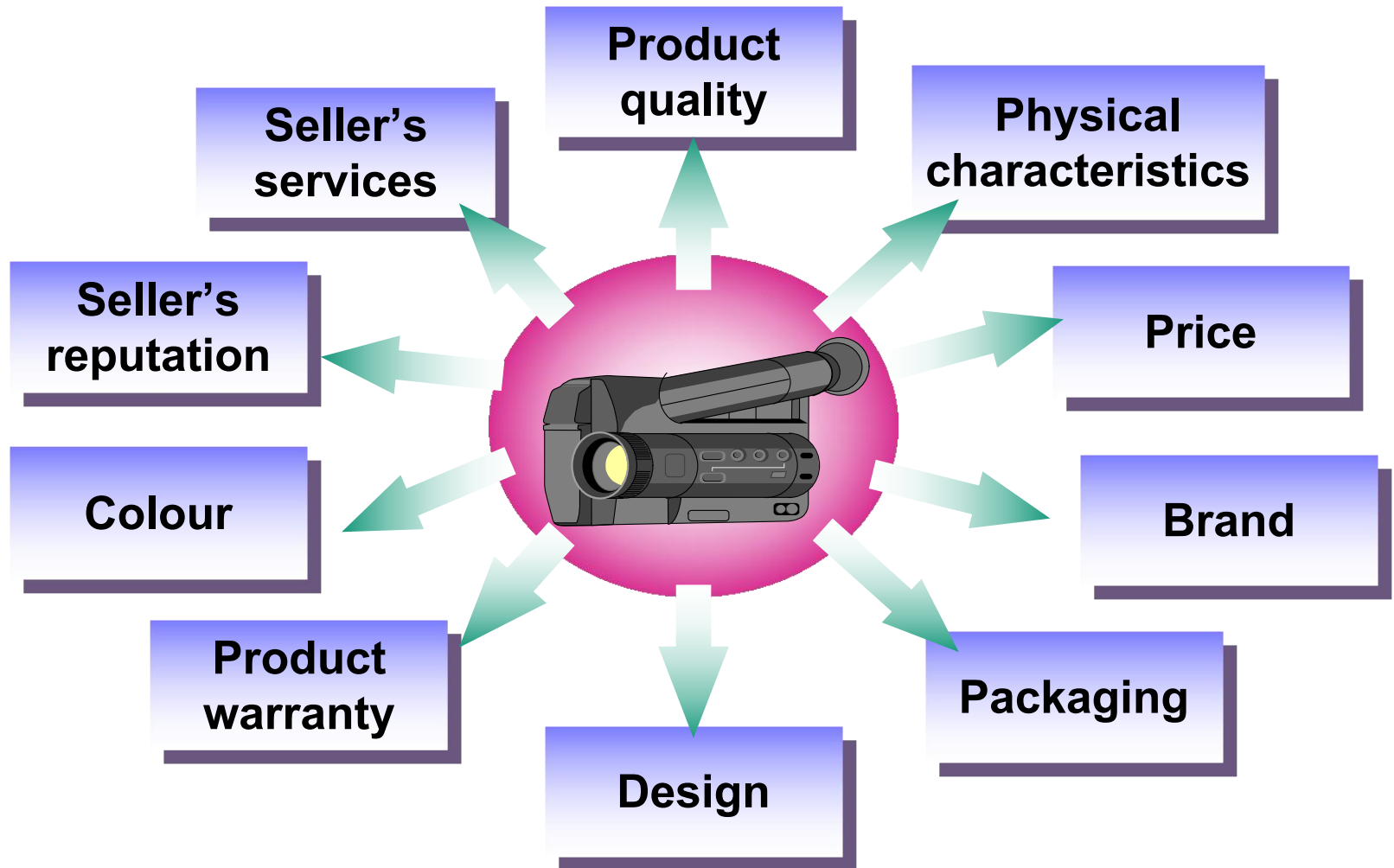# Products are a medium to deliver value

A total product

Product quality

Seller's services

Physical characteristics

Seller's reputation

Price

Colour

Brand

Product warranty

Packaging

Design

How about movie products?

Product Design Process

New Product Development

1 Idea Generation

2 Idea Screening

3 Concept Development

4 Business Analysis

5 Product Testing

6 Technical Implementation

7 Commercia-lization

Successful entrance to the market

A learning platform and collection of tools that guide the user through the seven stages of the new product development process
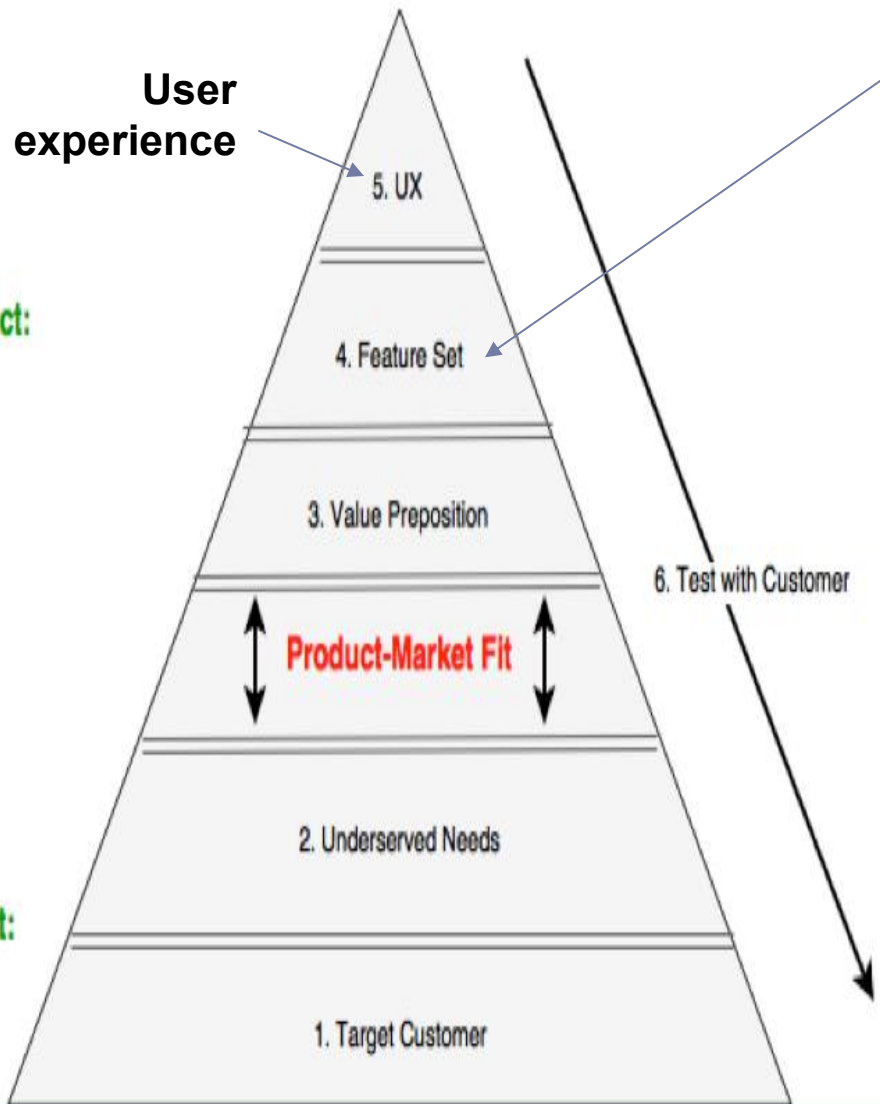
Initial design → Implement design → Deploy product → Analyze product → Improve product

The Lean Product Development Process (Olsen, 2015)

User experience

Product:

Market:

5. UX

4. Feature Set

3. Value Preposition

Product-Market Fit

2. Underserved Needs

1. Target Customer

6. Test with Customer

Feature Set when Specifying Minimum Viable Product: identify the minimum functionality required to validate that we are heading in the right direction. It called MVP candidate instead of an MVP because it is based on hypotheses. For each benefit in product value preposition, we need to come up with as many feature ideas as we can for how our product could deliver that benefit. We need great thinking in the problem space and now transitioning to solution space. At this point, brainstorming rules should apply divergent thinking so to generates as many ideas as possible without any judgments or evaluation. At the end, we break each of them down into smaller pieces of functionality. The goal is to find ways to reduce scope and build only the most valuable pieces of each feature.
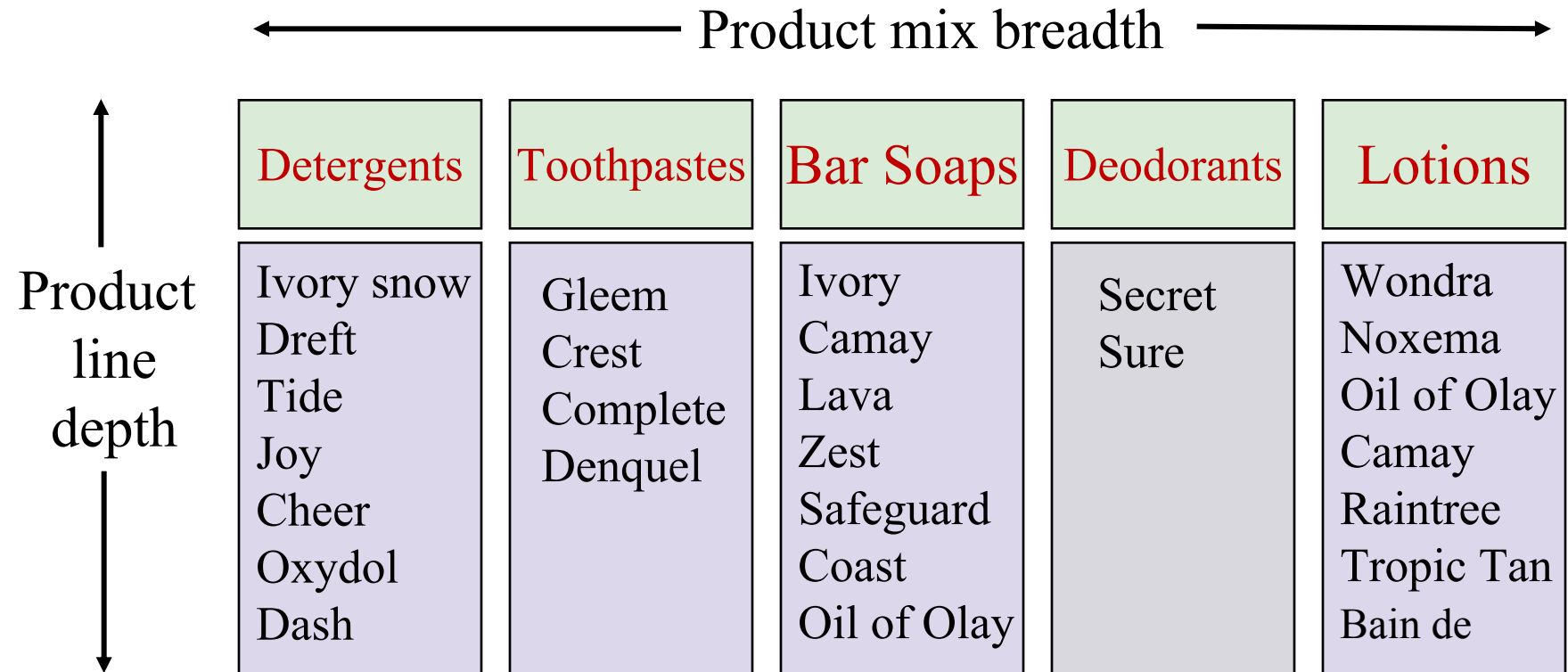
Packaging

What packaging do you as a consumer find useful?

How are they related to targeting?

Product mix in Proctor & Gamble

Product mix breadth ←——————————————→

Product line depth ↓

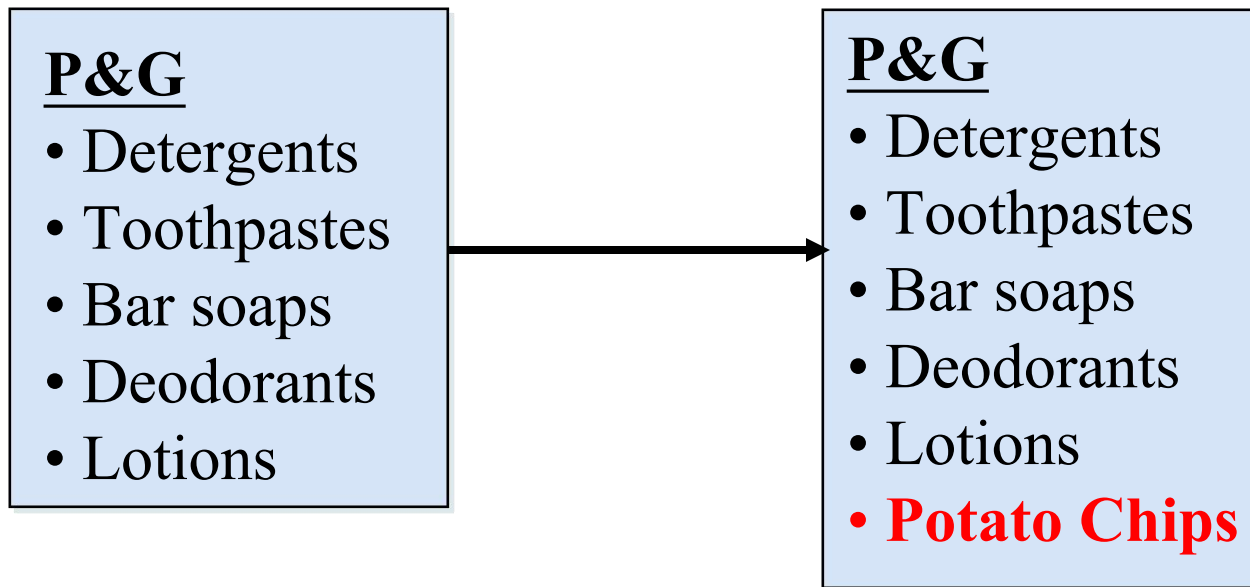| Detergents	Toothpastes	Bar Soaps	Deodorants	Lotions
Ivory snow Dreft Tide Joy Cheer Oxydol Dash	Gleem Crest Complete Denquel	Ivory Camay Lava Zest Safeguard Coast Oil of Olay	Secret Sure	Wondra Noxema Oil of Olay Camay Raintree Tropic Tan Bain de

Product mix is the set of all products offered by a company.

A **product line** is a broad group of products, intended for similar uses and having similar characteristics.

Product–line expansion

Adding new product lines to its present assortment:

P&G
- Detergents
- Toothpastes
- Bar soaps
- Deodorants
- Lotions

→

P&G
- Detergents
- Toothpastes
- Bar soaps
- Deodorants
- Lotions
- **Potato Chips**

Newness and level of learning

- Continuous innovation: P&G Pert Plus, a shampoo–conditioner
  - No new learning
  - Marketing goal: awareness and distribution
- Dynamically continuous innovation
  - Limited learning
  - Marketing goal: stress differentiation
- Discontinuous innovation: MP3 players, digit
  - Totally new learning
  - Marketing goal: educate consumers

Starbucks launches new product in China

▸ Starbucks introduced its innovative product **Starbucks Refresher** into the Chinese mainland market in August 28, 2012

▸ All of the chain cafes offer the new beverage product, in berry and lime flavor.

▸ China is one of the first marketplaces where consumers can enjoy this new beverage

▸ It will not only improve and enrich consumer experiences, but also represents Starbucks' long–term commitment in China.

KFC's new products in China
立足中国、融入生活

Localization of KFC

a branding decision to turn KFC into a brand that would be perceived as part Chinese:
- adapting its offerings to local palate
- hiring local management to serve as the local face of the global brand

KFC's remarkable success in China can be explained by

‣ their (first) novel 'fast food' positioning

‣ brilliant strategy of localization

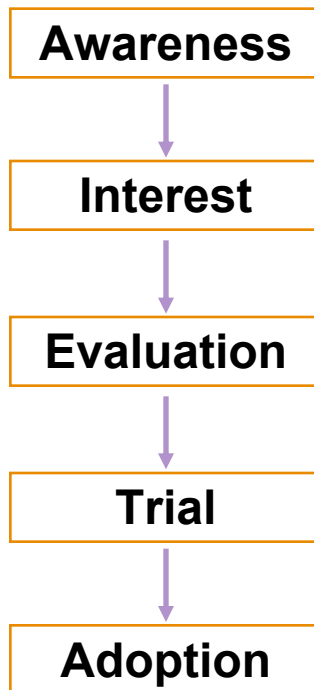‣ expanding to lower tier cities

‣ menu addressing health concerns

Video: How did KFC win over China
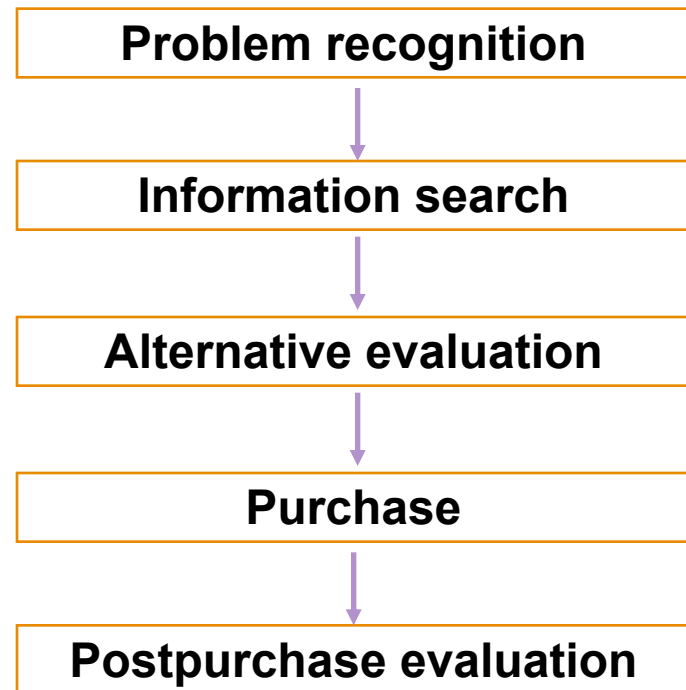
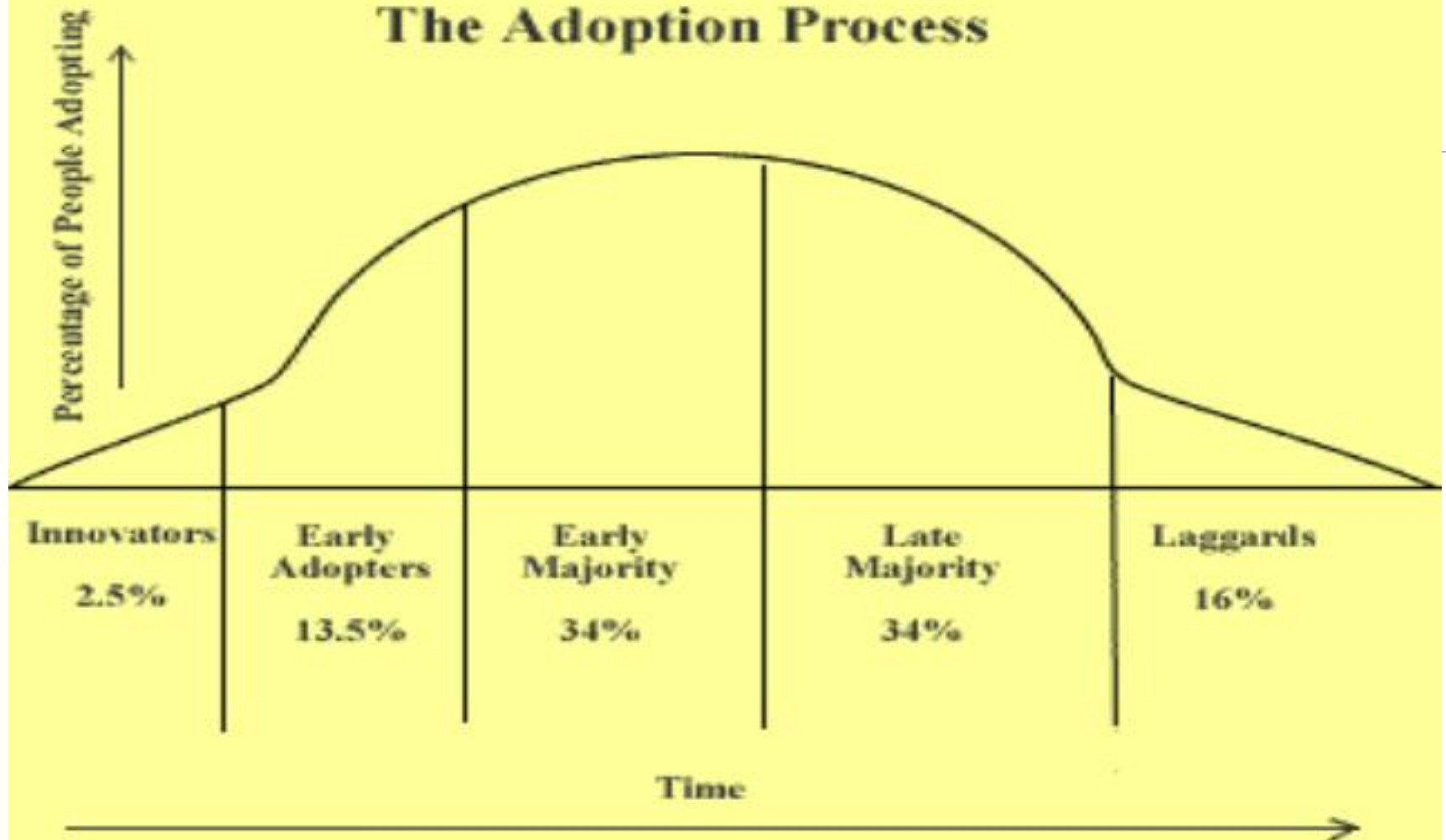(https://www.youtube.com/watch?v=GWDxTUdxo9A)

‣

Consumers' adoption process

Stages in the adoption process

Awareness
↓
Interest
↓
Evaluation
↓
Trial
↓
Adoption

Steps in extended decision making

Problem recognition
↓
Information search
↓
Alternative evaluation
↓
Purchase
↓
Postpurchase evaluation

The Adoption Process

Bourne, Francis, S., 'The Adoption Process' *The Adoption of New Products (Arbour, A, Foundation For Research on Human Development (1959) pp1-8).*

www.marketingteacher.com *For marketing learners, teachers and professionals*

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Five categories of individual adopters for new products

1. *Innovators:* venturesome risk–takers — *3%*
2. *Early adopters:* respected opinion leaders? — *13%*
3. *Early majority:* deliberate — *34%*
4. *Late majority:* skeptical — *34%*
5. *Laggards:* traditional — *16%*

Some individuals never accept the innovation.

Factors affecting adoption/diffusion

▸ **Relative advantage** of new product over existing alternatives

▸ **Compatibility** with current values, use patterns

▸ **Complexity** slows the adoption rate

▸ **Trialability**: it helps if a new product can be sampled before a commitment is made to buy

▸ **Observability**: it also helps if the benefits of the new product can be easily observed

▸ **These factors are about attributes of product. Other factors can also affect adoption**

Forecast diffusion by considering the influencing factors: illustration

Take Huawei Mate 20 X 5G for example (vs. Samsung Galaxy Note 10+ 5G)

	Excellent	Good	Fair	Poor
Relative advantage				
Compatibility				
Complexity				
Trialability				
Observability				

But there are also other factors to consider

Some famous wrong predictions

▶ "That's an amazing invention, but who would ever want to use one of them?" *US President Rutherford Hayes, 1876, after trying the telephone*

▶ "The radio craze will die out in time." *Thomas Edison, 1922*

▶ "I think there is a world market for maybe five computers." *Thomas Watson, Chairman of IBM, 1943*

About 80% of new products fail

▸ Poor concept (no one wants it!)

▸ Inadequate selection & targeting; Inadequate differentiation

▸ actual product is not well designed; development costs are higher than expected, etc..

▸ Overestimated market size

▸ Marketing mix issues:

  ▸ Poor execution

  ▸ Bad timing (too early, too little, too late)

  ▸ No access to buyers (distribution weakness)

Services

Product types: service continuum

Doctor — Hotel — Dry Cleaners — Restaurant — Apparel Specialty Store — Grocery Store

Service Dominant ←——————————————————→ Product Dominant

Characteristics of services

▸ **Intangibility**: cannot be seen, tasted, felt, heard before/after purchase (experience/credence goods)

▸ **Inseparability**: cannot be separated from their providers (production and consumption are simultaneous)

▸ **Heterogeneity**: quality of services depends on who provides them and when, where, and how; customers often lack the expertise to assess; staffs are essential to the delivery of quality services

▸ **Perishability**: cannot be stored for later sale or use

▸ **Fluctuating demand**: demand for some services fluctuate by season or by time of day

Managing service quality

▸ Customers are concerned about the ***process*** of service delivery, and ***interaction with staff***

▸ Quality is more difficult to define in services; it depends on the customer's perception but perceived quality varies across customers, and over time and circumstances

▸ More difficult to standardize and maintain consistency

Marketing strategies based on different service characteristics

| Characteristic	Marketing Response
Intangibility	Provide tangibility through physical appearance of the facility, furnishings, employee uniforms, logo, websites, advertising, etc.
Perishability	Adjust pricing to influence demand Adjust services to match demand (capacity management) Reservation system
Variability	Total quality management programs Offer service guarantees Careful selection and training of employees
Inseparability	Train employees on successful service encounters Consider disintermediation (if appropriate)

Dimensions of service quality

▸ **Reliability**: perform promised service dependably and accurately, e.g., receive mail at same time each day

▸ **Responsiveness**: willingness to help customers promptly, e.g., avoid keeping customers waiting for no apparent reason

▸ **Assurance**: ability to convey trust and confidence, e.g., being polite and showing respect for customer

▸ **Empathy**: ability to be approachable, e.g., being a good listener

▸ **Tangibles**: physical facilities & facilitating goods, e.g., cleanliness

Three primary aspects of service quality:

▸ **Interaction quality:** employee-customer interface, interpersonal dynamics, e.g., employee attitude, behaviors and expertise

▸ **Environment quality:** physical and structural aspects of the service location, e.g., design, facilities and surroundings

▸ **Outcome quality:** customer perception and lasting impressions

ICBC: Banking services
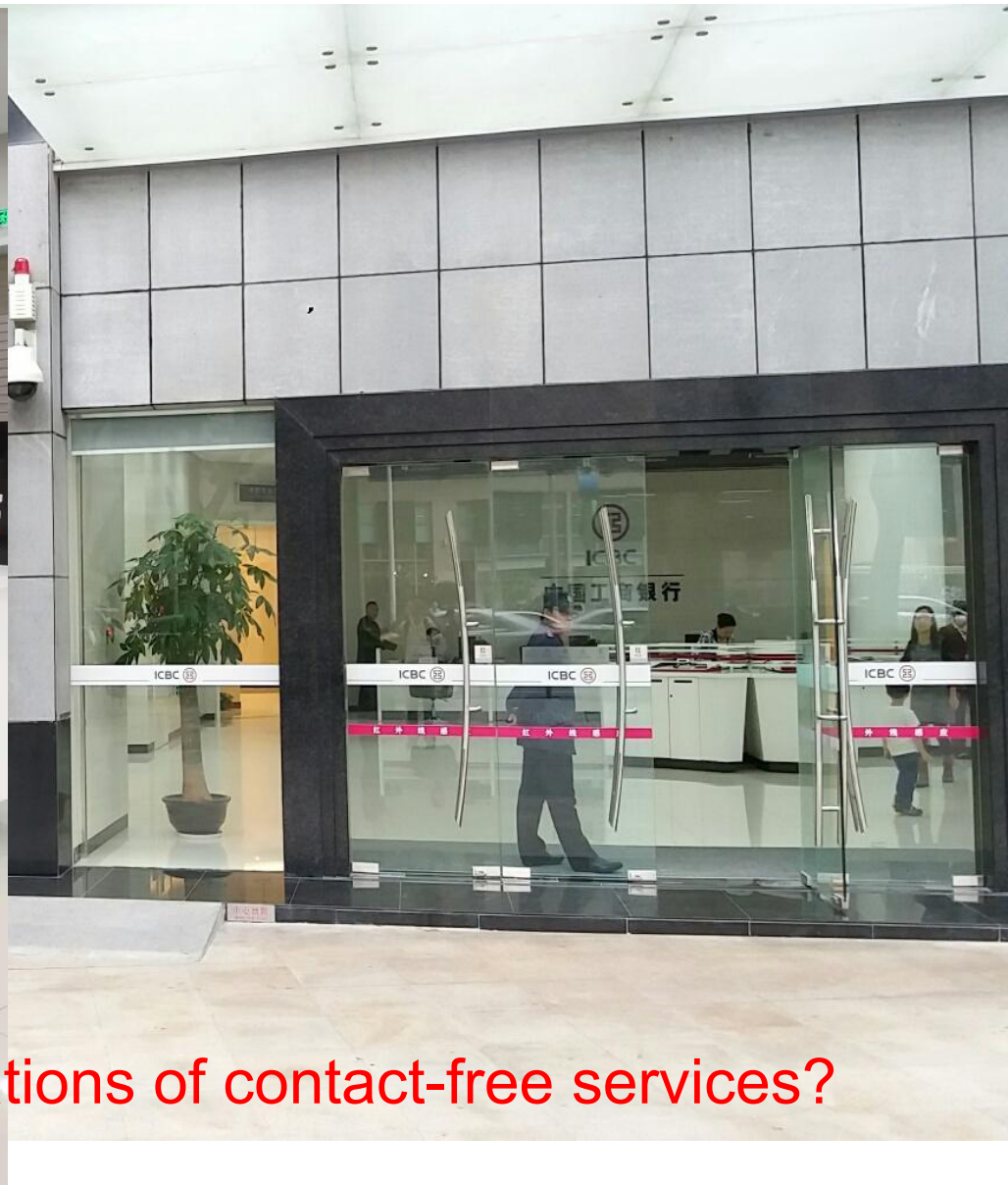
Implications of contact-free services?

Digitization and AI in Service Industry

▸ In a coffee store, you are assigned a number (vs. your personal identification such as name) to wait for order

- Sense of objectification and social interaction/isolation

- Concerns about privacy violation

▸ Does digitization affect customer preference and satisfaction, and firm revenue?

Digitization and AI in Service Industry

➤ AI in customer services: healthcare, education, financial services, retailing…

▸ **Go Shopping with Alexa | Amazon Echo (**Jul 7, 2020)
➤ *https://www.youtube.com/watch?v=iQD2waZNCao*

➤ **Meet Sophia: The first robot declared a citizen by Saudi Arabia (**Oct 29, 2017**)**
https://www.youtube.com/watch?v=E8Ox6H64yu8

Imaging you are talking to someone in a call/service center
➤ Can customers tell AI and human agents apart?
➤ Which type is preferred by customers, and why?
➤ Which type is preferred by service providers, and why?

Ameriquest Mortgage company

It sells and services specialty, first–mortgage home loans

Its target:
    people who cannot, or choose not to, obtain financing
    from traditional lenders such as banks and thrifts —
    accounted for about one–fifth of the $3.5 trillion
    mortgage industry in 2004

Starbuck, product or service

▸ Starbucks is essentially a service. ... It is not coffee they are selling but a customer's experience no one else offers

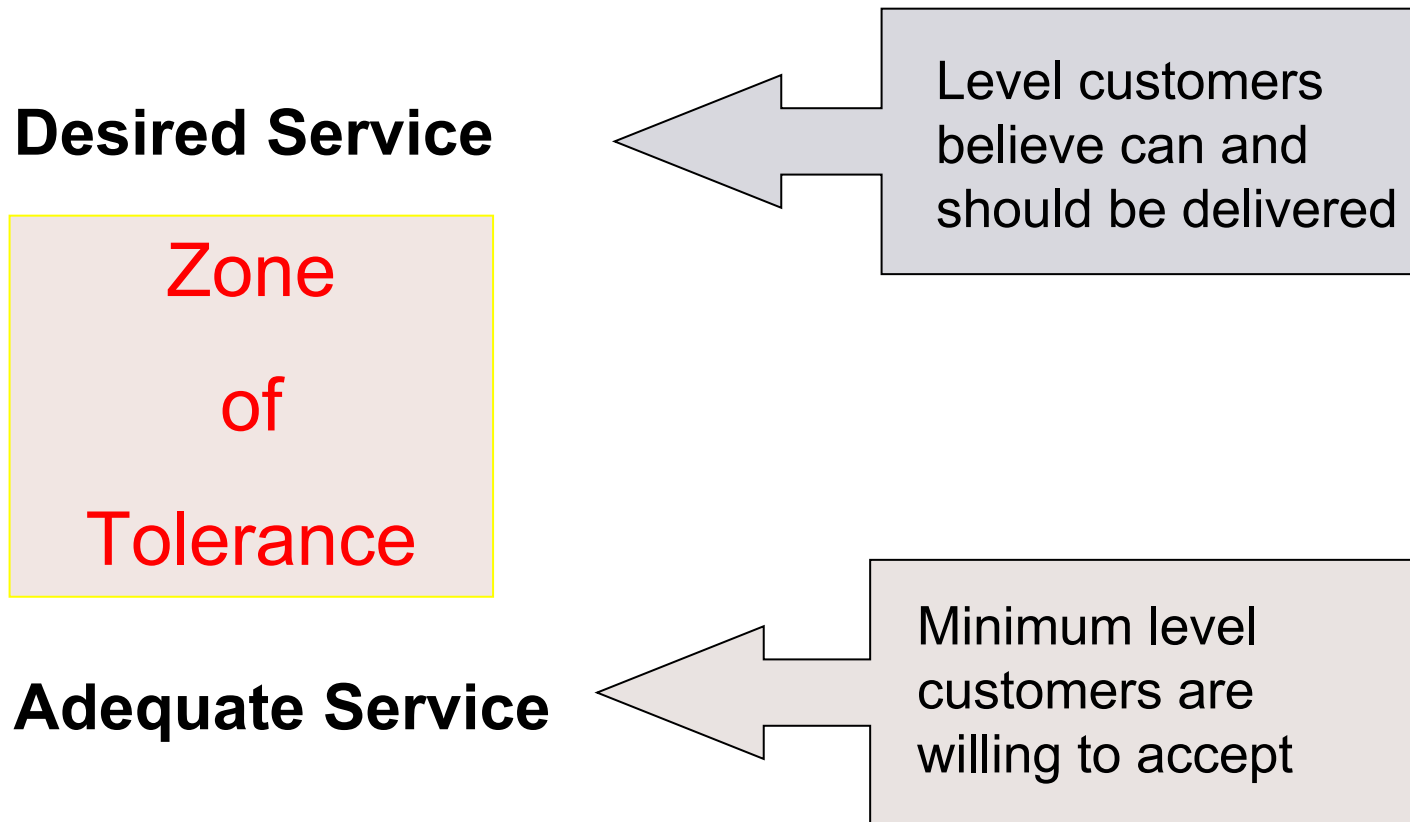▸ Starbucks brought Italian cafe style to America: a place to stay, relax, discuss and meet

▸ **Why?**
Recall:

- Maslow's hierarchy of needs
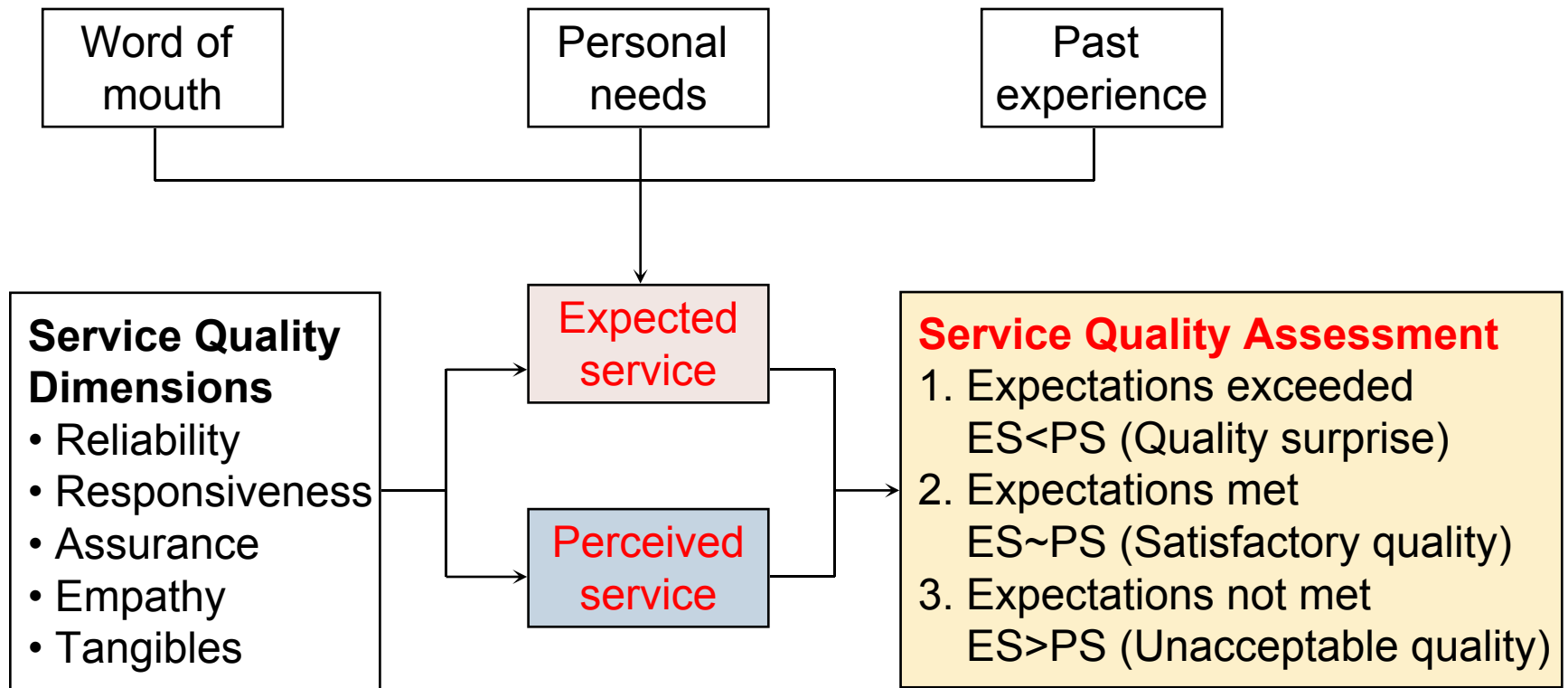- How and why Steve Jobs branded Apple

Nature of customer expectation

Desired Service
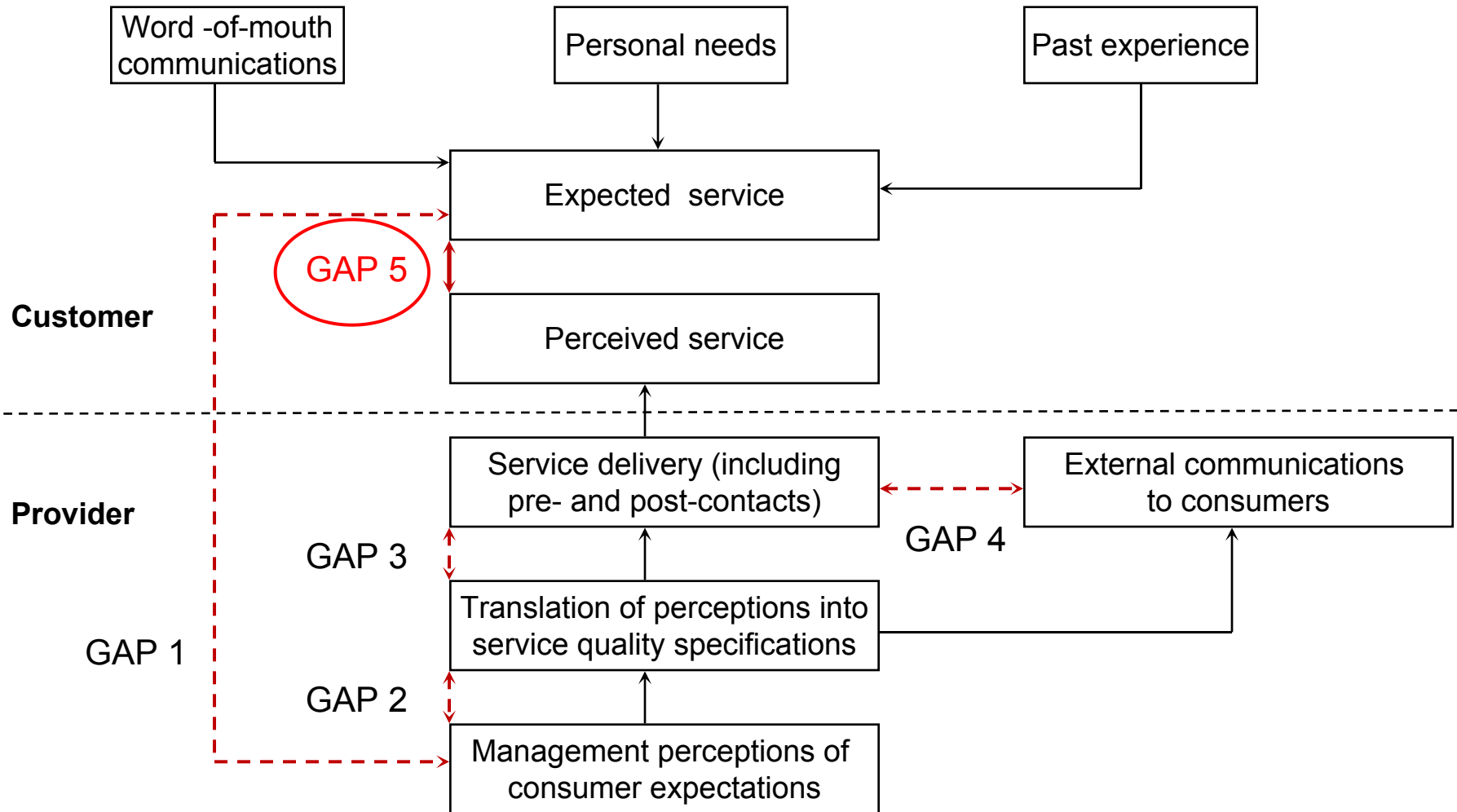
Zone

of

Tolerance

Adequate Service

Level customers believe can and should be delivered

Minimum level customers are willing to accept

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Perceived service quality

Word of mouth

Personal needs

Past experience

Expected service

Perceived service

Service Quality Dimensions
- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

Service Quality Assessment
1. Expectations exceeded
   ES<PS (Quality surprise)
2. Expectations met
   ES~PS (Satisfactory quality)
3. Expectations not met
   ES>PS (Unacceptable quality)

Ensuring service quality: The GAPS Model

Gap5 = Gap1 + Gap2 + Gap3 +

Service Gaps

Customer expectations for service quality	Management perceptions of customer expectations	Standards specifying service to be delivered	Actual service delivered	Customer perceptions of service quality	Retailer communications about service quality

Knowledge gap

Standards gap

Delivery gap

Communication gap
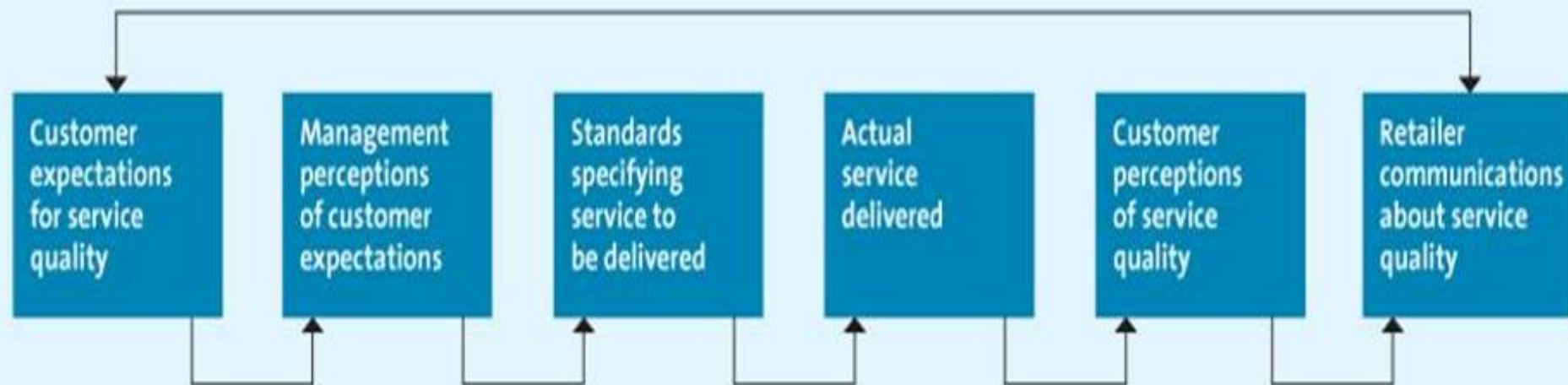
Why does poor service prevail?

Unintentional Poor Service

✓ poor selection of employees, lack of training

✓ service process failures

✓ misalignment of incentives

✓ gaps in organizational knowledge and perceptions

Why?

✓ the actions of people, organizations, and governments always have unanticipated or "unintended" effects

✓ working to eliminate all service failure contingencies may be counterproductive

Why does poor service prevail?

Intentional Poor Service

‣ **Service Customization**: customers are sorted into service tiers, with poor service delivered to low-tier customers

‣ **Service Differentiation:** hard-selling techniques or reduced service vs. soft-selling techniques with better service. Deliberately limited product availability to "up sell" more expensive products, bait-and-switch tactics

‣ **Switching Costs:** difficult for customers to defect to competitors

‣ **Misleading Pricing:** Service providers may believe that they will profit in the short run from unsatisfactory service. Example: department stores that advertise discounted items, but at the register the full price is charged; billing overcharges and hidden fees exist in the banking, credit card, hotel, and utility
‣ service industries

Grocery shopping
Experience

"We believe the future of New Retail will be a harmonious integration of online and offline, and Hema is a prime example of this evolution that's taking place"

~ Daniel Zhang, CEO of Alibaba Group

Video: Hema Xiansheng

How Alibaba Got Consumers to Love Grocery Shopping

➢What is the product strategy in Hema?

➢What in–store services are offered in Hema?

➢How important are the services in Hema? What are the roles played by these services?