UNIT - 3

Product attributes & Web marketing Implications:

Product attributes are the properties that describe a product or service and provide shoppers with information they can use to find, compare, and, ultimately, make a purchasing decision.

Most often, product attributes will convey the physical aspects of a product, such as its size, shape, and colour. However, they can also include product descriptions and other intangible qualities. For example, a shopper may be researching small backpacks for day trips. A quick Google search brings back several results. There are two that look practical in size, shape, and colour — per their description and attributes — and they're similar to what the shopper has in mind. Both also say they're "durable," but that language is subjective. What's durable to one person might not hold up for another. That's why it's essential to have detailed and specific product information to answer consumers' unasked questions.

Types of product attributes

The example above demonstrates the two different types of product attributes: tangible and intangible attributes.

Tangible product attributes are the physical descriptions. These are features that can be weighed, measured, touched, smelled, and grouped based on objective qualities. They are quantifiable and specific.

Intangible product attributes are more subjective. They are the non-physical features that convey a feeling or belief about a product. It's a product's perceived value (not its actual price tag), quality, and prestige. Brand perception plays a lot into this as well, which is why building brand loyalty is so critical.

Both types of product attributes are important when bringing a product to life because they help customers make an informed decision. And while these attributes are necessary for in-store experiences, they're crucial for online sales. Since online shoppers can't touch a physical product, they rely on the accuracy of product attributes to make a purchase. Incorrect information can lead to mistrust, frustration, and lost customers.

Examples of product attributes:

Attributes vary and can apply to multiple products and product categories, but there are several common attributes you'll see regularly. Here are a few examples:

- ✓ Name
- ✓ Product ID
- ✓ Size or dimensions

- ✓ Colour
- ✓ Weight
- ✓ Materials used in construction
- ✓ Design features
- ✓ Country of origin
- ✓ Price

The Role of Product Attributes in E-Commerce:

The attribute of a product goes beyond simply listing dimensions, features, and specifications. Each detail contributes to how a customer perceives a product and can influence purchasing decisions. It plays a key role in maximizing your potential to earn more and have repeat customers.

Understanding the significance of product attributes is crucial for online businesses seeking to optimize online growth. These details can directly affect brand loyalty, customer feedback, and satisfaction. By leveraging these attributes, businesses can differentiate their products from a crowded marketplace and help retain more customers.

How Product Attributes Influence Online Purchase Decisions

Product attributes can have a direct influence on online purchase decisions because these are the details that buyers look into and consider before they make a purchasing decision. They will match these details to what they actually need and if they find it suitable, they will ultimately proceed to checkout.

Customers rely on product attributes to gain insights into features, quality, and suitability to meet their needs. Here are some ways in which product attributes impact online purchase decisions:

1. Product attributes give consumers information and clarity.

Product attributes offer more detailed information about a product, helping customers understand its key features and benefits. This helps a customer evaluate a product faster and whether it aligns with their requirements. Detailed information reduces the need for customers to delay purchases by inquiring with the seller first. Details give them more confidence in making a purchasing decision.

2. Product attributes build trust and credibility.

Positive attributes can help build trust and credibility in your brand. This is very important in online shopping. If you develop a good reputation through high ratings, positive reviews, and good customer feedback, your brand eventually becomes unquestionable and people will increase their willingness to make a purchase. How can you gain these attributes? By offering high-quality products, delivering as promised, and giving good customer service.

3. Product attributes meet customer needs.

When your product is able to meet customer needs, it can have a huge impact on a customer’s decision-making process. Customers often evaluate how well a product satisfies their specific functional requirements. They can check these through attributes such as performance, compatibility, features, and usability. These things determine whether a product can effectively resolve its problems, and when it does, it can ensure a satisfactory purchase.

4. Product attributes of a product can elicit emotional responses.

Believe it or not, some customers only seek products that align with their values, their beliefs and fulfil their personal desires. This is often a niche crowd but worth attracting because they can be very loyal and consistent with their purchases.

This is why emotional attributes can help attract these types of customers because they can have a profound impact on their purchasing decisions.

5. Product attributes can influence a product's perceived value.

Product attributes can actually influence how a customer perceives a product and its value. For instance, if you describe your product as "natural and organic," they will instantly have this notion that you are selling something that's good for their health.

The attribute of a product that emphasizes a unique selling point, competitive advantage, or special features can enhance a product's perceived value. By effectively highlighting these attributes, you can justify higher prices, differentiate your product from the competitors, and attract customers who want value for their money.

6. Product attributes serve as a guide for comparison.

Your product attributes can serve as a quick guide when customers compare products across different brands. With attributes, they will be able to easily see what features your product has that other brands don't. They serve as a reference point for comparison, allowing customers to assess and evaluate their options.

The attribute of a product that stands out positively in terms of quality, functionality, and customer benefits often wins the customers over and makes the decision-making process faster in your favour.

Augmented Product:

An augmented product is an additional benefit or special service supporting the main product. Sellers use this method to provide their clients with additional value for free. Offering a warranty is an example of product augmentation.

Benefits of Product Augmentation

Each product is sold as a complex of three components: a core product, actual product, and augmented product. A core product implies specific experiences or benefits a client will get when using it. An augmented product means providing additional features or services for free.

Brands use product augmentation to provide their customers with additional value. It means that clients get the main product along with some perks at the same price. This helps companies gain a competitive advantage and increase their market share.

Actually, this is a win-win for both parties. Customers get some extra benefits or upgraded services for the price of a single product. As a result, companies manage to provide a great customer experience that helps them increase the number of loyal clients.

Examples of Augmented Products

You've definitely experienced this marketing technique when buying a washing machine, a phone, or booking a hotel room. We'll share some examples and ideas for product augmentation.

1. **Product warranty.** This is the most popular way to augment a product. This way, a company makes a promise to fix a certain item if it breaks down in a specified time period. You've got it when buying household appliances, for example, a fridge.
2. **Installation**. The companies have some technicians in their staff who can install or configure a product for free, for example, a washing machine or a TV set.
3. **Free delivery.** It belongs to widely used ways for augmenting products as well. Brands from different industries make use of this method. It's especially popular in the furniture industry, where clients make expensive purchases and are offered free delivery. Restaurants and e-stores provide free delivery for clients' orders starting at N-price or on special days.
4. **Refund.** Some businesses provide a refund option during a specified time period if a product doesn't meet their clients' needs.
5. **Updates.** They are common among online services and software products. Users are offered free and timely updates to their products since the chances that they will buy them then are low.
6. **Product trials.** This tactic is used by online services to engage more clients. Users are offered to test a particular service for free during a specified time period. This way marketers expect that leads will want to continue using a product and, as a result, buy it.
7. **Free samples.** They are popular both online and offline. Cosmetics stores usually give their clients free samples if they spend a certain amount of money on their purchase.

Customizing in offering?

Why Are Customization & Personalization So Important?

If you think about all of the things you're probably already personalizing or customizing online it's staggering:

- ✓ Calls-to-action
- ✓ Email openers
- ✓ Web pages
- ✓ Landing pages
- ✓ Opt-in forms
- ✓ Ads
- ✓ Drip sequences

Personalization vs Customization	
Personalization	**Customization**
Refers to tailoring an experience to an individual based on their unique characteristics and preferences	Refers to allowing an individual to choose or modify certain features of a product or service to fit their needs or preferences.
Focuses on delivering a unique experience based on data and behaviour of individual users.	Focuses on giving users control over certain aspects of a product or service.
Aims to create a highly individualized, relevant and engaging experience.	Aims to provide flexibility and choice to the user.
Relies heavily on user data, such as browsing history, purchase behaviour, and demographic information.	May or may not involve data, depending on the level of customization allowed.

Things to consider for personalization and customization:

When you're looking to add some personalization and customization to your customer experience, there are a few key things to keep in mind.

- ✓ First off, you'll want to make sure you're **collecting relevant customer data** so that you can use it to create a more personalized experience. This could include things like purchase history, browsing behaviour, or even basic demographic information or collecting zero-party data about their preferences by using interactives!
- ✓ Of course, to do this, you'll need **the right technology and tools** in place to collect and analyse that data effectively. Make sure you're using tools that are up-to-date and that you're taking advantage of all the features they offer.
- ✓ But it's not just about data collection - you also want to ensure you're giving customers a **chance to provide their input and feedback on their experience**. This could mean asking for feedback on a purchase or allowing them to customize certain aspects of their experience.
- ✓ At the same time, you want to make sure you're **being transparent about your data collection and usage policies.** Customers are understandably concerned about their privacy, so it's essential to ensure you're taking steps to keep their data secure.
- ✓ When it comes to customization, it's important to **strike a balance between providing enough options and not overwhelming customers.** You want to give them choices, but you don't want to make it so complicated that they give up and go elsewhere.

Dimensions of Branding Online:

Key Online Branding Factors:

1. Customer

In a branding process it all starts with the customer; considering a multitude of factors from age to gender to disposable income, through to their estimated frequency of purchase. Both an opportunity and a challenge, the online brand must identify, how through digital, they can raise awareness via the channels these customers frequent and engage with.

The demographics will have a digital footprint, more often than not multi–channelled. It is vital to determine what these customers will search for, what devices they will be using and when and which social networks, websites and apps they engage with, how often, and when.

2. Brand identity

For some, this is their understanding of where brand identity starts and finishes. A logo is a visual marker for a brand. Of course, we know there is much more, but it is true that it is what instantly connects customers with brands. It can create interest, curiosity, affinity, and connections.

Over time it becomes an engrained image to represent your consumer experience. An identity that delivers an emotion or a state of mind based on your perception, or positive or negative experience you may have had.

A hugely important factor to consider when it comes to identity is naming. In Digital Marketing this impacts most on search.

3. Competitors

Competitor analysis is a key part of the brand process in order to differentiate image, messaging, and approach. Digital channels and their transparency allow this analysis to be done more thoroughly than ever before. From searching online, to sampling apps, to experiencing website UX and subscribing to their emails, competitor analysis is more open and accessible than ever before.

More than ever before, insight can be gained to learn what they offer, how they communicate, what the experience is like and where they focus customer and product attention online.

This competitor analysis can provide key insight into such factors as:

- ✓ The social networks they should occupy and focus on
- ✓ The competitiveness for key search terms among competitors
- ✓ The content strategy employed to deliver more relevance

Online Value Propositions, a business can commit to that better or are different from those of the competition.

Identifying a strategic and unique gap a business can occupy and begin to monopolize based on a customer-benefiting digital application

All brands have to be aware that they are being watched, monitored and ultimately driving a competitor response based on the transparency of the digital world. Prices are being matched, tweets are being scanned, and websites are being trawled through. But brands can compete, with the right resources and tactics.

- ✓ Free digital marketing plan template
- ✓ Free digital marketing plan template

Our popular marketing planning template is structured across the Smart Insights RACE Framework. Join Smart Insights as a Free Member to download our digital marketing plan template today

Access the Free digital marketing plan template

4. Online Messaging

Messaging is a key part of the online branding process. Key messages to support the product, service, or customer value add weight to identity and enable consumers to “get it” in a few seconds.

Best practice in terms of brand messaging and then delivering online can be viewed amongst a large number of brands but two personal favourites would be Tesco and Sky.

5. Location

When developing a brand project, location is a key factor. Where will the business be based, where do customers live, what languages do they speak and where do they demand orders to, or where will a business receive them from? These are some of the key questions worth answering.

With online, location becomes even more important because the business is not in total control of its audience and its location. A change may be required from a once in a one size fits all approach to content and the products and services on offer.

6. Product

Digital media, its consumption, various formats, and interactivity have given brands exciting opportunities to show, sell, share and deliver their products online. In branding processes, products are considered in terms of their key messaging and top-level display in line with the brand image and positioning of the company. If a brand is positioned as having unique or ‘competitor busting’ attributes then what digital media allows us the opportunity to show this like never before with features such as:

7. People

How people in an organization understand and deliver the brand promises is central to making the brand work. How they look, talk, write and their nature and approach are all part of the brand delivery process. This often takes time to educate, train, monitor, and recruit the right people.

Online, people still remain an important element to the brand on a number of levels. Customers may seek comfort online by seeing, hearing, and reading about key members of the management or customer service team. Customers may wish to check the history and credibility of the management team or find out more about a person they met to 'suss them out' further.

People are responsible for online brand delivery because a digital communications strategy is nothing without content. When it comes to delivering this content, businesses must ask these people-related questions:

Internet pricing influences:

Effective digital marketing can affect price elasticity in a variety of ways. In most situations, certain digital marketing efforts provide consumers with full control in their purchasing decisions such as:

1. **Knowledge of alternative options.**

Prices fluctuate all the time, but consumers don't necessarily need to pay for the new price of a product if there's an alternative just like it. That's just how digital marketing works. Through the combination of online ads, social media, and content marketing, marketers and business owners can inform consumers about the nature of their products and services, especially if it's priced lower than competing brands. The Internet is at the touch of a consumer's fingertips and provides them with countless options. Even a small increase in pricing can cause customers to look somewhere else for a product or service, which, in turn, increases price elasticity. Keep this in mind when you're deciding on a pricing strategy.

2. **Increasing the appeal of a product.**

Most marketing efforts revolve around increasing a consumer's desire for a company's respective product or service. Due to the nature of most digital ads and content, consumers may feel they need to make purchases for a particular product, leading to a decrease price elasticity. For example, take a look at influencers on Instagram. Many consumers may feel compelled to purchase a product based on the appeal an influencer creates around it. This can even lead to the creation of a culture surrounding a product or brand loyalty (we'll get to that in a second!). This type of increased demand and brand appeal can decrease price elasticity so that any price changes you make won't make much of an impact.

3. **Generating strong brand loyalty.**

Brand loyalty has a massive impact on price elasticity—and digital marketing is a key ingredient in generating it! Of course, this is easier said than done. Achieving brand loyalty takes work and most marketing campaigns have this as a key objective in mind during their runs. Through brand loyalty, consumers have a close connection to a respective brand, which means they'll purchase it over competing brands. This type of attachment makes a product or service inelastic, so consumers aren’t sensitive to price changes. Consider Apple as a perfect example. Most consumers are willing to pay for Apple products, regardless of pricing. Why? Apple has done a fantastic job in creating a culture around their products, so consumers feel a close attachment to the brand, leading to inelasticity.

What is customer value?

Customer value is best defined as how much a product or service is worth to a customer. It’s a measure of all the costs and benefits associated with a product or service. Examples include price, quality, and what the product or service can do for that particular person. There are also monetary, time, energy, and emotional costs that consumers consider when evaluating the value of a purchase.

What Is a Price?

The price you charge for your product or service is one of the most important business decisions you make. Setting a price that is too high or too low will - at best - limit your business growth. At worst, it could cause serious problems for your sales and cash flow.

If you're starting a business, carefully consider your pricing strategy before you start. Established businesses can improve their profitability through regular pricing reviews.

When setting your prices you must make sure that the price and sales levels you set will allow your business to be profitable. You must also take note of where your product or service stands when compared with your competition.

Pricing Strategy Definition

Pricing strategies are the methods and procedures companies employ to determine the rates they charge for their goods and services. Pricing is the amount you charge for your items; pricing strategy is how you calculate that number.

Pricing strategy can encompass anything from:

- ✓ The state of the market
- ✓ Competitors actions

- ✓ Account segments
- ✓ Profit margins
- ✓ Input costs
- ✓ The financial capability of the average consumer
- ✓ Amounts spent on manufacturing and distributing products
- ✓ Variable costs

What Is The Importance Of Pricing?

A successful pricing strategy helps you strengthen your position in the market by earning your clients' confidence and bringing your company closer to achieving its objectives.

Pricing strategies can be important for various reasons, but those reasons might differ from company to company.

Pricing strategies aren't necessarily about profit margins, despite common opinion. For example, you can want to keep the price of an item or service low to keep your share of the market and keep competitors out.

We look at 11 common pricing strategies in detail below:

1. Cost-Plus Pricing Strategy

One way to price a product is to add a fixed percentage to the manufacturing costs for each unit. This pricing technique is known as "cost plus" or "mark up pricing."

As a seller, you would calculate the fixed and variable expenses incurred in making your goods and then apply the mark-up percentage to that cost. This approach is popular since it's simple to defend and almost always results in a level playing field for all participants.

2. Competitor-Based Pricing Strategy

Competitive pricing is the practice of setting your product or service prices based on the pricing of your competitors in your market or niche rather than on your company's costs or desired profit margins. Sometimes this means just raising your prices, but you also can offer better terms of payment as an alternative.

Recommended Reading: How to Run a Competitive Analysis to Best Understand Your Market

3. Value-Based Pricing Strategy

The method of determining your rates, known as value pricing, considers how much your customer's value what you provide and adjusts your prices accordingly. You must employ a marketing mix to retain sales and deliver more value to your clients in the face of increased competition or a recession.

Due to the perceived worth of the product or service, buyers flock to this price strategy over the competition. Customers don't care how much it costs a corporation to manufacture a product; what matters is that the client believes they are getting a good deal when they buy it.

4. Loss Leader Pricing Strategy

Loss leader pricing is a marketing strategy where one or more retail goods are chosen and sold below cost – at a loss to the retailer – to entice customers. Loss leads are items offered at deeply discounted rates to draw customers into the business.

5. Penetration Pricing Strategy

The penetration pricing strategy aims to draw customers by providing products and services at lower costs than rivals. This tactic can take attention away from competing firms and lead to long-term contracts by promoting brand recognition and loyalty. However, in the long run, brand recognition may lead to higher earnings and help small businesses stand out from the crowd.

6. Everyday Low Pricing Strategy

Retailers use "everyday low pricing" to maintain perpetually low prices for their items rather than special promotions or sales.

As a result, the daily low pricing strategy aims to optimize sales by always giving the lowest prices on the market and anticipating huge sales volumes.

7. Economy Pricing Strategy

Economy pricing aims to get the most price-conscious customers to purchase the product. Because they don't have to pay for additional promotion or marketing expenditures, businesses may price their products according to their manufacturing value.

8. Premium Pricing Strategy

Businesses that charge premium prices do so because they have a specific product or brand that no one else can match. Suppose you have a significant competitive edge and know you can charge a higher price without being undercut by a product of comparable quality. In that case, you should consider using this technique.

9. Skimming Pricing Strategy

Price skimming is a dynamic pricing strategy businesses use to increase sales of new goods and services.

Price skimming is a strategy usually employed at a new product's debut. This strategy aims to maximize income to the greatest extent possible when customer interest in the product is strong, and your company faces low competition.

10. High-Low Pricing Strategy

High-low pricing is a strategy where a business focuses on marketing campaigns to entice customers to make purchases. For example, a company charges a high price for a product and then lowers the cost through promotions, markdowns, or clearance sales. A product's pricing fluctuates between "high" and "low" in a certain amount of time with this method.

11. Dynamic Pricing Strategy

Dynamic pricing involves charging variable costs depending on who or when you purchase your goods or service. Flexibility in pricing is one of this technique's essential features, which considers supply and demand.

While dynamic pricing is widespread in e-commerce and transportation, it isn't appropriate for all businesses. The greatest dangers lay in implementing variable prices with price-sensitive products and services.

Time Based Pricing/Dynamic Pricing:

The term time based pricing refers to a method of pricing that charges its customers according to time. This stands differs from value based pricing – whereby the company charges its customers according to value delivered. The Time-Based Pricing Method is the standard in the tourism industry where customers are charged per night. Whereby prices fluctuate depending on what time they are being booked. With higher prices are charged during peak season, or during high demand times (conference and events).

Outside of the hospitality industry, in consultancy for example Time based pricing might not always be the best option as the faster you work, the less you get paid. Thereby the client will always want you to work less – while the organisation aims to take longer as thereby revenues increase.

8 types of dynamic pricing:

Dynamic pricing became popular in the ecommerce market in 2015, but it is expected to grow significantly in use in 2022. Why?

Traditionally, dynamic pricing has been a method that was only available to a select few sellers, such as Amazon, because of its hefty implementation price tag. There are now many low-cost services and solutions available for practically every business type. As a result, this year will likely see a B2B acquisition race, with early adopters likely to outperform their competition. There are several types of dynamic pricing strategies, some of which include:

1. Dynamic pricing based on groups

These include discounts for specific identified groups, such as public servants and senior citizens. This type of dynamic pricing is typically used for promotions and to target various price sensitivities.

2. Dynamic pricing based on time

This pricing strategy covers a wide range of scenarios. It's common in businesses where service or product demand fluctuates throughout the day. Alternatively, your corporation may wish to provide incentives to encourage purchasing for various reasons.

3. Cost-plus pricing

Cost-plus pricing simply means selling a product you produce for a higher price. Many organizations use this strategy as it is the most basic pricing method.

4. Competitor-based pricing

Competitor-based pricing is a costing technique in which a corporation determines the cost of its services or products after studying its competition.

5. Value-based pricing (price elasticity)

Organizations use value-based pricing to cost goods and services at a price that they feel customers are willing to pay. Rather than estimating manufacturing costs and adding a conventional mark up, companies assess the value perceived by customers and charge them appropriately.

6. Price skimming

Price skimming is a pricing method wherein businesses charge the maximum product entry price that customers can afford and then slowly decrease that sale value over time.

As clients' requirements are met, the company significantly reduces the cost of their products or service to appeal to price-sensitive individuals.

7. Bundle pricing

Bundle pricing is a pricing method in which companies group several products into one and sell them for a specified price instead of charging separately for products or services.

In addition to items and products, businesses may use this pricing method to price a range of services. Bundle pricing may help grow revenue since it portrays items as having a higher overall worth.

8. Penetration pricing

The penetration pricing strategy is frequently utilized when a new firm enters a market or an established business attempts to dominate it. Companies do this by offering cheaper costs than their competitors.

Of course, this cheap pricing will not last for long. Businesses gradually raise prices when they achieve a particular consumer base and demand level.

Personalised pricing:

Personalized pricing is the latest automated pricing model available to retailers. In essence, it uses automation to target each individual website visitor with a price that matches their personal buying threshold.

A great example of personalized pricing is used by the hotel website Orbitz. The company uses data such as zip code, type of browser, and even type of device to determine the spending threshold of a website visitor. Then they display prices for each user depending on the data. For example, Mac users can expect to see higher prices for hotels on Orbitz than their PC-using counterparts.

Personalized pricing is a growing trend in retail. By pricing for the individual and not for a broader demographic group, companies can earn extra sales that they might otherwise lose. Personalizing the shopping experience can also increase customer loyalty and happiness, and companies can reward returning customers with lower prices and other incentives.

However, personalized pricing does have some downsides. This model is complicated to implement because it needs to use data from each individual shopper as well as the broader market.

Bundle Pricing:

What is bundle pricing?

Bundle pricing is a business strategy where companies group several products together into a bundle and sell them at a single price, rather than attribute individual prices to each item. This means that a bundle is now an individual product. Businesses may also apply this pricing strategy to a variety of services in addition to items and products. Bundle pricing can benefit a company because it can display more value for the products overall.

Bundle pricing focuses on the idea of consumer surplus and the notion that customers typically have a predetermined price that they're willing to pay for an item. Consumer surplus is the difference between the price that the customer is willing to pay and the amount that a business charges for a product. Bundle pricing may help capture a greater amount of consumer surplus while still offering the customer a discount.

Two types of price bundling

Price bundling falls into two broad categories: pure bundling and mixed bundling. Within pure bundling, there are two subcategories based on how customers get value from different products or features.

1. **Pure bundling**

Pure bundling takes place when a customer only has the choice to purchase the bundle as-is or not at all. This type of price bundling is simplest to accomplish, because the creation of a bundle is entirely controlled by you. Joint bundling and leader bundling look at the different features in your bundle and how they work together.

- ✓ Joint bundling:

Joint bundling is the process of offering two or more products together for a single price. The products can be obtained only through a single purchase. G Suite is an example of this because you don’t have the ability to purchase Gmail or Sheets as a stand-alone product.

- ✓ Leader bundling:

Similar to joint bundling, leader bundling is the process of offering two or more products together for a single price. The difference is that, in this bundle, one product is inherently more valuable and is therefore referred to as a “leader” product.

2. **Mixed bundling**

Mixed bundling isn’t as strict as pure bundling. When you create a mixed bundle, you’re giving customers the option to purchase each feature together, or individually for a higher price. Microsoft Office 365 offers mixed bundles as well as the ability to purchase stand-alone instances of either Excel or PowerPoint.