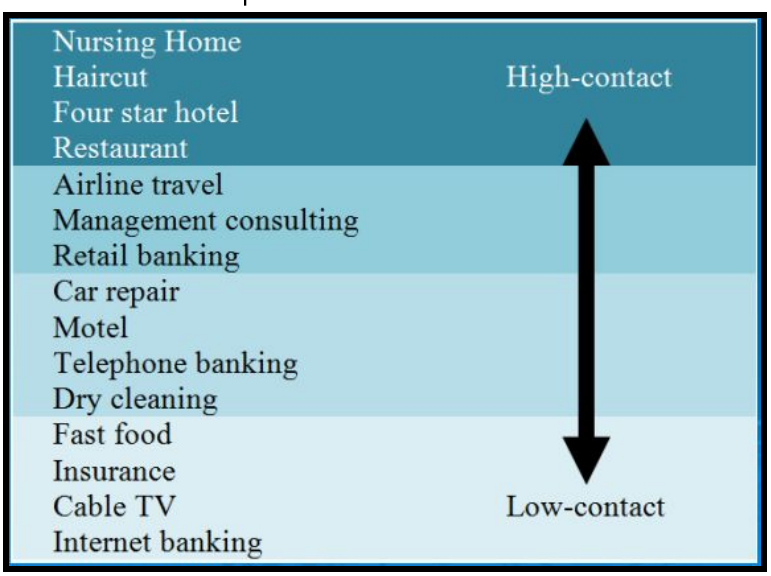
Lecture Notes:

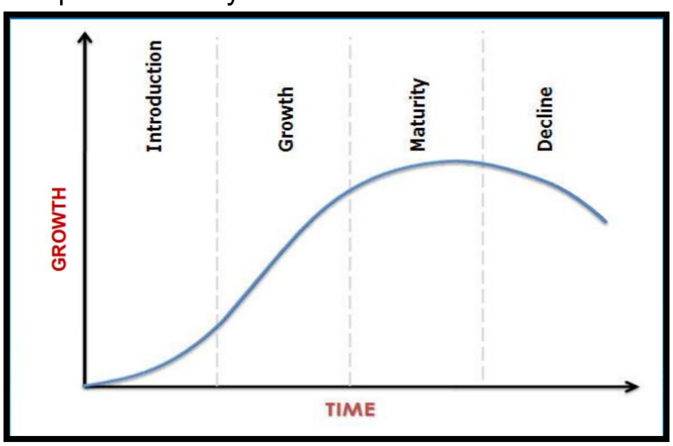
- **Products** are what the purchaser hopes to get, or believes to be getting, when they purchase a good or service. It is a good or service that fills the buyer's need or satisfies a want. When a consumer needs or wants something, they place a value on it.
  There are two kinds of products: **goods** and **services**.
- **Good:** A product you can see and touch (It is tangible).
  E.g. Jeans, Computer, Table, Pens
- **Service:** A product that you "experience" (It is intangible).
  E.g. Education, taxi rides
- In Canada, services are much more important.
- ~80% of Canadians work in services.
- Services are more difficult to provide because of 3 reasons:
  1. **Immediacy:**
  - Most services can't be stored.
    E.g.
    A good, such as a bar of soap, pencils, etc, can be stored.
    A service, such as haircuts, education, etc, can't be stored.
  - To provide a service, the business must work harder at planning and scheduling.
  2. **Customer involvement:**
  - Services often need the customer to be there.
  - E.g.
    Most goods, such as a bar of soap, can be made without the customer.
    Most services, such as tutoring, cannot be made without the customer.
    Service providers need people skills.
    Not all services require customer involvement but most do.



  3. **Customisation:**
  - Each service customer wants something different.
  - E.g.
    Most goods, such as bars of soap, pairs of jeans, etc should be identical.
    Most services, such as tutoring, hair cuts, etc should be different.
  - Service providers must be more versatile.

- The combination of the three attributes listed below determine a product's value, which is how much customers will pay for a product:
    1. **Function:**
    - What the product is intended to do.
    2. **Features:**
    - Specific, additional attributes which contribute to improved usefulness or enhanced experience.
    - E.g.
      A car has a convertible roof.
      A car has air conditioning.
    3. **Benefits:**
    - The advantages derived from a purchase.
    - Frequently these are intangible (status, image, reputation).
    - E.g.
      A car gives you independence.
      A car gives you status with friends.

  function + features + benefits = "value package"
  The bundle of tangible and intangible functions, features and benefits that a business offers its customers determines the "value" to the customer.
  Business managers must understand what customers need and want and what customers are willing to pay for.
- Products, technologies, and industries have finite lives. They begin small and weak, they grow quickly, they mature, and they decline.
- The product-life cycle model has 2 dimensions: time and growth.



- Time can be measured several ways, such as weeks, months, years, decades.
  Some products have very short lives, such as movies, fashions, technologies.
  Some products have very long lives, such as coffee, bread, pencils.
- Possible measures of business growth are volume of sales, number of customers, volume of production, number of units sold, number of stores/outlets, profits, etc.
- There are 4 stages in the product-life cycle model:
    1. **Introduction:**
    - The product or technology is brand new, little known, expensive, and hard to find.
    - Sales is low.
    - Price is high.
    - No profits yet.

- There are few customers.
- There are few or none competitors.
- An example of a product in the introduction stage is VR headsets.

2. **Growth:**

- The product or technology is better known, more popular, more available.
- Sales begin increasing quickly.
- Prices begin to fall.
- Profits begin to increase.
- There are more customers.
- New competitors enter.
- An example of a product in the growth stage is electric cars.

3. **Maturity:**

- The product or technology is standard. Everyone has it. The market is saturated. There is little product development.
- Sales peak and are flat.
- The price is stable.
- Profits are as high as possible. There's no more growth.
- Unlikely to have more customers.
- There are no new competitors.
- An example of a product in the maturity stage is laptops.

4. **Decline:**

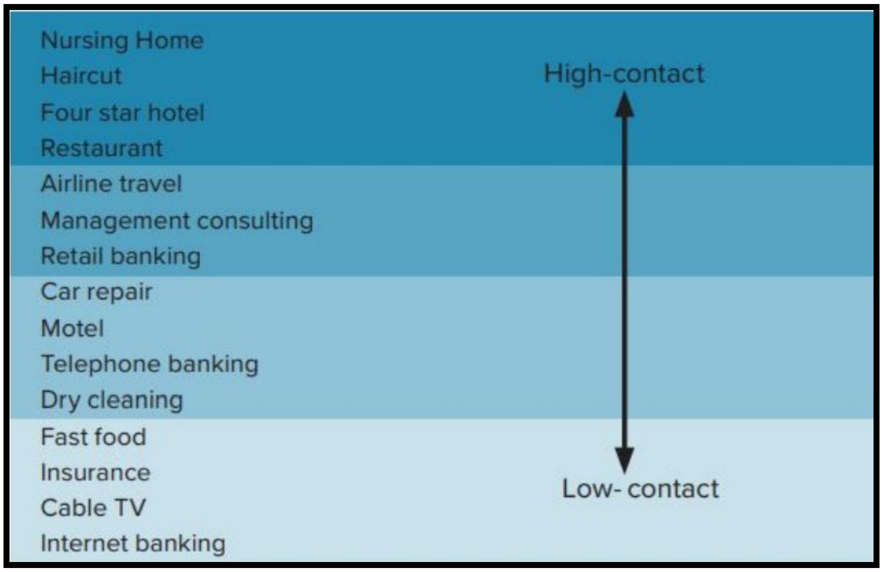
- The product or technology is old fashioned.
- Sales: declining
- Profits: declining
- Customers: laggards
- Competitors: declining
- An example of a product in the decline stage is Blackberry products.

- When everyone knows about your product and already buys your product, launch a new variation or an update. This is called **extending a product's life or life cycle extension**. Extending a product's life is any effort to re-package, re-launch or update a mature but well known product.
  E.g.

Textbook Notes (Chapter 2):

- **Satisfying Customers and Making a Profit:**
- A business must satisfy customers in order to make a profit. At the same time, unless it makes a profit, a business cannot continue to satisfy customer needs.
- Satisfying customer needs is essential to a business's success. If a business loses sight of what its customers want, it is doomed to failure.
- **The Things People Want and Need:**
- Understanding what people want and need is fundamental to a business's success.
- A **product** is whatever a purchaser hopes to get or believes they are getting whenever they make a purchase from another individual or organization.
- Many of the things that we want or need are hugely expensive and complex to organize. The provision of national security, the policing of our streets, the building and staffing of hospitals, schools and universities are undertakings that may be too costly for any single business to organize. In Canada, these things are often or mostly provided by the government.
- While governments are not businesses, they do not exist to make a profit, Canada's federal, provincial, and municipal governments all exist to provide healthcare, education, safety, security, and welfare to its citizens.
- The government uses tax dollars in order to obtain the revenue necessary to fund these activities. For this reason, organizations owned or funded by the government-raised taxes are often referred to as **public sector organizations**. Public sector organizations are organizations that are owned by the government. Examples include Canada post, Canadian Broadcasting Corporation (CBC), and Canadian Heritage (Museums).
- However, not everything is run by the government. The **private sector** is the part of the economy that is run by private individuals, often with the aim of making a profit.
- **Products - Goods and Services:**
- **Goods** are products which are tangible. Examples include laptops, jeans, pencils.
- **Services** are products which are intangible but can be experienced. Examples include healthcare and education.
- **Differences Between Goods and Services:**
    1. **Goods can be made in advance while services are performed immediately:**
    - Consider goods such as laptops, jeans or pencils. They are made in advance.
    - Now, consider services such as healthcare or education. They cannot be made in advance. It must be made there and then.
    - The term used to describe this characteristic of services is **immediacy**. **Immediacy** is the quality that makes something important or relevant because it is happening there and then.
    - Because of immediacy, for businesses that provide services, scheduling is likely to be more complex than for businesses that provide goods.
    2. **Many services require the involvement of the customer:**
    - As a consequence of immediacy, many services necessarily involve the presence and involvement of the customer.
    - E.g. Think of a haircut.
    - Services that require personal interaction with the customer are called **high-contact services**.
    - **Low-contact services** are services that don't necessarily involve interaction with the customer.
      E.g. Mowing someone else's lawn.

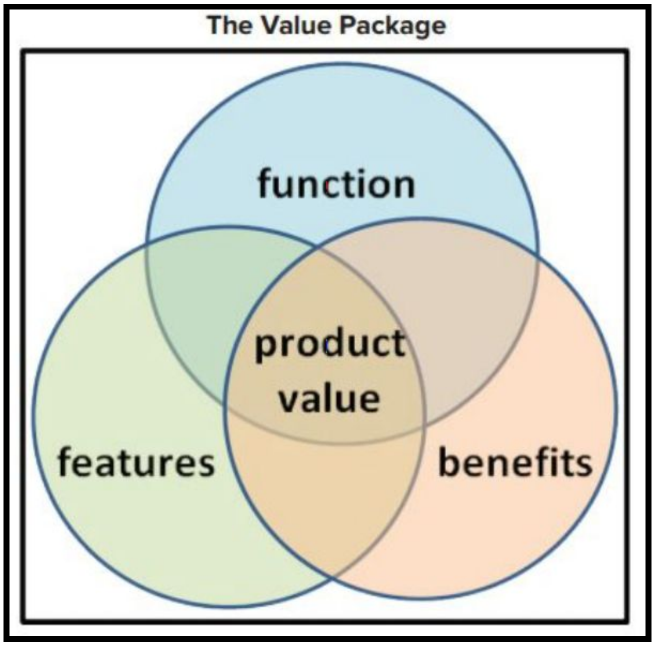
- Customer involvement adds complexity to the product.



3. **Services are customized:**
- Many goods come in one form or have little variety.
- Services are tailored made for customers and it's unusual for 2 customers to want the same service delivered in the same way.
- The characteristic that no 2 customers want the same service delivered in the same way is called **customization**.
4. **Most goods can be stored while services cannot:**
- Consider services such as education or healthcare. It can't be stored while goods such as jeans or laptops can.
- Furthermore, services can't be purchased in bulk while goods can.

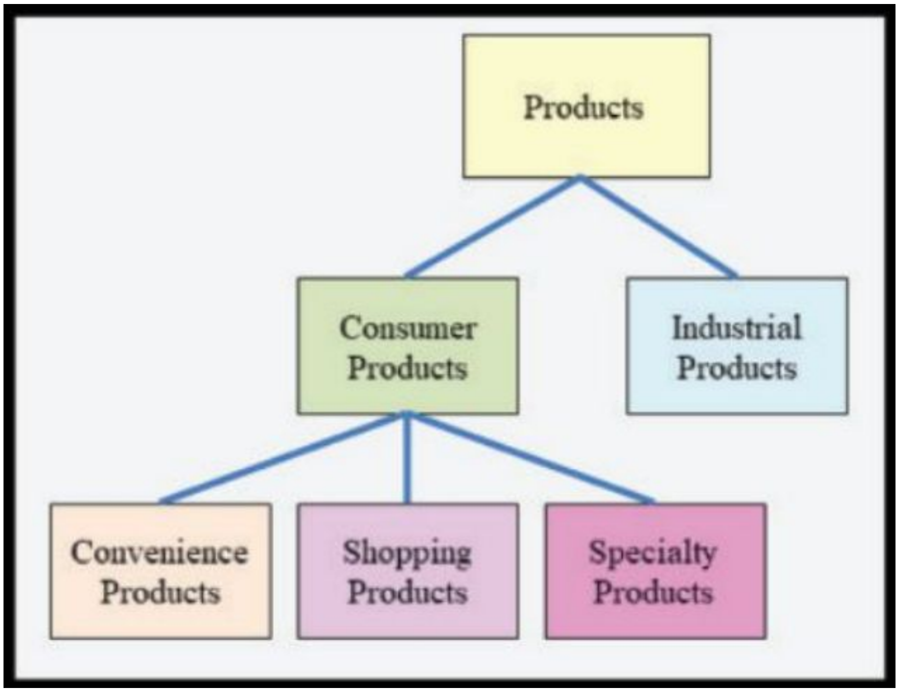
- As a result of the 4 factors above, services are harder to provide than goods.
- About 80% of Canadians work in services.
- **Products - Filling Needs and Satisfying Wants:**
- Whether it's a good or service, people are looking for these 3 elements in a product:
  1. Functions
  2. Features
  3. Benefits
- A product's **function** is what it's intended to do. It describes a good or service at its most minimal.
- A product's **feature** is an additional attribute or offering which contributes improved usefulness or better experience of the product.
- A product's **benefit** is an advantage that is derived from purchasing that product.
- The combination of a product's functions, features and benefits gives the product its **value**. **Value** is the regard with which a product is held by potential buyers, expressed as its financial worth.

- The **value package** is the bundle of functions, features and benefits that a business offers to buyers of a product.



- **Understanding Difference Products and Their Consumers:**
- **Consumer products** are products purchased by the end user, for personal use. They are the end result of production and manufacturing and are what the average consumers see in stores. Examples include magazines, cereal and clothing.
- In contrast, **industrial products** are the parts, ingredients, materials and supplies that are bought by one business from another in the process of making consumer goods. E.g. Cereal companies need to buy cardboard for their boxes.
- Industrial products aren't purchased by the end consumer; they contribute as inputs to the making of the consumer product. Because industrial products are purchased for different reasons than consumer products, the way they are marketed also differs.
- Industrial goods are sold to a much smaller number of buyers.
- When designing the functions, features and benefits of a product, the business must bear in mind whether the purchaser is likely to be another business.
- **Convenience products** are inexpensive products purchased relatively frequently and with little expenditure of time and effort. They are also consumed quickly. Examples include newspapers, disposable razors, deodorants.
- The key to marketing convenience products is that they must be inexpensive, easy to find and perform their function well.
- **Shopping products** are more expensive and purchased less frequently than convenience products. They also tend to have more features than convenience goods. As a result, users are willing to spend more time and effort evaluating and comparing alternatives in terms of style, performance, colour, price, etc.
  Examples include insurance, laptops, cars.
- The key to marketing shopping products is that they offer good value in terms of the features they offer.
- **Speciality products** are goods and services for which a customer will spend a good deal of both time and effort to find exactly what they want.

- Speciality products will justify the time and effort because they are goods and services to which customers will attach a great deal of importance.
- Examples include wedding gowns or catering for a wedding reception.
- The key to marketing speciality products is to maximize consumers' perceptions of the benefits that will come from using a particular supplier.
- Diagram of the different types of products:



- **Research & Development (R&D):**
- It is looking for innovations and ideas which will lead to the next generation of products.
- In the US, a typical business spends about 3.5% of their revenues on R&D. However, rapidly changing or technology intensive businesses often spend 4 or 5 times that much.

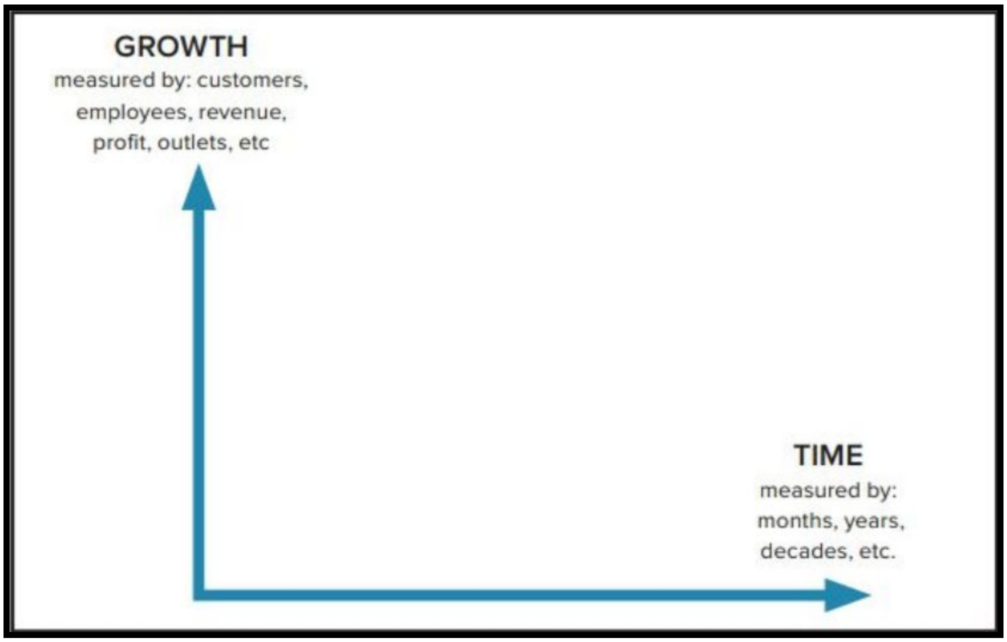
Businesses with the Largest R&D Expenditur

2016 Rank	Business	2015 Rank	Industry	R&D Spend ($ Billions)
1	Volkswagen	1	Automotive	$13.2
2	Samsung	2	Computing and electronics	$12.7
3	Amazon	7	Software and internet	$12.5
4	Alphabet	6	Software and internet	$12.3
5	Intel	3	Computing and electronics	$12.1

- In Canada, the leading R&D spenders are:

Business	Industry	2015 R&D Spend ($ millions)	R&D as % of revenue
Bombardier Inc.	Airplane manufacturer	$2,294	9.9
Magna International	Car parts and assembly	$639	1.6
BlackBerry Limited	Smart phones	$600	21.7

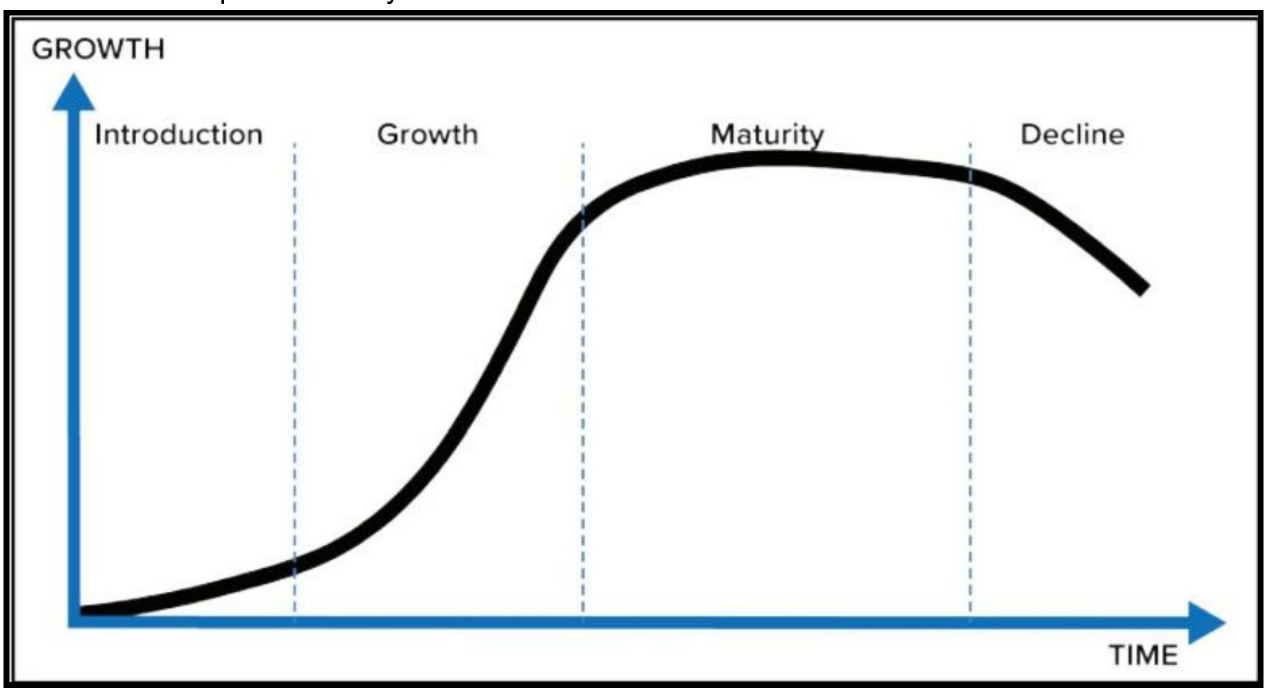
- **The Product Life Cycle:**
- The **product life cycle** is the introduction, growth, maturity, decline and ultimate demise of products and industries as technologies and tastes change.
- The product life cycle can be visualized on a 2 dimensional diagram/model, shown below:



- Here is the lifespan of successive Apple iphones:

Launched	Model	Discontinued	Lifespan
June 2007	iPhone (8GB)	July 2008	12 months
July 2008	iPhone 3G (16 GB)	June 2009	12 months
July 2008	iPhone 3G (8GB)	June 2010	24 months
June 2009	iPhone 3GS	June 2010	12 months
June 2010	iPhone 4	October 2011	16 months
October 2011	iPhone 4S	September 2013	23 months
September 2012	iPhone 5	September 2013	12 months
September 2013	iPhone 5C	September 2014	12 months
September 2013	iPhone 5S	March 2016	18 months
September 2014	iPhone 6	September 2016	24 months
September 2016	iPhone 7	current	

- Here is what the product life cycle looks like on the 2-d model:



- **Introduction Stage:**
    - The first stage of the product life cycle.
    - During the introduction stage, the product or technology is new and not well known.
    - There are few customers, and as a result, there are few suppliers. Furthermore, the price is high and profits are low.
    - The few businesses that do sell the product/technology will spend much of their time and effort educating potential customers, building channels of distribution and perfecting the product's design.

    - According to a Harvard Business School professor, each year, more than 30, 000 new consumer products are launched and about 80% of them fail.
    - Examples of recent high profile products that failed are New Coke (1985) and Samsung's Galaxy Note 7 (2016).
- **Growth Stage:**
    - The second stage of the product life cycle.
    - During this stage, demand for a product, particularly from first-time users, expands rapidly.
    - During this stage, production costs should begin to fall as producers begin to enjoy **economies of scale**. **Economies of scale** is the term used to describe a decrease in the cost to produce something as the volume of production increases.
    - Lowering their production costs means producers can lower their selling price. This increases demand and sales even more.
    - In most cases, it is during this stage that the product begins to make a profit.
- **Maturity Stage:**
    - The third stage of the product life cycle. This is when sales peak.
    - It is at this stage when products are most profitable. The product is now well understood and well accepted.
    - Expenditures on sales, marketing and further product development, I.e. new features, can begin to drop.
    - When a market has reached this stage, it is said to have experienced **saturation**. **Saturation** is when a market can absorb no more products.
- **Decline Stage:**
    - The fourth and final stage of the product life cycle.
    - The number of purchases fall after a market has reached saturation or the product/technology becomes old fashioned.
    - Businesses selling products in this stage may be forced to cut the product's price, merely to maintain demand.
    - With prices falling and demand either falling or staying flat, profits will fall. Falling profits will drive the smaller, less efficient, less committed competitors from the market.
    - The cause of industry decline is often the introduction of newer and better technologies that can perform the same tasks faster, better and cheaper. Other reasons may be changing social attitudes or changing demographics.
- **Life Cycle Extension:**
- A tactic for delaying product decline by launching a new variation or an update of the product.

Textbook Definitions:

- **Benefit:** An advantage that is derived from purchasing that product.
- **Consumer products:** Products purchased by the end user, for personal use.
- **Convenience products:** Inexpensive products relatively frequently and with little expenditure of time and effort.
- **Customization:** The characteristic that no 2 customers want the same service delivered in the same way.
- **Decline stage:** The final stage of the product life cycle. Here, demand falls, prices fall, profits fall and the number of competitors decline.

- **Economies of scale:** A decrease in the cost to produce something as the volume of production increases.
- **Feature:** An additional attribute or offering which contributes improved usefulness or better experience of the product.
- **Function:** What a product is intended to do.
- **Goods:** Products which are tangible.
- **Growth stage:** The second stage of the product life cycle. During this stage, demand for a product, particularly from first-time users, expands rapidly.
- **High-contact services:** Services that require personal interaction with the customer are called.
- **Immediacy:** The quality that makes something important or relevant because it is happening there and then.
- **Industrial products:** The parts, ingredients, materials and supplies that are bought by one business from another in the process of making consumer goods.
- **Introduction stage:** The stage of the product life cycle when the product/technology is new and little known.
- **Life cycle extension:** Any effort by a business to re-package, re-launch or update a mature but well-known product.
- **Low-contact services:** Services that don't necessarily involve interaction with the customer.
- **Maturity stage:** The third stage of the product life cycle. This is when sales peak.
- **Private sector:** The part of the economy that is run by private individuals, often with the aim of making a profit.
- **Product:** Whatever a purchaser hopes to get or believes they are getting whenever they make a purchase from another individual or organization.
- **Product life cycle:** The introduction, growth, maturity, decline and ultimate demise of products and industries as technologies and tastes change.
- **Public sector organizations:** An organization that is owned by the government. Examples include Canada post, Canadian Broadcasting Corporation (CBC), and Canadian Heritage (Museums).
- **Research & Development (R&D):** Looking for innovations and ideas which will lead to the next generation of products.
- **Saturation:** When a market can absorb no more products.
- **Services:** Products which are intangible but can be experienced.
- **Shopping products:** Products that are moderately expensive and purchased infrequently causing consumers to spend time comparing features, benefits and price.
- **Speciality products:** Products to which consumers will attach a great deal of importance and for which they will spend a good deal of both time and effort to find exactly what they want.
- **Value:** The regard with which a product is held by potential buyers, expressed as its financial worth.
- **Value package:** The bundle of functions, features and benefits that a business offers to buyers of a product.