Marketing; 31.10.2022

* Same products can be classified differently depending on consumer’s situation
* Product service continuum = from pure product to pure services   
  product – combination – service
* Shopping product : less effort/comparison than a speciality product but more than a convenience product
* Brands need to know their consumers to be able to build relations
* Touchpoint: anyplace a customer comes in touch with the company (e.g. product, advertisements, packaging)

Product Life Cycle (PLC)

* Traces the steps of product acceptance from introduction (sometimes starts at developmental stage) to decline (and the point of dissolution)

1. Introduction
   * Product strategy : limited models; frequent changes
   * Distribution : limited; wholesale or retail distributors
   * Promotion: focus on awareness; stimulate/increase demand; give away free samples
   * Pricing: higher; recoup (reearn) developmental costs
2. Growth phase
   * Product : more models; still frequent changes
   * Distribution: expanded (more); dealers with long-term relation with company
   * Promotion: aggressive (especially with ads); stimulate the demand
   * Pricing: fall; result of competition and more effective production methods
3. Maturity phase (the product comes of age; is at the high-point of its Lifecycle)
   * product: A lot of models; changes but not frequent
   * distribution: extensive networks; margins drop, product finds place on shelves
   * promotion: advertisements; heavy promotion
   * pricing: usually falls
4. decline (end of PLC)
   * product: unprofitable models are eliminated
   * distribution: unprofitable outles are uncontinued
   * promotion: phase out; not a lot of promotion or decrease
   * prices: stabilize at a low level

* length of a PLC depends on a product (e.g. for washing machines its longer than for fruit or phones)
* usually eine leicht versetzte Kurve mit steil abfallendem Ende (Beschriftung der Achsen nicht vergessen : X=Time; Y=sales & profits)
* some products have „second life“/rejuvenation (e.g. vinyl records)

New Products

1. new-to-the-world-product:

* really new product :
  + new inventions
* nobody sells it yet 🡪 creates a whole new market (e.g. drones or podcasts)

1. new-to-the-firm-product:

* not new to the world, but to the company 🡪 a “known” product
* the company enters an already existing market
* often competitors with similar offers already exist

1. addition to existing products

* existing brand launches new product in a market they are already in (e.g. coca cola establishing diet coke)

1. improvements/additions to existing products

* current products are made better/changed slightly (e.g. Iphone, yearly version of videogame FIFA)

1. Repositioning

* New applications or uses are promoted for already existing product (e.g. Backsoda, which is now also used as medicine)

1. Cost reduction

* Existing product that offers similar benefits at lower costs (e.g. Samsung Galaxy S and Galaxy A Smartphones)

Stages in new product developmental process

1. Idea generation

* Most often the ideas stem from employees (R&D, sales), customers, other sources (marketing agencies) or non-direct sources (e.g. from another market (e.g. brakes from airplanes)
* What can we do differently/what else can we bring/what else can we do with our resources

1. Screen ideas

* What ideas are viable 🡪 ideas are filtered
  + Get rid of those which do not align with company policy (strategy, objective, resources)
* Look how customers respond to product idea

1. Business analysis

* Max. 5 ideas
* Projection of demand, costs (fixed, variable), sales, profitability (how long to even and how much profits)

1. Prototype & strategy

* 2 – 3 ideas
* Lengthy and expensive phase
* Can an idea work
* Test acceptability of product 🡪 prototype
  + “Will the customers/market accept the product and buy it?”
* Functioning is tested in lab and field (real-life)
* “how much quality do want to build into our products”

1. Test marketing

* End of product developmental cycle
* Reaction from buyers/potential profit are determined
  + “how do they like my product”
  + Reliability tests and mini-launches
* Done to avoid high risk of product failure
* Risk : competitors can copy product and bring something similar way cheaper

1. Commercialization

* Making product available in market
* Fully developed product/marketing mix

Product Failure

* 67 to 95% of all products fail
* Many reasons :
  + Market does not need it 🡪 not appealing to customers
  + Overestimated market size
  + Positioned the product incorrectly
  + Ineffective promotion
  + Company does not understand the targeted market segment
  + Product does not meet market requirements (e.g. governmental regulations) [market failure]
  + Incorrectly priced product
    - Research was to expensive
  + Underestimation/not understanding of competitors
  + Poor timing
  + Wrong distribution channels

Elements of a product (narrow sense)

* Brand (name, logo, slogan)
* Packaging, label
* Many more than those two, but those are the most important

Branding:

* Name (e.g. nike), term, symbol (checkmark), design, logo (checkmark), slogan (just do it) or a combination of those
* Helps identify and differentiate brand from competitors
* Good brand names have multiple criteria
  + Easy for customers to spell, say and remember
  + Indicate the products major benefits/suggest the products uses & special characteristics
  + Should be unique (negative example : National)
* International markets:
  + check whether brand names means something different in expansion region
  + check whether your labelling fit the market (e.g. baby food in south Africa)
  + work with locals as advisors, who know the market and its specialities
* benefits of branding :
  + for the consumer : “makes decision making easier”
    - helps to know who sells
    - determining products we like & dislike gets easier
    - makes shopping easier 🡪 quicker decisions when shopping (choose tight away) 🡪 buy what you already know
    - psychological benefits 🡪 associate brand with certain attributes (e.g. apple : status)
    - help evaluate different aspects of a certain product/industry (“puts things into perspective”)
    - helps with risk assessment (e.g. apple phone vs unknown Chinese brand)
  + for marketers/companies:
    - helps distinguish from competitors
    - segment the market by creating niches (e.g. head and shoulders) “just for you”
    - reduce price comparison: “you buy not only the product but also the brand” (e.g. apple; big universities or small community colleges)
    - easer to bring out new products/helps with entry of product (because the customers know the brand) 🡪 e.g. fanta and new flavour : people will rather try this than some unknown brand
    - brands can be an asset for a company (brands hold value)
    - help develop customer loyalty to a brand rather than a product
    - easier to advertise/work with supply chain/retailers 🡪 customers want a brand so retailers are pressured to offer it

Packaging

* wrapper/container to aid transport, storing, handling and promotion (communicate brand and product info)
* depends upon nature of contents in terms of value,
* physical compositon
* durability
* length of distribution channel and amount of handlings
* variations of climate
* those factors influence what packaging is chosen
* labels :
  + provide information about product
  + and information about the brand
* 3 levels of packaging :
  + Primary packaging (1st level)
    - Wrapper in direct contact with the product
    - Remains around the product till the product is completely consumed
    - e.g. bottle around water, thing the toothpaste is in
  + secondary packaging (2nd level)
    - additional layer
    - to protect the product
    - avoid damage
    - e.g. carton around the toothpaste
  + transportation packaging:
    - commonly used to transport large quantities of a product
    - e.g. big boxes, palettes
* Different psychologies behind what packaging is chosen 🡪 topic 3 p.35 link 🡪 when I have time
* Functions of packaging :
  + Helps to promote product 🡪 brand
  + Makes it more appealing to consumers
    - Adds “personality”
  + helps to easily pack and ship the product
  + provides a label
  + helps to inform consumers (e.g. family sized cornflakes)
  + protects the product from damages
  + prevents tampering (altering of the products by a 3rd party)
  + makes usage easier (e.g. shape of coke bottle)