



Lecture 7 Product Strategy

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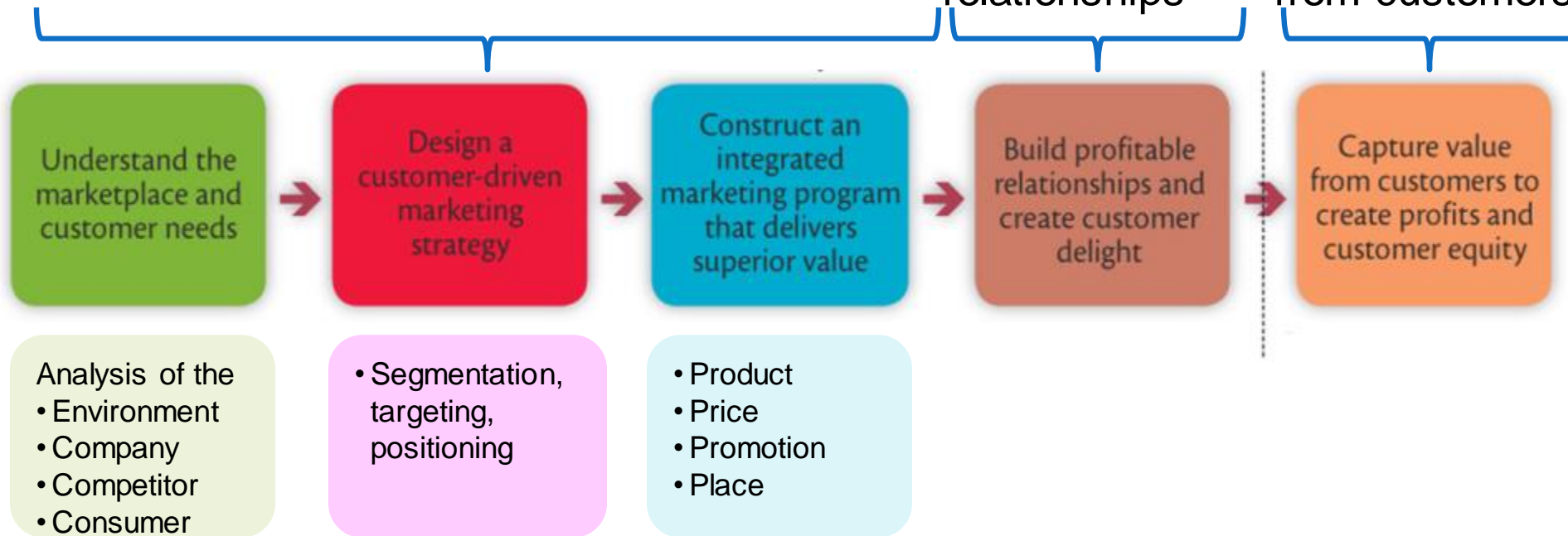
Southwestern University of Finance and Economics

The Marketing Process

Marketing is the process to
Create value for customers

Build customer
relationships

Capture value
from customers



Lecture Overview

1. What is a Product?
2. Product Decisions
3. Branding Strategy: Building Strong Brands

1. What Is a Product?

- 1.1 What is a product?
- 1.2 Product & service classifications
- 1.3 Three levels of products

1.1 What is a Product?

A product is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want.

Broadly defined, “products” also include **services, events, persons, places, organizations, ideas, or mixes of these.**



1.1 What is a Product?

Services are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in ownership.

- E.g., Doctor's exam, legal advice, entertainment, haircut, concert



1.1 What is a Product?

A company should consider **four special service characteristics** when designing marketing programs.



How Services Differ from Goods

□ Service characteristics

Intangibility

Services that cannot be touched, seen, tasted, heard or felt in the same manner as goods.

Marketing challenges

- *Difficulty in product evaluation*

Marketing actions

- *Offer tangible token of service*

Inseparability

A characteristic of services that allows them to be produced and consumed simultaneously.

Marketing challenges

- *Customers must be present*
- *Customers must participate*

Marketing actions

How Services Differ from Goods

□ Service is

Heterogeneity

A characteristic of services that makes them less standardised and uniform than goods.

Marketing challenges

- *Hard to maintain the service quality*

Marketing actions

Perishability

A characteristics of services that prevents them from being stored, warehoused or inventoried.

Marketing challenges

- *Unused capacity is “wasted”*
- *High demand cannot be met*

Marketing actions

1.1 What is a Product?

A company's market offering often includes both **tangible goods** and **intangible services**.

At one extreme, the offer may consist of a **pure tangible good**, such as soap or toothpaste. At the other extreme are **pure services**.



1.1 What is a Product?

Products, Services, and Experiences

To differentiate their offers, marketers are creating and managing customer **experiences** with their brands or company.

The Product Experience



When you buy an iPad, you are buying more than the physical product. You are also buying the experience of using it, as well as the emotion associated with it.

The Serving Experience



Starbucks does not simply sell coffee. It differentiates itself by providing an atmosphere that encourages people to spend time there while enjoying the food & beverages.



1.2 Product and Service Classifications

Consumer products are products and services for **personal consumption**. Classified by how consumers buy them and thus how to market them.

	Convenience	Shopping	Specialty	Unsought
Purchase frequency	frequent	less frequent		seldom
Purchase planning	little	much	much	
Shopping effort	little	much	special	
Comparison of brands	little	on price, quality, style	little, because of strong brand preference & loyalty	
Involvement	Low	High	High (low price-sensitivity; highly self-expressive)	

1.2.1 Convenience Products

Convenience products are consumer products and services that the customer usually buys frequently, immediately, and with a minimum comparison and buying effort.

- E.g. newspapers, candy, fast food

Marketing Considerations:

Price	Low price
Distribution	Widespread distribution, convenient locations
Promotion	Mass promotion by the producer



1.2.2 Shopping Products

Shopping products are **less frequently purchased** consumer products and services that customers **compare carefully** on suitability, quality, price, and style in the process of selection and purchase.

Marketing Considerations:

Price	Higher price
Distribution	Selective distribution in fewer outlets
Promotion	Advertising and personal selling by both producer and resellers



1.2.3 Specialty Products

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. designer brands, luxury goods

Marketing Considerations:

Price	High price
Distribution	Exclusive distribution in only one or a few outlets per market area
Promotion	More carefully targeted promotion by both producer and resellers



1.2.4 Unsought Products

Unsought products are consumer products that the consumer does not know about or knows about but does **not normally think of buying**.

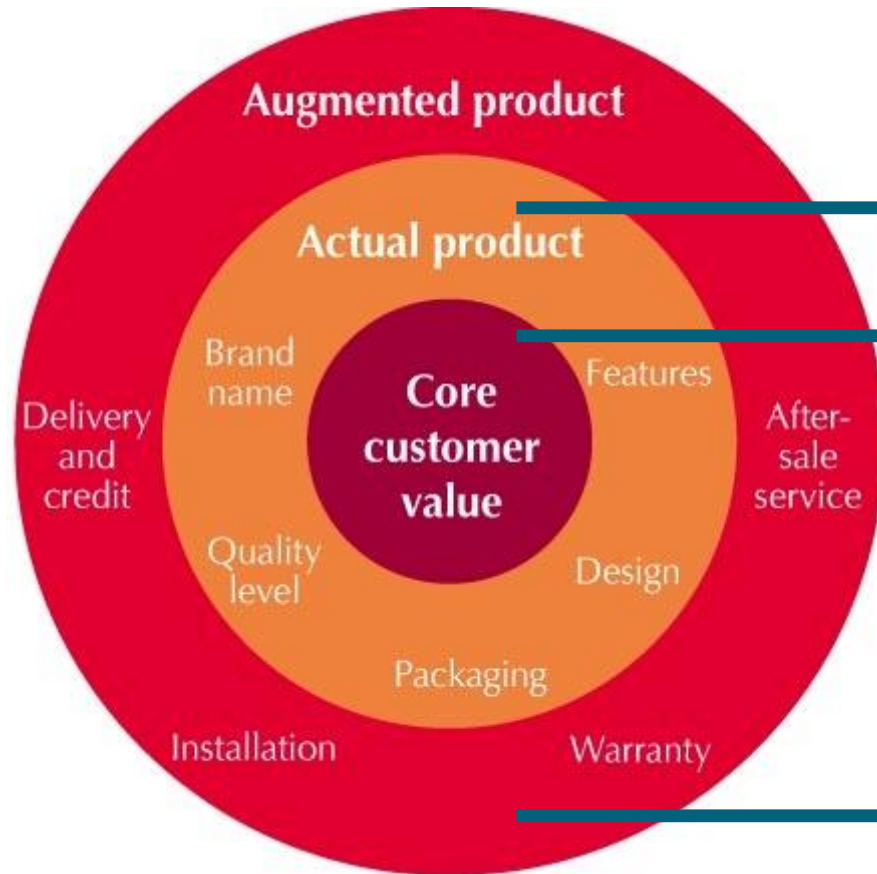
- E.g. life insurance, funeral services, blood donations

Marketing Considerations:

Price	Varies
Distribution	Varies
Promotion	Aggressive advertising and personal selling by producer and resellers



1.3 Three Levels of Products



Actual Product:

- Actual product, features, design, packaging, quality level, brand name developed to deliver the core benefit.

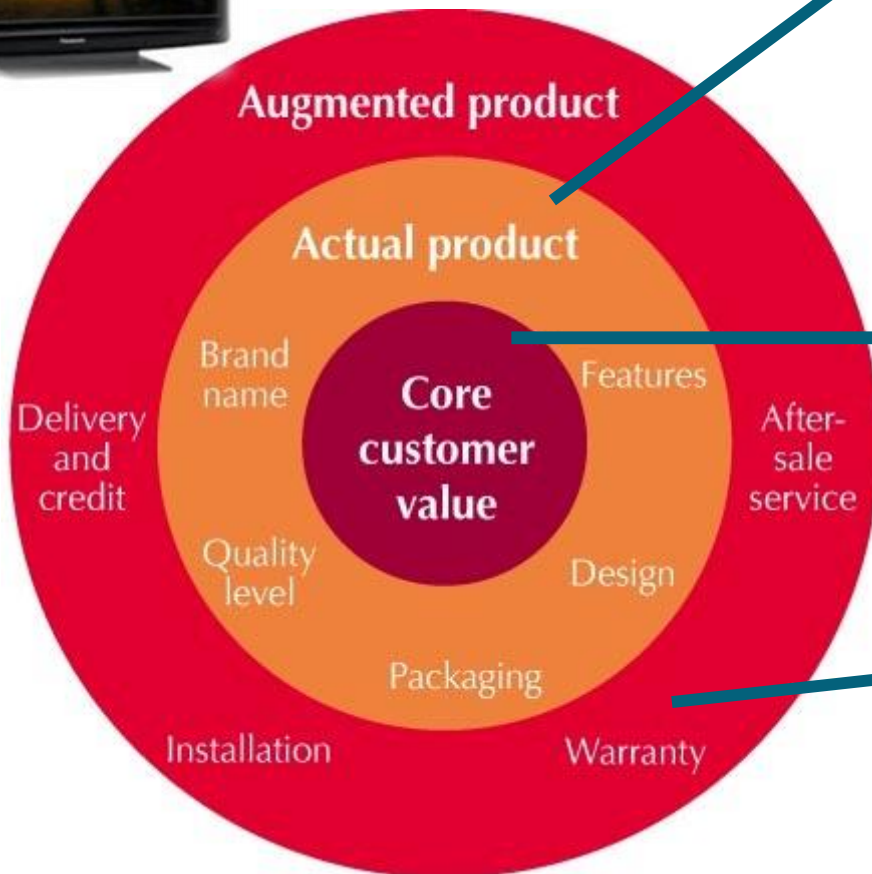
Core Customer Value:

- What is the buyer really buying?
- What is the core, problem-solving benefits and value consumers seek.

Augmented Product:

- Additional customer services and benefits around the core benefit and actual product to create the most satisfying customer experience.

1.3 Three Levels of Products - Hotel



Actual Product:

To deliver the core benefit through:

Core Customer Value:

What is the buyer really buying?

Augmented Product:

To create the most satisfying customer experience through:

2. Product and Service Decisions

- 2.1 Individual product decisions
- 2.2 Product line decisions
- 2.3 Product mix decisions

2.1 Individual Product Decisions



Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by **product attributes** such as

- Quality
- Features
- Style and design



2.1 Individual Product Decisions

Quality is the characteristics of a product or service that can satisfy stated or implied customer needs.

Product features are a **competitive tool** for **differentiating** a product from competitors' products. It should be assessed based on the value to the customer versus the cost to the company.

Product style and design add value to customer value.



2.1 Individual Product Decisions

Brand is the name, term, sign, or design, or a combination of these, that **identifies** the maker or seller of a product or service.

What is the role of a brand?



2.1 Individual Product Decisions

Packaging involves designing and producing the container or wrapper for a product. It helps to attract consumer attention, enhance usage experience and drive sale.



Consumers face with numerous product choices. Attractive packaging helps to stand out from competition.



A good packaging can give a company an advantage over competitors and boost sales. When Heinz inverted the good old ketchup bottle, sales grew at three times more than competitors.



Packaging involves two functions

- Primary Function
 - hold and protect the product
- Good packaging
 - create instant consumer recognition



2.1 Individual Product Decisions

Label can be simple tags or complex graphics to

- identify the product or brand
- describe attributes
- provide promotion



2.1 Individual Product Decisions

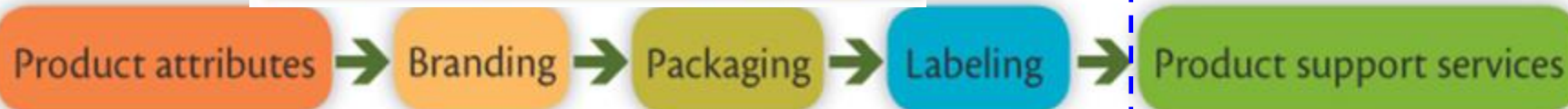
Product support services augment actual products.

Companies must continually:

- Assess the value of current services to obtain ideas for new ones
- Develop a package of services to satisfy customers and provide profit to the company



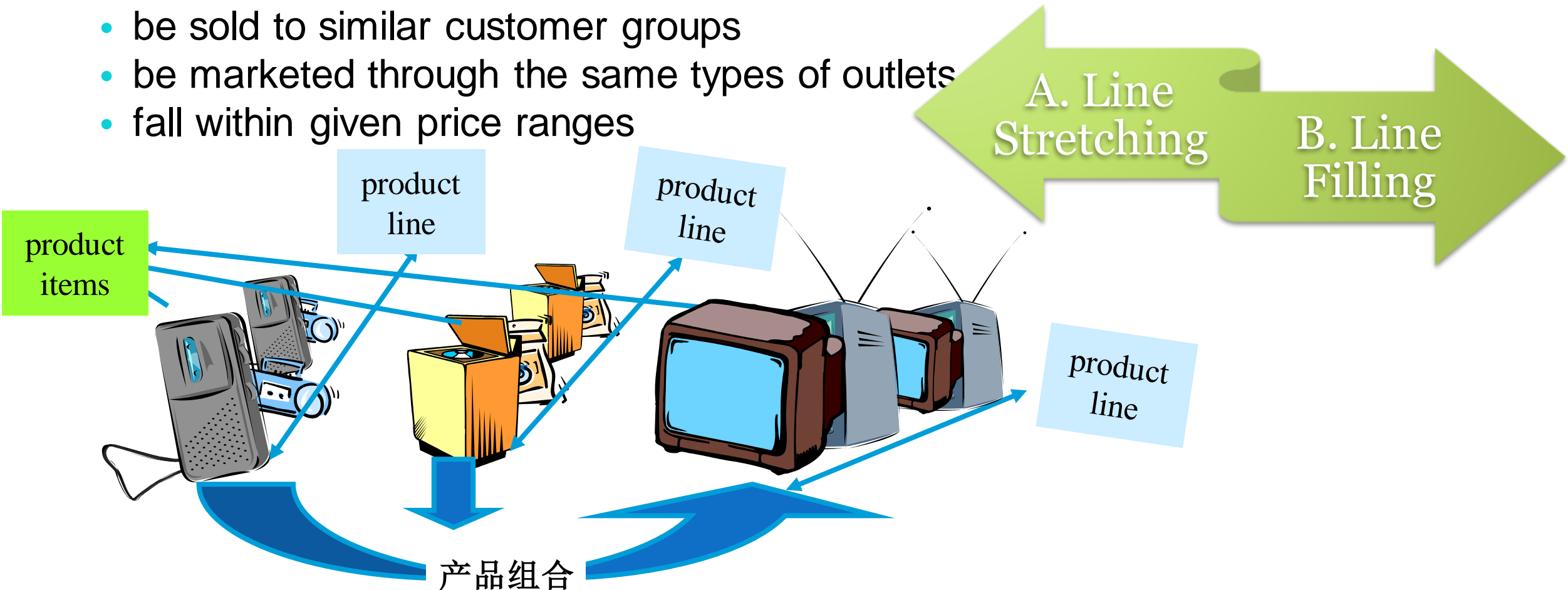
**WEIGHT LOSS
GUARANTEED
OR YOUR MONEY BACK**



2.2 Product Line Decisions

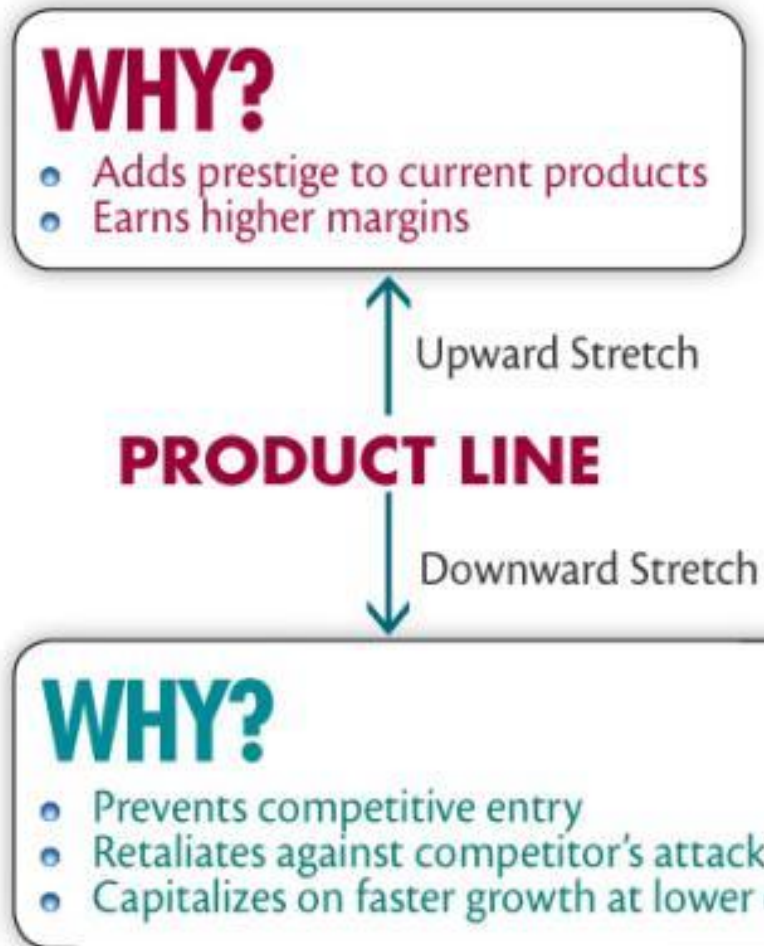
Product Line is a group of products that are closely related because they may:

- function in a similar manner
- be sold to similar customer groups
- be marketed through the same types of outlets
- fall within given price ranges



A. Product Line Stretching

- lengthens the product line beyond its current range
- 3 types: *upward, downward or combination of both*



Upward Stretch



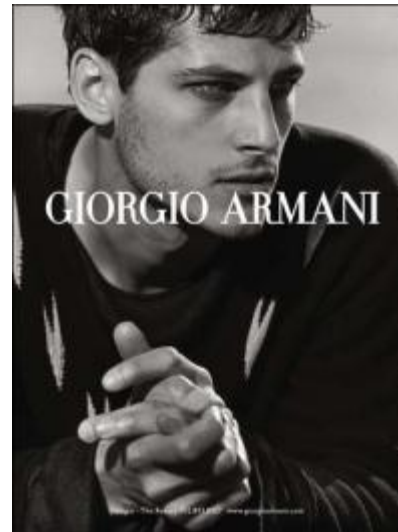
TOYOTA



LEXUS

PRODUCT LINE

Downward Stretch



GIORGIO ARMANI



ARMANI EXCHANGE



EMPORIO ARMANI
BELGRADE STORE

B. Product Line Filling

- **Product Line Filling** occurs when companies add more items within the present range of the line
- Excess line filling will result in cannibalization and customer confusion.



Reasons

- More profits
- Satisfying dealers
- Excess capacity
- Being the leading full-line company
- Plugging holes to fend off competitors

iPad mini
Every inch an iPad.

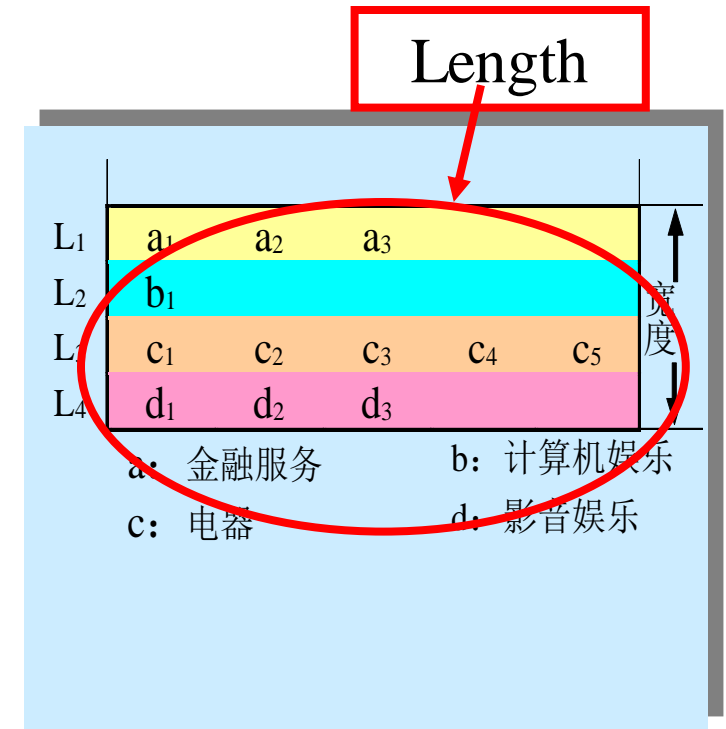


2.3 Product Mix Decisions

Product mix (or product portfolio) consists of all the products and items that a particular seller offers for sale. A company's product mix has four dimensions:

width, length, depth, and consistency.

- Product mix width → the number of different product lines
- Product mix length → the total number of items within a product line.
- Product mix depth → the number of versions offered of each product in the line.
- Product mix consistency refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.





超弹



雅马哈F600系列

雅马哈吉他

全国质保 顺丰包邮

原装正品



2.3 Product Mix Example: The Coca-Cola Company



CONSISTENCY
of various product
lines in end use,
production
requirements,
distribution
channels, ...etc?

PRODUCT LINE **LENGTH** – no. of items in a product line

PRODUCT LINE **DEPTH**

– no. of versions of each
product in a product line



2.3 Product Mix Decisions

A company can increase its business in four ways in terms of its product mix:

1. It can add new product lines, **widening** its product mix.
2. It can **lengthen** its existing product lines.
3. It can add more versions of each product, **deepening** its product mix.
4. It can pursue more product line **consistency**.

3. Branding Strategy: Building Strong Brands

Brand development

- 3.1 Line Extensions
- 3.2 Brand Extensions
- 3.3 Multibrands
- 3.4 New Brands

Branding Strategy: Building Strong Brands

- **A former CEO of McDonald's said**
- **Even if all the property, buildings, and equipment we own are damaged in a severe natural disaster, we can still rebuild everything with brand value... the brand is more valuable than all these tangible assets**



Branding Strategy: Building Strong Brands

Brand represents the consumer's perceptions and feelings about a product and its performance.

Brand equity is the positive differential effect that knowing the brand name has on customer response to the product or service.

The World's Top 25 Most Valuable Brands

© Brand Finance Plc 2022

1 $\leftarrow 1$ \$355.1bn +35%	2 $\leftarrow 2$ \$350.3bn +38%	3 $\leftarrow 3$ \$263.4bn +38%	4 $\leftarrow 4$ \$184.2bn +31%	5 $\uparrow 6$ \$111.9bn +20%
6 $\downarrow 5$ \$107.3bn +5%	7 $\leftarrow 7$ \$101.2bn +24%	8 $\leftarrow 8$ \$75.1bn +3%	9 $\uparrow 15$ \$71.2bn +29%	10 $\downarrow 9$ \$69.6bn +1%
11 $\leftarrow 11$ \$65.5bn +10%	12 $\leftarrow 12$ \$64.3bn +8%	13 $\downarrow 10$ \$62.3bn -8%	14 $\uparrow 19$ \$62.0bn +17%	15 $\downarrow 13$ \$60.8bn +4%
16 $\leftarrow 16$ \$60.2bn +9%	17 $\uparrow 23$ \$60.2bn +18%	18 NEW \$59.0bn +215%	19 $\uparrow 22$ \$57.1bn +11%	20 $\leftarrow 20$ \$56.3bn +6%

Global 500 2023

The World's Top 25 Most Valuable Brands

© Brand Finance Plc 2023

1 $\uparrow 2$ US\$299.3 bn -14.6%	2 $\downarrow 1$ US\$297.5 bn -16.2%	3 $\leftarrow 3$ US\$281.4 bn +6.8%	4 $\leftarrow 4$ US\$191.6 bn +4.0%	5 $\leftarrow 5$ US\$113.8 bn +1.7%
6 $\leftarrow 6$ US\$99.7 bn -7.1%	7 $\uparrow 8$ US\$69.5 bn -7.4%	8 $\uparrow 10$ US\$67.4 bn -3.2%	9 $\uparrow 28$ US\$66.2 bn +43.9%	10 $\uparrow 18$ US\$65.7 bn +11.4%
11 $\uparrow 17$ US\$62.9 bn +4.6%	12 $\downarrow 11$ US\$62.7 bn -4.4%	13 $\uparrow 20$ US\$61.1 bn +8.4%	14 $\downarrow 7$ US\$59.0 bn -41.7%	15 $\uparrow 16$ US\$58.8 bn -2.2%
16 $\downarrow 15$ US\$58.8 bn -3.2%	17 $\downarrow 14$ US\$57.7 bn -7.0%	18 $\uparrow 29$ US\$53.4 bn +16.9%	19 $\downarrow 12$ US\$52.5 bn -18.3%	20 $\downarrow 13$ US\$50.2 bn -19.3%
21 $\uparrow 32$ US\$49.7 bn +15.9%	22 $\uparrow 26$ US\$48.5 bn +15.9%	23 $\downarrow 19$ US\$48.5 bn +15.9%	24 $\uparrow 30$ US\$48.4 bn +7.0%	25 $\downarrow 23$ US\$48.2 bn -3.4%

2023年中国品牌价值25强品牌

© Brand Finance Plc 2023

1 ← 1 ICBC 中国工商银行 CNY498.5 bn +3%	2 ↑ 7 抖音 CNY470.9 bn +24%	3 ← 3 中国建设银行 CNY449.3 bn +6%	4 ↑ 6 国家电网 CNY421.8 bn +9%	5 ← 5 中国农业银行 CNY413.6 bn +4%
6 ↓ 4 微信 CNY360.2 bn -10%	7 ↑ 13 贵州茅台集团 CNY356.6 bn +29%	8 ↑ 10 中国银行 CNY339.3 bn +6%	9 ↓ 8 中国平安 CNY320.4 bn -8%	10 ↓ 2 华为 CNY317.5 bn -31%
11 ↑ 14 中国移动 CNY311.0 bn +18%	12 ← 12 Tencent 腾讯 CNY272.8 bn -9%	13 ↑ 17 中国建筑 CNY228.7 bn +30%	14 ↓ 9 淘宝网 CNY218.9 bn -37%	15 ↑ 16 五粮液 CNY217.1 bn +17%
16 ↓ 15 PetroChina CNY212.5 bn +11%	17 ↓ 11 Tmall CNY196.6 bn -38%	18 ↑ 19 中石油 CNY194.6 bn +20%	19 ↑ 20 招商银行 CNY175.9 bn +12%	20 ↑ 23 台积电 CNY154.6 bn +17%
21 ↑ 26 中国中铁 CNY141.8 bn +21%	22 ↑ 24 中国铁建 CNY136.4 bn +8%	23 ↓ 18 JD.COM CNY135.9 bn -22%	24 ↑ 27 交通银行 CNY135.8 bn +19%	25 ↓ 21 中国人寿 CNY128.2 bn -17%

Top 10 Most Valuable Chinese Brands 2024



1 抖音 \$84.2 bn	2 ICBC 中国工商银行 \$71.8 bn	3 国家电网 \$71.1 bn	4 中国建设银行 \$65.6 bn	5 中国农业银行 \$60.4 bn
6 中国银行 \$50.5 bn	7 贵州茅台集团 \$50.1 bn	8 中国平安 \$44.4 bn	9 中国移动 \$44.2 bn	10 微信 \$41.8 bn

Brand Finance

Source: Brand Finance China 500 2024

brandirectory.com/china

Brand Development

A company has four choices when it comes to developing brands

		Product category	
		Existing	New
Brand name	Existing	Line extensions	Brand extensions
	New	Multibrands	New brands

3.1 Line Extensions

Line extensions occur when a company extends existing brand names to new forms, colors, sizes, ingredients, or flavors of an existing product category.



		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands

Brand Development - Line Extensions



		Existing	New
Brand Name	Existing	Line Extension	Brand Extension
	New	Multibrands	New Brands

Advantages

- Low-cost, low-risk to introduce new products
- Meet consumer desires for variety
- Use excess capacity
- Occupy more shelf-space from resellers

Disadvantage

- Confusion and frustration
- Cannibalization

3.2 Brand Extensions

Brand extensions extend a brand name to a new or modified product in a new category.



		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands



- haircare
- bodywash
- facial care
- body lotion
- deodorant

3.2 Brand Extensions

Advantages

- Instant recognition and faster acceptance
- Save the high advertising costs

Disadvantages

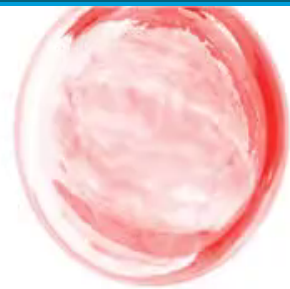
- Confuse the image of the main brand
- Harm consumer attitudes toward the other products carrying the same brand name
- May not be appropriate to a particular new product

		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands



马应龙八宝
- SINCE 1582 -





3.3 Multibrands

Multibrands are additional brands in the same category



		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands

3.3 Multibrands

Advantages

- Establish different features and appeal to different buying motives
- Occupy more shelf-space

Disadvantage

- Spending its resources over many brands which each brand only obtains a small market share and none may be very profitable
- Managing different brand is difficult

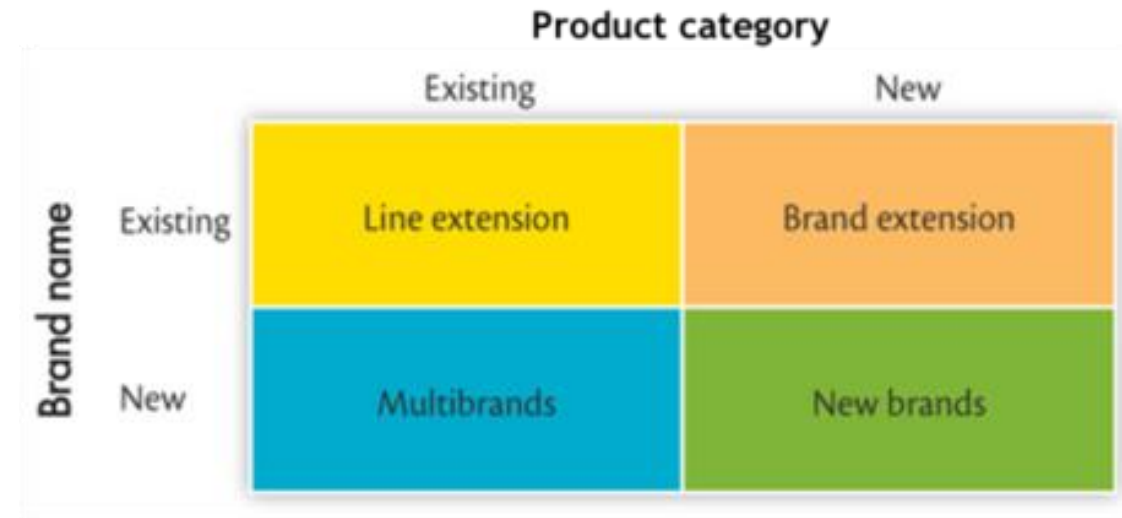
3.4 New Brands

New brands are used when existing brands are inappropriate for new products in new product categories or markets.

		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands



Brand Development Strategy



Lecture Review

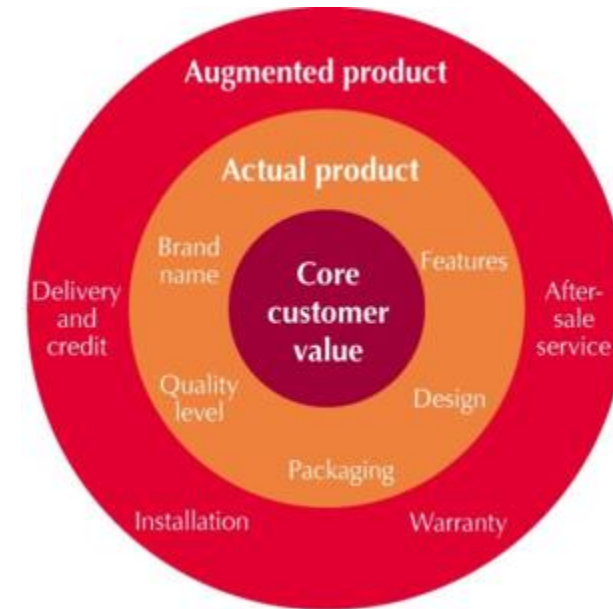


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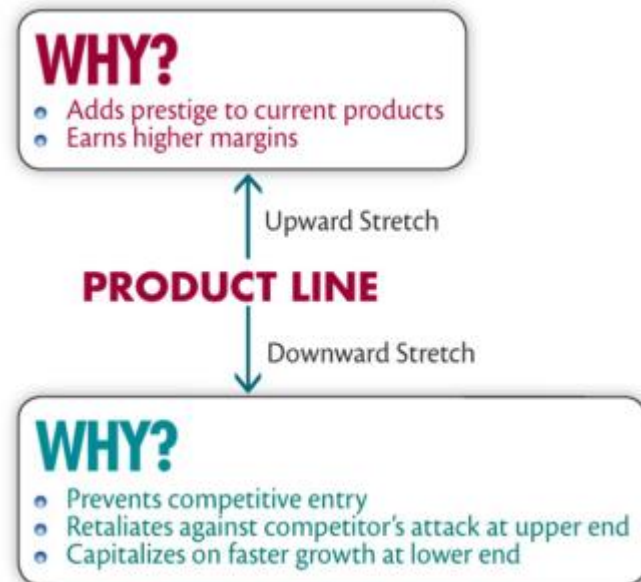
Product

Service



Marketing Considerations	Type of Consumer Product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase, little planning, little comparison or shopping effort, low customer involvement	Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, style	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price-sensitivity	Little product awareness, knowledge (or, if aware, little or even negative interest)

Lecture Review



		Product category	
		Existing	New
Brand name	Existing	Line extensions	Brand extensions
	New	Multibrands	New brands

~ End of Lecture 7 ~

