

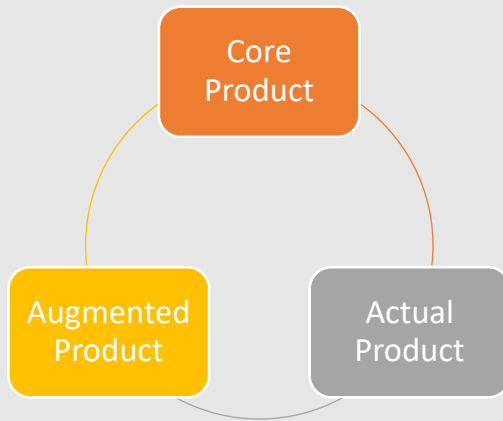
# Product

L7 @Webster University

# What is a product?

- Product is a tangible good, service, idea or some combination of these that satisfies consumer or business customer needs through the exchange process;
- It is bundle of attributes including features, benefits and uses of a product.
- Products can be physical goods, services, ideas, people or places.
- A good is a tangible product that we can see, touch, smell, hear or taste.
- Intangible products – services, ideas, people, and places – are products that we can't always see, touch, smell, hear or taste.

# Three layers of a product



**Core Product:** All the benefits that a product will provide for customers

A benefit is an outcome that the customer receives from owning or using a product

*A marketer may make and sell a half-inch drill bit, but the customer buys a half-inch hole.*

*If a new product, such as laser, comes along that provides that outcome in a better way or more cheaply, the drill-bit maker has a problem.*

**Actual Product:** The physical good or the delivered service that supplies the desired benefit

*When you buy a washing machine, the core product is the ability to get clothes clean, but the actual product is a large, square metal apparatus.*

Actual product includes the unique features of the product, viz., appearance, styling, package, brand name, quality

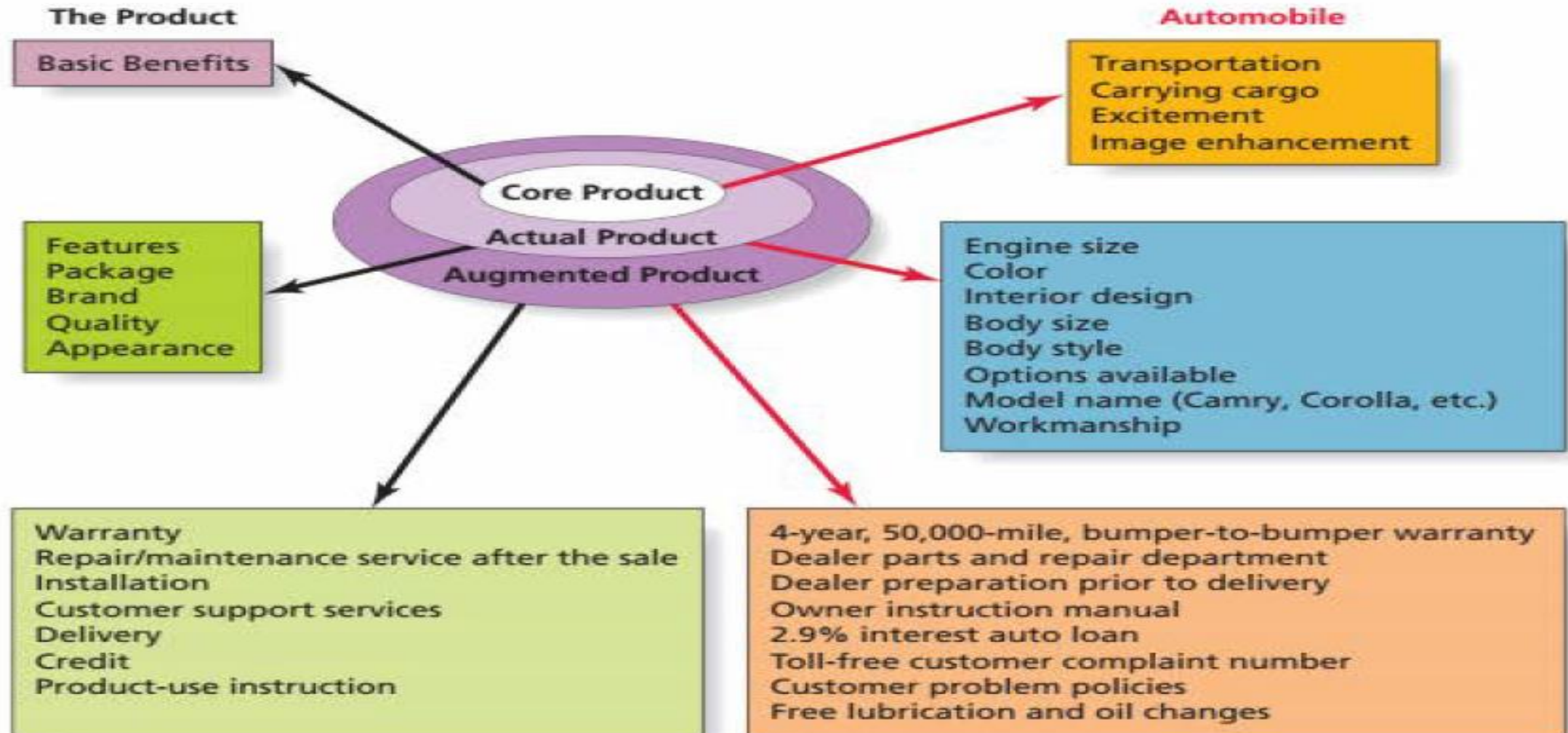
**Augmented Product:** Actual product + other supporting features like warranty, credit, delivery, installation, and repair service after the sale.

Marketers know that adding these supporting features help them stand out from the crowd

*For e.g., Apple's iTunes store helps you quickly download titles directly to your digital music/video libraries and saves you the trouble of correctly inserting, labeling, and sorting the new music.*

# Example of the three layers of a product

A product is everything a customer receives—the basic benefits, the physical product and its packaging, and the “extras” that come with the product.



# How do Marketers classify products? (1)

Classification Criterion	Type of Good	What it means?
How long do products last?	Durable Goods	Products that provide benefits over a long period of time, such as cars, furniture and appliances
	Non-durable goods	Products that provide benefits for a short time because they are consumed (such as food) or are no longer useful (such as newspapers)
How do consumers buy products?	Convenience Products	Usually low priced, widely available, and purchased with minimum comparison and effort. <i>For e.g., loaf of bread, water, milk, soap, etc.</i>
	Shopping Products	<p>Goods or services for which consumers spend considerable time and effort gathering information and comparing alternatives before making a purchase.</p> <p><i>For e.g., mobile phone. The shopper has many trade-offs and decisions to make about a variety of features that can be bundled, including speed, screen size, functionality, weight, and battery life. And phone manufacturers understand your decision dilemma: They take great pains to communicate comparisons to you in their advertising-and, as you might expect, they usually find a way to make their version seem superior.</i></p>
	Specialty Products	<p>Goods or services that have unique characteristics and are important to the buyer and for which she will devote significant time to acquire.</p> <p>For e.g., gold ornaments, luxury watch, etc.</p>
	Unsought Products	<p>Goods or services for which a consumer has little awareness or interest until the product or a need for the product is brought to her attention.</p> <p>For e.g., disability insurance or retirement plans</p>

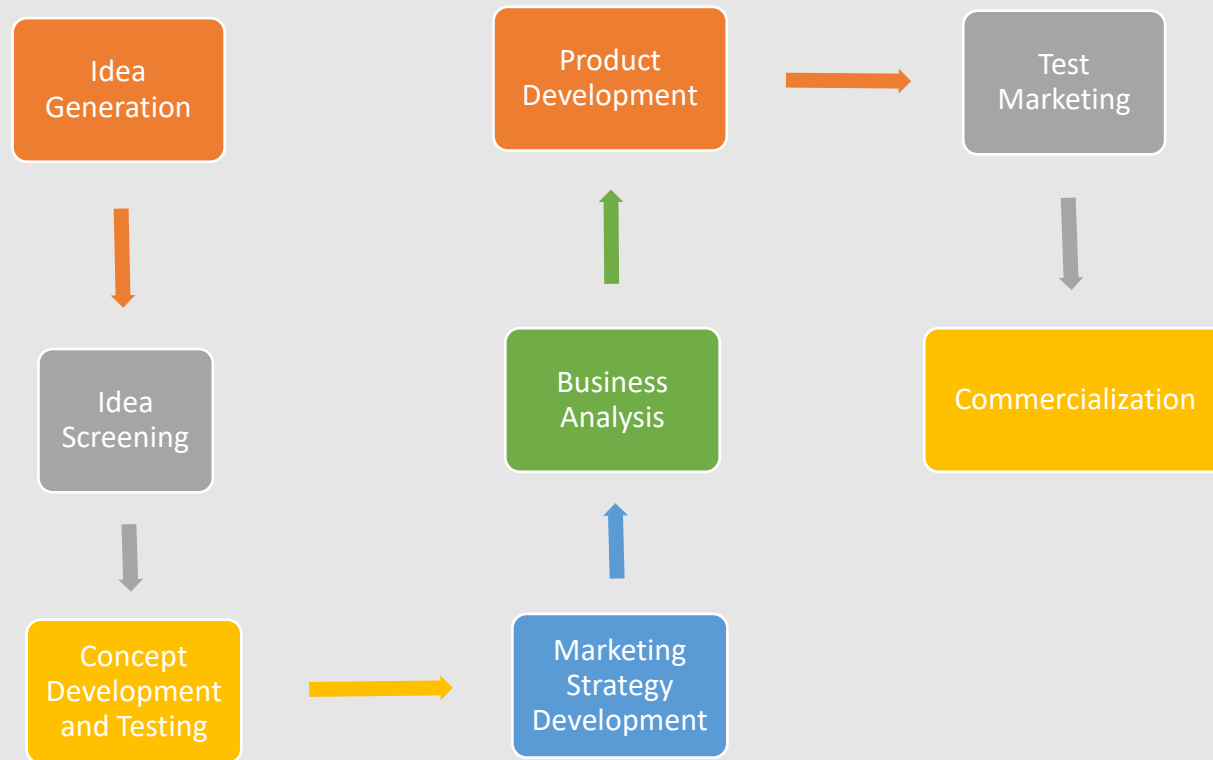
# How do Marketers classify products? (2)

Classification Criterion	Type of Good	What it means?
How do Businesses buy Products?	Equipment	<p>Expensive goods that an organization uses in its daily operations that last for a long time.</p> <p><i>E.g., capital equipment like robots; light equipment like computers, photocopy machines, etc.</i></p>
	Maintenance, Repair and Operating (MRO) Products	<p>Goods that a business customer consumes in a relatively short time.</p> <p><i>E.g., Maintenance products like light bulbs, mops, cleaning supplies; Repair products like nuts, bolts, washers and small tools; Operating supplies like computer paper, toners, etc.</i></p>
	Raw Materials	<p>Products that business customers purchase to use in their finished products.</p> <p><i>E.g., A food company transforms soybeans into tofu; a steel manufacturer changes iron ore into large sheets of steel that other firms use to build washing machines, automobiles, etc.</i></p>
	Processed Materials	<p>Products created when firms transform raw materials from their original state.</p> <p><i>E.g., A company that creates aluminum cans for Red Bull buys aluminum ingots to make them.</i></p>
	Specialized Services	<p>Services that are essential to the operation of an organization but are not part of the production of a product.</p> <p><i>E.g., Non-equipment based services like say market research, HR, legal services that are essential to the operation of the organization but are not part of the production of a product</i></p>
	Component Parts	<p>Manufactured goods or subassemblies of finished items that organizations need to complete their own products</p> <p><i>E.g., A computer manufacturer needs silicon chips to make a computer; an automobile manufacturer needs batteries, tires and fuel injectors.</i></p>

# Types of convenience products

Type	What it means
Staple Products	<p>Basic or necessary items that are available almost everywhere</p> <p>E.g., Milk, bread, gasoline, wheat, rice, lentils, etc.</p>
Consumer packaged good (or fast-moving consumer good)	<p>A low cost good that is consumed quickly and replaced frequently. These products build foot traffic in departmental stores.</p> <p>E.g., soaps, shampoo, toothpaste, dishwash, etc</p>
Impulse Products	<p>Products that people often buy on the spur of the moment.</p> <p>E.g., We pick products that are placed in the check-out lane in stores. Let us explore examples.</p>
Emergency Products	<p>Products we purchase when we are in dire need. E.g., bandage, umbrellas, sink de-clogger, etc.</p> <p>Because we need the product badly and immediately, price and sometimes product quality may be irrelevant to our decision to purchase</p>

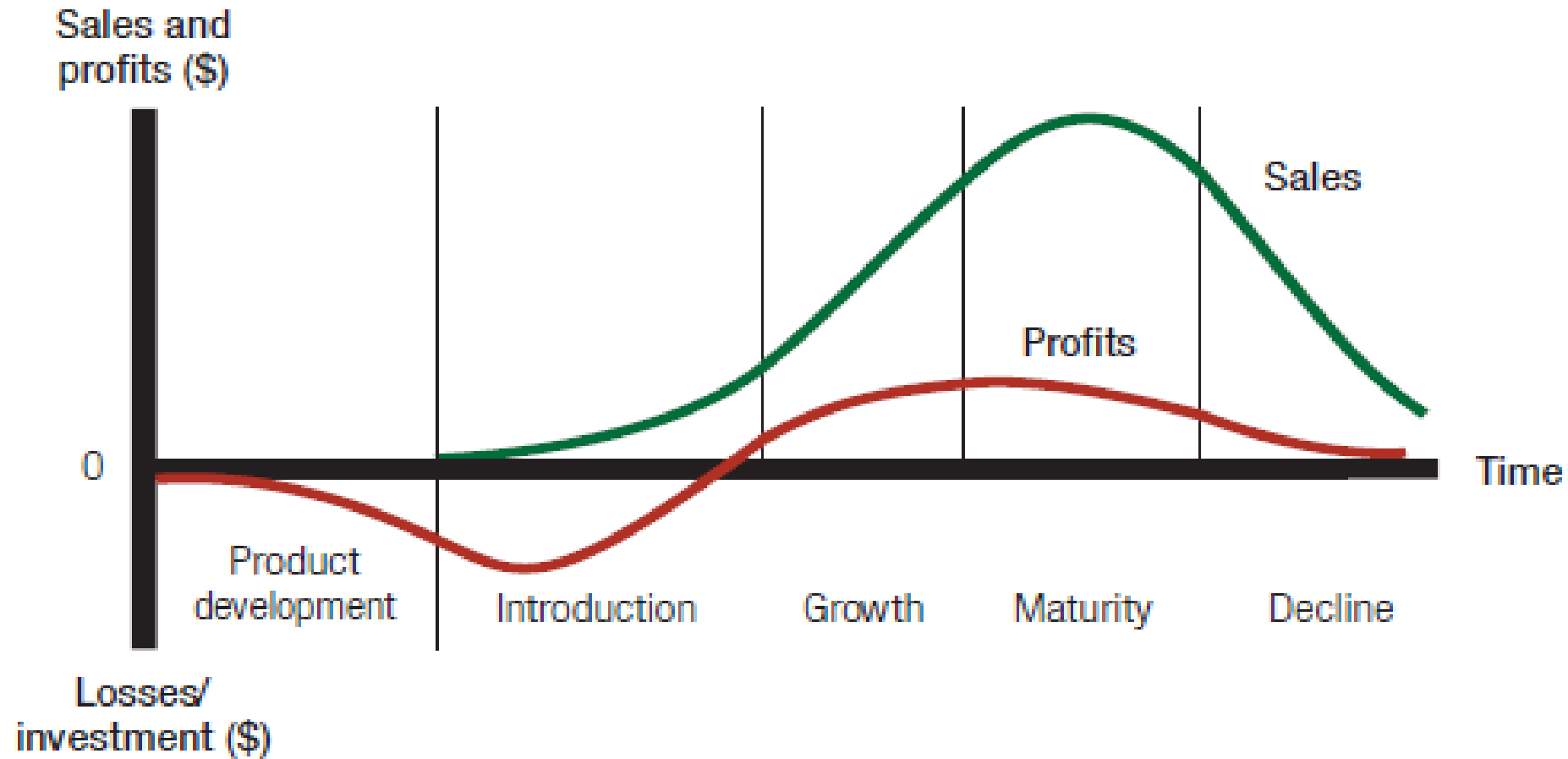
# Stages in New Product Development





Stage	What it means
Idea Generation	The systematic search for new product ideas
Idea Screening	Screening new-product ideas to spot good ideas and drop poor ones as soon as possible.
Concept Development and Testing	Product concept is a detailed description, drawing, or prototype of that idea that can be shown to potential customers. The product concept should be developed and tested with a group potential customers.
Marketing Strategy Development	Designing an initial marketing strategy for a new product based on the product concept
Business Analysis	A review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives.
Product Development	Developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering.
Test Marketing	The stage of new-product development in which the product and marketing program are tested in realistic market settings.
Commercialization	The full-scale introduction of the new product into the market.

## Product Life Cycle – Representation of typical sales/profits over a typical new PLC



# Product Life Cycle – Characteristics, Objectives and Strategies

	Introduction	Growth	Maturity	Decline
<b>Characteristics</b>				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing Objectives</b>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyalists
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Source: Philip Kotler and Kevin Lane Keller, *Marketing Management*, 14th ed. (Upper Saddle River, NJ: Prentice Hall, 2012), p. 317.  
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# Product decisions

***Marketers make product and service decisions at three levels.***

1. Decisions related to individual products or services, for e.g.,
  - a. Product/service attributes like product quality, product features, style and design
  - b. Packaging – activities of designing and producing the container or wrapper for a product
  - c. Labelling – activities of helping identify the product and describing information related to the product
  - d. Product support services – Augmented services that are necessary to establish the product's acceptability in the market
2. Decisions related to product line
  - a. Product line – a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. For e.g., Nike produces several lines of athletic shoes and apparel; Marriott offers several lines of hotels.
3. Decisions related to company's overall product portfolio or product mix
  - a. Product Mix – The set of all product lines and items that a company markets. For e.g., Campbell Soup Company's product mix consists of three product lines: healthy beverages, baked snacks, and simple meals. Each product line consists of several sub-lines. For e.g., the simple meals lines consists of soups, sauces, and pastas, and each of these has many individual items. Altogether, Campbell's product mix includes hundreds of items.