



# Chapter 5:

## Product Strategy

- ▶ 1. What is a Product?
- ▶ 2. Levels of Product and Services
- ▶ 3. Brands and Brand Positioning
- ▶ 4. Product Life-Cycle
- ▶ 5. Product Strategies based on PLC



# 1. What is a Product?



# 1. What is a Product?



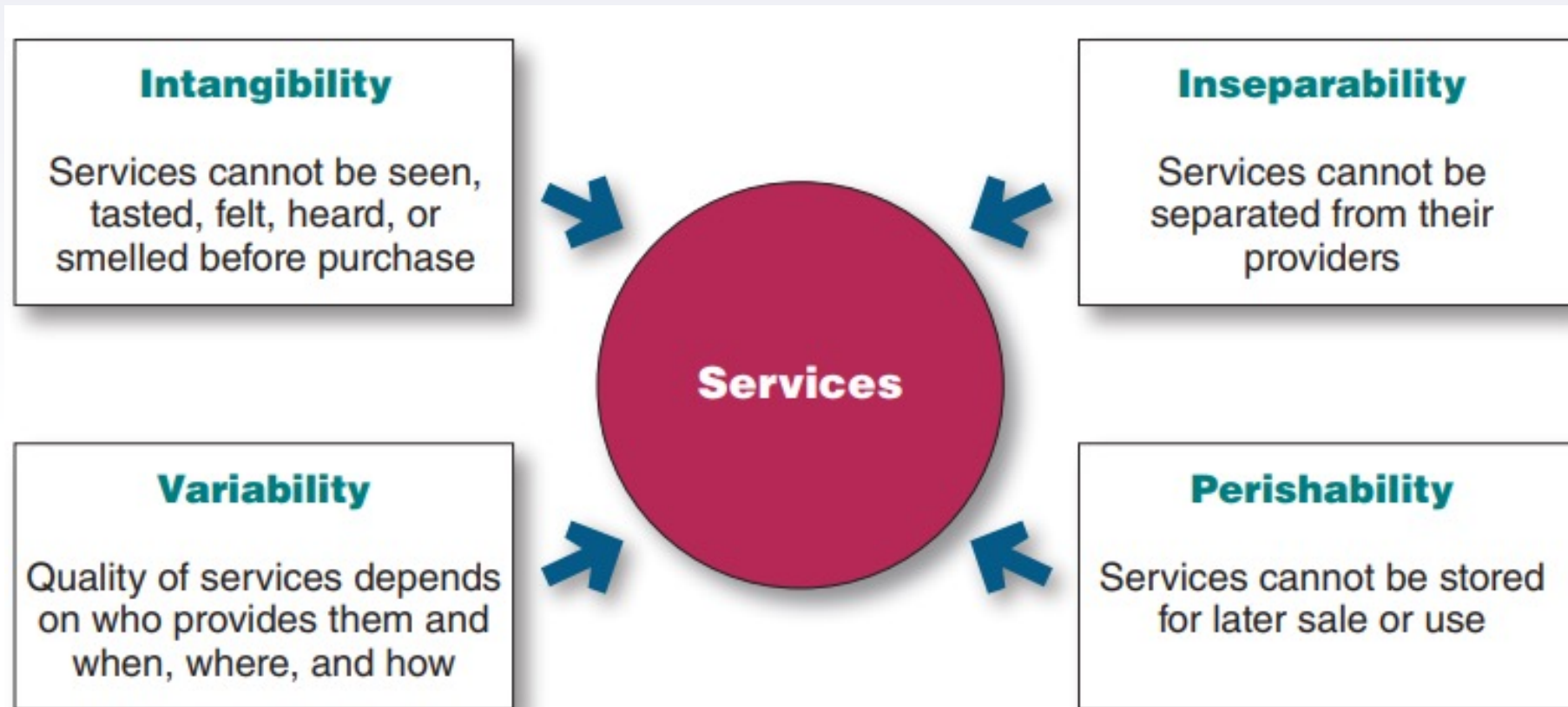
**Product:** anything that **can be offered to a market** for attention, acquisition, use, or consumption that might **satisfy** a want or need.



**Service:** an activity, benefit, or satisfaction offered for sale that is essentially intangible and **does not result in the ownership** of anything.

- ✓ Between them, many goods-and-services combinations are possible

# Service: Four Characteristics



- Services are “products” in a general sense but have special characteristics and marketing needs.
- The biggest differences: services are essentially intangible & created through direct interactions with customers.

Ex: experiences with an airline or Google vs. Nike or Apple

# Product & Service Classifications

## **Consumer products**

A product bought by **final consumers** for **personal consumption**

## **Industrial products**

The products purchased for **further processing** or for use in **conducting a business**

**Organizations, Persons, Places, Ideas**

# Marketing Considerations for Consumer Products

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, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness or knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	Highest price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Red Cross blood donations

# Industrial products

- ▶ **Materials & parts** include **raw materials** as well as **manufactured** materials & parts.
- ▶ **Capital items** are industrial products that aid in the buyer's production or operations, including installations & accessory equipment
- ▶ **Supplies and services:**
  - ▶ **Supplies** include *operating supplies, repair & maintenance items*.
  - ▶ **Business services** include *maintenance & repair services* and *business advisory services*.



## 2. Levels of Product and Services





# Three levels of product

## 1. Identify the **Core customer value**:

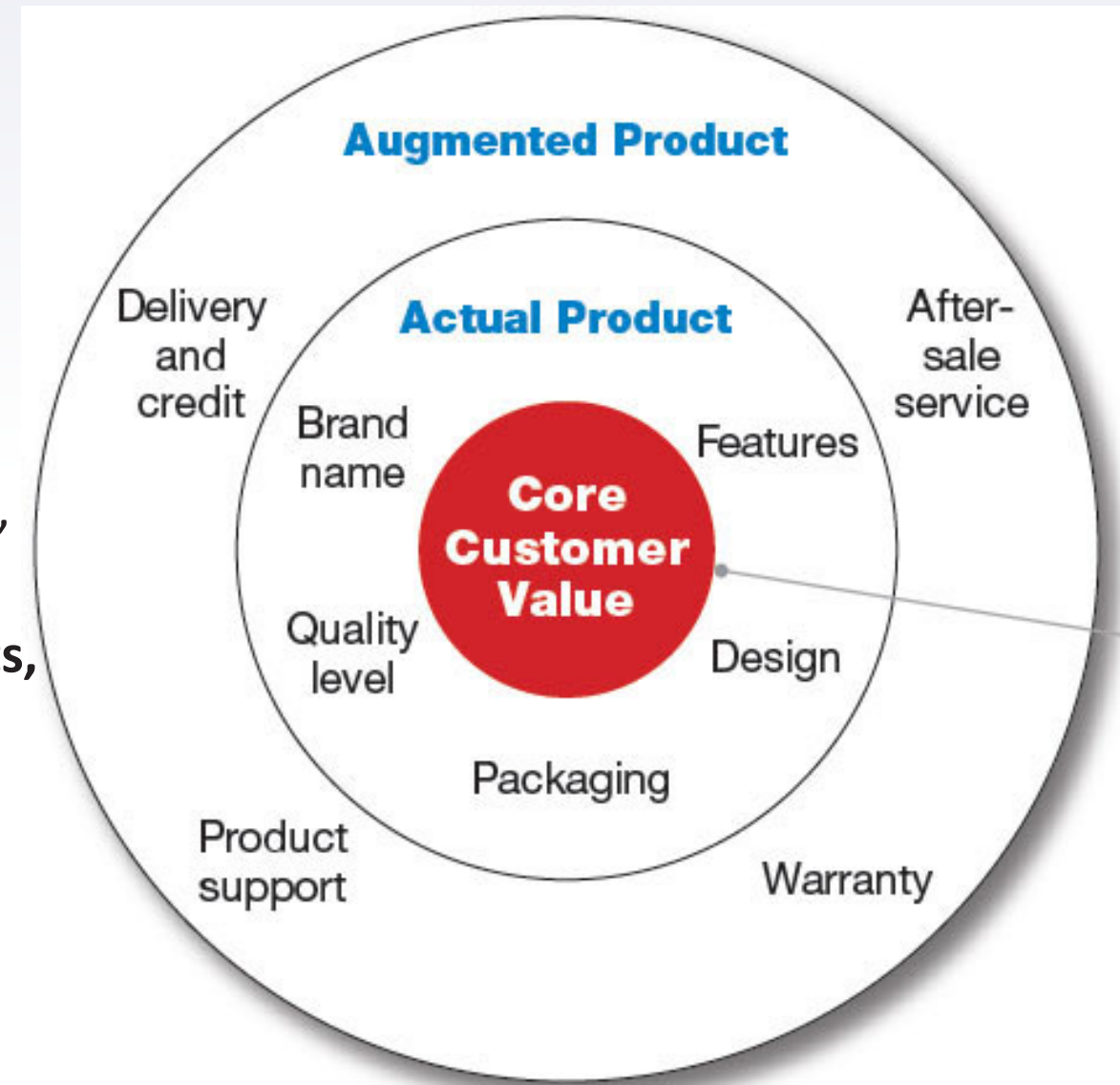
- What is the buyer really buying?
- Marketers must first define the **core, problem-solving benefits, services, or experiences** that consumers seek.

## 2. Design **Actual product**:

- develop **product and service features**, a design, a quality level, a brand name & packaging
- **Products' name, styling, features, sounds, parts, and other attributes** have all been carefully combined to deliver the core customer values

## 3. Find ways for **Augmented product**:

- offering **additional** consumer services and benefits: warranty, repair service...





### 3. Brands & Brand Positioning

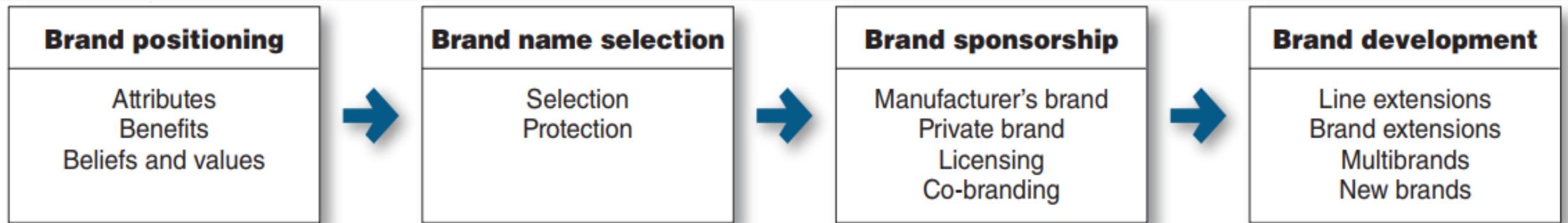


# Brands and Brand Positioning

*“**Products** are created in the factory, but **brands** are created in the mind.”*

- ▶ **Brand value:** The total **financial value** of a brand.
- ▶ **Brand equity:** the **differential effect** that knowing the **brand name** has on **customer response** to the **product and its marketing**; It's a measure of the **brand's ability** to capture **consumer preference** and **loyalty**.

# Major Brand Strategy Decisions



Brands are powerful assets that must be carefully developed and managed  
=> building strong brands involves many challenging decisions.

# Brand Development Strategies

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

This is a very handy framework for analyzing brand development opportunities. For example, what strategy did Toyota use when it introduced the Toyota Camry Hybrid? When it introduced the Toyota Prius? The Lexus?



**Line extension** extends an existing brand name to **new forms, colors, sizes, ingredients, or flavors** of an **existing** product category



**Brand extension** extends a **current** brand name to **new** or **modified products** in a **new category**.



**Multibrands:** Companies often market many different brands in a given product category.



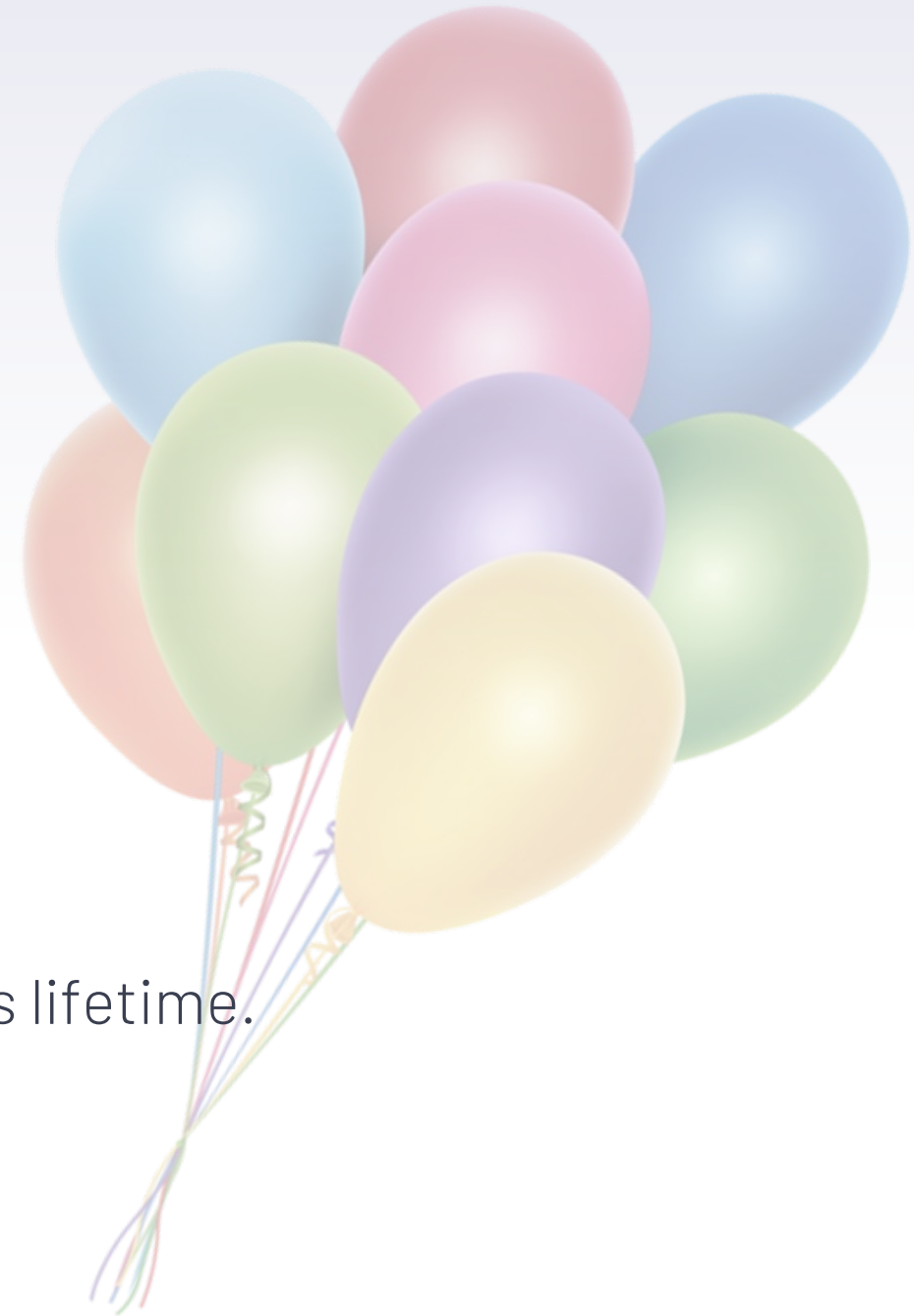
**New brands:** when the company **enters a new product category** for which none of its current brand names is appropriate.



## 4. Product Life-Cycle

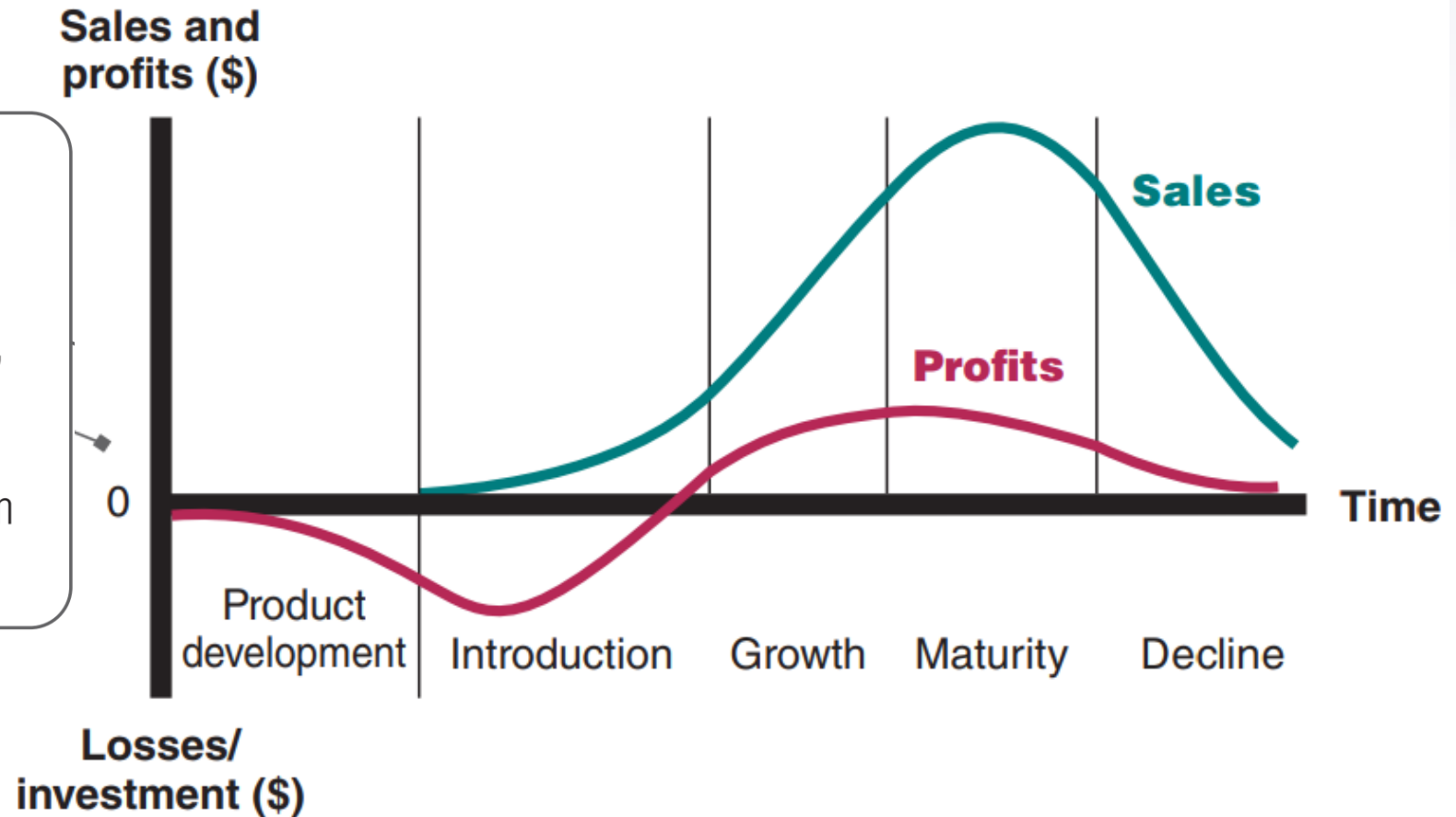
Product life cycle (PLC):

The **course** of a product's **sales and profits** over its lifetime.



# Sales and Profits over the Product's Life from Inception to Decline

Some products die quickly; others stay in the mature stage for a long, long time. For example, Crayola Crayons have been around for more than 115 years. However, to keep the brand young, the company has added a continuous stream of contemporary new products, such as Color Alive, which lets kids color cartoons, scan them, and then watch as an app animates them.





### 1. **Product development:**

The company finds & develops a new product idea. During product development, sales are zero, & the company's *investment costs* mount.

### 2. **Introduction:**

*slow sales growth* as the product is introduced in the market. Profits are *nonexistent* in this stage because of the *heavy expenses* of product introduction.

### 3. **Growth:**

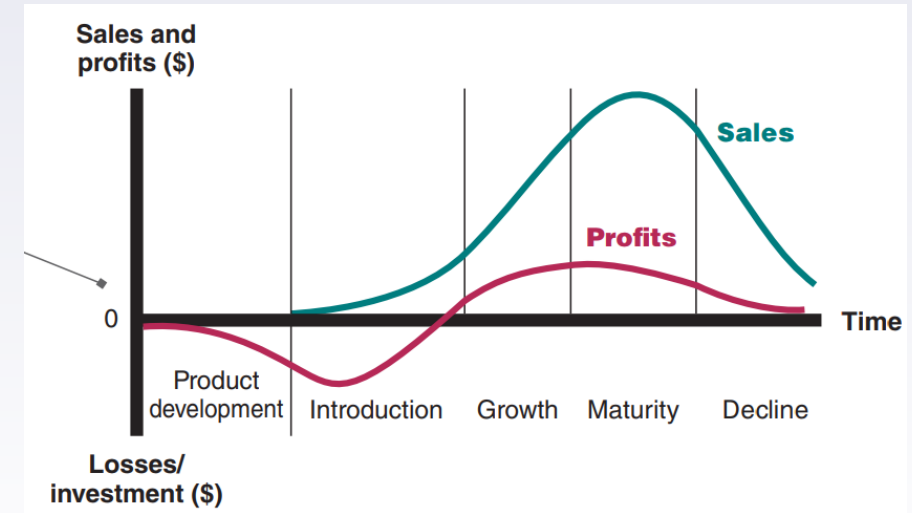
*rapid* market acceptance & increasing *profits*.

### 4. **Maturity:**

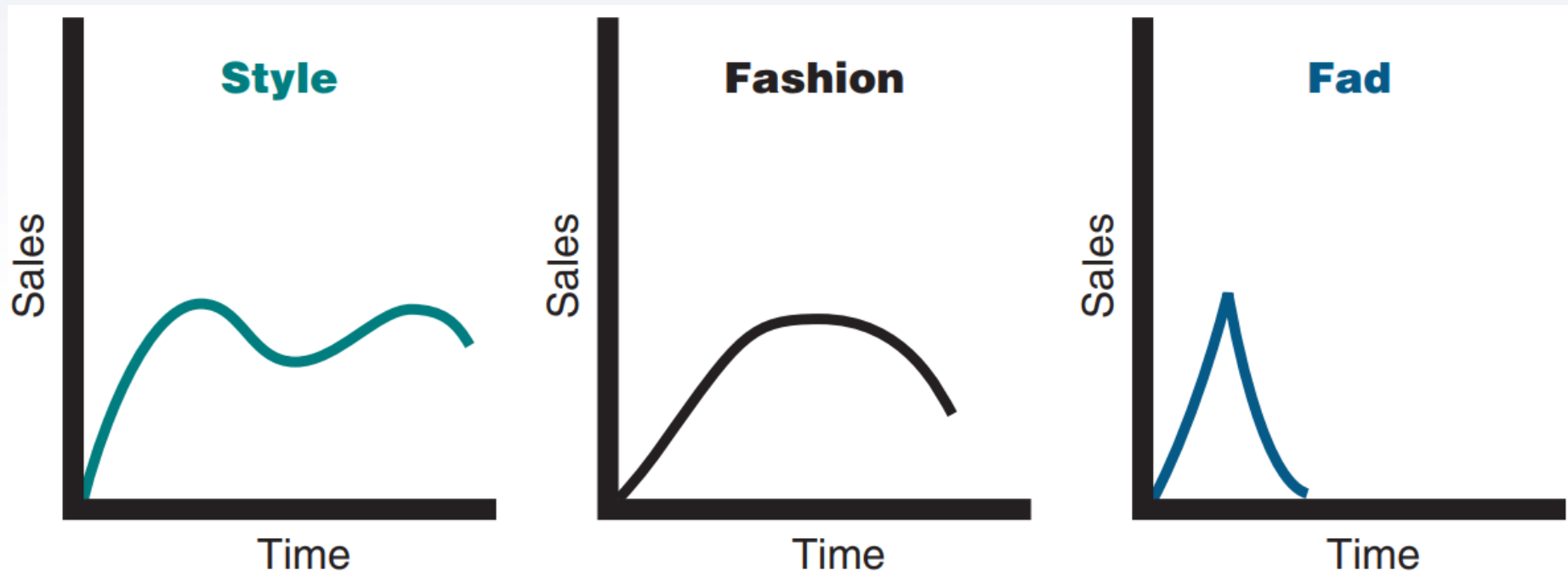
*slowdown* in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or *decline* because of increased marketing outlays to defend the product *against competition*.

### 5. **Decline:**

when sales *fall off* and *profits drop*



# Styles, Fashions, and Fads



- Style: A basic and distinctive mode of expression.
- Fashion: A currently accepted or popular style in a given field.
- Fad: A temporary period of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity.

## Managing the product life cycle:

The 140-year-old Quaker brand is acting anything but its age. Through what it calls “oatsperiments,” the brand has added a kitchen cabinet full of contemporary new products and a full slate of modern marketing approaches





## 5. Product Strategies based on PLC



## Summary of 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	Mainstream adopters	Lagging adopters
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing objectives</b>				
	Create product engagement 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, and 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 engagement and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hardcore 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