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Product Strategy and New-Product Development




Chapter Questions

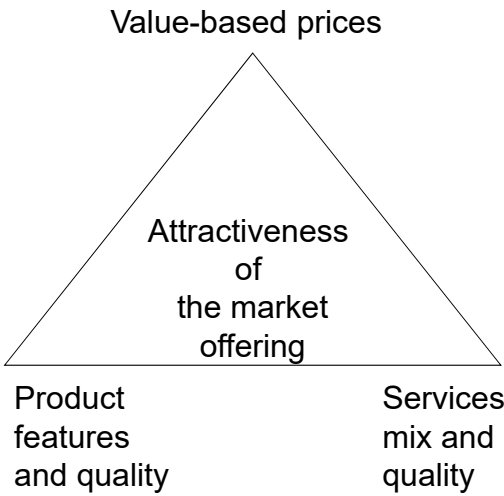
- What are the characteristics of products and how do marketers classify products?
- How can companies differentiate products?
- How can a company build and manage its product mix and product lines?
- How can companies combine products to create strong co-brands or ingredient brands?
- How can companies use packaging, labeling, warranties, and guarantees as marketing tools?

 **Product**

Anything that can be offered to a market to satisfy a want or need.

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 **Figure 1: Components of the Market Offering**



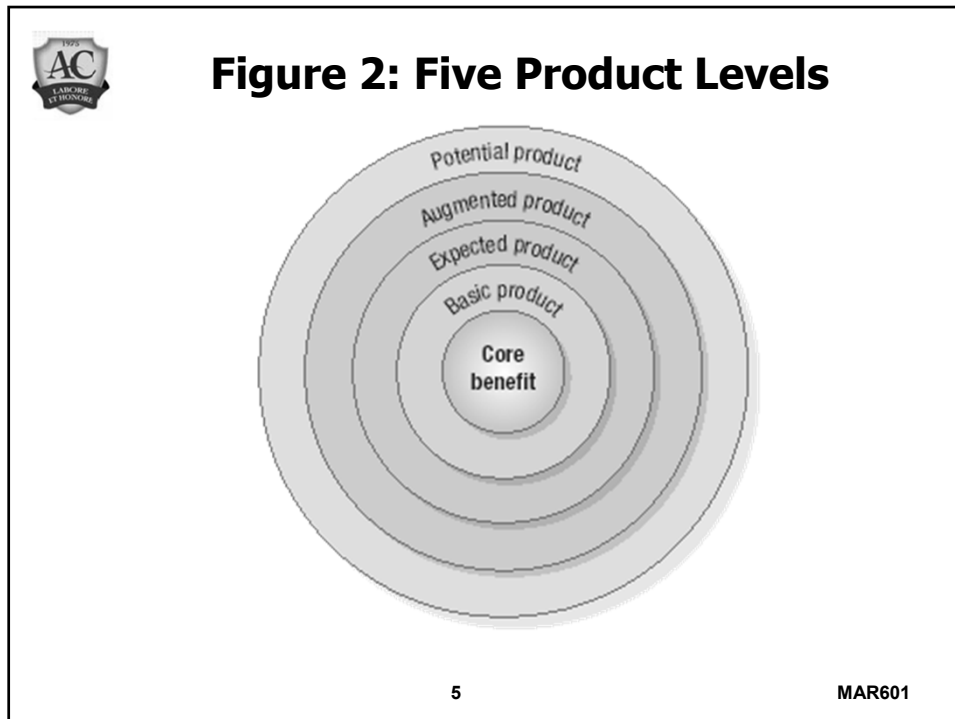
Value-based prices


Attractiveness of the market offering

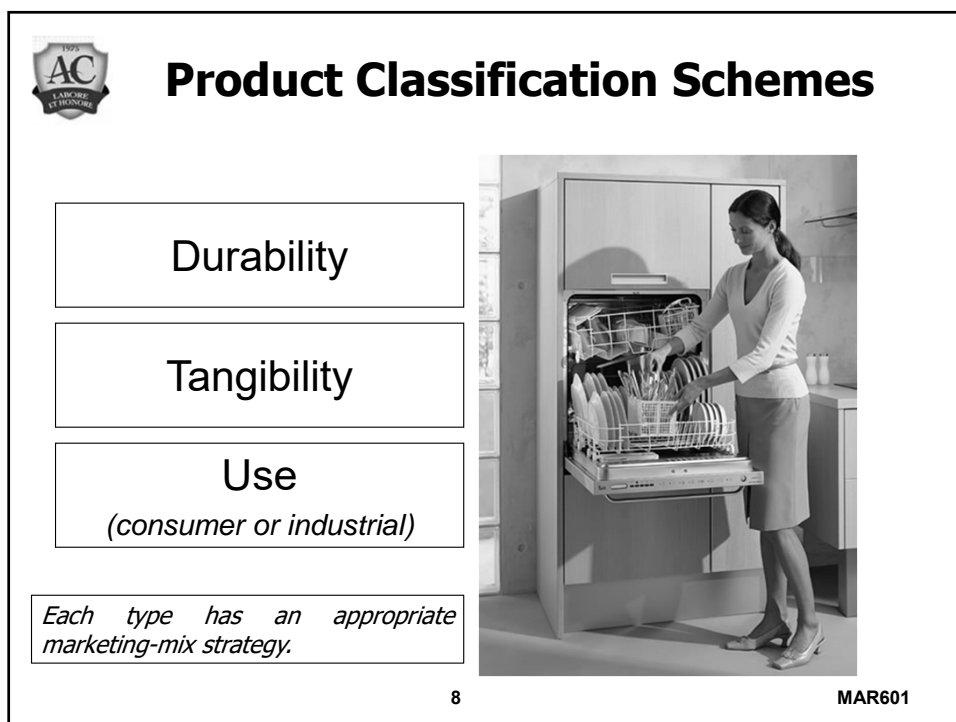
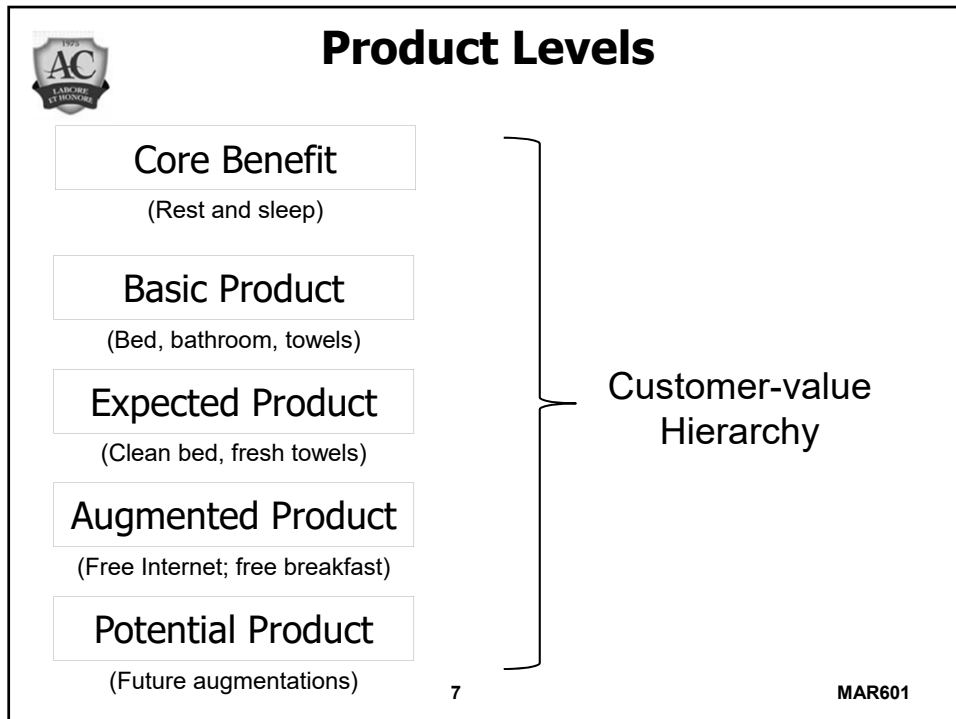
Product features and quality


Services mix and quality

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-  **Five Product Levels**
1. *Core Benefit*
 - the fundamental need or want that consumers satisfy by consuming the product or service.
 2. *Basic Product*
 - a version of the product containing only those attributes or characteristics absolutely necessary for it to function.
 3. *Expected Product*
 - the set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.
 4. *Augmented Product*
 - inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.
 5. *Potential Product*
 - all the augmentations and transformations a product might undergo in the future.
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Durability and Tangibility

Nondurable Goods

are the opposite of durable goods. They may be defined either as goods that are immediately consumed in one use or ones that have a lifespan of less than 3 years. i.e. food, fuel, Beer, cigarettes, etc.

Durable Goods


is a good that does not quickly wear out, or more specifically, one that yields utility over time rather than being completely consumed in one use. i.e. refrigerator, car, mobile phone

Services

a **service** is an intangible commodity. More specifically, services are an intangible equivalent of economic goods

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Consumer Goods Classification

❖ **Convenience goods:** They are consumer products that the customer usually buys frequently, immediately, and with a minimum of comparison and buying effort

- Low price
- Widespread distribution
- Mass promotion by producer

Examples: Soap, candy, newspapers, fast food

❖ **Shopping goods:** Consumer products that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price, and style.

- Less frequent purchases
- More shopping effort for comparisons.
- Higher than convenience good pricing
- Selective distribution in fewer outlets
- Advertising and personal selling

Examples: Furniture, clothing, used cars, major appliances, hotel and airline services

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Consumer Goods Classification (cont'd)

❖ **Specialty goods:** Consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.

- Strong brand preference and loyalty, requires special purchase effort, little brand comparisons, and low price sensitivity
- High price
- Exclusive distribution
- Carefully targeted promotions

Examples: Specific brands and types of cars, designer clothes, and the services of medical or legal specialists

❖ **Unsought goods:** Consumer product that the consumer either does not know about or knows about but does not normally think of buying.

- Little product awareness and knowledge (or if aware, sometimes negative interest)
- Pricing varies
- Distribution varies
- Aggressive advertising and personal selling by producers and resellers

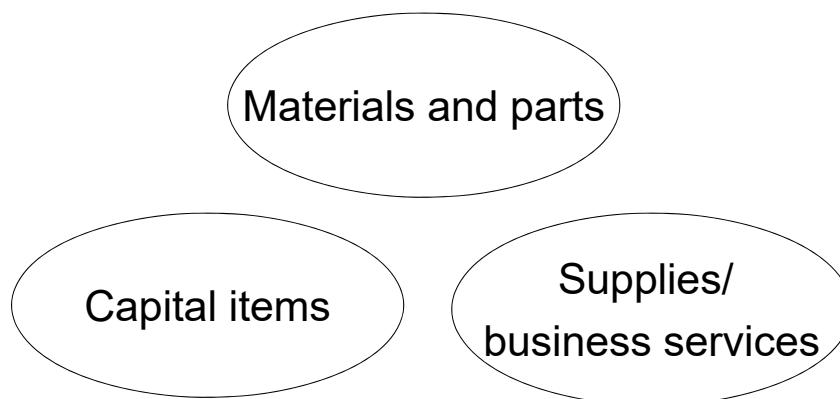
Examples: Life insurance, preplanned funeral services, blood donations to the Red Cross

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Industrial Goods Classification



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Industrial Goods Classification

- ❖ **Materials and parts** (*raw materials* – wheat, cotton, fruits, fish, crude petroleum, iron ore – *manufactured materials & parts* – iron, cement, wires, small motors, tires)
- ❖ **Capital items** are industrial products that aid in the buyer's production or operations, including installations and accessory equipment (factories, offices, computer systems, elevators, fax machines, desks, etc.).
- ❖ **Supplies and services** (lubricants, coal, paper, pencils, paint, brooms, window cleaning, computer repair, etc).

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Product Differentiation

- **Product form**
 - Many products can be differentiated in form—the size, shape, or physical structure of a product.
- **Features**
 - Most products can be offered with varying features that supplement their basic function.
- **Customization**
- **Performance**
 - Most products occupy one of four performance levels: low, average, high, or superior. Performance quality is the level at which the product's primary characteristics operate.
- **Conformance**
 - the degree to which all produced units are identical and meet promised specifications.

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Product Differentiation (*cont'd*)

- **Durability**
 - a measure of the product's expected operating life under natural or stressful conditions, is a valued attribute for vehicles, kitchen appliances, and other durable goods.
- **Reliability**
 - Reliability is a measure of the probability that a product will not malfunction or fail within a specified time period.
- **Repairability**
 - measures the ease of fixing a product when it malfunctions or fails.
- **Style**
 - describes the product's look and feel to the buyer. It creates distinctiveness that is hard to copy.

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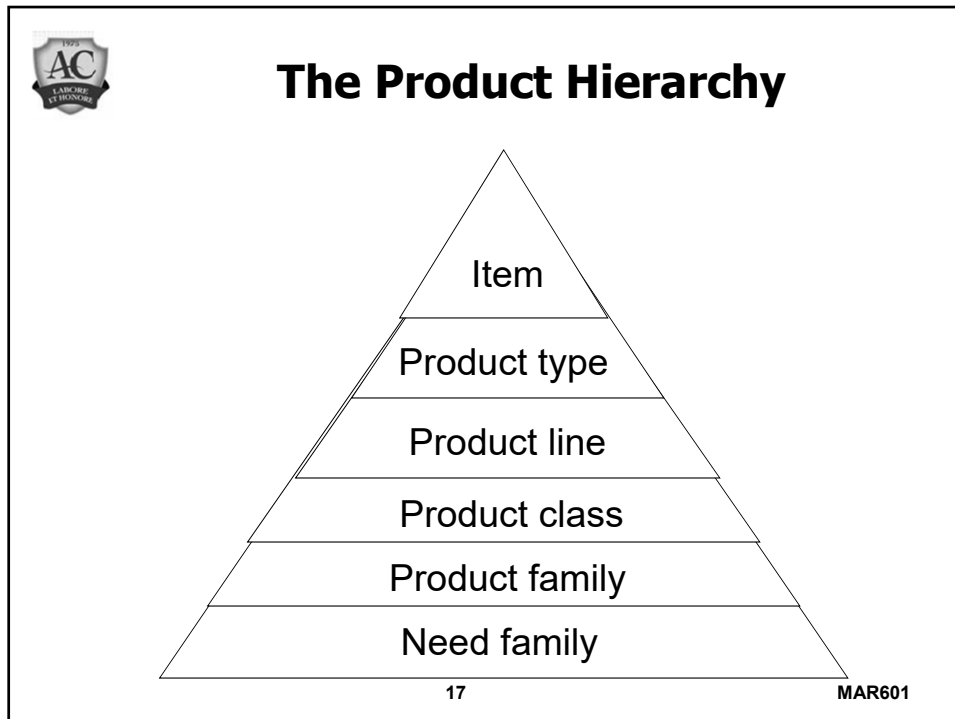


Service Differentiation

- **Ordering ease**
 - refers to how easy it is for the customer to place an order with the company.
- **Delivery**
 - refers to how well the product or service is brought to the customer. It includes speed, accuracy, and care throughout the process.
- **Installation**
 - refers to the work done to make a product operational in its planned location.
- **Customer training**
- **Customer consulting**
 - includes data, information systems, and advice services the seller offers to buyers.
- **Maintenance and repair**
 - help customers keep purchased products in good working order.
- **Returns**
 - Two ways:
 - **Controllable returns** result from problems or errors by the seller or customer and can mostly be eliminated with improved handling or storage, better packaging, and improved transportation and forward logistics by the seller or its supply chain partners.
 - **Uncontrollable returns** result from the need for customers to actually see, try, or experience products in person to determine suitability and can't be eliminated by the company in the short run through any of these means.

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The Product Hierarchy

- The product hierarchy stretches from basic needs to particular items that satisfy those needs. The text describes the six levels of the product hierarchy, using life insurance as an example.
- The **need family** is the core need that underlies the existence of a product family. Security is an example.
- The **product family** refers to all the product classes that can satisfy a core need with reasonable effectiveness. Examples are savings and income.
- The **product class** is the group of products within the product family recognized as having a certain functional coherence, also known as a product category. Financial instruments are an example.
- The **product line** is a group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges. Life insurance is an example.
- The **product type** is a group of items within a product line that share one of several possible forms of the product. Term life insurance is an example.
- An **item** (also called stock-keeping unit or product variant) is a distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute.

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Product Systems and Mixes

- ❖ A **product system** is a group of diverse but related items that function in a compatible manner. For example, the extensive iPod product system includes headphones and headsets, cables and docks, armbands, cases, power and car accessories, and speakers. A product mix (also called a product assortment) is the set of all products and items a particular seller offers for sale.
- ❖ A **product mix** consists of various product lines. NEC's (Japan) product mix consists of communication products and computer products. Michelin has three product lines: tires, maps, and restaurant-rating services.

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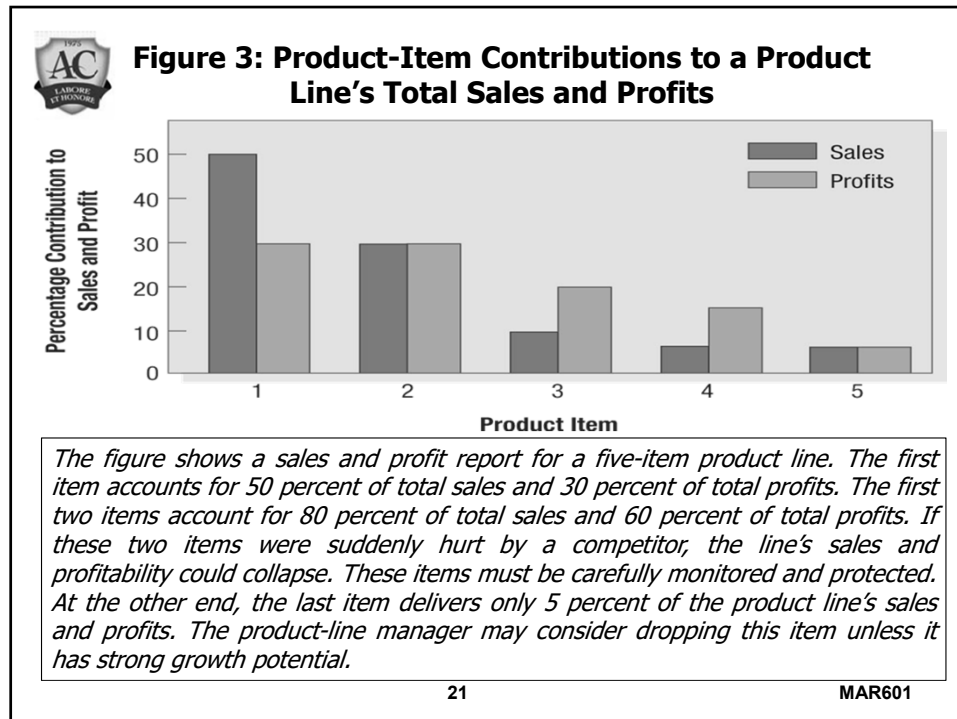



Proctor & Gamble Product Mix

	Product Mix Width				
	Detergents	Toothpaste	Bar Soap	Disposable Diapers	Paper Products
	Ivory Snow	Gleem	Ivory	Pampers	Charmin
	Dreft	Crest	Camay	Luvs	Puffs
Product Line Length	Tide		Zest		Bounty
	Cheer		Safeguard		
	Dash		Oil of Olay		
	Bold				
	Gain				
	Era				

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 **Line Stretching**

Down-Market Stretch

Up-Market Stretch

Two-Way Stretch

- Company objectives influence product-line length.
- One objective is to create a product line to induce **up-selling**.
- A different objective is to create a product line that facilitates **cross-selling**.
- Every company's product line covers a certain part of the total possible range.
- **Line stretching** occurs when a company lengthens its product line beyond its current range, whether down-market, up-market, or both ways.

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Functions of Labels

- **Identifies** - for instance, the name Sunkist stamped on oranges.
- **Grades** - It might also grade the product; canned peaches are grade-labeled A, B, and C.
- **Describes** - The label might describe the product: who made it, where and when, what it contains, how it is to be used, and how to use it safely.
- **Promotes** - the label might promote the product through attractive graphics.

❖ **Review Question**

- In planning its market offering, the marketer must address the five product levels of the customer-value hierarchy. Describe the "customer-value hierarchy" and identify the five levels of product contained within