

**Product:** physical good or service which is obtained by the consumer and which has the aim of satisfying the needs of the consumer as a result of the product's direct use, with additional factors, services and perceptions of the product such as being useful, desirable or convenient.

**Total product** consists of:

- **Core** product: dominant benefit expected
- **Tangible** product: physical object or service
  - Brand name
  - Packaging
- **Augmented** product: physical and non-physical attributes that add value, e.g. guarantee, installation
- **Potential** product: potentially viable components which can be added via future developments and adjustments
- **Product image:** all layers, refers to how consumers perceive the product. Created by attributes + distribution + price + marketing

**Durable** products: tangible, can be used repeatedly, e.g. car, appliances.

**Non-durable** products: consumed in one or few uses, e.g. beverages, clothes. Can be packaged, e.g. toothpaste, or non-packaged, e.g. petrol.

**Services:** intangible benefits purchased, but not involving ownership, e.g. haircut, taxi ride.

Marketing of different types of products:

- **Durables:** customers deliberate and investigate more, personal selling, advertising includes information to help decision making.
- **Non-durables:** habitual decision making, price and availability important, branding relied on, advertising with images and symbols.
- **Services:** delivered personally, ensure standard of quality, delivery or attraction. What makes marketing services different from products:
  - **Intangibility:** increases uncertainty, buyers look for evidence of quality.
  - **Perishability:** cannot be stored, e.g. empty seat on plane.
  - **Variability:** standardisation is difficult, so quality varies, e.g. it's hard for an airline to give the exact same level of service on each flight and to have all flights be on time.
  - **Inseparability:** produced and consumed simultaneously, e.g. a doctor needs a patient to be present.

**Consumer products:** bought by individual consumers for personal or family use. Classified by time, money and risk involved in the decision. Money includes the cost of searching and evaluating, owning and disposing. Risk includes social, functional and financial risk.

- **Convenience products:** purchased on a regular basis, inexpensive and require little thought. Usually low-priced and widely available.
  - **Staple:** bought on a regular basis, available almost everywhere, few if any differences between brands, e.g. petrol, milk, bread.
  - **Impulse:** purchase is seldom planned so items must be available and visible, e.g. sweets at the till point.
  - **Emergency:** immediate and urgent need, price is usually irrelevant, must be widely available as they are needed immediately, e.g. painkillers, umbrella.

Marketing mix for convenience products:

- Wide and **intensive distribution**
- Communication needs to create **brand image** and brand **loyalty** to off-set brand switching indifference
- Packaging needs to be **attention-grabbing** and memorable, to facilitate recognition and choice
- Retailer does not benefit from pushing one product over another, so marketing is done by the manufacturer, especially brand recognition and preference

- **Shopping products:** more expensive and not as widely distributed. Customer more willing to compare prices and brands, as it's more costly and risky.
  - **Uniform:** basically similar products with the same purpose, e.g. washing machines, microwave ovens. Competition usually extensive.
  - **Non-uniform:** essentially different products, e.g. clothing, furniture. May serve the same function but with different quality, price and features. Seller must carry a wide range to satisfy individual tastes, plus have well-trained salesmen.

Marketing mix for shopping products:

- Prices are higher and **distribution selective**, as customers are willing to shop around
  - Product characteristics are more distinct
  - Advertising focuses on **product differences**. Personal selling is important
  - Brand preference and insistence play a lesser role, so the name of the retailer is more important than that of the manufacturer
- **Speciality products:** wanted by the consumer for personal satisfaction, with unique characteristics the consumer is willing to go the extra mile for. Highest level of consumer involvement, often the result of brand loyalty. Often serve as a symbol of self-image, e.g. status (Rolex), prestige (Gucci) or reputation of high performance (BMW). Buyers usually don't compare products. Marketing mix for speciality products:
    - Characterised by **high prices**
    - Distribution is on an **exclusive** basis to maintain status
    - Products must have an element of **uniqueness**
    - Uniqueness is advertised, personal selling important

**Industrial products:** sales to organisations rather than final consumers. Purchased to produce other products or services. Distinction is based on purpose because a computer, garden tools or hair dryer can all be used by a consumer or a business.

- **Production goods:** become part of a final product.
  - **Raw materials:** still very close to their natural state, e.g. coal, granite blocks, tree trunks
  - **Manufacturing materials** and parts: a step above raw materials, e.g. fabric, pulp, steel rods. Component parts have been processed even further, e.g. screws, wires, springs.
  - **Process materials:** does not become a part of the finished product, e.g. acid, tannins
- **Installations and accessories:**
  - **Installations:** major capital items necessary for manufacturing, e.g. buildings, assembly line
  - **Accessories:** products that facilitate an organisation's operations, e.g. forklifts, computers
- **Supplies and services:** similar to convenience products, low rand value, short life and assists organisation's operations. Operating supplies such as stationery and light bulbs. Software packages such as Pastel. Services such as machine maintenance and waste removal.

The benefits of the product are communicated through attributes, which consist of:

- **Features:** based on market surveys, answers the questions “what is the product?”, “what does the product do?” and “how will the product be used?”
- **Quality:** includes quality consistency and is a potent strategic weapon. Quality must match the target market, as higher quality means higher cost, i.e. aim for optimal quality. TQM: personal responsibility for quality.
  - **Reliability:** performance over time
  - **Durability:** the product’s lifespan
  - **Conformance:** how well the product meets the users’ expectations
  - **Serviceability:** how easy it is to service the product, e.g. ease of obtaining components
  - **Aesthetics:** the subjective judgements of taste, sound, smell, tactility, etc.
- **Style & Design:** style is appearance, while design involves both appearance and functionality. It can be a powerful tool for competitive advantage, e.g. Levi’s jeans.

Roles of packaging:

- **Protection:** ensure the product is not damaged, lost or stolen
- **Storage:** make it easy to store and use space efficiently
- **Loading and transport:** make it easy to hold, lift, move, set down and stow
- **Sales:** promotion by being interesting and/or eye-catching
- **Promotion:** material placed on packaging for attention
- **Service:** information about the product, uses, composition, etc.
- **Guarantee:** undamaged packaging = unblemished goods
- **Reusability:** e.g. large buckets which can be used for general storage

Types of packaging:

- **Family or individual:** similarity of main features, e.g. all Sta-soft bottles are the same, only the label changes for different scents
- **Special:** gives the product an image, e.g. perfume box
- **Reusable:** used for refills, e.g. hand wash bought in bulk and dispensed into small bottle
- **Multiple:** more than one related product in one container, e.g. toolbox with a variety of tools inside
- **Kaleidoscope:** certain aspects are changed continuously, e.g. names on Coke cans/bottles

Labels consist of:

- **Trademark labels:** branding of product, e.g. Lindt
- **Grading labels:** identifies quality, e.g. the letter stamp system used on meat
- **Informative labels:** written and visual info on ingredients, use, care, performance, precautions and nutritional value.

**Product line:** a group of products with similar uses and similar characteristics, being sold to the same customer groups via the same type of outlets. E.g. Nestle’s coffee products include instant coffee, ground coffee, coffee beans and sachets.

**Trading down/downward stretching:** adding a low-end product to a line of prestigious products to plug a market hole, e.g. BMW318

**Trading up/upward stretching:** enterprises at the lower end decide to enter the higher end, e.g. Nissan developed the Z350.

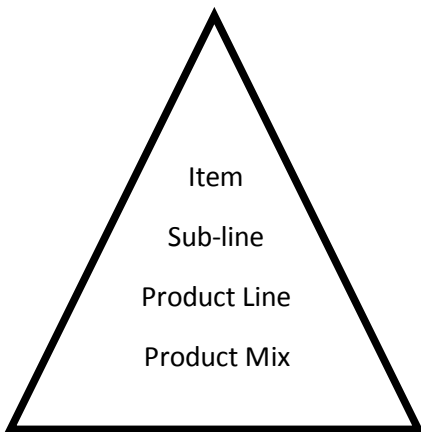
**Breadth of line:** how many different products there are in a line, e.g. Toyota makes the Yaris, Prius & Corolla.

**Depth of line:** number of different sizes, flavours, etc. within a particular range, e.g. Toyota makes the Yaris Ascent, SX and YRS models.

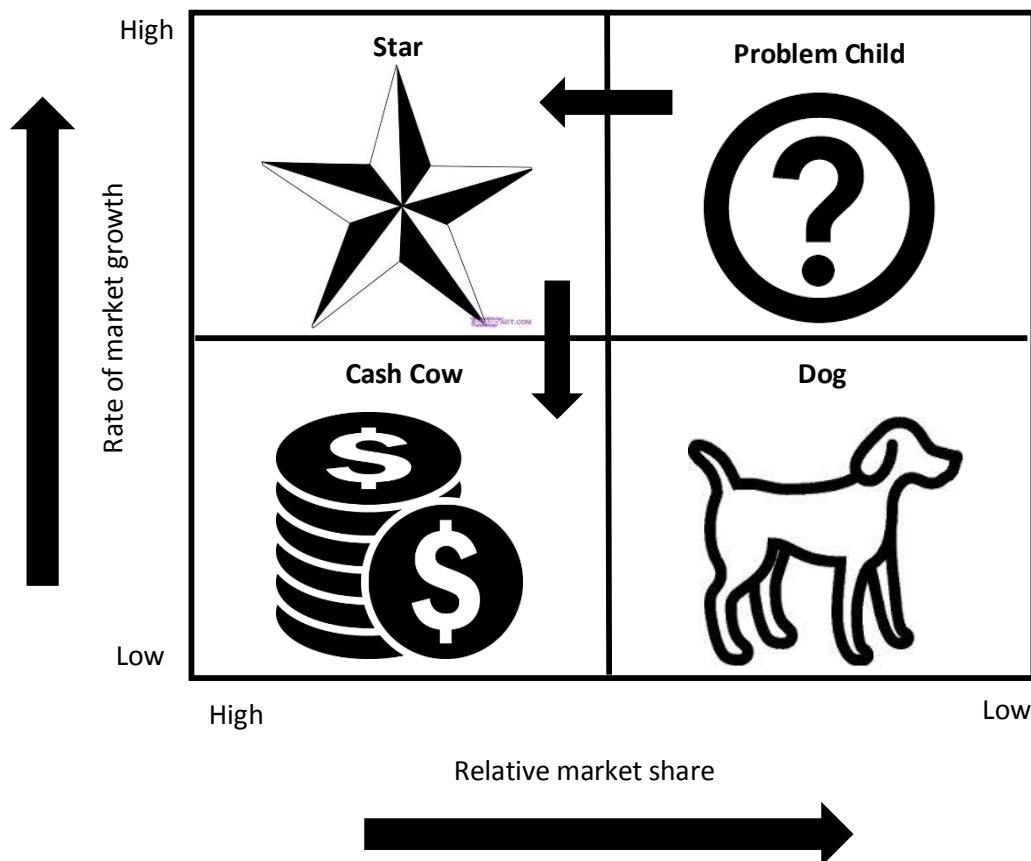
**Line filling:** adding more items to an existing line.

**Consistency:** how closely related the various product lines are in end use, production requirements, distribution channels, etc.

**Product mix:** complete set of product lines and items that a company offers for sale.



Product portfolio: collection of items balanced as a group. Analysis done through BCG growth share matrix.



#### Classification:

- **Problem children:** high growth market but low market share. New strategic business units with potential for growth, but need large sums of cash for support to grow. Tomorrow's stars.
- **Stars:** in market growth stage with high market share. Produce and consume large amounts of cash, as they need to be maintained to keep up with market growth.
- **Cash cows:** low growth with high market share. Cash generators, consistently contribute to revenue.
- **Dogs:** low growth and low market share. Generally unprofitable, may even incur losses.

**Unbalanced** portfolio = too many dogs and problem children.

#### Strategies:

- **Build:** increase market share, even at the cost of short-term earnings. Appropriate for problem children, to make them into stars.
- **Hold:** maintain market share. Good for cash cows.
- **Harvest:** increasing short-term cash flow regardless of long-term effects, eventually withdrawing by continually cutting costs.
- **Divest:** sell or liquidate the business to use resources elsewhere. Good for dogs or problem children not showing potential.

#### Importance of the Product Life Cycle:

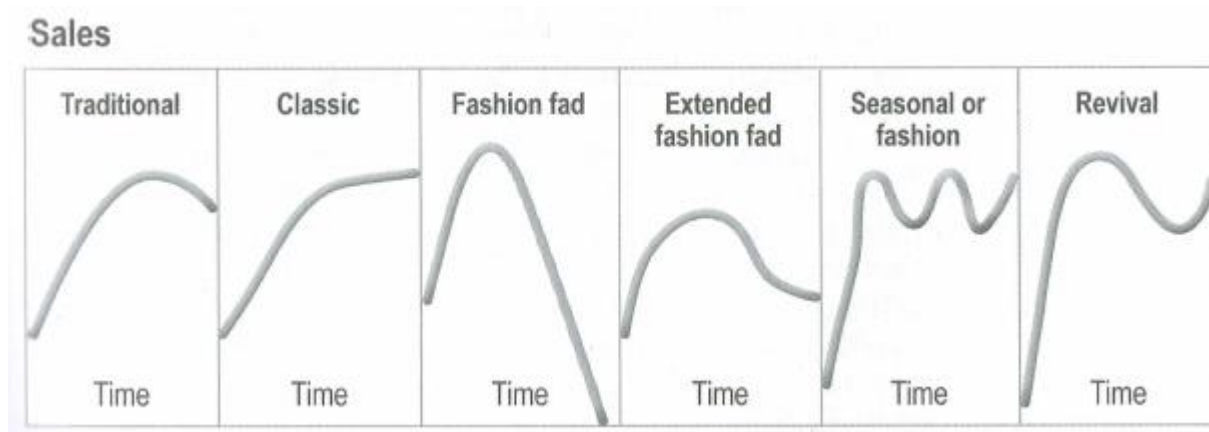
- Tool used for planning and analysis
- Management needs to apply different actions at each phase
- Applicable to all products and services

#### Phases of the PLC:

- **Introductory:** low sales, high marketing cost, customer resistance, few distribution channels, few competitors.
- **Growth:** increase in sales, growth of profits, more intermediaries, more competitors, product improvements.
- **Maturity:** sales level off, saturated competition, lowering of prices, declining profits, increased marketing to maintain position, product differentiation and modification.
- **Decline:** rapid and permanent decline in sales, decrease in market size, profits and competitors, decrease or elimination of promotion, decision to either withdraw or harvest.

#### Types of PLC's:

- **Traditional:** clearly distinguishable periods, e.g. VHS tapes
- **Classic:** rapid rise, then plateau as no new customers, e.g. Coca Cola
- **Fashion fad:** gains popularity quickly, then plummets
- **Extended fashion fad:** similar to fashion fad, but stabilises at the lower level
- **Season:** sells well in successive periods, e.g. winter blankets
- **Revival:** started as traditional, then aggressive marketing increased sales
- **Fiasco:** failure from inception



Business aim: maximising profits in the long term. **Strategies** in different phases:

- **Introductory phase:**
  - Product: minor modifications
  - Distribution: number and type of middlemen, which affects the price and marketing
  - Price & Marketing: used to create primary demand
    - **Rapid skimming:** high price, aggressive marketing
    - **Low skimming:** high price, low marketing
    - **Rapid penetration:** low price, aggressive marketing
    - **Slow penetration:** low price, low marketing
- **Growth phase:**
  - Product: producing sufficient quantities, designing service strategy
  - Distribution: expand availability by adding intermediaries
  - Price: increased competition may lower price
  - Marketing: creating secondary demand, reminding and persuading
- **Maturity phase:**
  - Retain existing strategy
  - Retain product, revise other marketing instruments
  - Modify marketing instruments
  - Completely change all marketing instruments
  - Introduce product differentiation
  - Extend product range
- **Decline phase:**
  - Continue with existing strategy
  - Revise existing strategy partly or entirely
  - Withdraw products from all markets