

Marketing mix and product concept

Ing. Lukas Gottwald
Dept. Of Corporate Economics
lukas@gottwald.cz

Lesson Structure

- 4Ps
- Product
- Product Aspects
- Product Classification
- Product Lifecycle
- Product Positioning
- Product Branding

Marketing Mix

- 4Ps
 - Price
 - Place
 - Promotion
 - **Product**

What is a Product in a marketing context?

- Product is an item that might satisfy a market's want or need
- More than the product self. It is the complete bundle of benefits or satisfactions that buyers perceive they will obtain if they purchase
 - The economic or commercial meaning of product was first used by political economist Adam Smith

Product Aspects

- There are three aspects to any product or service:
 - Core benefits
 - Tangible (material) aspects
 - Augmented (non-material) aspects

Product Aspects – Core Benefits

- in-use benefits
- psychological benefits
 - self-image enhancement, hope, status, self worth
- problem reduction benefits
 - safety, convenience

Product Aspects – Tangible (material)

- product attributes and features
- quality
- styling
- packaging protection and label information
- brand name

Product Aspects – Augmented

- warranty
- installation
- delivery
- credit availability
- after-sale service and maintenance

Product Classifications

- Various criteria
 - Basic
 - Services
 - Goods
 - Target Market
 - Consumer
 - Corporate
 - Industrial (raw materials, parts)
 - Price vs. Quality (Image)
 - Price Leader (Lowest Price)
 - Price / Quality (Value for money)
 - Quality Leader (Top of the line)

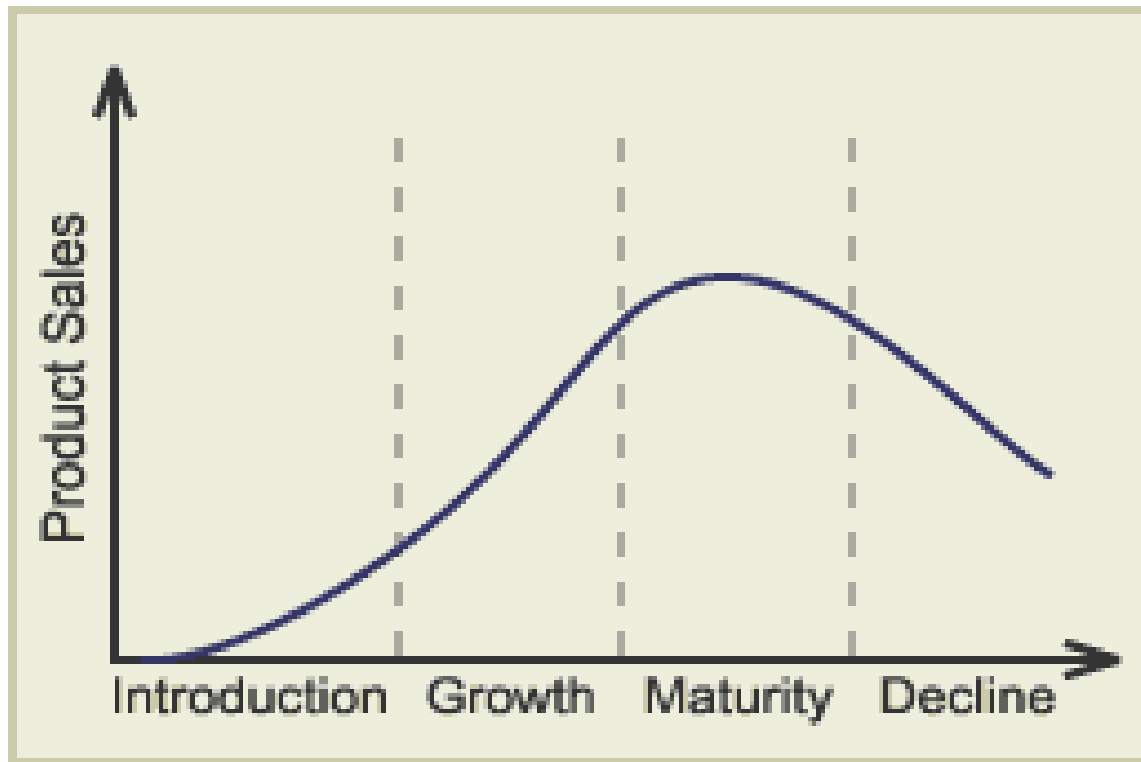
Product Classifications

- Classification Systems
 - Used in Product management
 - strategies and tactics for increasing demand over the **product's life cycle**
 - Aspinwall Classification System
 - It classifies and rates products based on five variables:
 - 1) **replacement rate** - how frequently is the product repurchased
 - 2) **gross margin** - how much profit is obtained from each product (average selling price less average unit cost)
 - 3) **buyer goal adjustment** - how flexible are the buyers' purchasing habits in regards to this product
 - 4) **duration of product satisfaction** - how long will the product produce benefits for the user
 - 5) **duration of buyer search / search behaviour** - how long will they shop for the product

Product Lifecycle

- a new product progresses through a sequence of stages:
 - **Introduction**
 - **Growth**
 - **Maturity**
 - **Decline.**
- Product life stages are associated with changes in the marketing situation, thus impacting the *marketing strategy* and the *marketing mix*.

Product Lifecycle



Product Lifecycle - Introduction

- In the introduction stage, the firm seeks to to build product awareness and develop a market for the product. This impacts the marketing mix:
- **Product** branding and quality level is established, and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.
- **Promotion** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

Product Lifecycle - Growth

- In the growth stage, the firm seeks to build brand preference and increase market share.
- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

Product Lifecycle - Maturity

- At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.
- **Product** features may be enhanced to differentiate the product from that of competitors.
- **Pricing** may be lower because of the new competition.
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation.

Product Lifecycle - Decline

- As sales decline, the firm has several options:
- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.
- The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

Product Positioning

- Intersection of „4 Ps“
 - Positioning is identifying a market niche for a brand, product or service utilizing traditional marketing placement strategies (i.e. price, promotion, distribution, packaging, and competition). (wikipedia.org)

Product Positioning - Process

1. Defining the market in which the product or brand will compete (who the relevant buyers are)
2. Identifying the attributes (also called dimensions) that define the product 'space'
3. Collecting information from a sample of customers about their perceptions of each product on the relevant attributes
4. Determine each product's share of mind
5. Determine each product's current location in the product space
6. Determine the target market's preferred combination of attributes (referred to as an ideal vector)
7. Examine the fit between:
 - The position of your product
 - The position of the ideal vector
8. Position

Product Positioning - Concepts

- generally, there are three types of positioning concepts:
- Functional positions
 - Solve problems
 - Provide benefits to customers
 - Get favorable perception by investors
- Symbolic positions
 - Self-image enhancement
 - Ego identification
 - Belongingness and social meaningfulness
 - Affective fulfillment
- Experiential positions
 - Provide sensory stimulation
 - Provide cognitive stimulation

Product Positioning - Exercise

- Pick your favourite product
- Assess it's position within Price, Place, Promotion, Product frameworks
- Define Product aspects
 - Benefits
 - Tangible
 - Augmented
- Try to asses Product Lifecycle stage

Branding

- Brand is a promise
 - Product position pronounced through brand name
 - Different brands perceived as vary in quality, value and price
- Brand management
 - is the application of marketing techniques to a specific product, product line, or brand
 - seeks to increase the product's perceived value to the customer and thereby increase brand equity

Branding - Exercise

- Tesco products
 - Value
 - Mid- range
- Product lining is the marketing strategy of offering for sale several related products individually

Product Mix

- The product mix of a company, which is generally defined as the total composite of products offered by a particular organization, consists of
 - product lines
 - individual products.

Product line is a group of products within the product mix that are closely related, either 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.

Product is a distinct unit within the product line that is distinguishable by size, price, appearance, or some other attribute.

For example, all the courses a university offers constitute its product mix; courses in the marketing department constitute a product line; and the basic marketing course is a product item

New Product Development

- New product development (NPD) is the term used to describe the complete process of bringing a new product or service to market.
- There are two parallel paths involved in the NPD process:
 - one involves the idea generation, product design and detail engineering;
 - the other involves market research and marketing analysis.

Companies typically see NPD as the first stage in generating and commercializing new products within the overall strategic process of **product life cycle management** used to maintain or grow their market share.

Summary

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- Thank you