Chapter 6

Products and Services

Learning outcomes

• Explain the term ‘product’.
• Distinguish between different product levels.
• Classify products according to their durability and tangibility.
• Distinguish between the different types of consumer products, business products, and services.
• Discuss the individual and product mix decisions marketers must consider.
• Explain how products can be differentiated.
• Provide reasons for organising related product items into product lines.
• Indicate why new products are important to organisations.
• Discuss the new product development process.
• Provide reasons why new products fail.
• Discuss the adoption process whereby consumers accept new products.
• Discuss the product life cycle.
• Illustrate how the strategic objective, marketing objectives and characteristics could change as products move through the product life cycle.
What is a product?

- A product can be defined as a good, a service or idea that, through the exchange process, satisfies consumers’ needs
- A product can be something tangible (e.g. Milo breakfast cereal), a service (e.g. a haircut), an idea (e.g. preventing Aids) or any combination of the three (e.g. eating at a restaurant where you receive additional services over and above the meal you pay for)

Services differ from tangible goods:

- Intangibility: a services cannot be seen, touched, tasted or smelled
- Inseparability: services are consumed as they are produced
- ‘Perishability’: services cannot be stored for future use
- Variability: the quality of services delivered is sometimes inconsistent due to the human involvement
- Lack of ownership: ownership does not pass from the service provider to the consumer as what the case would be with tangible goods
Product/services continuum

<table>
<thead>
<tr>
<th>Pure tangible product</th>
<th>Tangible good with service elements</th>
<th>Equal parts tangible good and service</th>
<th>Predominantly service with supporting tangible goods</th>
<th>Pure service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottled water</td>
<td>Personal computer with helpline</td>
<td>Dining in a restaurant</td>
<td>Air travel</td>
<td>Life insurance</td>
</tr>
</tbody>
</table>

Product levels

- **core benefit** – the actual benefit the consumer seeks by buying the product or service to fulfil a need
- **actual product** – the actual product or service consumers buy
- **augmented product** – those benefits, attributes or supporting services added to the actual product to exceed consumer expectations
Product classification

- Classification based on durability and tangibility
  - Durable products
  - Non-durable products
  - Services

- Classification based on the target market
  - Consumer products
  - Business products

Classification of consumer products

- Consumer products
  - Convenience Products
    - Staple products
    - Impulse products
    - Emergency products
  - Shopping Products
    - Homogeneous
    - Heterogeneous
  - Specialty Products
    - New unsought
    - Regular unsought
  - Unsought Products
Consumer products

- **Convenience products**
  - frequently purchased
  - low cost
  - require very little purchasing effort from the consumer
- **Staple products**
- **Impulse products**
- **Emergency products**

Consumer products

- **Shopping products**
  - more complex and purchased less frequently than convenience products
  - consumers often don’t have up-to-date information to make a purchase decision
- **Homogeneous shopping products**
- **Heterogeneous shopping products**
Consumer products

• Specialty products
  • often very expensive with unique characteristics
  • these products seldom bought
  • consumers prepared to make considerable effort to find them

Consumer products

• Unsought products
  • those products consumers are not aware of, do not want to think about, or do not realise the need for
  • New unsought products
  • Regular unsought products
### Consumer behaviour considerations for consumer products

<table>
<thead>
<tr>
<th></th>
<th>Convenience products</th>
<th>Shopping products</th>
<th>Specialty products</th>
<th>Unsought products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer buying behaviour</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase frequency</td>
<td>Frequent purchases</td>
<td>Infrequent purchases</td>
<td>Infrequent to very infrequent purchases</td>
<td>Very infrequent purchases</td>
</tr>
<tr>
<td>Involvement in purchase</td>
<td>Low</td>
<td>Moderate to high</td>
<td>Very high</td>
<td>Low to moderate</td>
</tr>
<tr>
<td>Time spent planning the purchase</td>
<td>Very little</td>
<td>Considerable</td>
<td>As much as needed to find preferred brand</td>
<td>Some comparison shopping</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>Aware of brand but will accept substitutes</td>
<td>Prefer specific brand but will accept substitutes</td>
<td>Very brand loyal – will not accept substitutes</td>
<td>Will accept substitutes</td>
</tr>
<tr>
<td>Price/quality comparison</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

### Marketing considerations for consumer products

<table>
<thead>
<tr>
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<th>Shopping products</th>
<th>Specialty products</th>
<th>Unsought products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing considerations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Relatively inexpensive</td>
<td>Fairly expensive</td>
<td>Usually very expensive</td>
<td>Varies depending on product, but usually inexpensive</td>
</tr>
<tr>
<td>Seller’s image</td>
<td>Unimportant</td>
<td>Very important</td>
<td>Important</td>
<td>Relatively important</td>
</tr>
<tr>
<td>Length of distribution channel</td>
<td>Long</td>
<td>Short</td>
<td>Very short</td>
<td>Short</td>
</tr>
<tr>
<td>Number of outlets</td>
<td>Many</td>
<td>Few</td>
<td>Very few, often one per area</td>
<td>Usually limited</td>
</tr>
<tr>
<td>Promotion</td>
<td>Advertising and promotion by producer</td>
<td>Personal selling and advertising by producer and seller</td>
<td>Personal selling and advertising by producer and seller</td>
<td>Advertising and promotion by producer</td>
</tr>
<tr>
<td>Stock turnover</td>
<td>High</td>
<td>Low</td>
<td>Low to very low</td>
<td>Low</td>
</tr>
<tr>
<td>Gross margin</td>
<td>Low</td>
<td>High</td>
<td>High to very high</td>
<td>Low to high, depending on product</td>
</tr>
</tbody>
</table>
### Business products

- Installations
- Accessory equipment
- Raw materials
- Component parts and materials
- MRO supplies

### Characteristics of business products

<table>
<thead>
<tr>
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<th>Installations</th>
<th>Accessory equipment</th>
<th>Raw materials</th>
<th>Component parts and materials</th>
<th>MRO supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit price</td>
<td>Very high</td>
<td>Relatively high</td>
<td>Very low</td>
<td>Low to high</td>
<td>Low</td>
</tr>
<tr>
<td>Life span</td>
<td>Very long</td>
<td>Long</td>
<td>Very short</td>
<td>Depends on final product</td>
<td>Short</td>
</tr>
<tr>
<td>Purchase quantities</td>
<td>Very little</td>
<td>Little</td>
<td>Very large</td>
<td>Large</td>
<td>Little</td>
</tr>
<tr>
<td>Purchase frequency</td>
<td>Very infrequent</td>
<td>Medium frequency</td>
<td>Frequent delivery but long-term purchase contract</td>
<td>Frequent</td>
<td>Frequent</td>
</tr>
<tr>
<td>Planning time</td>
<td>Extensive</td>
<td>Less extensive</td>
<td>Varies</td>
<td>Less extensive</td>
<td>Very little</td>
</tr>
<tr>
<td>Price/quality comparison</td>
<td>Quality very important</td>
<td>Quality and price important</td>
<td>Quality important</td>
<td>Quality important</td>
<td>Price important</td>
</tr>
<tr>
<td>Negotiation time</td>
<td>Long</td>
<td>Medium</td>
<td>Difficult to generalise</td>
<td>Medium</td>
<td>Short to none</td>
</tr>
</tbody>
</table>
## Marketing considerations for business products

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<tr>
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<td><strong>Marketing considerations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Distribution channel</strong></td>
<td>Very short, no middlemen</td>
<td>Relatively short, middlemen used</td>
<td>Short, no middlemen</td>
<td>Short, middlemen for small buyers</td>
<td>Long, middlemen used</td>
</tr>
<tr>
<td><strong>Promotion method</strong></td>
<td>Personal selling by manufacturer</td>
<td>Advertising</td>
<td>Personal selling</td>
<td>Personal selling</td>
<td>Advertising by manufacturer</td>
</tr>
<tr>
<td><strong>Brand preference</strong></td>
<td>High</td>
<td>High</td>
<td>None</td>
<td>Generally low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Pre/post sale service</strong></td>
<td>Very important</td>
<td>Important</td>
<td>Not important</td>
<td>Important</td>
<td>Very little</td>
</tr>
</tbody>
</table>

## Classifying services

<table>
<thead>
<tr>
<th>Nature of the service act</th>
<th>People-processing (services directed at people’s bodies):</th>
<th>Possession-processing (services directed at physical possessions):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible actions</strong></td>
<td>• Health care</td>
<td>• Dry cleaning</td>
</tr>
<tr>
<td></td>
<td>• Passenger transportation</td>
<td>• Pest control</td>
</tr>
<tr>
<td><strong>Intangible actions</strong></td>
<td>Mental stimulus processing (services directed at people’s minds):</td>
<td>Information processing (services directed at intangible assets):</td>
</tr>
<tr>
<td></td>
<td>• Education</td>
<td>• Banking</td>
</tr>
<tr>
<td></td>
<td>• News</td>
<td>• Legal services</td>
</tr>
</tbody>
</table>
Product decisions

• Individual product decisions
  – Branding
  – Packaging
  – Labelling

• Product mix decisions
  – Product item
  – Product line
  – Product mix
  – Product mix width
  – Product mix depth

Benefits associated with product lines

• Reduced production and packaging costs
• Advertising economies
• Distribution efficiencies
• Competitive advantage
• Perceived quality
• Increase revenue and profit
Adjustments to the product mix

- Product line extensions
  - Trading up
  - Trading down
- Product line contractions
- Product modifications
  - Quality modifications
  - Functional modifications
  - Aesthetic modifications

Differentiating products

- Form
- Features
- Customisation
- Performance quality
- Conformance quality
- Reliability and durability
- Design

• Guarantees
New product and service development

- Four different types of new products
  - product improvements and replacements
  - additions to existing product lines
  - new product lines
  - new-to-the-world products

The importance of new products

- To replace products
- Changing consumer needs
- Increased sales and profitability
- Product obsolescence
- Supporting long-term objectives
Organising new product development

- New product departments
- Venture or virtual teams
- Product or brand managers
- New product committees

The new product development process

- Step 1: Idea generation
- Step 2: Idea screening
- Step 3: Concept testing
- Step 4: Business analysis
- Step 5: Product development
- Step 6: Test marketing
- Step 7: Commercialisation
The new product development process

Purpose of step in product development process

- Idea generation: Formulate ideas for new products
- Idea screening: Review ideas to determine those with greatest potential for further development
- Concept testing: Develop concept of idea to be tested among potential market
- Business analysis: Determine if concept is financially viable
- Product development: Develop a prototype and conduct consumer and functionality tests
- Test marketing: Product and marketing mix element tested on limited scale in market
- Commercialisation: Product launched onto market, beginning of product’s life-cycle

Service development - step

Steps in building a service blueprint

- Step 1: Identify the process to be blueprinted
- Step 2: Identify the consumer or consumer segment
- Step 3: Map the process from the consumer’s point of view
- Step 4: Map contact employee actions, front- and back office, or technology actions
- Step 5: Link contact activities to needed support functions
- Step 6: Add evidence of service at each consumer action step
Why new products fail

• Lack of uniqueness
• Inadequate market and product definition
• Poor timing
• Technical problems
• Overestimate the market size and demand
• Poor marketing mix implementation

The product adoption process

• Stages in the product adoption process
  – Awareness
  – Interest
  – Evaluation
  – Trial
  – Adoption/rejection
Adopter groups

The product life cycle

- Introduction stage
- Growth stage
- Maturity stage
- Decline stage
The product life cycle continues...

- **Introduction stage**: Product awareness and trial
- **Growth stage**: Maximise market share; encourage repeat purchases
- **Maturity stage**: Sustain and defend market share
- **Decline stage**: Reduce expenditure; decide to keep or withdraw product

Strategic objectives during the PLC:

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
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<tbody>
<tr>
<td></td>
<td><strong>Product awareness and trial</strong></td>
<td><strong>Maximise market share; encourage repeat purchases</strong></td>
<td><strong>Sustain and defend market share</strong></td>
<td><strong>Reduce expenditure; decide to keep or withdraw product</strong></td>
</tr>
</tbody>
</table>
### Marketing strategies during the PLC

<table>
<thead>
<tr>
<th>Marketing strategies</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Basic</td>
<td>Differentiated</td>
<td>Diversity brands and models</td>
<td>Withdraw weak products</td>
</tr>
<tr>
<td>Price</td>
<td>High / low</td>
<td>Stable, then decline</td>
<td>Low</td>
<td>Decline</td>
</tr>
<tr>
<td>Distribution</td>
<td>Selective</td>
<td>Intensive</td>
<td>Intensive</td>
<td>Selective</td>
</tr>
<tr>
<td>Marketing communications</td>
<td>Inform consumers; encourage trial</td>
<td>Emphasise USP; encourage repeat purchases</td>
<td>Stimulate demand</td>
<td>Reduce advertising and promotional expenses</td>
</tr>
</tbody>
</table>

### Characteristics during the PLC

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Slow</td>
<td>Rapid increase</td>
<td>Peak; slows down; decline</td>
<td>Decline</td>
</tr>
<tr>
<td>Costs</td>
<td>High cost per consumer</td>
<td>Average cost per consumer</td>
<td>Low cost per consumer</td>
<td>Low cost per consumer</td>
</tr>
<tr>
<td>Profits</td>
<td>Negative</td>
<td>Increasing profits</td>
<td>High to moderate profits</td>
<td>Declining profits</td>
</tr>
<tr>
<td>Consumers</td>
<td>Innovators</td>
<td>Early adopters; early majority</td>
<td>Late majority</td>
<td>Laggards</td>
</tr>
<tr>
<td>Competitors</td>
<td>Few to none</td>
<td>Growing</td>
<td>Many; start to decline</td>
<td>Declining</td>
</tr>
</tbody>
</table>
The relationship between the product life cycle and adopter groups

![Diagram showing the relationship between product life cycle and adopter groups.](image)

**Different product life cycles**

- Style
- Fashion
- Fad
Different product life cycles

<table>
<thead>
<tr>
<th></th>
<th>Style</th>
<th>Fashions</th>
<th>Fad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td><img src="image1.png" alt="Graph" /></td>
<td><img src="image2.png" alt="Graph" /></td>
<td><img src="image3.png" alt="Graph" /></td>
</tr>
<tr>
<td>Time</td>
<td><img src="image4.png" alt="Graph" /></td>
<td><img src="image5.png" alt="Graph" /></td>
<td><img src="image6.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

Case studies

- Milo cereal
- Kellogg’s Special K breakfast cereal
Exercises

1. Explain what the core benefit, actual and augmented products are for both a Kodak digital camera and a Michel Herbelin watch.
2. Visit Beacon’s website (www.beacon.co.za) and compile their product mix in tabular form. Clearly show Beacon’s product line width and product line depth.
3. What benefits does Gillette get from grouping their shaving cream in a product line?
4. Suggest some criteria Simba could use to evaluate new product ideas.
5. Tastic intends to launch a new product within the next 6 months. Advise them on the product adoption process by also suggesting some ways to speed up the new product’s adoption rate.
6. Advise Sam Kumalo, a new appointee at Placon’s product development department, about the likely causes for new product failure.
7. Distinguish between the marketing strategies to be followed during the introduction and maturity stages of the product life cycle.