



Chapter 6

Products and Services




© Juta and Company Ltd, 2012 Marketing Management 6th Edition 1



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.



© Juta and Company Ltd, 2012 Marketing Management 6th Edition 2

What is a product?



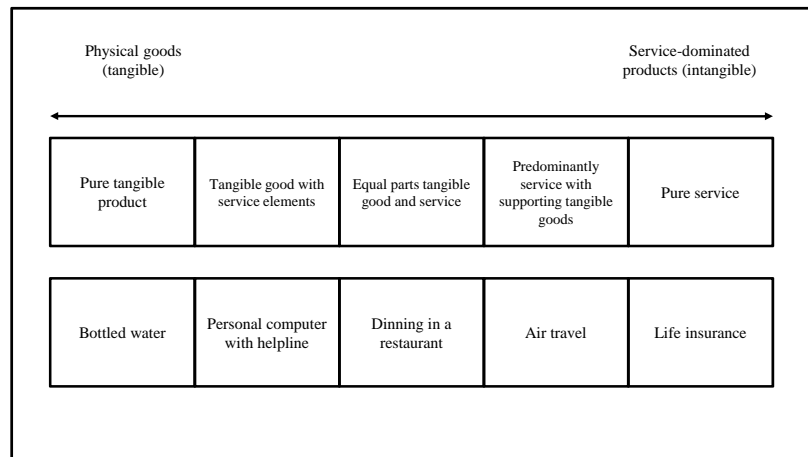
- A product can be defined as a good, a service or idea that, through the exchange process, satisfies consumers' needs
- A product can be something tangible (e.g. Milo breakfast cereal), a service (e.g. a haircut), an idea (e.g. preventing Aids) or any combination of the three (e.g. eating at a restaurant 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



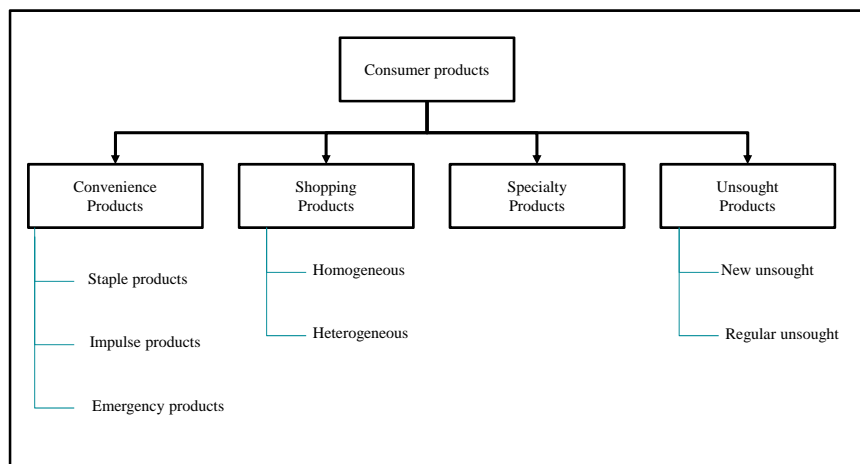
Product levels

- 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
 - 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



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

Marketing considerations for consumer products



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

Business products

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

Characteristics of business products

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

Marketing considerations for business products

	Installations	Accessory equipment	Raw materials	Component parts and materials	MRO supplies
Marketing considerations					
Distribution channel	Very short, no middlemen	Relatively short, middlemen used	Short, no middlemen	Short, middlemen for small buyers	Long, middlemen used
Promotion method	Personal selling by manufacturer	Advertising	Personal selling	Personal selling	Advertising by manufacturer
Brand preference	High	High	None	Generally low	Low
Pre/post sale service	Very important	Important	Not important	Important	Very little

Classifying services

Nature of the service act	Who or what is the direct recipient of the service?	
	People	Possessions
Tangible actions	People-processing (services directed at people's bodies): <ul style="list-style-type: none"> • Health care • Passenger transportation 	Possession-processing (services directed at physical possessions): <ul style="list-style-type: none"> • Dry cleaning • Pest control
Intangible actions	Mental stimulus processing (services directed at people's minds): <ul style="list-style-type: none"> • Education • News 	Information processing (services directed at intangible assets): <ul style="list-style-type: none"> • Banking • Legal services

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

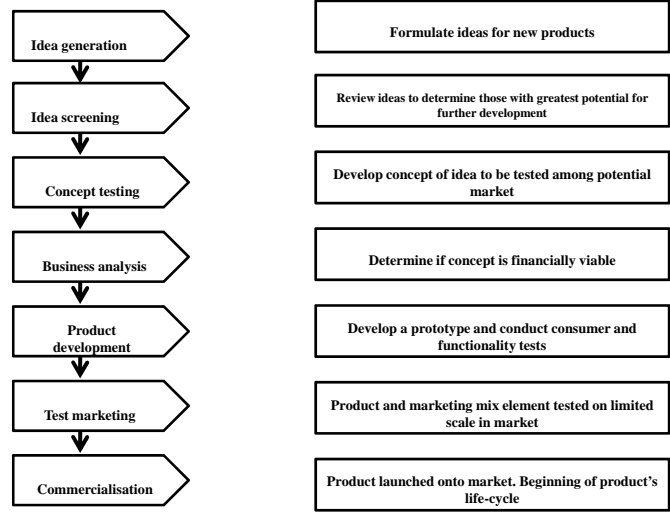
- New product departments
- Venture or virtual teams
- Product or brand managers
- New product committees

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

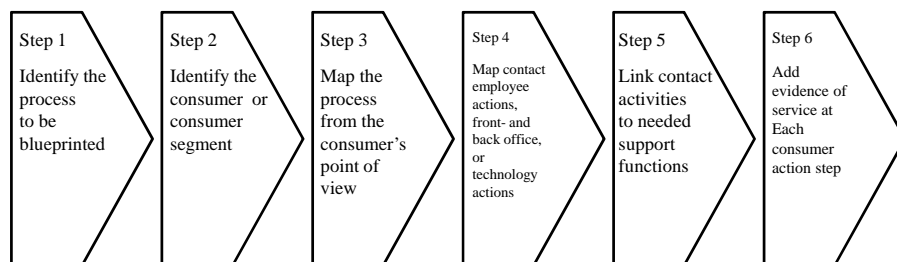
The new product development process

Purpose of step in product development process



Service development-step

Steps in building a service blueprint



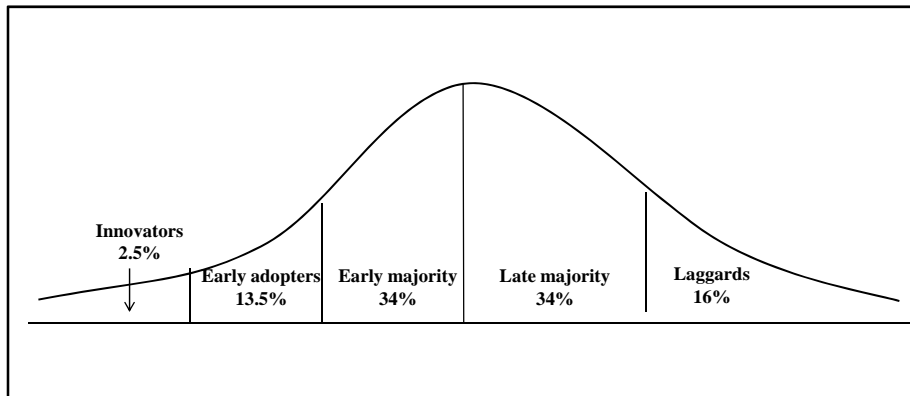
Why new products fail

- 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



© Juta and Company Ltd, 2012

Marketing Management 6th Edition

31

The product life cycle

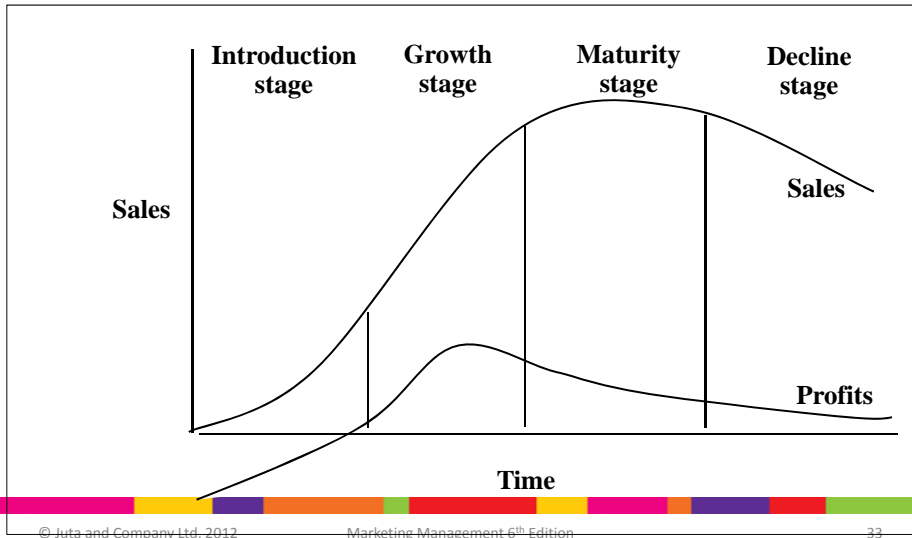
- Introduction stage
- Growth stage
- Maturity stage
- Decline stage

© Juta and Company Ltd, 2012

Marketing Management 6th Edition

32

The product life cycle continue



Strategic objective during the PLC

	Introduction	Growth	Maturity	Decline
Strategic objective	Product awareness and trial	Maximise market share; Encourage repeat purchases	Sustain and defend market share	Reduce expenditure; decide to keep or withdraw product

Marketing strategies during the PLC

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

© Juta and Company Ltd, 2012

Marketing Management 6th Edition

35

Characteristics during the PLC

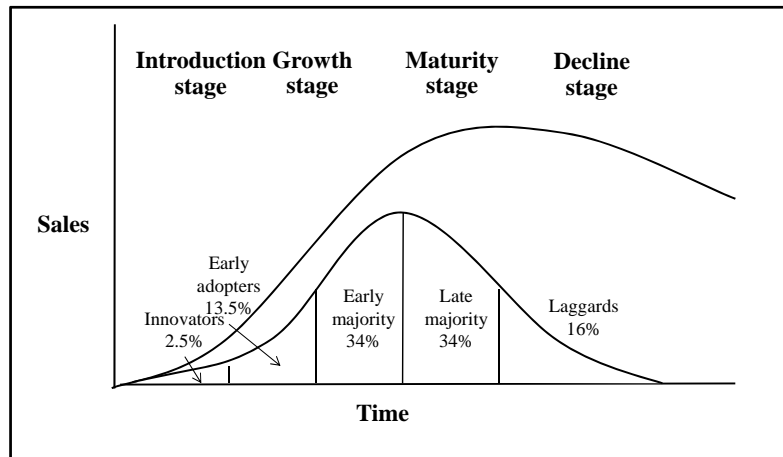
	Introduction	Growth	Maturity	Decline
<u>Characteristics</u>				
Sales	Slow	Rapid increase	Peak; slows down; decline	Decline
Costs	High cost per consumer	Average cost per consumer	Low cost per consumer	Low cost per consumer
Profits	Negative	Increasing profits	High to moderate profits	Declining profits
Consumers	Innovators	Early adopters; early majority	Late majority	Laggards
Competitors	Few to none	Growing	Many; start to decline	Declining

© Juta and Company Ltd, 2012

Marketing Management 6th Edition

36

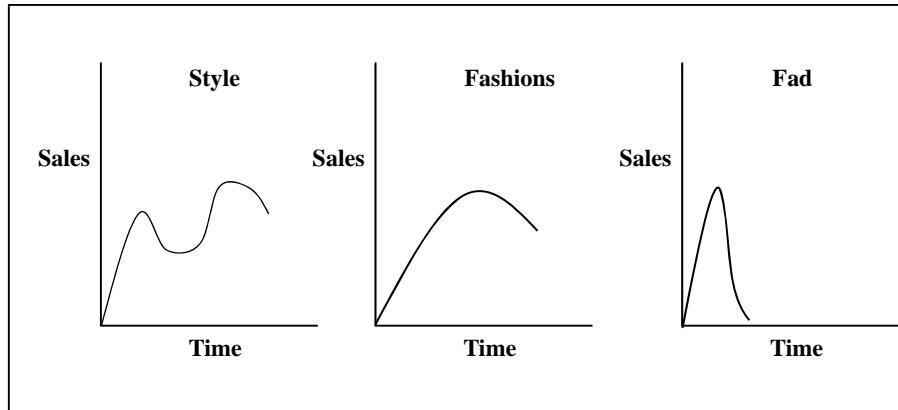
The relationship between the product life cycle and adopter groups



Different product life cycles

- Style
- Fashion
- Fad

Different product life cycles



© Juta and Company Ltd, 2012

Marketing Management 6th Edition

39

Case studies

- Milo cereal
- Kellogg's Special K breakfast cereal

© Juta and Company Ltd, 2012

Marketing Management 6th Edition

40

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.