

# Marketing Mix

# PRODUCT

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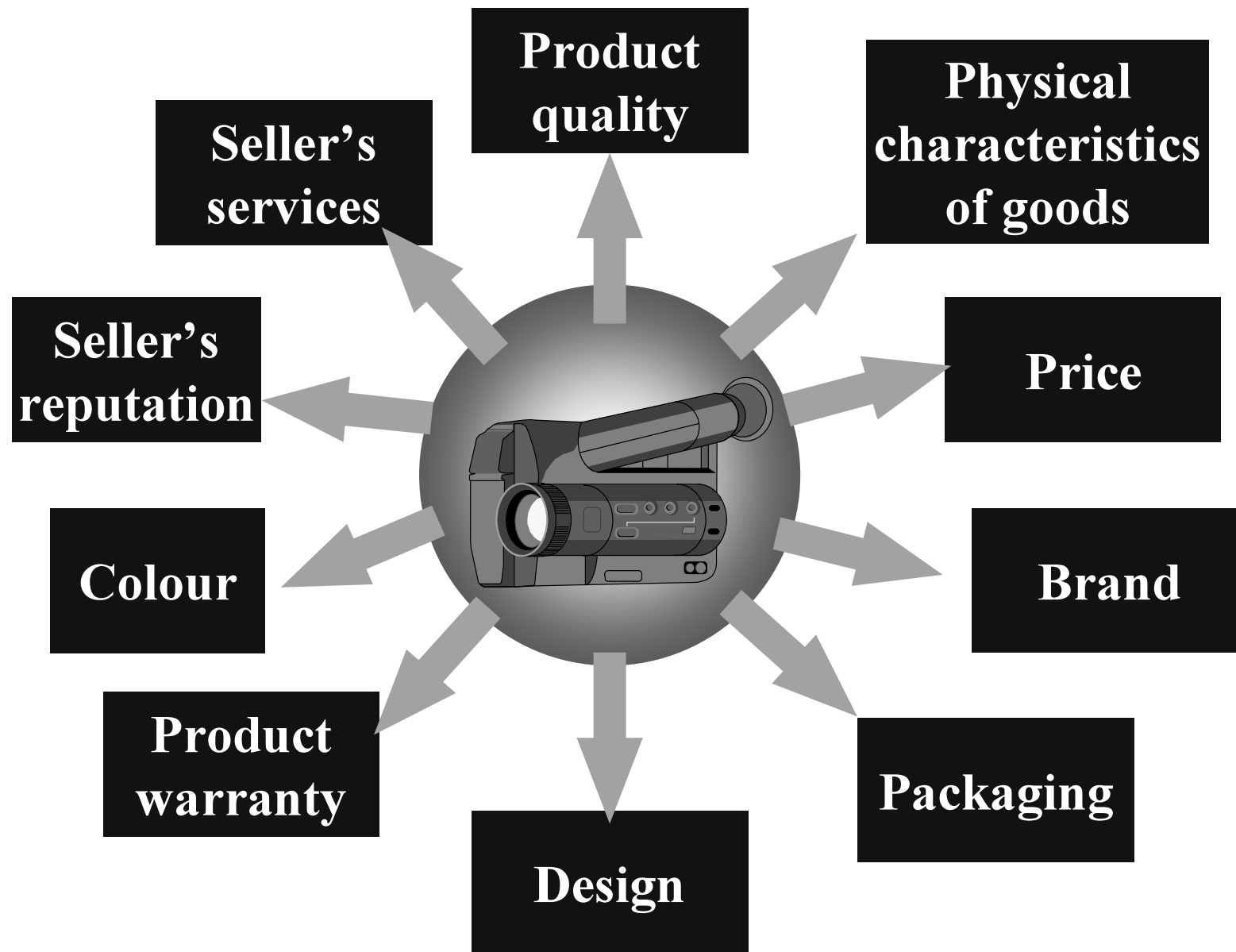
# Product - definitions

Everything, both favorable and unfavorable, that a person receives in an exchange for price paid.

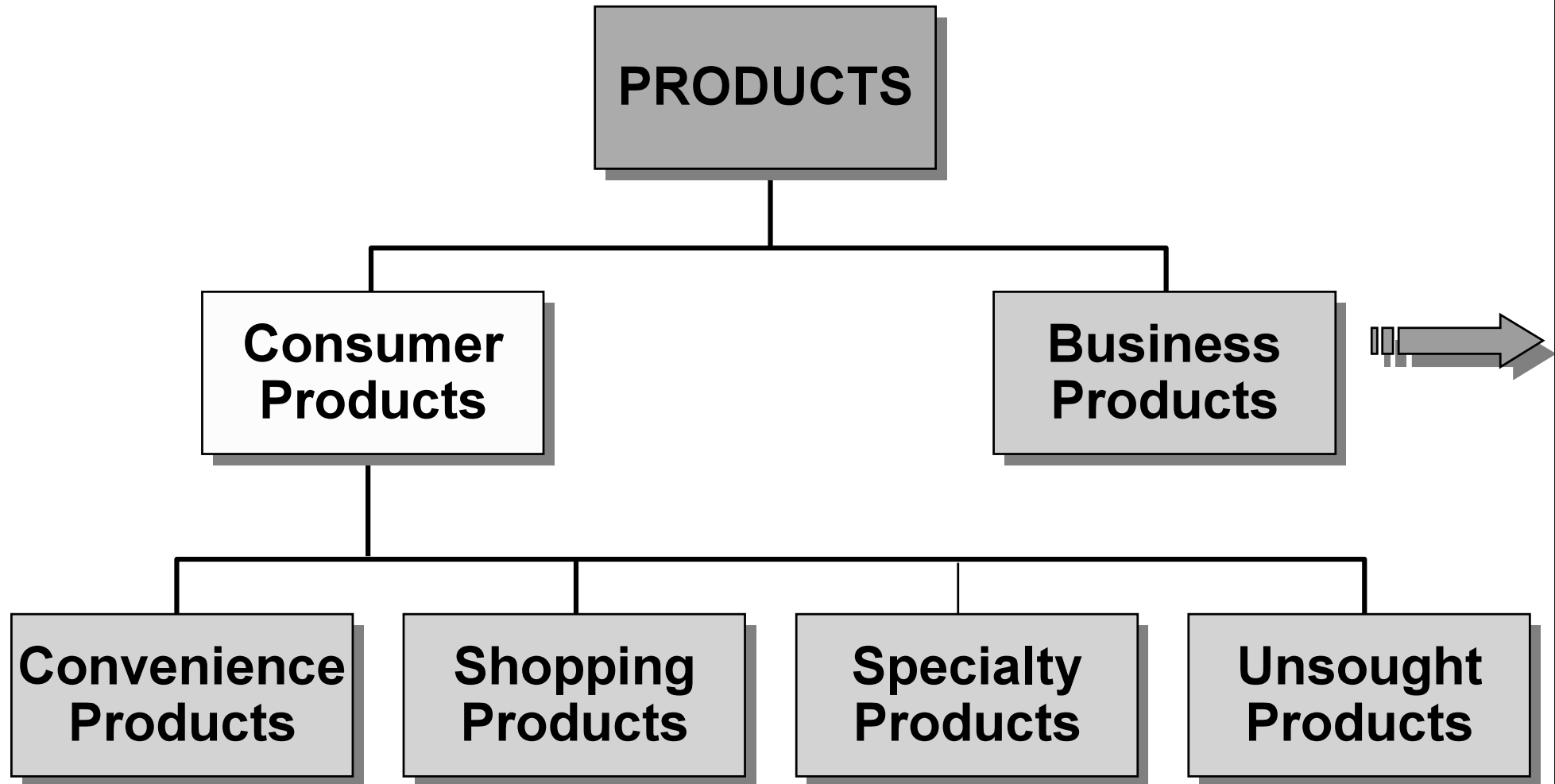
A bundle of physical, service, and symbolic attributes designed to enhance buyers want satisfaction.

♦A product is a set of tangible and intangible attributes including packaging, colour, price, quality and brand, plus the services and reputation of the seller.

# Attributes / Benefits of a product



# Types of Products



# Classification of Consumer Products



# Marketing Impact of the Consumer Products Classification System

| <b>Factor</b>                             | <b>Convenience Products</b> | <b>Shopping Products</b> | <b>Specialty Products</b> |
|---|-----------------------------|--------------------------|---------------------------|
| <b>CONSUMER FACTORS</b>                   |                             |                          |                           |
| <b>Planning time involved in purchase</b> | <b>Very little</b>          | <b>Considerable</b>      | <b>Extensive</b>          |
| <b>Purchase frequency</b>                 | <b>Frequent</b>             | <b>Less frequent</b>     | <b>Infrequent</b>         |
| <b>Importance of convenient location</b>  | <b>Critical</b>             | <b>Important</b>         | <b>Unimportant</b>        |
| <b>Comparison of price and quality</b>    | <b>Very little</b>          | <b>Considerable</b>      | <b>Very little</b>        |

# Marketing Impact of the Consumer Products Classification System

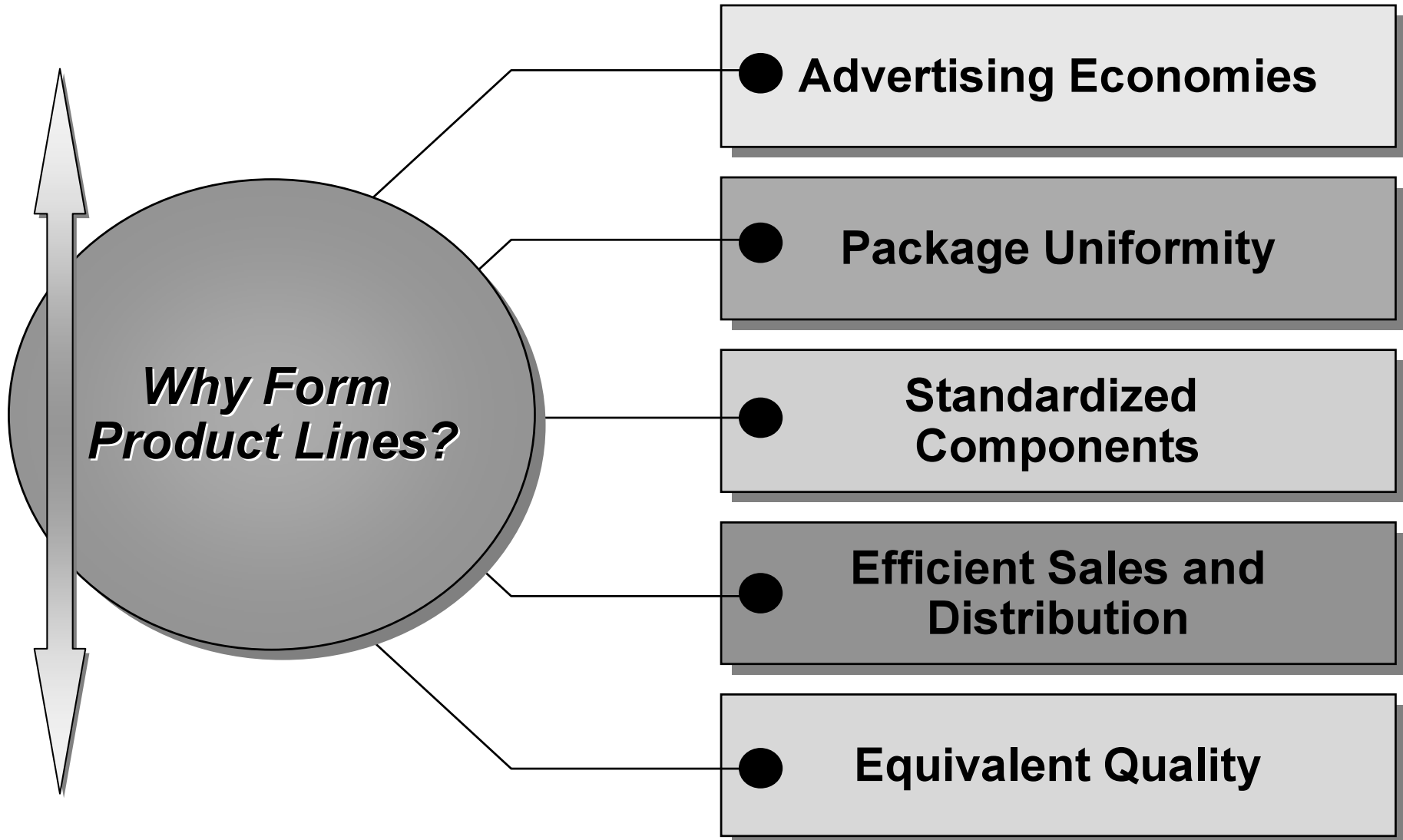
| <b>Factor</b>                      | <b>Convenience Products</b>                  | <b>Shopping Products</b>  | <b>Specialty Products</b>  |
|------------------------------------|--|---|--|
| <b>MARKETING MIX FACTORS</b>       |  |   |  |
| <b>Price</b>                       | <b>Low</b>                                   | <b>Relatively high</b>  | <b>High</b>  |
| <b>Promotion</b>                   | <b>Advertising and promotion by producer</b> | <b>Personal selling and advertising by both producer and retailer</b> | <b>Personal selling and advertising by producer and retailer</b> |
| <b>Distribution channel length</b> | <b>Long</b>                                  | <b>Relatively short</b>   | <b>Very short</b>  |
| <b>Number of retail outlets</b>    | <b>Many</b>                                  | <b>Few</b>  | <b>Very few; often one per market area</b>                       |
| <b>Importance of store image</b>   | <b>Unimportant</b>                           | <b>Very important</b>   | <b>Important</b>   |

# Product Items, Lines, and Mixes

|                     |  |
|---------------------|--|
| <b>Product Item</b> | <b>A specific version of a product that can be designated as a distinct offering among an organization's products.</b> |
| <b>Product Line</b> | <b>A group of closely-related product items.</b>   |
| <b>Product Mix</b>  | <b>All products that an organization sells.</b>  |



# Benefits of Product Lines



# Product Mix Width

- The number of product lines an organization offers.
  - Diversifies risk
  - Capitalizes on established reputations

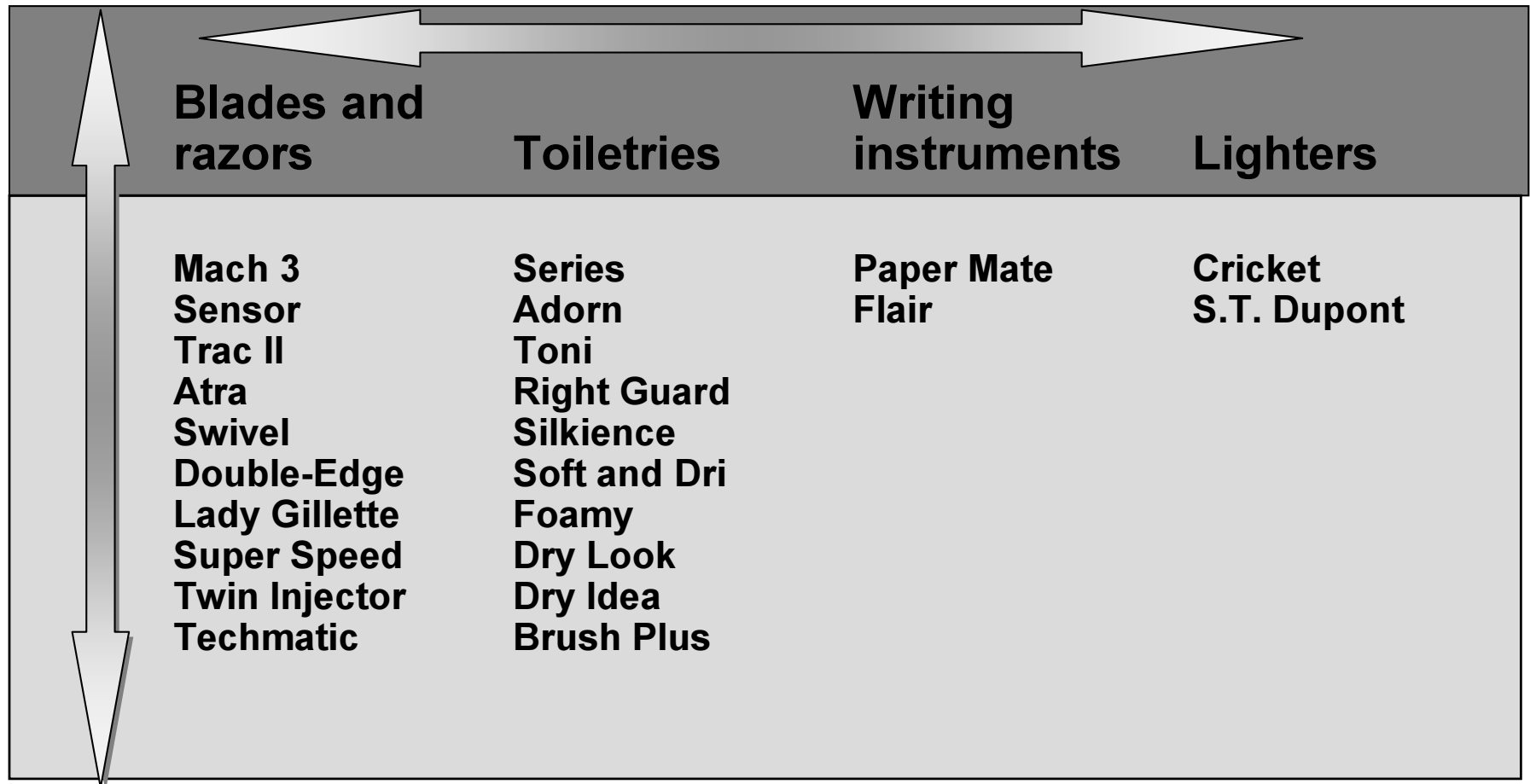
# Product Line Depth

- The number of product items in a product line.
  - ✓ Attracts buyers with different preferences
  - ✓ Increases sales/profits by further market segmentation
  - ✓ Capitalizes on economies of scale
  - ✓ Evens out seasonal sales patterns

# Example: Gillette's Product Lines and Mix

**Width of the product mix**

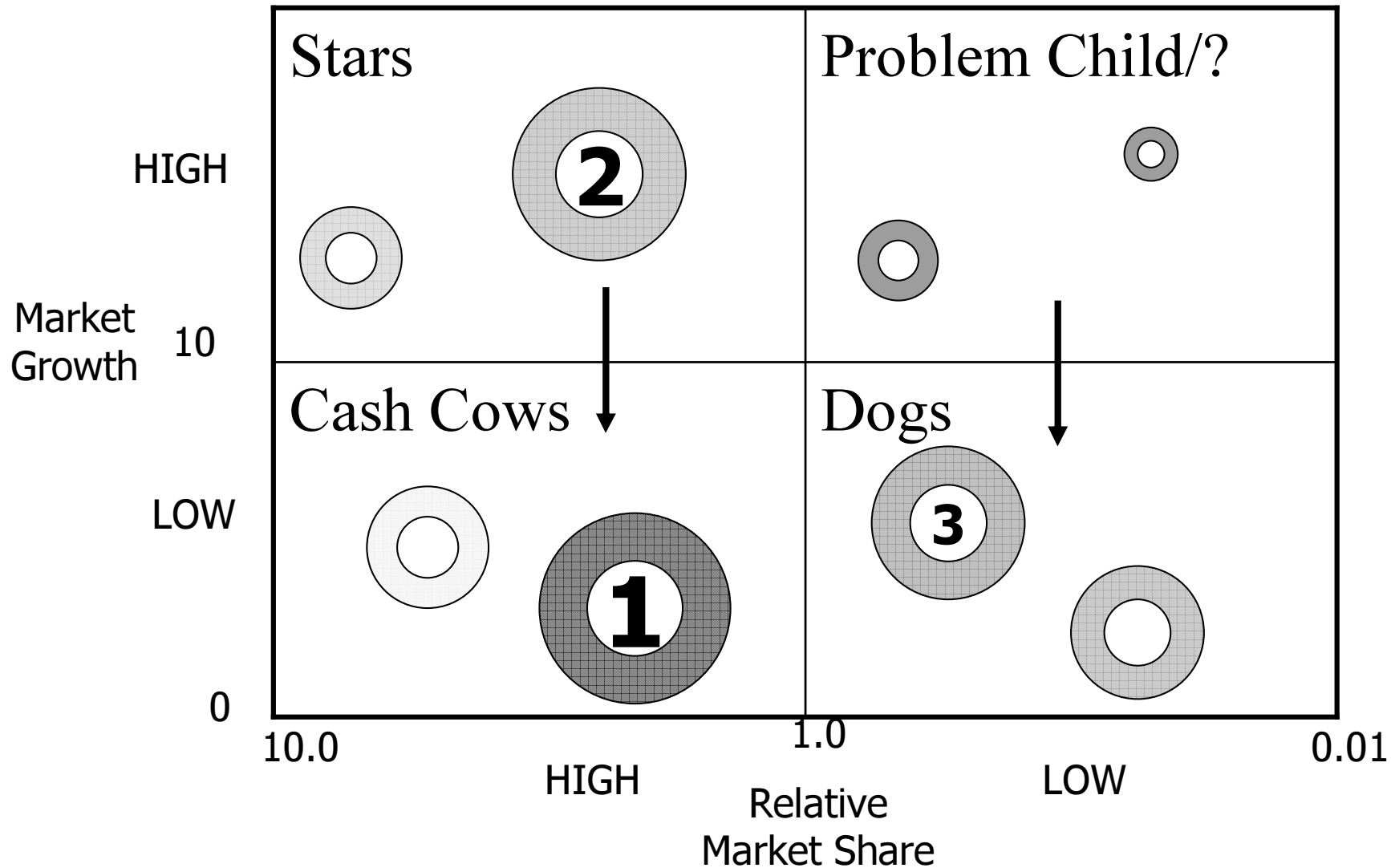
**Depth of the product lines**



# Example: Procter & Gamble Product Mix

| PRODUCT LINES   |  | BRANDS  |
|---|--|---|
| <b>P<br/>R<br/>O<br/>D<br/>U<br/>C<br/>T<br/><br/>M<br/>I<br/>X</b> | Bar soaps                                    | Camay, Coast, Ivory, Kirk's, Lava, Monchel, Safeguard, Zest   |
|   | Laundry detergents                           | Bold, Cheer, Dash, Dreft, Era, Gain, Ivory Snow, Liquid Bold-3, Liquid Cheer, Liquid Tide, Oxydol, Solo, Tide |
|   | Dishwashing detergents                       | Cascade, Dawn, Ivory Liquid, Joy, Liquid Cascade  |
|   | Cleaners and cleansers                       | Comet, Comet Liquid, Mr. Clean, Spic & Span, Spic & Span Pine Liquid, Top Job                                 |
|   | Shampoos                                     | Head & Shoulders, Ivory, Lilt, Pert-Plus, Prell   |
|   | Toothpastes                                  | Crest, Denquel, Gleem   |
| Paper tissue products   | Banner, Charmin, Puffs, White Cloud          |   |
| Disposable diapers  | Luvs, Pampers                                |   |
| Shortening and cooking oils   | Crisco, Crisco Oil, Crisco Corn Oil, Puritan |   |

# Product Portfolio - Boston (BCG) Matrix



Circle Size = proportion of total revenue business contributes to corp.

Each product/**Strategic Business Unit (SBU)** assigned to a cell:

- **Axe Y:**

**Annual market growth rate**

High = 10% +

Low = <10%

- **Axe X:**

**Relative market share**

ratio of company's market share to the largest competitor's share

- High = 1.0-10.0    Low = 0.01-1.0

- Competitor share 20%, share of own company 5% → ratio = 0.25 (Low)

- Competitor share 5%, share of own company 20% → ratio = 4.0 (High)

**Intervals highly dependable on type of market, etc.!!!**

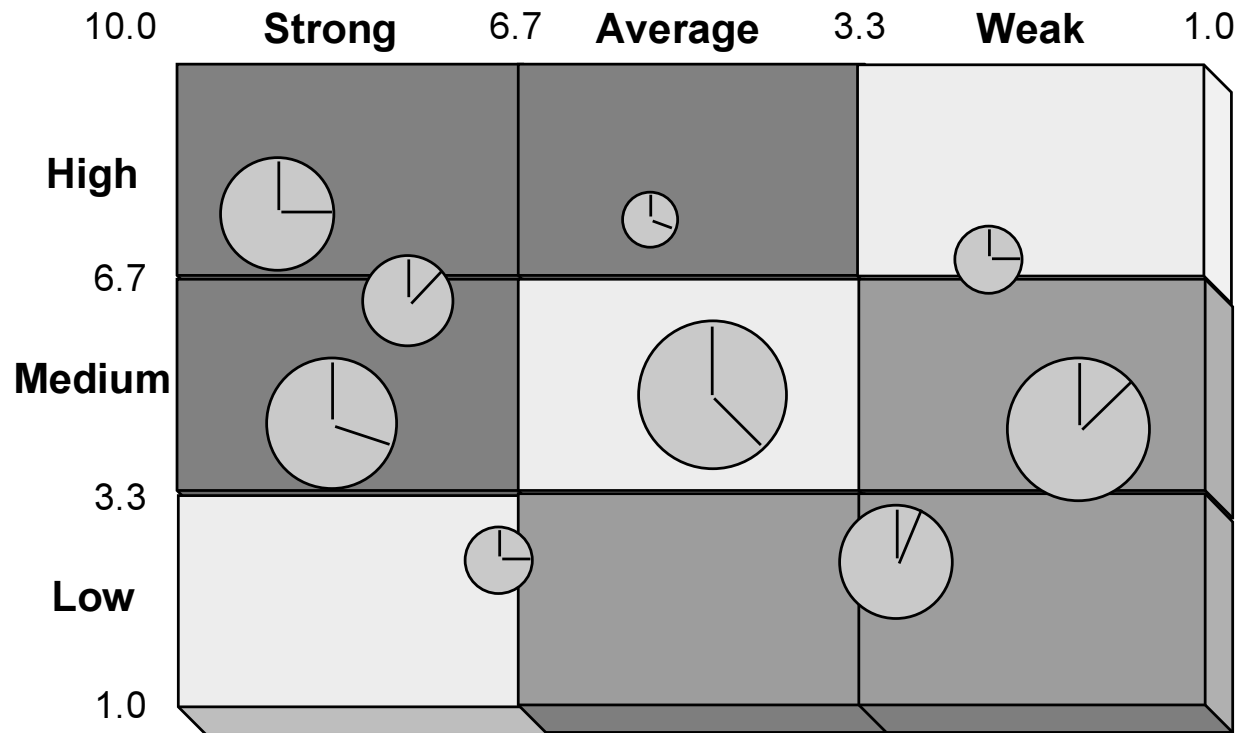
# General Electric's Industry Attractiveness- Business Strength Matrix



- Relative Market Share
- Reputation/ Image
- Bargaining Leverage
- Ability to Match Quality/Service
- Relative Costs
- Profit Margins
- Fit with KSFs

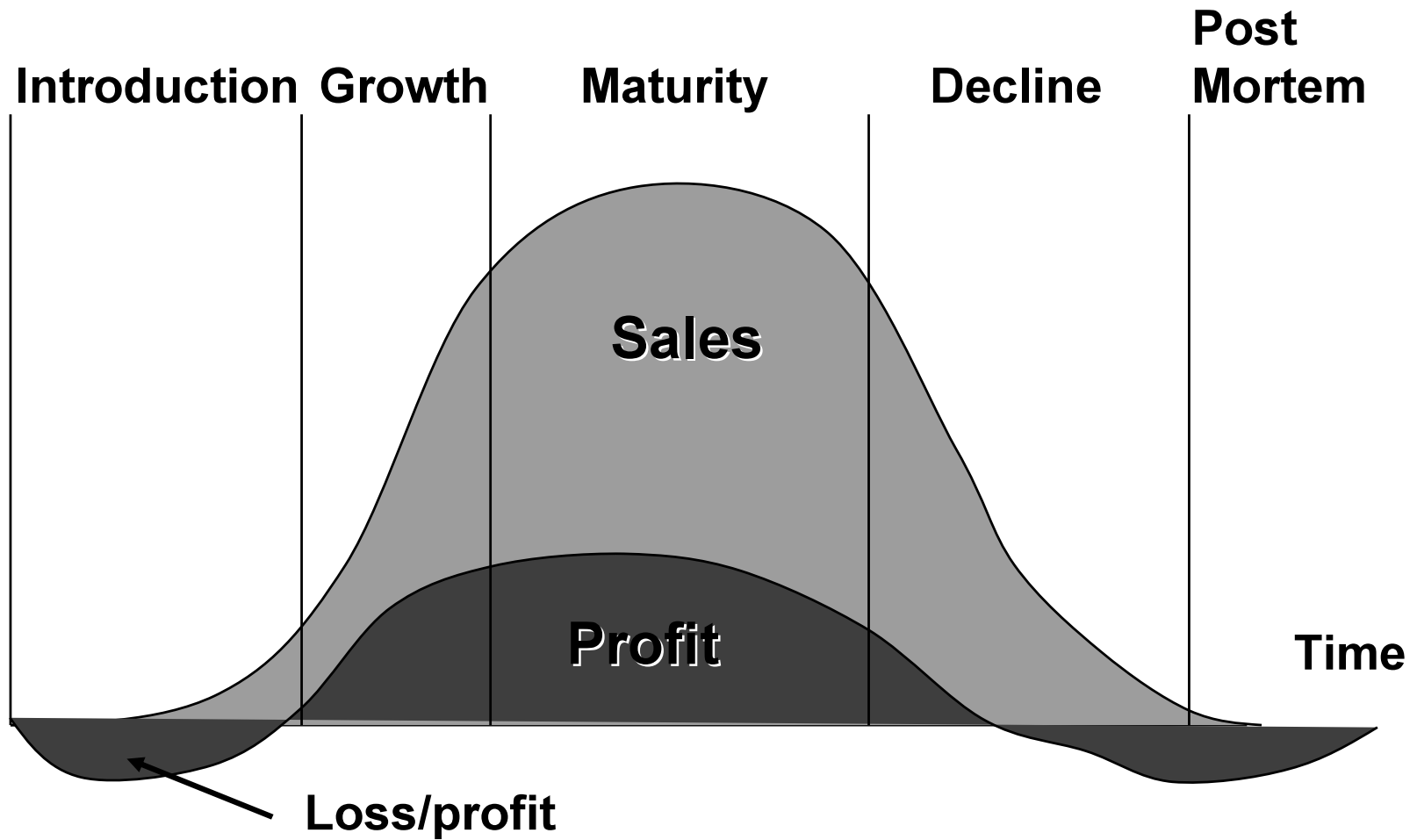
## *Industry Attractiveness*

- Market Size
- Growth Rate
- Profit Margin
- Intensity of Competition
- Seasonality
- Cyclical
- Resource Requirements
- Social Impact
- Regulation
- Environment
- Opportunities & Threats



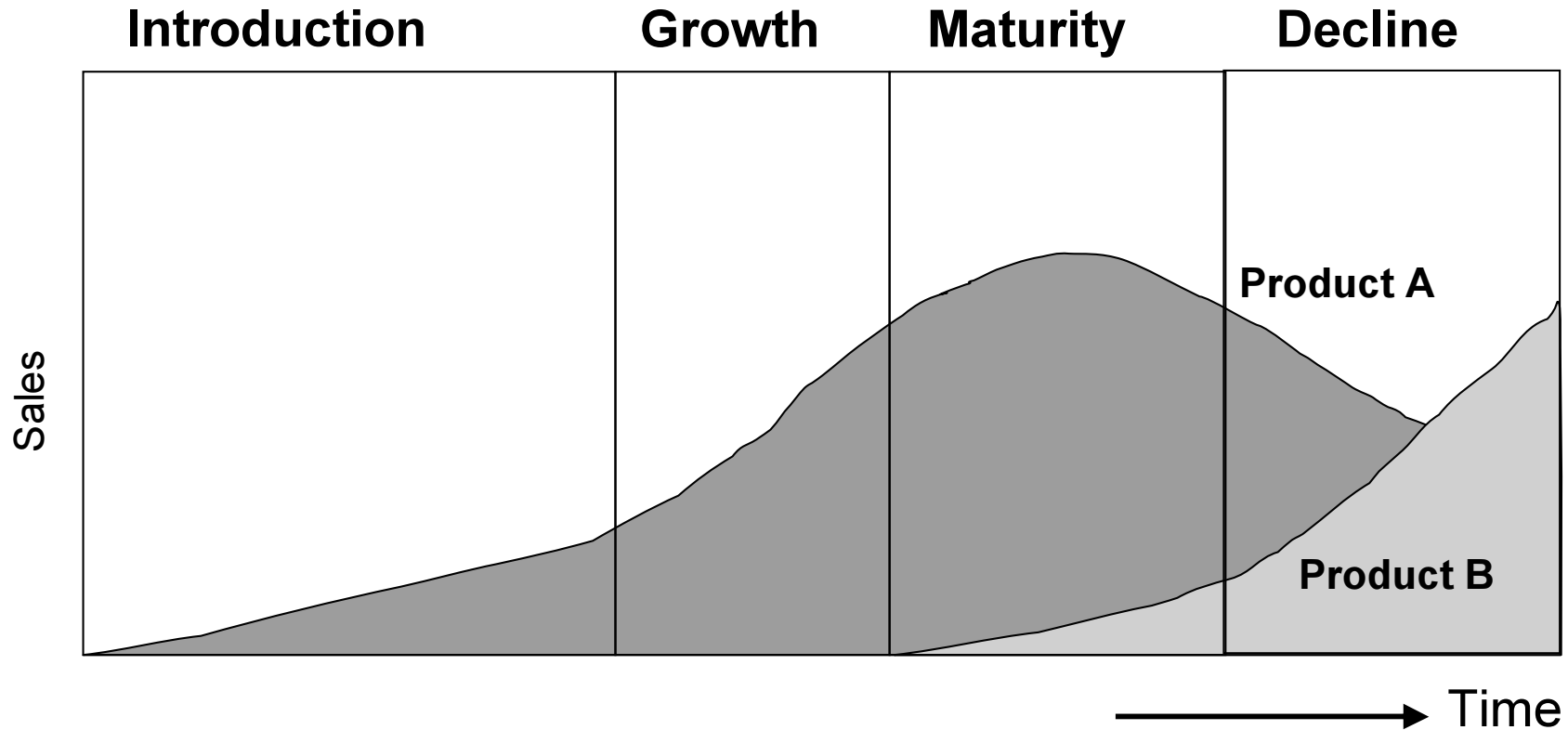
Rating Scale: 1 = Weak ; 10 = Strong

# Product Life Cycle





## Overlapping Life Cycles for Two Products



### Life cycle extensions

- Fashions and fads
- Technological life cycles
- International product life cycle

# Product Life Cycle

| LIFE CYCLE STAGE | SALES                | PROFITS                           | COMPETITORS                   |
|------------------|----------------------|-----------------------------------|-------------------------------|
| Introduction     | Low sales            | Losses may occur                  | Few                           |
| Growth           | Rapidly rising sales | Very high profits                 | Growing number                |
| Maturity         | Peak sales           | Declining profits                 | Stable number, then declining |
| Decline          | Falling sales        | Profits may fall to become losses | Declining number              |

# Life Cycle and the Marketing Mix

| LIFE CYCLE STAGE    | MARKETING MIX ELEMENTS  |   |   |  |
|---------------------|---|---|---|--|
|                     | PRODUCT   | PRICE   | PLACE   | PROMOTION  |
| <b>Introduction</b> | Offer market-tested product; keep mix small                     | Go after innovators with high introductory price (skimming strategy) or use penetration pricing | Use wholesalers, selective distribution                   | Dealer promotion and heavy investment in primary demand advertising and sales promotion to get stores to carry the product and consumers to try it |
| <b>Growth</b>       | Improve product; keep product mix limited                       | Adjust price to meet competition  | Increase distribution                                     | Heavy competitive advertising  |
| <b>Maturity</b>     | Differentiate your product to satisfy different market segments | Further reduce price  | Take over wholesaling function and intensify distribution | Emphasize brand name as well as product benefits and differences   |
| <b>Decline</b>      | Cut product mix; develop new-product ideas                      | Consider price increase   | Consolidate distribution; drop some outlets               | Reduce advertising to only loyal customers   |

# Service Marketing versus Goods Marketing

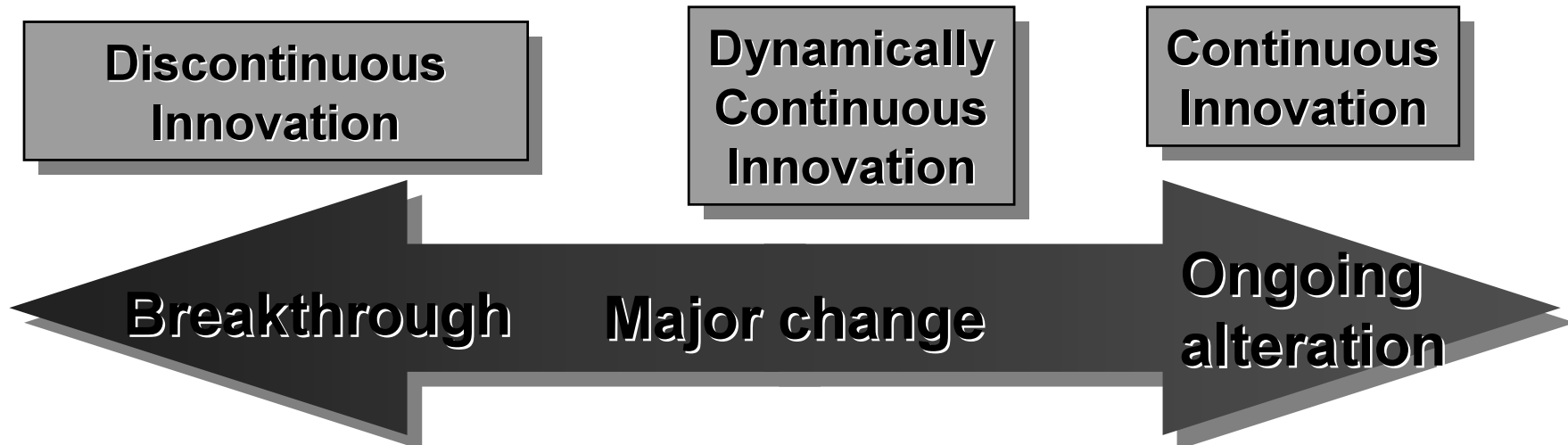
| Characteristics                | Pure Services Marketing |   | Pure Goods Marketing     |
|--------------------------------|-------------------------|---|--------------------------|
| <b>Tangibility</b>             | Intangible goods        | <b>Hybrid Services/ Goods Marketing</b> | Tangible goods           |
| <b>Production/ Consumption</b> | Occur at the same time  |   | Occur at different times |
| <b>Standardization</b>         | Less standardization    |   | More standardization     |
| <b>Perishability</b>           | Greater perishability   |   | Less perishability       |

# Management Perspectives on “New” Products

- 1) New-to-the-world
- 2) Product category extensions
- 3) Product line extensions
- 4) Product modifications

**VS.**

## Consumers’ Perspectives on “New” Products



# **5 Characteristics of New Product Success**

## **1. Relative advantage**

- Lower costs
- Faster
- Easier
- Additional services
- More fun, etc.

## **3. Trial-ability**

- Easily tested
- Low risk
- Inexpensive
- No special equipment
- Free samples or coupons

## **2. Compatibility with existing habits and behaviors**

## **4. Observability**

- Visible cues
- Communicate hidden qualities

## **5. Simplicity**

- User friendly, Understandable, Easy to grasp/use, etc.

# Brands

**BRAND** = A name, term, symbol, design, or combination thereof that identifies a seller's products and differentiates them from competitors' products.

|                     |  |
|---------------------|--|
| <b>Brand Name</b>   | <b>That part of a brand that can be spoken, including letters, words, and numbers.</b>   |
| <b>Brand Mark</b>   | <b>The elements of a brand that cannot be spoken.</b>  |
| <b>Brand Equity</b> | <b>The value of company and brand names.</b>   |
| <b>Master Brand</b> | <b>A brand so dominant that it comes to mind immediately when a product category, use, attribute, or benefit is mentioned.</b> |

# An Effective Brand Name

- ◆ **Is easy to pronounce**
- ◆ **Is easy to recognize and remember**
- ◆ **Is short, distinctive, and unique**
- ◆ **Describes the product, use, and benefits**
- ◆ **Has a positive connotation**
- ◆ **Reinforces the product image**
- ◆ **Is legally protectable**



# **Manufacturers' Brands Versus Private Brands**

|                             |  |
|-----------------------------|--|
| <b>Manufacturers' Brand</b> | <b>The brand name of a manufacturer.</b>                 |
| <b>Private Brand</b>        | <b>A brand name owned by a wholesaler or a retailer.</b> |

**Generic  
Brand**

A no-frills, no-brand-name, low-cost product that is simply identified by its product category.

# Advantages of Manufacturers' Brands

- Develop customer loyalty
- Attract new customers
- Enhance prestige
- Offer rapid delivery, can carry less inventory
- Ensure dealer loyalty

# Advantages of Private Brands

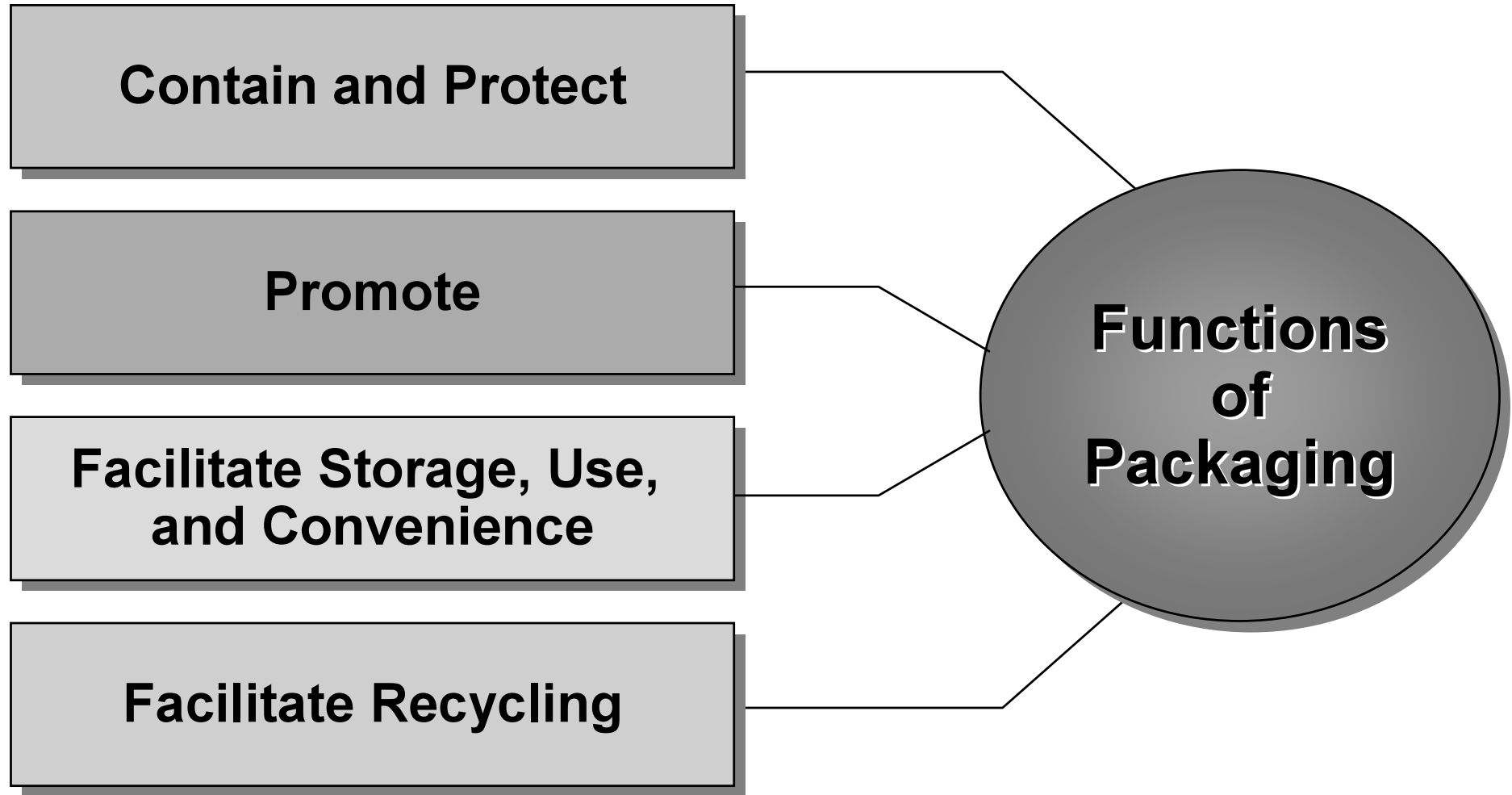
- *Earn higher profits*
- *Less pressure to mark down prices*
- *Manufacturer may drop a brand or become a direct competitor to dealers*
- *Ties to wholesaler or retailer*
- *No control over distribution of manufacturers' brands*

# Global Brand Scorecard

| <b>RANK</b>         | <b>2003<br/>BRAND VALUE<br/>\$BILLIONS</b> | <b>2002<br/>BRAND VALUE<br/>\$BILLIONS</b> | <b>PERCENT<br/>CHANGE</b> | <b>COUNTRY OF<br/>OWNERSHIP</b> |
|---------------------|--|--|---------------------------|---------------------------------|
| <b>1 COCA-COLA</b>  | 70.45                                      | 69.64                                      | +1%                       | U.S.                            |
| <b>2 MICROSOFT</b>  | 65.17                                      | 64.09                                      | +2                        | U.S.                            |
| <b>3 IBM</b>        | 51.77                                      | 51.19                                      | +1                        | U.S.                            |
| <b>4 GE</b>         | 42.34                                      | 41.31                                      | +2                        | U.S.                            |
| <b>5 INTEL</b>      | 31.11                                      | 30.86                                      | +1                        | U.S.                            |
| <b>6 NOKIA</b>      | 29.44                                      | 29.97                                      | -2                        | Finland                         |
| <b>7 DISNEY</b>     | 28.04                                      | 29.26                                      | -4                        | U.S.                            |
| <b>8 McDONALD'S</b> | 24.70                                      | 26.38                                      | -6                        | U.S.                            |
| <b>9 MARLBORO</b>   | 22.18                                      | 24.15                                      | -8                        | U.S.                            |
| <b>10 MERCEDES</b>  | 21.37                                      | 21.01                                      | +2                        | Germany                         |

**Source:** Interbrand Group, August 2003

# Packaging



# Labeling

## Persuasive

- ◆ **Focuses on promotional theme**
- ◆ **Information is secondary**

## Informational

- ◆ **Helps make proper selections**
- ◆ **Lowers cognitive dissonance**
- ◆ **Includes use/care**

# Product Warranties

