

PRODUCT

PRINCIPLES OF MARKETING

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PREFACE

This book is produced based on the content of the Principles of Marketing syllabus by the Ministry of Higher Education. This book is adapted according to the needs and the suitability of Diploma level studies in Polytechnic.

The main source and reference in the production of this book is the book of Principles of Marketing by Philip Kotler and Gary Armstrong which involves the use of 14th edition, 15th edition, 16th edition and including the latest edition which is the 17th edition. Apart from that, other references used are the book of Principles of Marketing by Yusniza Kamarulzaman and Nor Khalidah Abu, Marketing by Paul Baines and Chris Fill and Kelly Page Asian Edition. References from the internet are also being used.

This book is for the students who take DPM10013 course – Principles of Marketing to have an easy reference.

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ABSTRACT

This book includes a specific, brief note for Principles of Marketing Topic 5, which is Products. Several related subtopics of Products will be covered in this Notes, including:

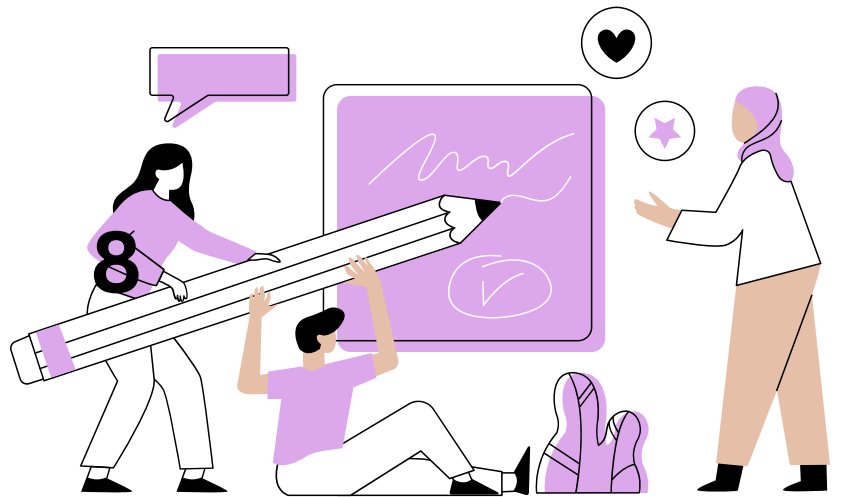
- product and services
- Levels of Products
- Consumer and Business product classification
- Product Life Cycle

Best regards,

Hasimah & Jessica



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INTRODUCTION

Products are a key element in the overall market offering. Marketing mix planning begins with building an offering that brings value to target customer relationships.

A company's market offering often includes both tangibles' goods and services. At one extreme, the market offer may consist of a pure tangible good, such as soap or salt. At the other extreme are pure services, for which the market offer consists primarily of services, for example financial services.

Between these two extremes, however, many goods-and services combinations are possible.

01.

Product and services



DEFINITION OF PRODUCT:

Products is anything that can be offer to a market for attention, acquisition, use or consumption that might satisfy a want and need.



product

Product include more than just tangible objects, such as cars, clothing or smartphones. Broadly defined, product also include services, events, persons, places, organizations, and ideas or a mixture of these.





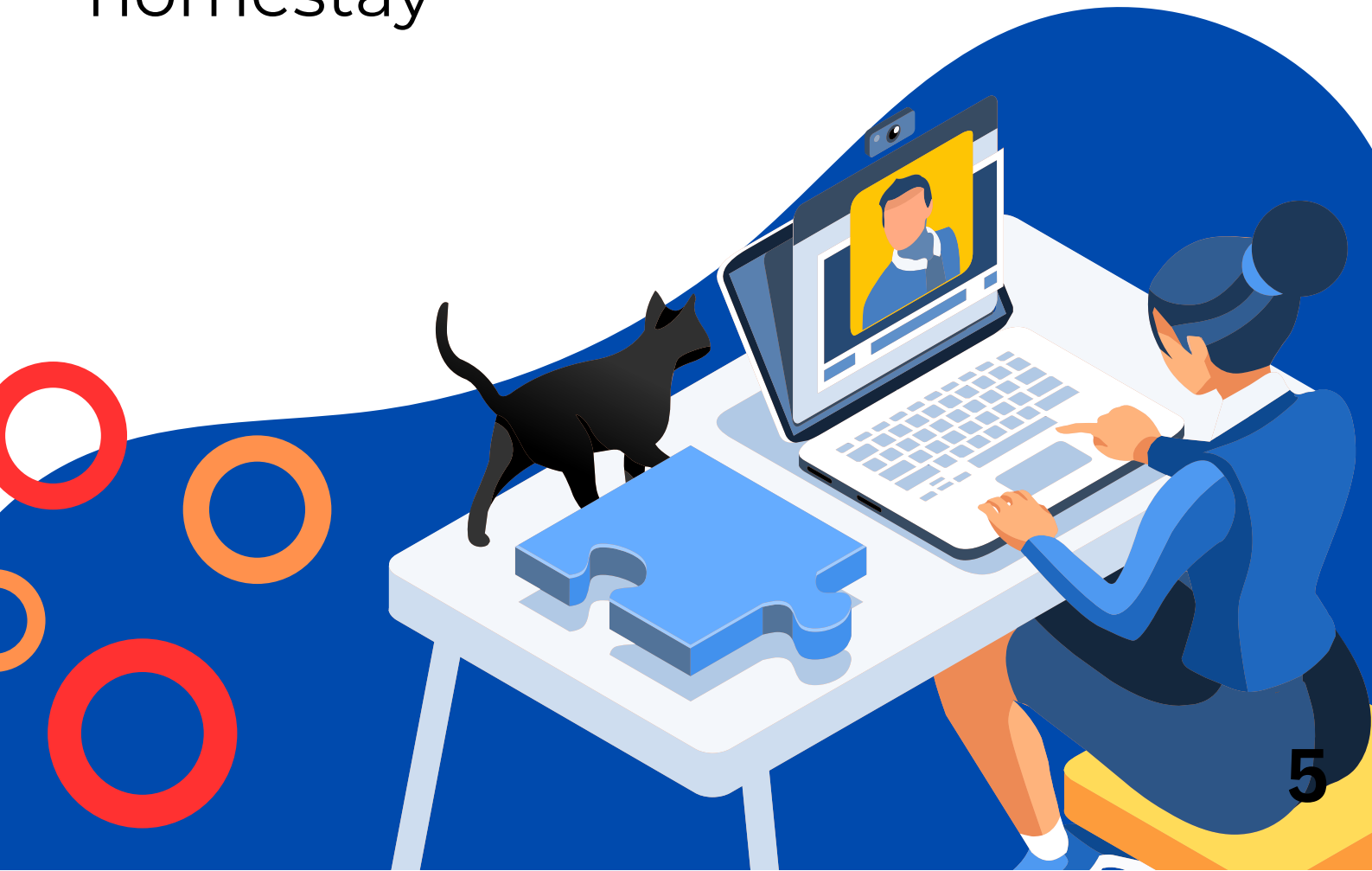
DEFINITION OF SERVICES:

An activity, benefit or satisfaction offered for sale that is essentially intangible and does not result in the ownership of anything.





Services include banking, hotel, airline travel , retail, wireless communication and homestay





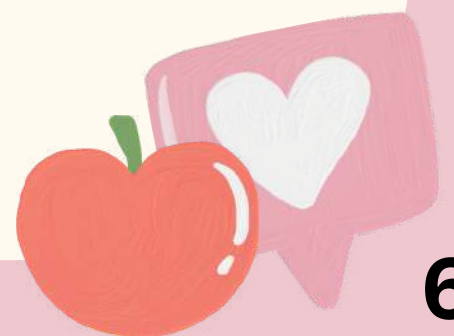
4 UNIQUE CHARACTERISTICS OF SERVICES

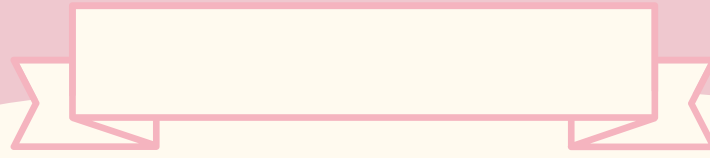
Intangibility

- services that cannot be seen, tasted, felt, heard, or smelled before they are bought. Eg: Medical specialist advice, consultancy.

Inseparability

- services that cannot be separated from their providers, whether the providers are people or machines. Eg: Child care services cannot be separated from the care taker.



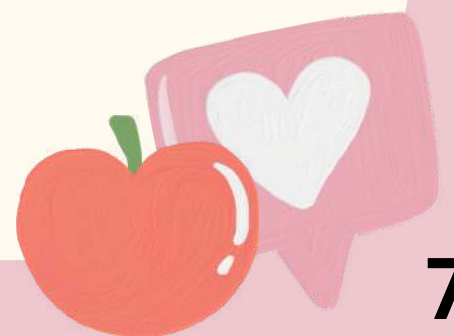


Variability

- the quality of services depends on who provides them as well as when, where, and how they are provided. Eg: The chef at restaurant, hotel. Different chef different taste or ways of cooking.

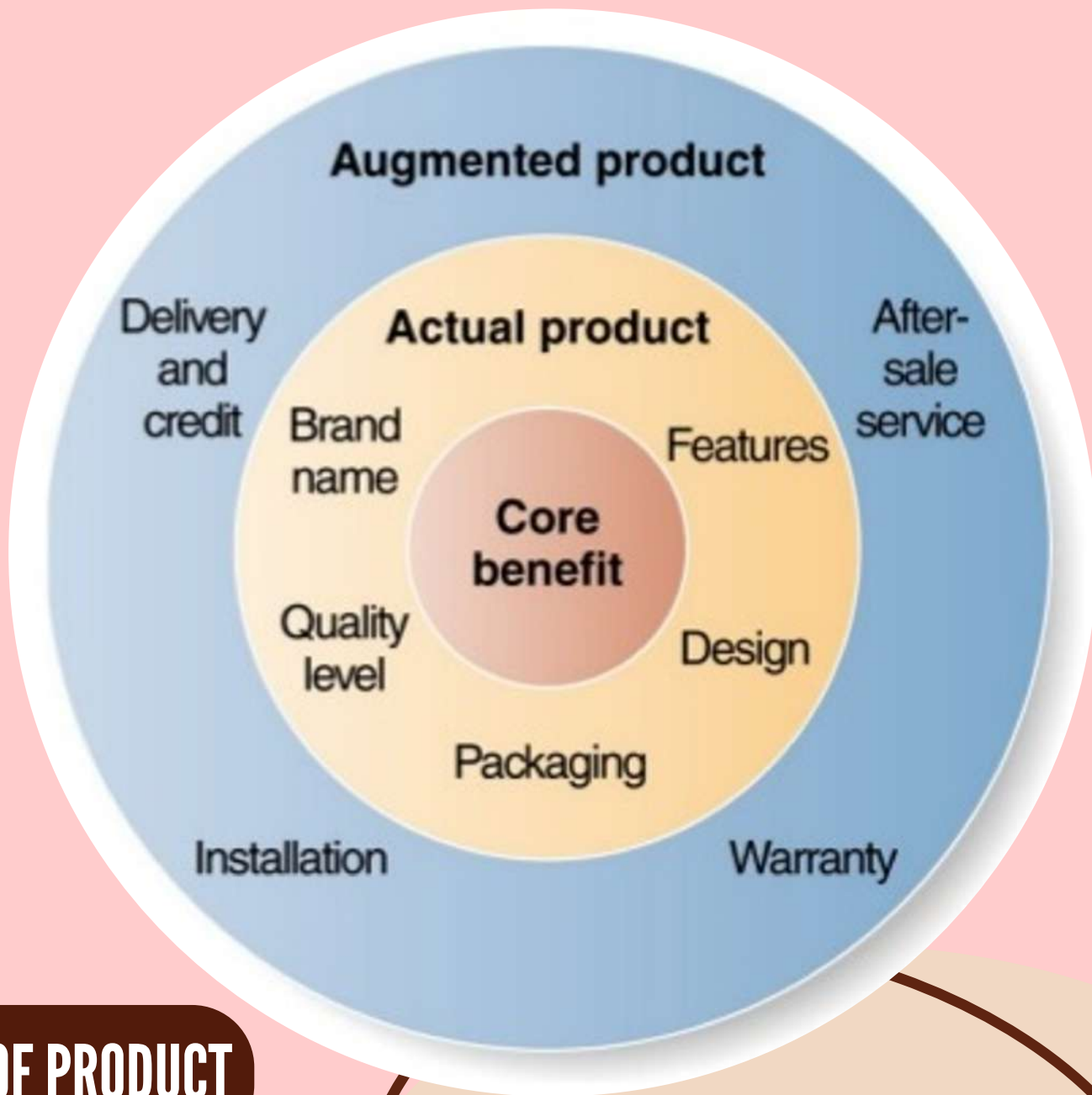
Perishability

- services that cannot be stored for later sale or use. Eg: Hotel cannot store its room vacancies during off peak or a later use during peak season to fulfill the demands.



2

LEVEL OF PRODUCT



3 LEVEL OF PRODUCT

CORE CUSTOMER VALUE

Addresses the question: What is the buyer really buying?

When designing products, marketers must first define the core, problem-solving benefits or services that consumer seeks.

IpAD

People who buy an Apple iPad are buying much more than just a tablet computer. They are buying entertainment, self-expression, productivity and connectivity with friends and family – a mobile and personal window to the world.



ACTUAL PRODUCT

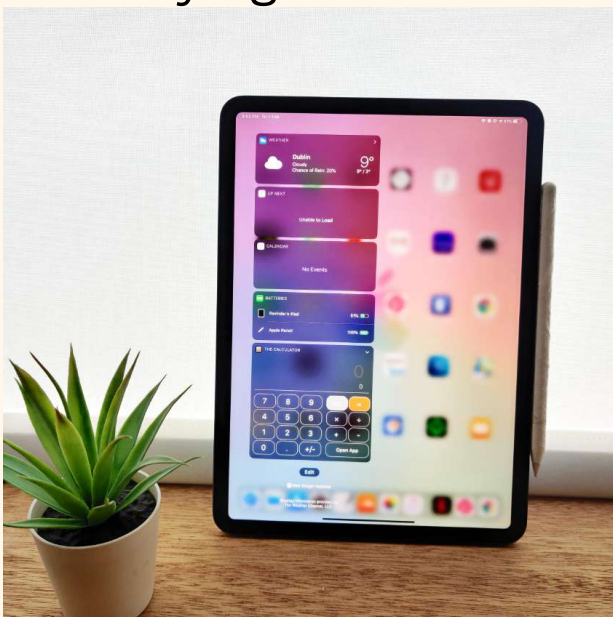
Marketers need to develop products and service features, a design, a quality level, a brand name and packaging.



For example, the iPad is an actual product. Its name, part, styling, operating system, features, packaging and other attributes have been carefully combined to deliver the core customer value of satisfying connected.



IpAD SAMSUNG





AUGMENTED PRODUCT

Product planners must build an augmented product around the core and the actual product by offering additional consumer services and benefits.

The iPad is more than just a digital device. It provides consumers with a complete connectivity solution.

Thus, when consumers buy an iPad, Apple and its resellers also might give buyers a warranty on parts and workmanship, quick repair services and needed, and web and mobile sites to use if they have problems or questions.

Apple also provides access to a huge assortment of application and accessories, along with an iCloud service that integrates buyers' photos, music, documents, apps, calendar, contents and other content across all of their devices from any location.





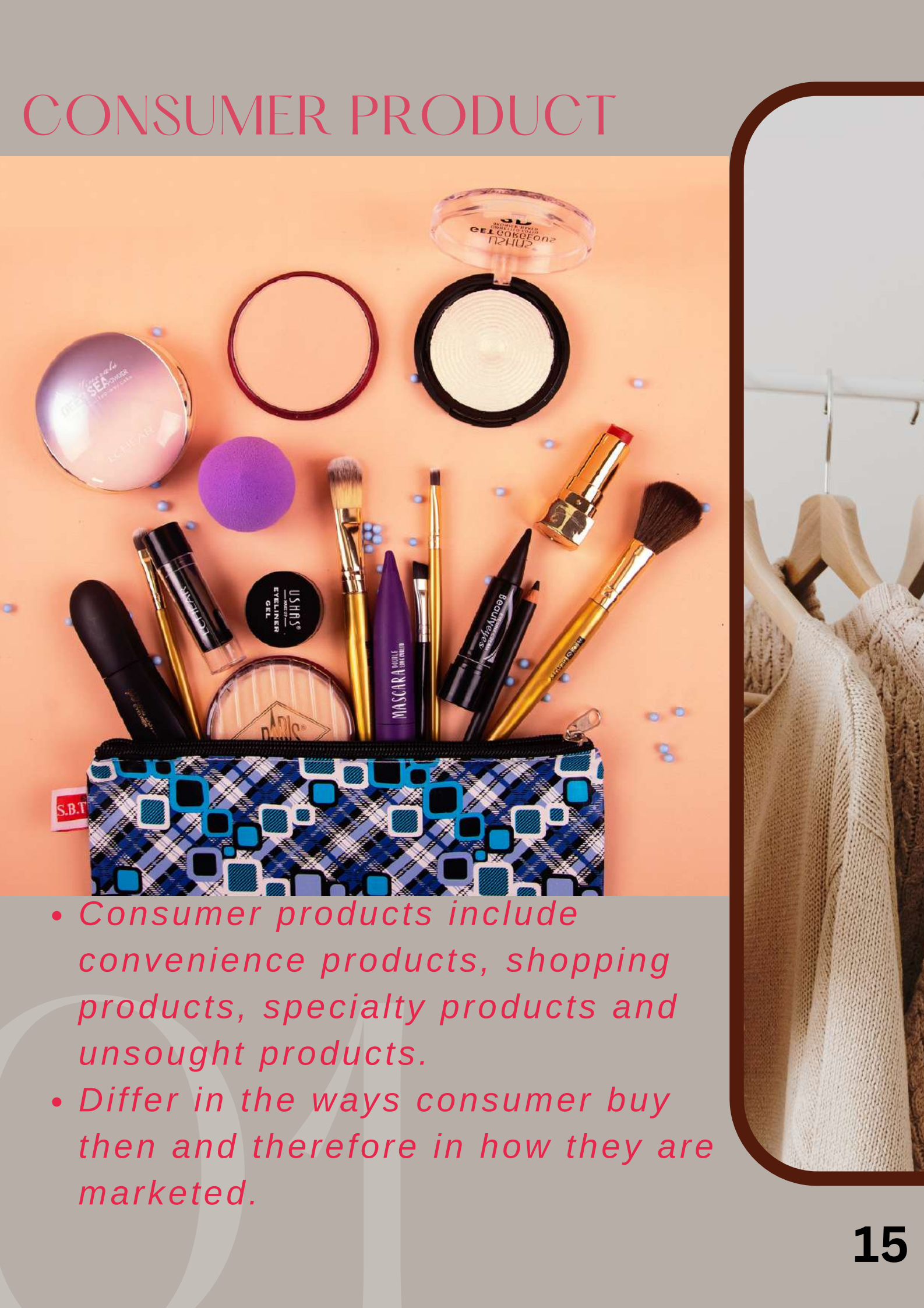
3 CONSUMER AND BUSINESS PRODUCT CLASSIFICATION

CONSUMER PRODUCT

Bought by final consumers for personal consumption.

Marketers usually classify these products and services further based on how consumers go about buying them.

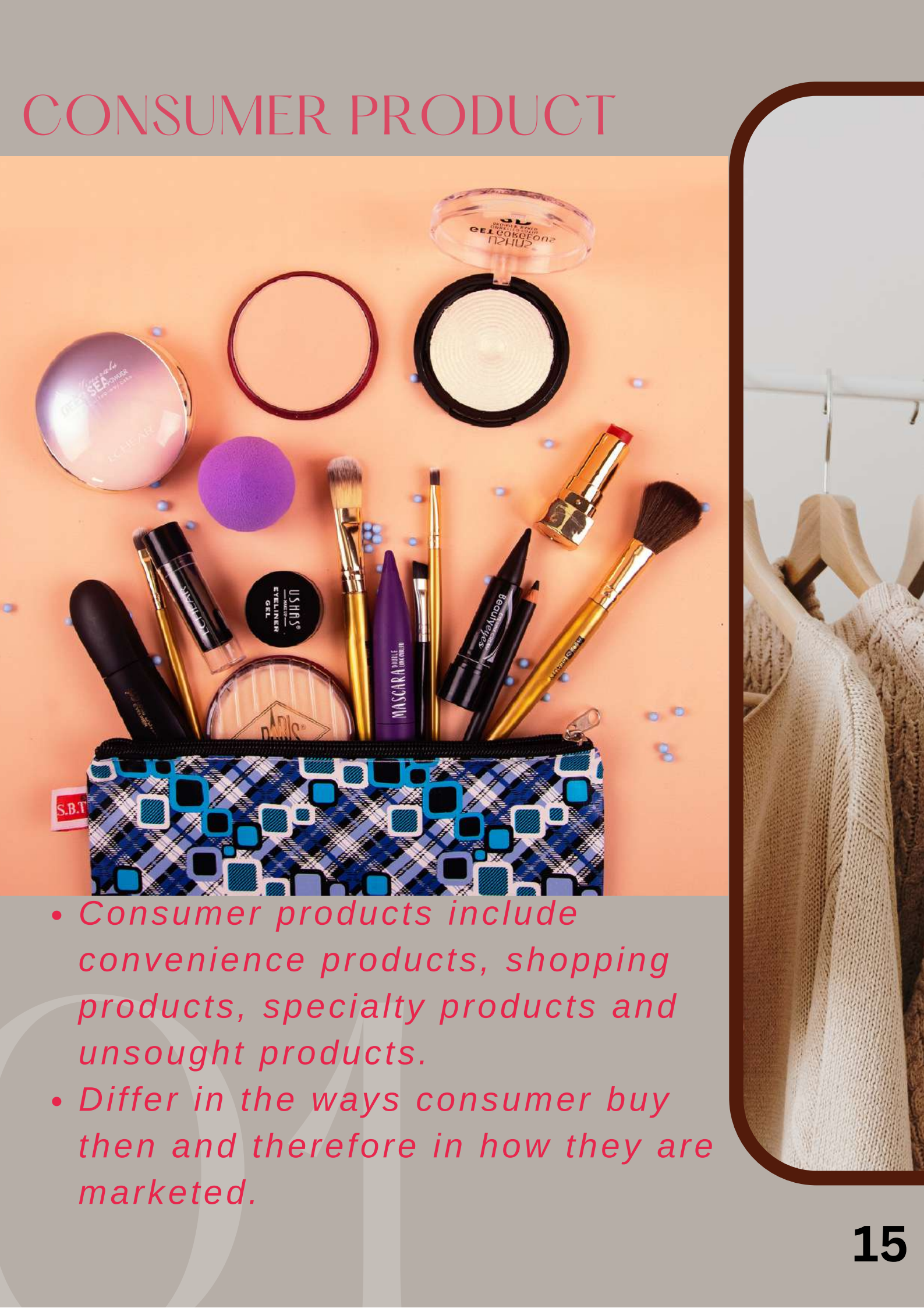
CONSUMER PRODUCT



- Consumer products include convenience products, shopping products, specialty products and unsought products.
- Differ in the ways consumer buy them and therefore in how they are marketed.

15

- *Differ in the way they are then and therefore marketed.*



TYPES OF CONSUMER PRODUCT



Low price

CONVENIENCE PRODUCT

Frequent purchase;
little planning;
little comparison or
shopping effort;
low customer
involvement.



Higher price

SHOPPING PRODUCT

Less frequent
purchase; much
planning and
shopping effort;
comparison of
brands on price,
quality and style

TYPES OF CONSUMER PRODUCT



High price

SPECIALTY PRODUCT

Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity



Varies price

UNSOUGHT PRODUCT

Little product awareness or knowledge (or if aware, little or even negative interest)

TYPES OF CONSUMER PRODUCT

Marketing Considerations	Distribution	Promotion	Examples
Convenience	Widespread distribution; convenient locations	Mass promotion by the producer	Shampoo, laundry detergent, sugar
Shopping	Selective distribution in fewer outlets	Advertising and personal selling by both the producer and resellers	Major appliances, washing machine, furniture, watch
Specialty	Exclusive distribution in only one or a few outlets per market area	More carefully targeted promotion by both the producer and resellers	Luxury goods such as BMW cars or fine crystal
Unsought	Varies	Aggressive advertising and personal selling by producer and resellers.	Life insurance and Red Cross blood donations



INDUSTRIAL *product*

- A product bought by individuals and organization for further processing or for use in conducting a business.
- Thus, the distinction between a consumer product and an industrial product is based on the purpose for which the product is purchased.
- If a customer buys a flour to bake a cake for a family it is a consumer product. If the same consumer buys the same flour to bake a cake and sell the cake, the flour is an industrial product.
- The three groups of industrial products and services are materials and parts, capital items and supplies and services.

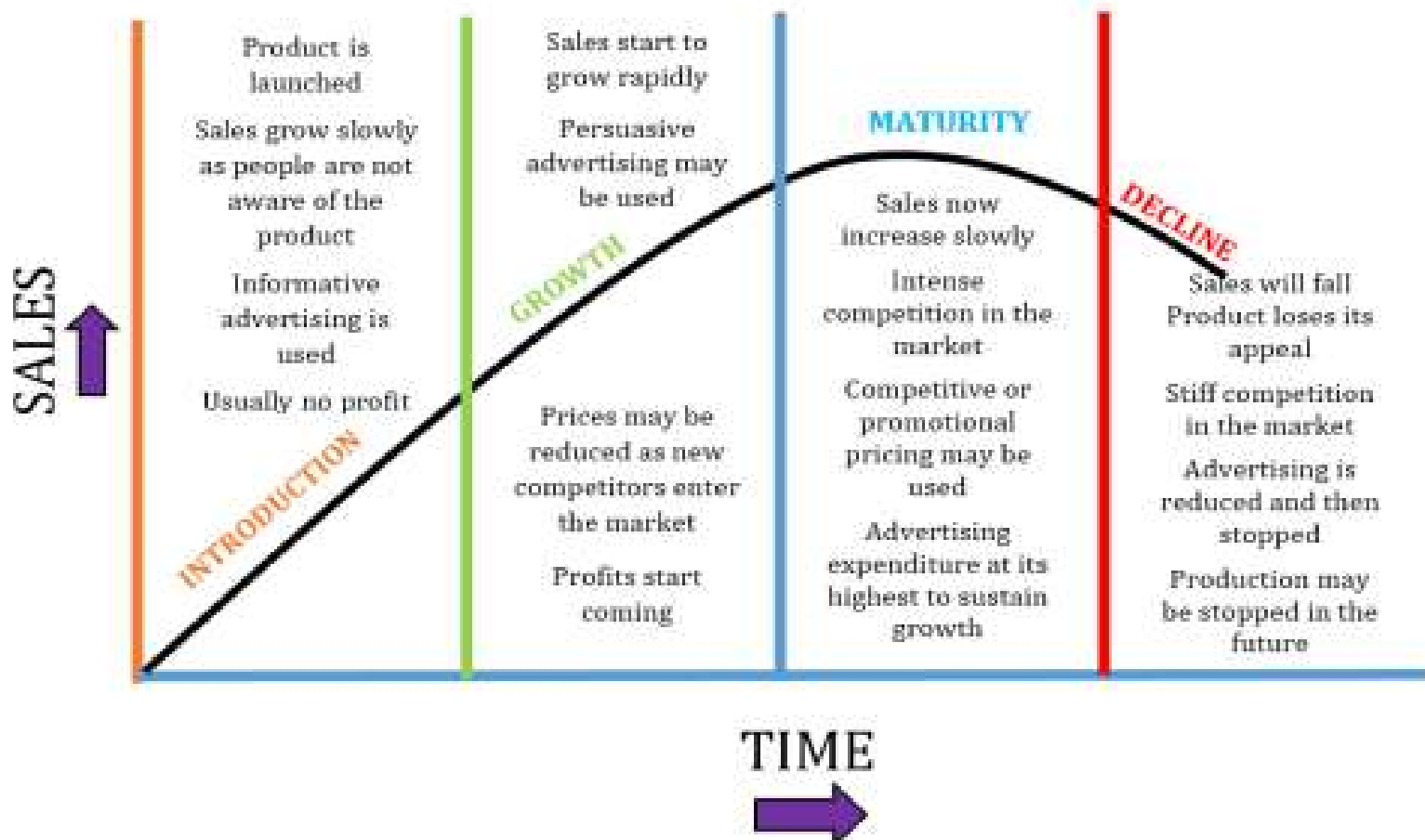




TYPES OF INDUSTRIAL PRODUCT

Materials and Parts	Capital Items	Supplies and services
<ul style="list-style-type: none"> ✓ Includes raw materials as well as manufactured materials and parts. ✓ Raw materials consist of farm products (wheat, cotton, livestock, fruits, vegetables) and natural products (fish, lumber, crude petroleum, iron ore) ✓ Manufactured materials and parts consist of component materials (iron, yarn, cement, wires) and component parts (small motors, tires, castings) ✓ Most manufactured materials and parts sold directly to industrial users. 	<ul style="list-style-type: none"> ✓ Industrial products that aid in the buyer's production or operations, including installations and accessory equipment. ✓ Installations consist of major purchase such as buildings (factories, office) and fixed equipment (generators, drill presses, large computer) ✓ Accessory equipment include portable factory equipment and tools (hand tools, lift trucks) and computer equipment (computers, fax machines, desk) 	<ul style="list-style-type: none"> ✓ Supplies include operating supplies (lubricants, coal, papers, pencils) and repair and maintenance items (paints, nails, brooms) ✓ Supplies are the convenience products of the industrial field because they are usually purchased with a minimum of effort or comparison.

04. PRODUCT LIFE CYCLE



Product life cycle is

the course of a product's sales and profits over its lifetime. PLC has four distinct stages: introduction, Growth, Maturity, Decline

INTRODUCTION

stage



- New product is first distributed and made available for purchase.
- Introduction takes time, sales growth is apt to be slow.
- In this stage, profits are negative or low because of the low sales and high distribution and promotion expenses.
- Much money is needed to attract distributors and build their inventories.



INTRODUCTION

stage

Product is
launched

Sales grow slowly
as people are not
aware of the
product

Informative
advertising is
used

Usually no profit

INTRODUCTION

- Promotion spending is relatively high to inform consumers of the new product and get them to try it.
- Because the market is not generally ready for product refinements at this stage, the company and its a few competitors produce basic versions of the product.



GROWTH

stage



- Product's sales start climbing quickly. The early adopters will continue to buy, and later buyers will start following their lead, especially if they hear favorable word of mouth.
- Attracted by the opportunities for profit, new competitors will enter the market. They will introduce new product features and the market will expand.
- The increase in competitors lead to an increase in the number of distribution outlets, and sales jump just to build reseller inventories.
- Price remain where they are or decrease only slightly. Companies keep their promotion spending at the same or slightly higher level.



GROWTH

stage

Sales start to grow rapidly

Persuasive advertising may be used

GROWTH

Prices may be reduced as new competitors enter the market

Profits start coming

- Educating the market remains the goal, but now the company must also meet the competition.
- Profit increase during the growth stage as the promotion cost are spread over are large volume and as unit manufacturing costs decrease.
- The firm uses several strategies to sustain rapid market growth as long as possible. It improves product quality and adds new product features and models. It shifts some advertising from building product awareness to building product conviction and purchase, and it lowers prices at the right time to attract more buyers.
- The firm faces a trade-off between high market share and high current profit.





MATURITY

stage

- Product's sales growth slows or levels off. Maturity stage normally lasts longer than the previous stage, and poses strong challenges to marketing management.
- Slowdown in sales growth results in many producers with many products to sell. In turn, this overcapacity leads to greater competition.
- Competitors begin marking down prices, increasing their advertising and sales promotions and upping their product development budgets to find better versions of the product.
- These steps lead to a drop in profit. Some of the weaker competitors start dropping out and the industry eventually contains only well established competitors



MATURITY

Sales now
increase slowly

Intense
competition in the
market

Competitive or
promotional
pricing may be
used

Advertising
expenditure at its
highest to sustain
growth

MATURITY

stage

- Many products in the mature stage appear to remain unchanged for long period; most successful ones are actually evolving to meet changing consumer needs. Product managers should do more than simply ride along with or defend their mature products – a good offense is the best defense. They should consider modifying the market, product and the marketing mix.
- In modifying the market, the companies tries to increase the consumption of the current product. It may look for new users and new market segments.
- The manager may also look for ways to increase usage among present customers.
- The company might also try modifying the product – changing characteristics such as quality, features, style or packaging to attract new users and to inspire more usage.



DECLINE *stage*

- Sales may plunge to zero or they may drop to a low level where they continue for many years. This is decline stage.
- Sales decline for many reasons, including technologies advances, shifts in consumer tastes and increased competition. As sales and profit decline, some firms withdraw from the market. Those remaining may prune their product offerings. They may drop smaller market segments and marginal trade channels or they may cut the promotion budget and reduce their prices further.
- Carrying a weak product can be very costly to a firm and not just in profit terms. There are many hidden costs. A weak product may take up too much of management's time. It often requires frequent price and inventory adjustments. It requires advertising and sales-force attention that might be better used make "healthy" product more profitable. Keeping weak products delays the search for replacements, creates a lopsided product mix, hurts current profits and weakens the company's foothold on the future.



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DECLINE

stage



DECLINE *stage*



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SUMMARY OF PRODUCT LIFE CYCLE

SUMMARY OF PRODUCT LIFE-CYCLE CHARACTERISTICS, OBJECTIVE AND STRATEGIES		
CHARACTERISTICS	INTRODUCTION	GROWTH
Sales	Low sales	Rapidly rising sales
Costs	High cost per customer	Average cost per customer
Profits	Negative	Rising profits
Customers	Innovators	Early adopters
Competitors	Few	Growing number
MARKETING OBJECTIVES	Create product awareness and trial	Maximize market share
STRATEGIES	INTRODUCTION	GROWTH
Product	Offer a basic product	Offer product extensions, service, warranty
Price	Use cost-plus	Price to penetrate market
Distribution	Build selective distribution	Build intensive distribution
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand

SUMMARY OF PRODUCT LIFE-CYCLE CHARACTERISTICS, OBJECTIVE AND STRATEGIES

CHARACTERISTICS	MATURITY	DECLINE
Sales	Peak sales	Declining sales
Costs	Low cost per customer	Low cost per customer
Profits	High profits	Declining profits
Customers	Middle majority	Declining number
Competitors	Stable number beginning to decline	Declining number
MARKETING OBJECTIVES	Maximize profit while defending market share	Reduce expenditure and milk the brand
STRATEGIES	MATURITY	DECLINE
Product	Diversify brand and models	Phase out weak items
Price	Price to match or beat competitors	Cut price
Distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyal
Sales Promotion	Increase to encourage brand switching	Reduce to minimal level



TUTORIAL EXERCISES

- 1) Define product and services.
- 2) Describe TWO (2) types of product.
- 3) Elaborate FOUR (4) unique characteristics of services.
- 4) Explain THREE (3) different levels of product.
- 5) Products bought to satisfy personal and family needs are known as consumer products. Discuss FOUR(4) classifications of consumer products with suitable examples.
- 6) Write THREE (3) types of industrial product classifications with relevant examples.
- 7) Briefly explain Product Life Cycle and support your answer with a diagram.
- 8) Product life cycle is the course of a product's sales and profit over its lifetime. The PLC have four distinct stages. Discuss situation in every stages in terms of sales, cost, competitor and marketing objective.

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