



**CHRIST**  
(DEEMED TO BE UNIVERSITY)  
BANGALORE · INDIA

# Unit II Decisions related to Market offering

## Product Decisions

### MISSION

CHRIST is a nurturing ground for an individual's holistic development to make effective contribution to the society in a dynamic environment

### VISION

Excellence and Service

### CORE VALUES

Faith in God | Moral Uprightness  
Love of Fellow Beings  
Social Responsibility | Pursuit of Excellence

- Product Levels
- Product Characteristics and Classifications
- New product development stages
- Categories of new product
- Reasons for launching new products and its failure.
- Product life cycle strategies and its extension
- Ansoff's Matrix
- Meaning of services, unique characteristics of services
- 7Ps of service marketing
- Service delivery process
- AI assisted Co-Creation of Product

- No matter how well costs are driven or held down, no product can be profitable unless it sells.
- Therefore all products must satisfy customer needs and wants.
- As all customers are different and seek different benefits from products, businesses would ideally tailor their products to satisfy each customer's wants and needs.
- However, for many businesses this is not achievable, so they need a way of classifying products in a structure aligned to customer segments, as defined by their needs and wants.

# Kotler's Five Product Levels Model

## Kotler's Five Product Levels Model



### Core Product:

Fulfills basic benefit consumers want. This refers to the basic product. Here, the focus is on the purpose for which the product is intended.



### Generic Product:

Provides actual product with tangible qualities. This represents all the qualities of the product.



### Expected Product:

Offers generic product plus other attributes consumers want. This refers to all the benefits consumers expects to get when the purchase a product.



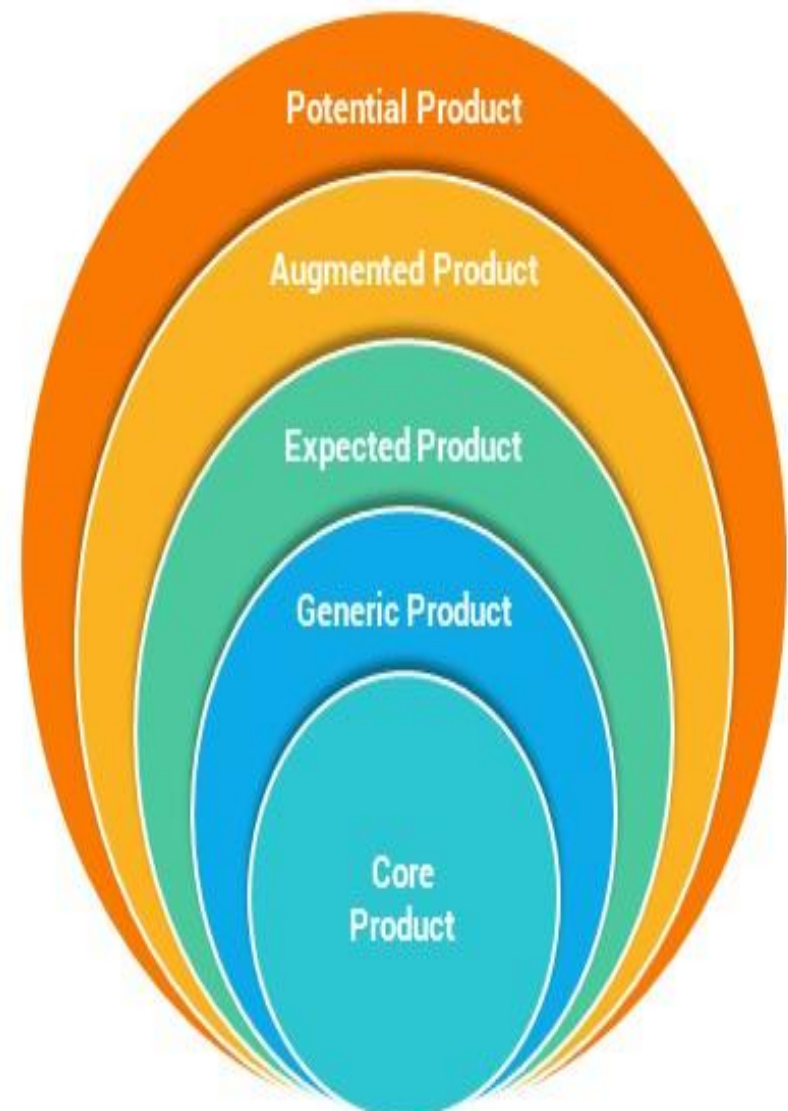
### Augmented Product:

Product gives more than physical product. This refers to all the additional factors which set the product apart from competition, that is its brand identify and image.



### Potential Product:

Provides additional tangible and intangible features. This refers to the augmentations and transformations that the product may undergo in the future.



# Product Levels

**1. Core Product** – It is the fundamental product and the focus is on the purpose for which the product is intended.

For example, if you are buying an apartment you are actually paying for shelter and safety.

**2. Generic Product** – It is basically the qualities of the product.

- For an apartment it is the unit plan, dimensions, specifications etc.

**3. Expected Product** – It is about all aspects the consumer expects to get when they purchase a product.

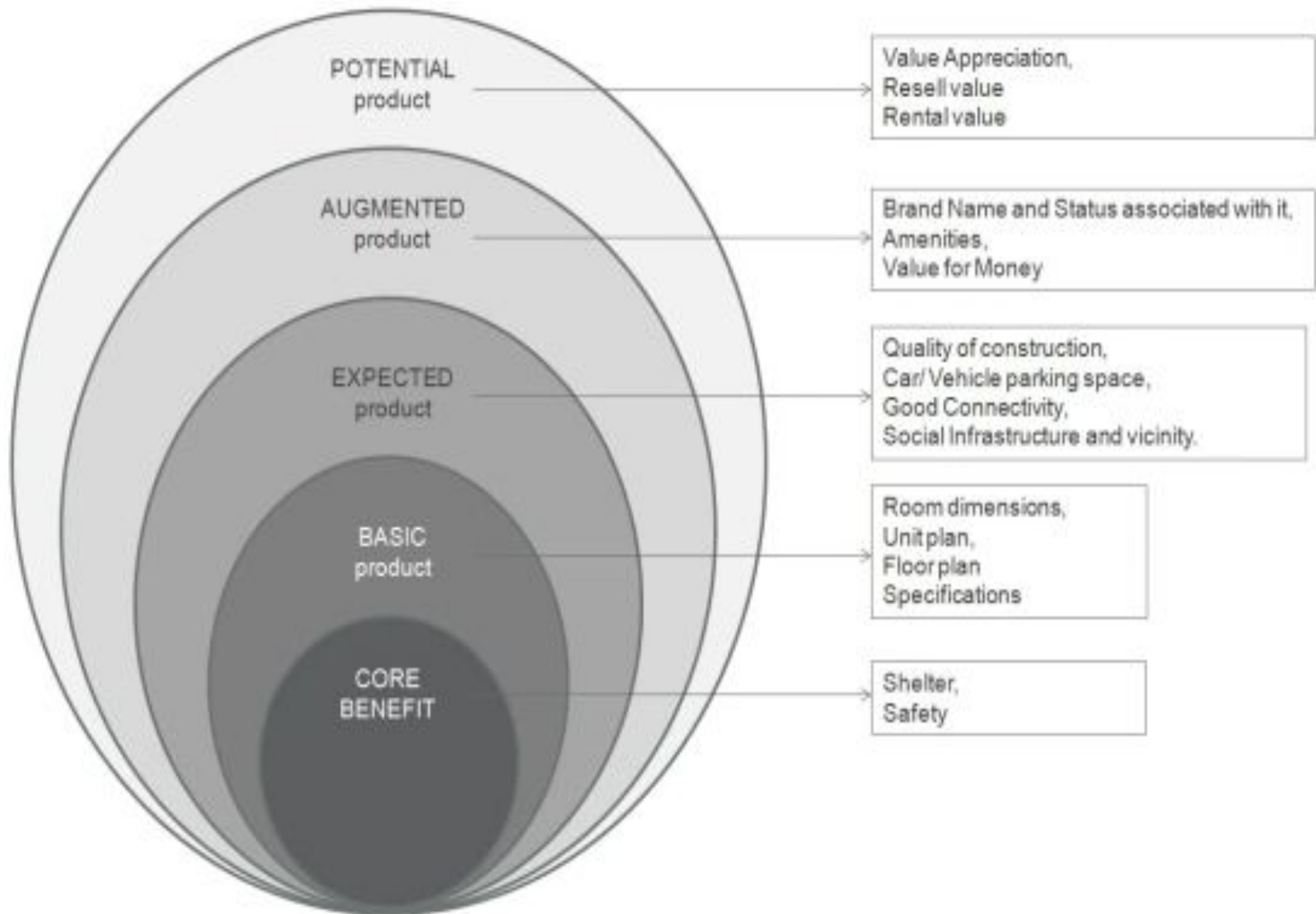
- For an apartment, the construction quality, amenities provided etc.

**4. Augmented Product** – It refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image.

- For an apartment, it will include the builder's brand name, value for money etc.

**5. Potential Product** – It is the augmentations and transformations that the product may undergo in the future.

- For example, the rental value, price appreciation, and re-sell value etc.



## What benefits does the model provide?

- Kotler's Five Product Level model provides businesses with a proven method for structuring their product portfolio to target various customer segments.
- This enables them to analyse product and customer profitability (sales and costs) in a structured way.
- By organising products according to this model, a business' sales processes can be aligned to its customer needs and help focus other operational processes around its customers – such as design and engineering, procurement, production planning, costing and pricing, logistics, and sales and marketing.

# What is a Product?

- Anything that can be offered to a market for attention, acquisition, use or consumption.
- Satisfies a want or a need.

Includes:

- Physical Products
- Services
- Persons
- Places
- Organizations
- Ideas
- Combinations of the above

## Characteristics of Product:

1. Product is one of the elements of marketing mix
2. Different people perceive it differently. Management, society, and consumers have different expectations.
3. Product includes both good and service.
4. Marketer can actualize its goals by producing, selling, improving, and modifying the product.
5. Product is a base for entire marketing programme.

6. In marketing terminology, product means a complete product that can be sold to consumers. That means branding, labeling, colour, services, etc., constitute the product.
7. Product includes total offers, including main qualities, features, and services.
8. It includes tangible and non-tangible features or benefits.
9. It is a vehicle or medium to offer benefits and satisfaction to consumers.
10. Important lies in services rendered by the product, and not ownership of product. People buy services, and not the physical object.

# Consumer good

- A consumer good, also known as a 'final good', is the end product a business produces and is purchased by the consumer.
- For example, microwaves, fridges, t-shirts, and washing machines, are all examples of consumer goods. They are final goods that the consumer purchases.

## Product Classifications : *Consumer Products*

|                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Convenience Products</b> <ul style="list-style-type: none"><li>&gt; Buy frequently &amp; immediately</li><li>&gt; Low priced</li><li>&gt; Many purchase locations</li><li>&gt; Includes:<ul style="list-style-type: none"><li>• Staple goods</li><li>• Impulse goods</li><li>• Emergency goods</li></ul></li></ul> | <b>Shopping Products</b> <ul style="list-style-type: none"><li>&gt; Buy less frequently</li><li>&gt; Gather product information</li><li>&gt; Fewer purchase locations</li><li>&gt; Compare for:<ul style="list-style-type: none"><li>• Suitability &amp; Quality</li><li>• Price &amp; Style</li></ul></li></ul> |
| <b>Specialty Products</b> <ul style="list-style-type: none"><li>&gt; Special purchase efforts</li><li>&gt; Unique characteristics</li><li>&gt; Brand identification</li><li>&gt; Few purchase locations</li></ul>                                                                                                     | <b>Unsought Products</b> <ul style="list-style-type: none"><li>&gt; New innovations</li><li>&gt; Products consumers don't want to think about</li><li>&gt; Require much advertising &amp; personal selling</li></ul>                                                                                             |

## **1. Convenience Products**

- Ex: food, drink, laundry detergent, toilet paper, deodorant, and toothpaste. These goods are all easily available from the local supermarket and consumers purchase them on a daily, weekly, or monthly basis. Hence why they are known as convenience products.

## **2. Shopping Products**

- Ex: furniture, clothing, video games, mobile phones, fridges, and other white goods. These are not so easily accessible as convenience goods such as fruit, vegetables, and cereals. Nor are they so frequently purchased. Therefore the consumer takes more time in deciding.

**3. Specialty :** sports cars, rare paintings, high-spec laptops, rare ornaments, or designer clothing.

Specialty products are naturally unique, but they can also rely on brand recognition

**4. Unsought :** Life insurance is an unsought good. Nobody really wants to think about their death and won't associate any benefits to it, so largely think of it as an unnecessary purchase.

However, aggressive marketing campaigns have increased the awareness of the benefits such as pre-paid funeral care, legal fees, etc.

As a result, such products can turn into 'sought' goods when consumers become aware of the true benefits.

# Industrial product

- An industrial product is a good used by a company for business consumption.
- It is separate from a consumable good, which is purchased by individuals for personal and family consumption.
- One company selling goods to another for business consumption is a primary example of business-to-business, or B2B.

# Classification of Industrial Products

## 1) Materials and Parts:

- **Raw material:** Raw material that has to be manufactured is classified as manufactured materials. Including farm products like cotton, sugar cane, oilseed and natural products such as minerals (gas, iron ore), fish and lumber; and
- **Manufactured material and parts.** These are again of two types – component materials like glass, iron, plastic and component parts such as electric bulb, steering, and battery. These are manufactured parts, and they are the 2nd type in the classification of industrial products.

**2) Capital Items:** To make any manufacturing business or large scale industry possible, capital items are used.

- Used in the production of finished goods.
- They complete in the different manufacturing unit but they can be used whenever they are part of the finished good.

These include:

- installations like elevators, mainframe Computers, and
  - equipment like Hand Tools, Personal Computer, Fax Machines, etc.
- products have different buying motives and have different attitudes and use different approaches in the purchase of the products.

### 3.Supplies and Business Services:

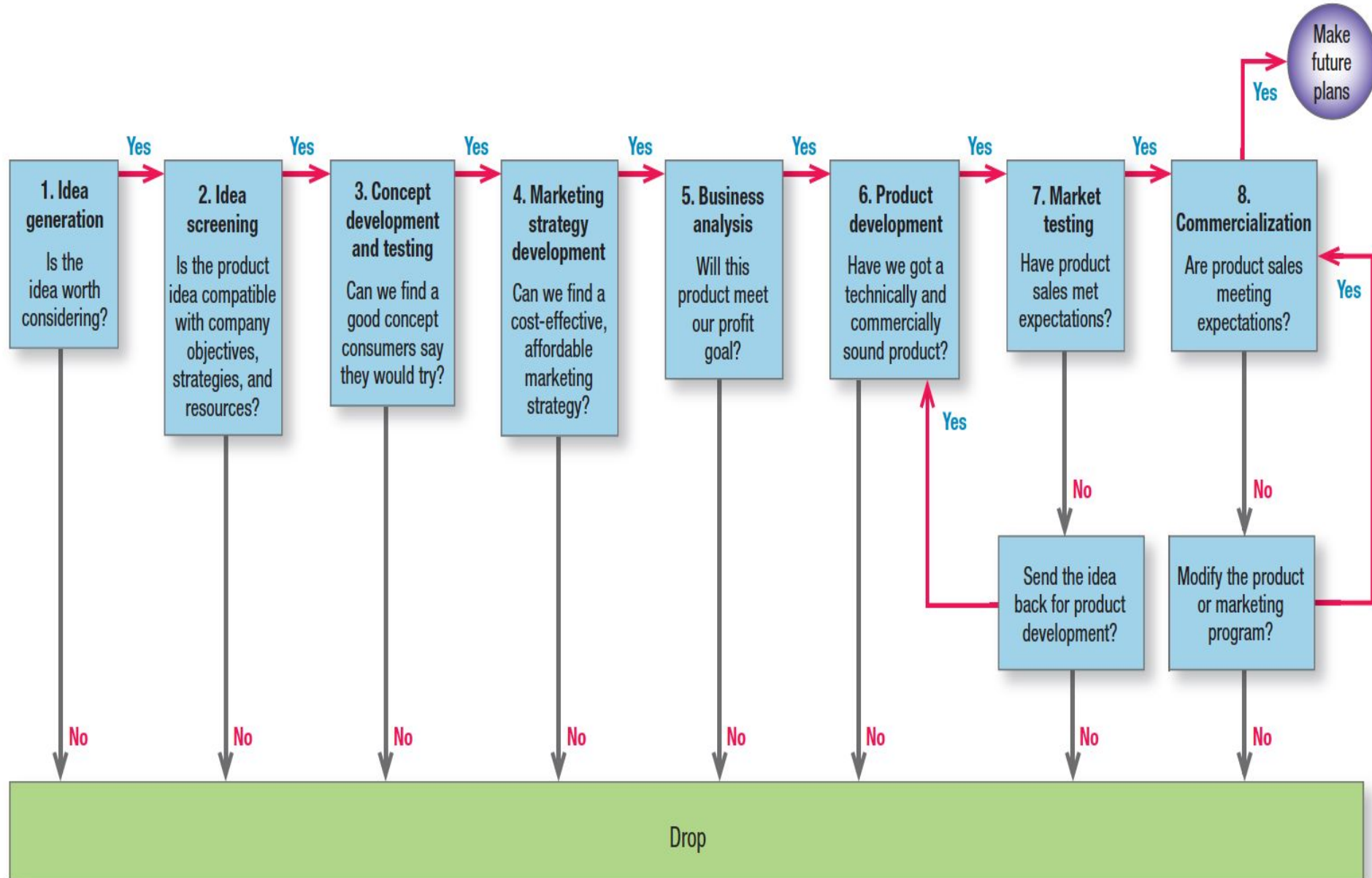
- Any short term goods or material that is necessary for the day to day operations or a company or businesses is termed as supplies.
  - They never become part of the finished goods but they are used to facilitate the business operation.
- Examples are brooms for cleaning the factory floor, stationary, and lubricating oil.

Business services are generally third party services given to businesses and they are in form right now because businesses do not want to spend the time or the energy on getting regular things running.

These include:

- maintenance and repair items like Paint, Nails, etc., and
- operating supplies like Lubricant, Computer stationery, Writing Paper, etc.

# New-Product Development Process



# The Six Categories of New Products

## 1. New-to-the-world Products (*really new Products*)

- The alternative expression for new-to-the-world products (really new products) already indicates that this is what most people would define as a new product. These products are inventions that create a whole new market. Examples: Polaroid camera, the iPod and iPad, the laser printer and so on.

## 2. New-to-the-firm Products (new Product Lines)

- Products that take a firm into a category new to it. The products are not new to the world, but are new to the firm. The new product line raises the issue of the imitation product: a “me-too”. Examples: P&G’s first shampoo or coffee, Hallmark gift items, AT&T’s Universal credit card and so on.

## 3. Additions to existing Product Lines

- These are simple line extensions, designed to flesh out the product line as offered to the firm’s current markets. Examples: P&G’s Tide Liquid detergent, Bud Light, Special K line extensions (drinks, snack bars, and cereals).

#### **4. Improvements and Revisions to existing Products**

- Current products made better. Examples: P&G's Ivory Soap and Tide power laundry detergent have been revised numerous times throughout their history, and there are countless other examples.

#### **5. Repositioning's**

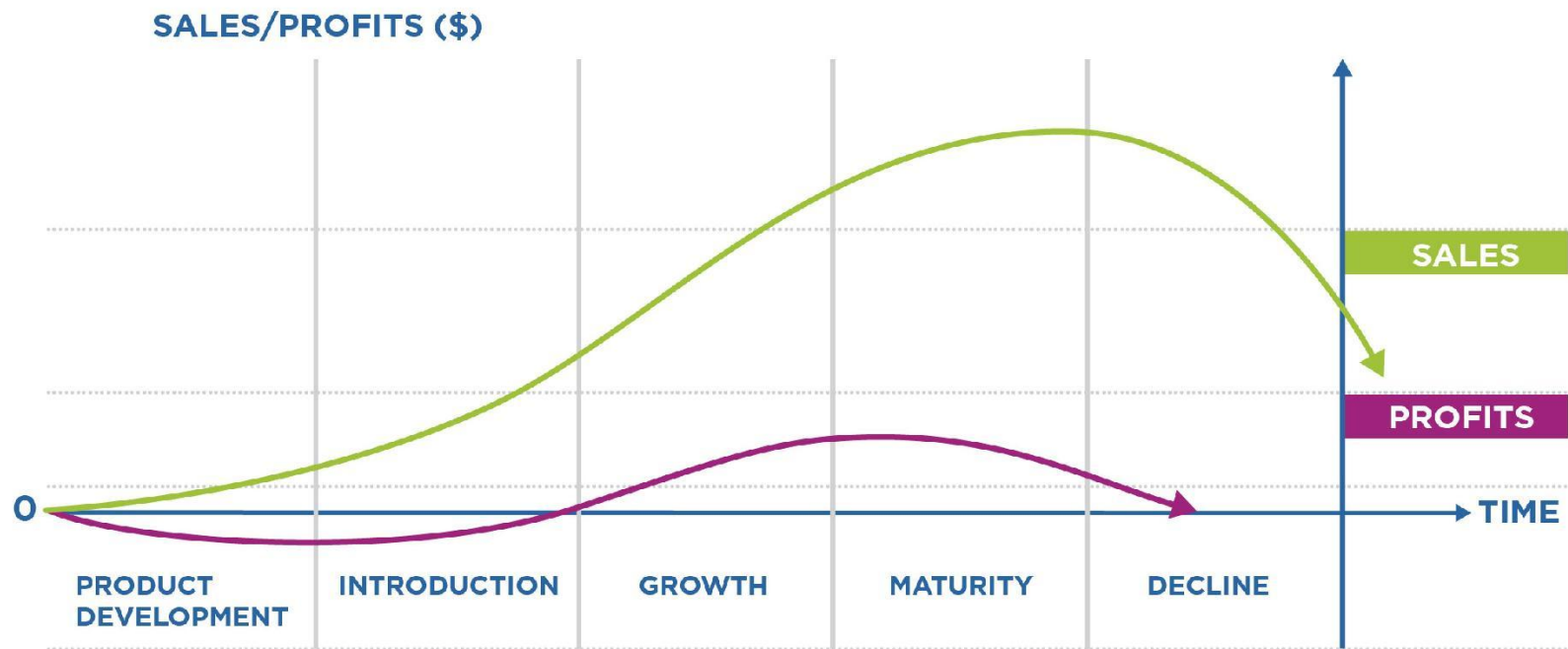
- Repositioning's are products that are retargeted for a new use or application. Examples: Arm & Hammer baking soda repositioned as a drain or refrigerator deodorant; aspirin repositioned as a safeguard against heart attacks. Also includes products retargeted to new users or new target markets. Marlboro cigarettes were repositioned from a woman's cigarette to a man's cigarette years ago.

## 6. Cost Reductions

- Cost reductions refer to new products that simply replace existing products in the line, providing the customer similar performance but at a lower cost. May be more of a “new product” in terms of design or production than marketing.

All the categories of new products are considered new products, but it is clear to see that the risks and uncertainties greatly differ, and the categories need to be managed differently.

# Product Life Cycle (PLC)



**PRODUCT LIFE CYCLE**

## ***Product development***

- Begins when the company develops a new-product idea
- Sales are zero
- Investment costs are high
- Profits are negative

## ***Introduction***

- Low sales
- High cost per customer acquired
- Negative profits
- Innovators are targeted
- Little competition

## Marketing Strategies: Introduction Stage

- *Product* – Offer a basic product
- *Price* – Use cost-plus basis to set
- *Distribution* – Build selective distribution
- *Advertising* – Build awareness among early adopters and dealers/resellers
- *Sales Promotion* – Heavy expenditures to create trial

## ***Growth***

- Rapidly rising sales
- Average cost per customer
- Rising profits
- Early adopters are targeted
- Growing competition

## Marketing Strategies: Growth Stage

- *Product* – Offer product extensions, service, warranty
- *Price* – Penetration pricing
- *Distribution* – Build intensive distribution
- *Advertising* – Build awareness and interest in the mass market
- *Sales Promotion* – Reduce expenditures to take advantage of consumer demand

## ***Maturity***

- Sales peak
- Low cost per customer
- High profits
- Middle majority are targeted
- Competition begins to decline

## Marketing Strategies: Maturity Stage

- *Product* – Diversify brand and models
- *Price* – Set to match or beat competition
- *Distribution* – Build more intensive distribution
- *Advertising* – Stress brand differences and benefits
- *Sales Promotion* – Increase to encourage brand switching

## ***Decline***

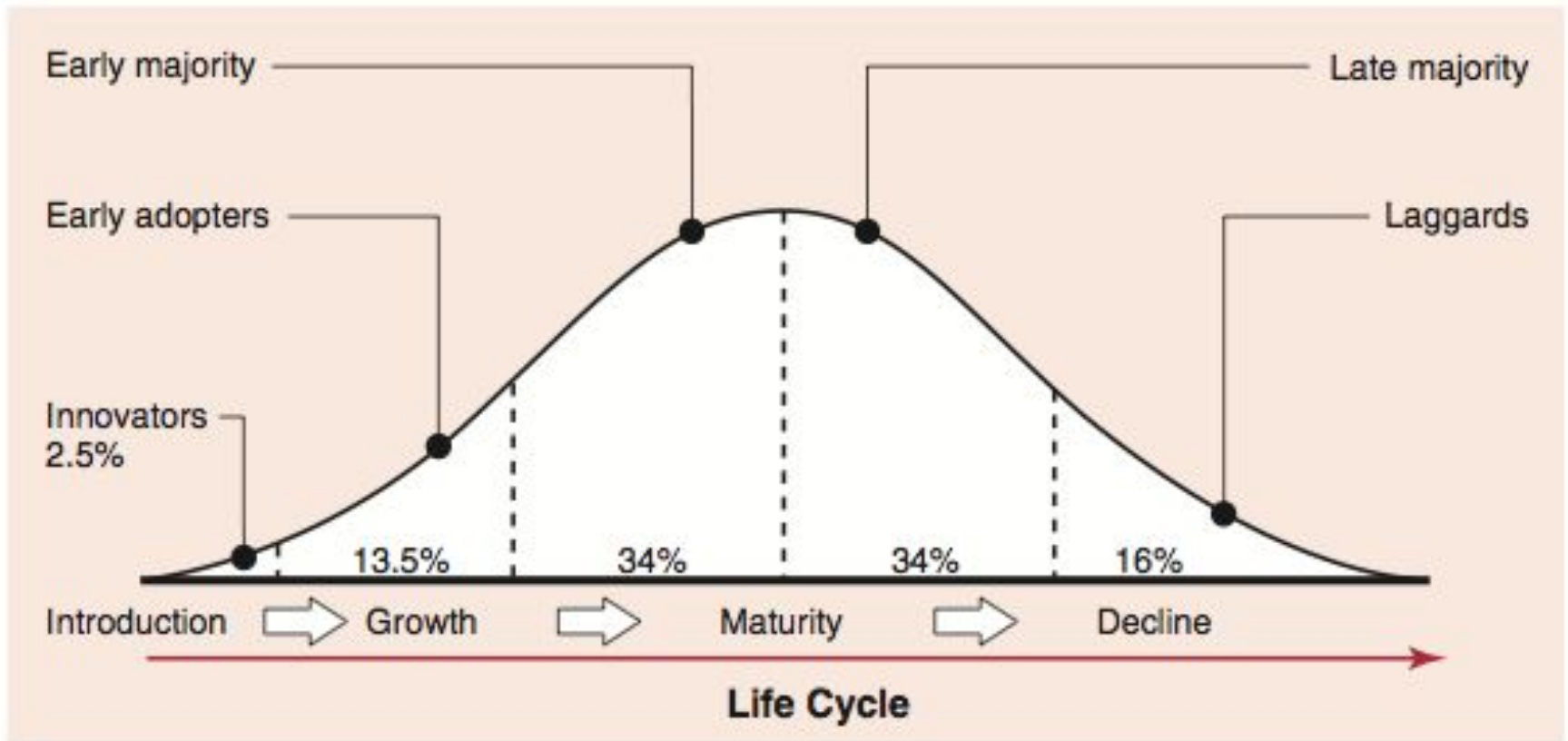
- Declining sales
- Low cost per customer
- Declining profits
- Laggards are targeted
- Declining competition

## Marketing Strategies: Decline Stage

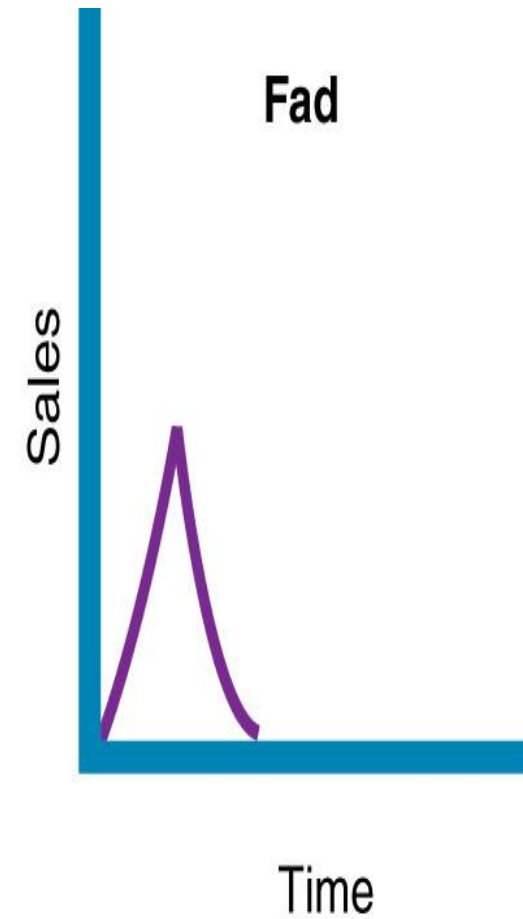
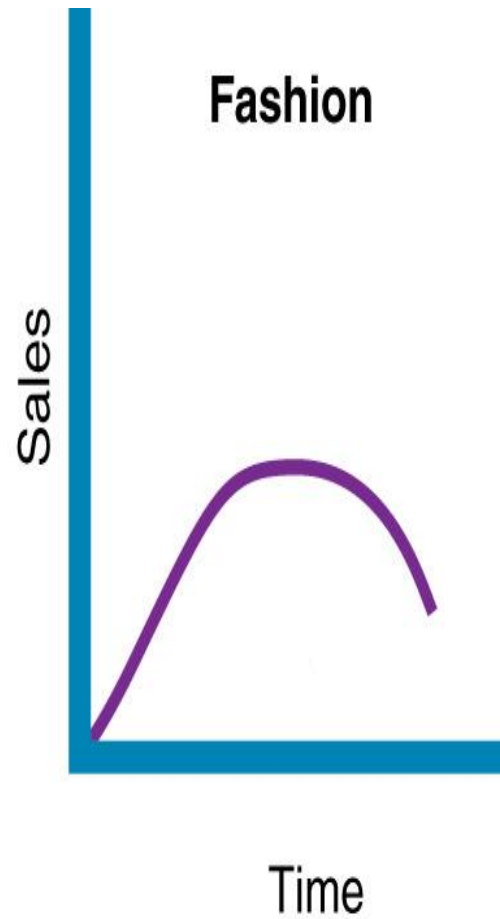
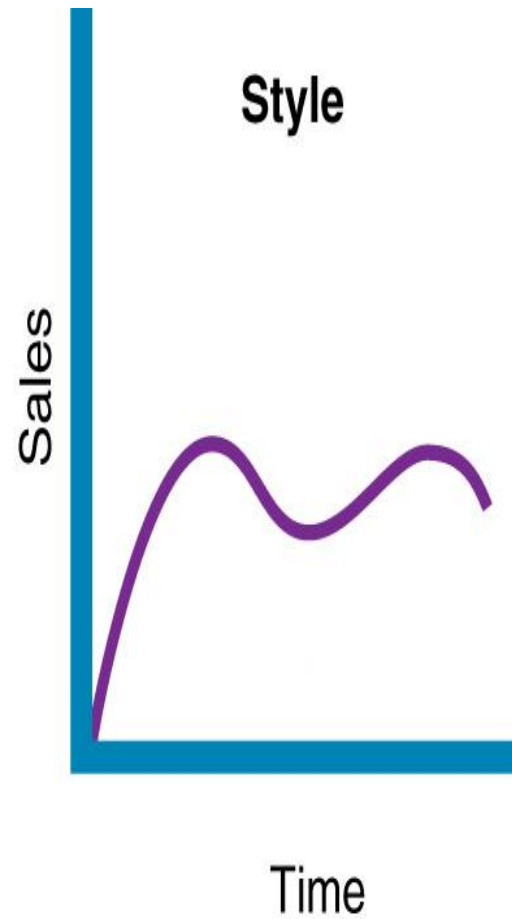
- *Product* – Phase out weak items
- *Price* – Cut price
- *Distribution* – Use selective distribution: phase out unprofitable outlets
- *Advertising* – Reduce to level needed to retain hard-core loyalists
- *Sales Promotion* – Reduce to minimal level

# Diffusion Theory : Adopter Categories

## Diffusion of Innovation Model



- The Typical Product Life Cycle (PLC) Has Five Stages
  - Product Development, Introduction, Growth, Maturity, Decline
  - Not all products follow this cycle:
    - Styles
    - Fashions
    - Fads



## Style

- A style is the manner in which a product is presented and certain styles come and go.
- The current style for mobile phone is touch screen and this style will last until a new technology style appears.
- So the shape of a style product life cycle is like a wave, as one style fades out, another appears.

## Fashion

- A fashion is a current trend or popular style in a particular field.
- A fashion can have a long or short product life cycle.
- Certain clothing fashions last for a short period and the product life cycle will decline very rapidly, whilst others will decline slowly or even turn into what is known as a timeless classic product life cycle.

## **Fad**

- A fad is a product that is around for a short period and is generated by hype.
- For a fad product sales peak very quickly, as this product has a very short product life cycle.
- Sometimes a product may follow the standard product life cycle but have one stage of the product life cycle which has a fad type of unusually high peak in sales.

## Ansoff Matrix

- An analytical tool that helps managers to devise their product and market growth strategies
- It shows the various strategies that a business can take depending on whether it wants to market new or existing products or enter new or existing markets

# The Matrix

Products

Markets

|          | Existing           | New                 |
|----------|--------------------|---------------------|
| Existing | Market Penetration | Product Development |
| New      | Market Development | Diversification     |

# Market Penetration

- Low risk growth strategy
- Focus on selling existing goods in existing markets
- Business focuses on products and markets it is familiar with
- Market research is therefore minimized
- Reaction time of competitors is quick

# Product Development

- Medium risk strategy
- Selling new products in existing market
  - Apple iPhone and McDonalds are two companies (products) that use this method
- Product extension strategies and new product development
- Products may have reached the end of their useful life
- Reasons to acquire other companies

# Market Development

- Medium risk growth strategy
- Selling existing products in new markets
- Using new distribution channels; changing the price; appealing packaging
- The success of a product in one country does not necessarily guarantee success in another

# Diversification

- High risk growth strategy that involves marketing new products in new markets
- Risk is spread over several products
- Development of larger controlling companies (parent company)
- Business is usually not familiar with the product's success in different markets

# **Services, Characteristics of Services, 7 P's of Service Marketing, Service delivery Process**

# Services

- Services refers to **intangible offerings** that are delivered through interactions, experiences, or expertise rather than physical goods.

- **Examples of Services**

Healthcare consultations

Education and training programs

Hospitality (hotels, restaurants)

Financial services (banking, insurance)

IT and professional consulting

# The Nature of Services

- Service
  - Any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything



## Characteristics of Services

Intangibility

Inseparability

Variability

Perishability

# The 7Ps of Services Marketing

- **Traditional Marketing Mix Applied to Services**
  - Product
  - Place
  - Price
  - Promotion
- **Extended Marketing Mix for Services**
  - Process
  - Physical Environment
  - People

## Service delivery process

- The service delivery process refers to the structured sequence of activities through which a service provider interacts with a customer to deliver a service that meets expectations.

# Blueprint for Overnight Hotel Stay

