Chapter 10
Setting Product Strategy and Marketing through the Life Cycle

Chapter Questions
• What are the characteristics of products, and how do marketers classify products?
• How can a company build and manage its product mix and product lines?
• How can companies use packaging, labeling, warranties, and guarantees as marketing tools?
• What are the main stages in developing and managing new products?
• What factors affect the rate of diffusion and consumer adoption of new products?
• What marketing strategies are appropriate at each product life-cycle stage?

Product
• Anything that can be offered to a market to satisfy a want or need, including:
  • Physical goods
  • Services
  • Experiences
  • Events
  • Persons
  • Places
  • Properties
  • Organizations
  • Information
  • Ideas
Five Product Levels

- Core benefit
- Basic product
- Expected product
- Augmented product
- Potential product

New Product Classification

Product Classifications

- Durability and tangibility:
  - Nondurable (for current consumption)
  - Durable (lasts for more than one period, treated as an asset)
  - Services (hair cut, tax advice)

- Consumer goods ( Classified by shopping habits and end user of products):
  - convenience goods (minimum effort: newspaper, toilet tissue)
  - shopping goods (food, furniture)
  - specialty goods (cars)
  - unsought goods (directed sound waves)

- Industrial goods:
  - Materials and parts (wheat, oil, coal, harddrive, printer)
  - Capital items (machineries, plant building, trucks, computers)
  - Supplies and business services (maintenance and repairs)
Product Mix Dimensions

- Width: number of product lines
- Length: total number of items in mix
- Depth: number of product variants
- Consistency: degree to which product lines are related

Product Scope Illustration

<table>
<thead>
<tr>
<th>Business Areas</th>
<th>Product Mix (W)</th>
<th>Product Line (L)</th>
<th>Specific Product Attributes</th>
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<tbody>
<tr>
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<tr>
<td>Heating and air conditioning equipment</td>
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<td>Household appliances</td>
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<td>Vending and dispensing equipment</td>
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<td>Freezers and refrigerators</td>
<td>Conventional ovens</td>
<td>Microwave ovens</td>
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<tr>
<td></td>
<td>Ranges and ovens</td>
<td>Ranges and ovens combinations</td>
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<td></td>
<td>Washers and dryers</td>
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<td>Durability</td>
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Product-Line Analysis

- Evaluate sales and profits associated with each item in product line.
- Evaluate line positioning relative to competition.
- Decide whether to build, maintain, harvest, or divest.
Product-Line Length
- **Line stretching**—occurs when a firm lengthens its product line beyond the current range.
- Down-market stretch—introduce a lower-priced line.
- Up-market stretch—enter the high end of the market.
- Two-way stretch—product lines in both directions.

Line Modernization, Featuring, and Pruning
- Modernization—happens continuously in rapidly changing product markets.
- Featuring—used to boost demand for slower sellers.
- Pruning—identifying weak items through sales and cost analysis.

Co-Branding and Ingredient Branding
- **Co-branding**—two or more well-known brands are combined into a joint product and/or marketed together in some fashion.
  - Same-company
  - Joint-venture
  - Retail
  - Multiple-sponsor
- **Ingredient branding**—a special case of co-branding that involves creating brand equity for materials, components, or parts that are necessarily contained within other branded products.
Packaging and Labeling

- Packaging includes: primary, secondary package, shipping
- Factors that have influenced the increased use of packaging as a marketing tool:
  - Self-service, consumer affluence, image, convenience
- Developing an effective package:
  - Determine the packaging concept
  - Determine key package elements
- Testing: EVDC
- Labeling functions (identify, grade, describe, and promote)
- Legal restrictions impact packaging for many products (date, grade, %)

New-Product Development Process: Ideas to Commercialization

Customer Needs Analysis

Idea Generation

Competition Analysis

Screening And Evaluation

Marketing Strategy Development

Business Analysis

Testing

Product Development

Commercialization

See Figure 10.2, page 176

Consumer Adoption Process

- Adopters of new products move through five stages:
  - Awareness
  - Interest
  - Evaluation
  - Trial
  - Adoption

- People adopt new products at different rates:
  - Innovators
  - Early adopters
  - Early majority
  - Late majority
  - Laggards
Factors Influencing Adoption Rate
- Relative advantage
- Compatibility
- Complexity
- Divisibility
- Communicability

Marketing Through the PLC
Sales, Costs, Profits, Customers, Competitors

<table>
<thead>
<tr>
<th>Stage</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
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<tbody>
<tr>
<td>Sales</td>
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<td>Profit</td>
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Strategy:
- Create awareness
- Build share
- Control costs
- Harvest or rejuvenate
- Rapid takeoff
- Rapid acceleration
- Max penetration
- Milk

Marketing Strategies: Introduction Stage and the Pioneer Advantage
- Inform potential consumers
- Induce product trial
- Secure retail distribution
**Marketing Strategies: Growth Stage**
- Improve quality, add new features, and improve styling
- Add new models and flanker products
- Enter new segments
- Increase distribution coverage and enter new channels
- Shift from product-awareness to product-preference advertising
- Lower prices to attract the next layer of price-sensitive buyers

**Marketing Strategies: Maturity Stage**
- Market modification—expand the market by increasing the number of users and usage rates.
- Product modification—improve quality, feature, or style.
- Marketing program modification—modify elements such as prices, distribution, advertising, sales promotion, personal selling, and services.

**Marketing Strategies: Decline Stage**
- Harvest
- Divest
- Liquidate