

Marketing mix: Product

By Sarah Azhar



Marketing Mix (Product)

- Product is the **good or service being produced and sold in the market**. This includes all the features of the product as well as its final packaging.
- Types of products include: consumer goods, consumer services, producer goods, producer services.

What makes a successful product?



It satisfies existing needs and wants of the customers



It can stimulate new wants from the consumers



Its design – performance, reliability, quality etc. should all be consistent with the product's brand image



It is distinctive from its competitors and stands out



It is not too expensive to produce, and the price will be able to cover the costs

Product development

1. **Generate ideas:** the firm brainstorms new product concepts, using customer suggestions, competitors' products, employees' ideas, sales department data and the information provided by the research and development department
 2. **Select the best ideas for further research:** the firm decides which ideas to abandon and which to research further. If the product is too costly or may not sell well, it will be abandoned
 3. **Decide if the firm will be able to sell enough units for the product to be a success:** this research includes looking into forecast sales, size of market share, cost-benefit analysis etc. for each product idea, undertaken by the marketing department
 4. **Develop a prototype:** by making a prototype of the new product, the operations department can see how the product can be manufactured, any problems arising from it and how to fix them. Computer simulations are usually used to produce 3D prototypes on screen
 5. **Test launch:** the developed product is sold to one section of the market to see how well it sells, before producing more, and to identify what changes need to be made to increase sales. Today a lot of digital products like apps and software run beta versions, which is basically a market test
 6. **Full launch of the product:** the product is launched to the entire market
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Advantages of product development



Can create a **Unique Selling Point (USP)** by developing a new innovative product for the first time in the market. This USP can be used to charge a high price for the product as well as be used in advertising.



Charge higher prices for new products (price skimming as explained later)



Increase potential sales, revenue and profit.

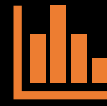


Diversification for the business, giving it a broader range of products to sell.



It allows business to expand into new or existing markets.

Costs of developing new products



Costs of carrying out market research and analyze the findings



Costs of producing trial products, including costs of wasted materials.



Lack of sales if target market is wrong



The loss of company image if new product fails to meet customer needs.



Importance of brand image

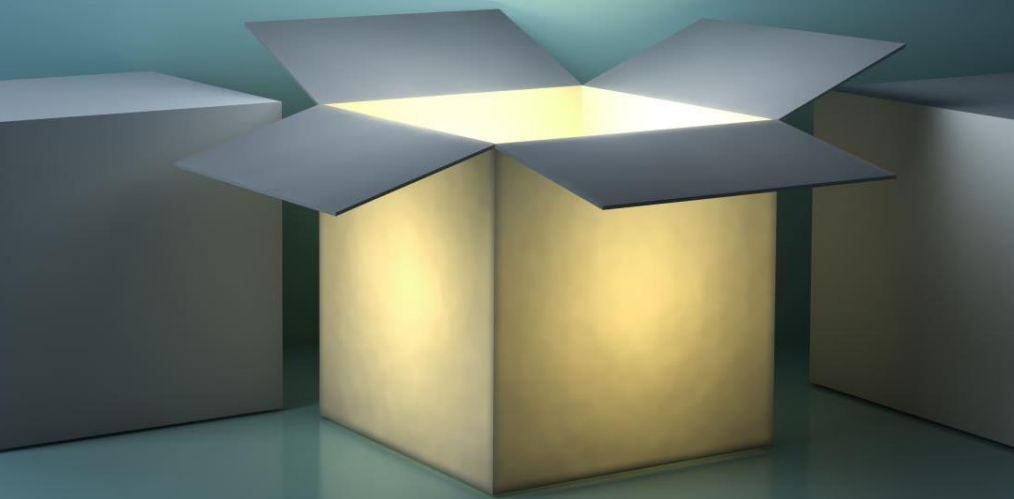
- Brand name is the unique name of a product that distinguishes it from other brands.
- Brand image is an identity given to a product that differentiates it from competitors' products.
- **Brand loyalty** is the tendency of customers to keep buying the same brand continuously instead of switching over to competitors' products.
- Consumers **recognize the firm's product more easily** when looking at similar products- helps differentiate the company's product from another.
- Their product can be **charged higher** than less well-known brands – if there is an established high brand image, then it is easier to charge high prices because customers will buy it nonetheless.
- **Easier to launch new products** into the market if the brand image is already established. Apple is one such company- their brand image is so reputed that new products that they launch now become an immediate success.

Packaging

Packaging is a physical container or wrapping for product. It is also used for promotion or selling appeal.

Why is **packaging** important?

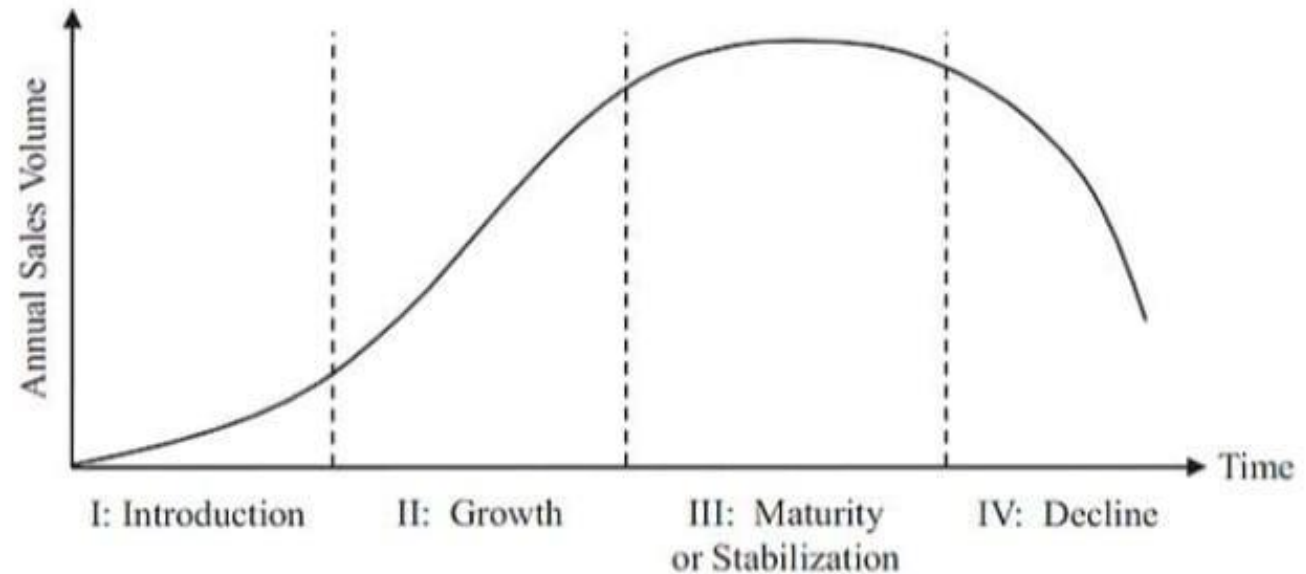
- It protects the product
- It provide information about the product (its ingredients, price, manufacturing and expiry dates etc.)
- To help consumers recognize the product (the brand name and logo on the packaging will help identify what product it is)
- It keeps the product fresh



Product life cycle

Product life cycle describes the stages as product will pass through from its introduction, through its growth, until its mature and finally its decline.

At these different stages, the product will need different marketing decisions/strategies in terms of the 4Ps.



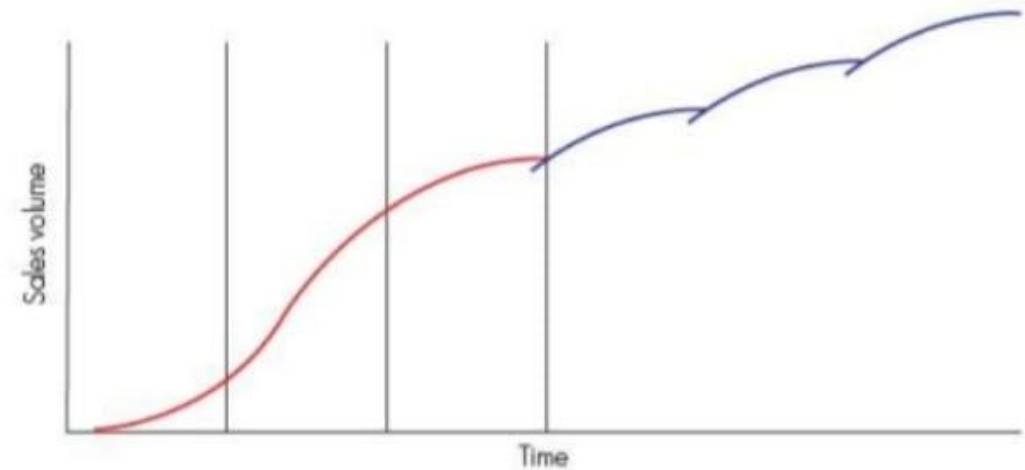
Product life cycle

	Introduction	Growth	Maturity	Decline
Product	Only a basic model of the product is available	Changes might be made to the product as a result of feedback from consumers	Extension strategies might be used to maintain sales	The product and packaging is not altered
Price	Price skimming is unique new product; market penetration pricing otherwise	Pricing may be adjusted- lower prices to attract more sales or keep a high price to maintain brand image	Competitive pricing to maintain sales	The price might be reduced – promotional selling to maintain sales
Promotion	High advertising activity to boost customer awareness	Promotional activity still high to continue persuading customers	Promotional activities are aimed at reminding the customers that the products are still available	Advertise the products at a lower price
Place	The product may be offered for sale in specially selected outlets	The product is more widely available, which helps to increase sales	The product is available for purchase through a wide distribution network	The product is only available in profitable outlets

Extending the product life cycle

Extension strategy is a way of keeping a product at the maturity stage of the life cycle and extending the cycle

The effect on the PLC of a product of a successful extension strategy:



Strategies to extend product life cycle

1

Introduce new variations of the original product

2

Sell into new markets

3

Make small changes to product's design, color or packaging

4

Use a new advertising campaign

5

Introduce a new, improved version of the old product

6

Sell through additional different retail outlets