

CH8 PRODUCT, SERVICES, NEW PRODUCT DEVELOPMENT, PRODUCT LIFECYCLE STRATEGIES

We will also look at midterm highlights:

- Competitive advantages
- The two videos on positioning.
- The slide on “which differences to promote” in the differentiation and positioning chapter.
 - Ex: communicable. It should be able to deliver the message of the competitive advantage to consumers.
 - Ex; preemptive: should not be copiable by competitors
 - Ex: profitable: The price should \leq what the cust is willing to pay AND $>$ cost of production
- We look at the slide on “ selecting overall positioning strategy”
 - Ex: more for more: an example is a luxury product, luxury products have more performance as well as prestige, (therefore social value). Customers that want this are generally not price sensitive.
 - Drawbacks: usually the first movers take this strategy. Therefore it is vulnerable to the second mover competitors who can watch the first movers succeed or fail...and copy the good stuff.
 - Ex: More for the same: Lexus cars. Lexus cars offer a nice quality car for the same price as an upmarket non-luxury car. Relative to BMW, Lexus is inexpensive.
 - Ex: same for less: Walmart/Costco.
 - Ex: less for much less: dollarama
 - More for less is the most attractive strategy. It is the winning value strategy. It is not possible to maintain this strategy long term for obvious reasons...you make no profit.

We move to CH8 now.

- We will get the definition of a product: on the slides
- We will talk about the 4 characteristics of services that distinguish them from tangible products.
- Definition of the product.
- There are 4 marketing tools: product, price, place and promotion. This session will focus on product.
- Product is a broad term...more than just a tangible physical item. We include service in our definition. Ex: when you buy insurance it is a service but we will call it a product.
 - A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.
 - Includes services

- An activity/benefit offered for sale that is essentially intangible and does not result in the ownership of anything.
- The product-extreme continuum graph is on the slides.
 - A company's market offering is frequently a mix of both tangible goods and services (ex: the salesman at the store is giving you a service when you buy an item).
 - Beyond simply making products, companies are creating *customer experiences*.
- We watch a video on customer experience management.
- There are levels:
 - Products are differentiated based on experience in acquiring and using them. The 3 levels are "core", "actual" and "augmented". FIG 8.1 is relevant.
 - Ex: augmented: how the company updates the product.
- Based on the type of customer, the products can be classified as "consumer" or "industrial".
 - Consumers are buying for final consumption whereas industrial customers are buying intermediate parts.
 - Consumer products are classified based on *how* consumers go and buy them.
 - Convenience products are those that consumers buy frequently and immediately without immediate comparison and buying effort. Ex: coffee, fast food.
 - Shopping products, relative to convenience products are less frequently purchased. Ex: furniture.
 - Specialty: ex: apple products. Consumers don't compare. They follow those brands which they are loyal to.
 - Unsought products: pre-planned funeral services. Life insurance.
 - Industrial products are purchased for the purpose of conducting business. Ex: lawnmowers are consumer products for individuals, but they are industrial products for landscaping businesses.
 - Materials:
 - Capital items: major purchases such as buildings, factories, large computer systems, accessory items like computers
 - Supplies and services: operating supplies like paper, staples, pen, computer repairs when your computer(s) go wrong.
- Influence of product characteristics on the rate of adoption:
 - See slide'
- Technology adoption lifecycle: Figure 8.2 in slide
 - The first two segments are composed of risk-takers.
 - Early majority is more price sensitive and the late majority is the group of people who wait for a product to be *proven*. Laggards are not an interesting segment for marketers...they are not profitable.
 - We watch a video about this innovation diffusion graph.
- What about the new product **development** process?
 - Figure 8.3. The 8 steps of idea generation
 - Idea generation:

- External and internal sources.
 - External sources are customers, competitors, distributors and suppliers. Employees such as engineers and salespeople are also sources of idea generation. Competitors, distributors and suppliers all have an idea of what the consumers want and need. When they have better knowledge of customers than you, they are worth studying. By taking apart competitor products you can identify what to do with your own products. There are many, many external sources for product development ideas.
 - The customers themselves are the most important source of ideas for customers.
 - Internal sources: For example, the salespeople are in constant contact with the customers and so they would understand them well.
 - Crowdsourcing is a popular way to generate ideas from customers...we create a team from customers, distributors, suppliers, and employees and brainstorm new product ideas. We include customers in these teams of engineers/specialists/workers.
- Idea screening.
 - Filter out bad ideas, keep the good ones.
 - Describe the product, target market, and competition
 - Estimate market size, price, development time and costs...is it in line with the abilities and goals of the company? Ex: BMW does not have the money to grow into the budget automobile segment because of how much volume they would have to produce (per car costs are cheap but remember they have to make a ton of them), so this idea is filtered out.
- Concept development testing
 - Product concept: providing the idea in more detail, such that it is meaningful in the language of consumers. They try to make their idea realistic.
 - Concept testing: Once we have the concept done, we test it with the potential customers and collect their feedback.
- Marketing strategy development: consists of 3 parts
 - 1) Describe the target market, planned value proposition...see slide for full def.. They try to estimate the attractiveness of the product based on the value that is given to the customers.
 - 2) Outline the product's planned price, distribution, and marketing budget.
 - 3) Describe the planned long-run sales and profit goals, marketing mix strategy.
- Business Analysis. The focus is on the financial attractiveness of the ideas. Using primary and secondary data we create the sales, costs and profit projections. We review this info. Positive review of this info -> triggers development.

- Also, we have to estimate the cost of production, R&D, Marketing...and then take an estimate for the net profit (net of these costs just mentioned).
 - Product development
 - In this step we develop the concept into a prototype. Then we test the prototype and get the feedback and questions of the users.
 - The next step is test marketing.
 - Test marketing: the product is introduced in a realistic market and gains experience before going into an expensive full introduction.
 - Ex: for Starbucks coffee, the company spent 8 months testing a new coffee in a Starbucks shop in two cities before introducing this product in all Starbucks.
 - Commercialization: full scale introduction (very costly, only do this when you are certain) into the market.
- Service Marketing:
- Special characteristics of services:
 - Intangibility: you cannot test/taste/try the product before consumption. Because of this is very uncertain for buyers. Buyers do not know the quality of what they are getting so they look for some signals: reputation, customer reviews, place, price, visible equipment that is used (is it bad equipment? Good equipment?).
 - Variability: the quality may differ with which employee provides it, when where and how.
 - Inseparability: --professor unclear-- ASK HIM
 - Perishability: Services cannot be stored for sale or use at a later time...they have to be used at a certain date, which is why we call them perishable.
- Service profit chain: in service marketing the value is co-created by the customers and the employees. This is why we include *internal* service quality; a good working environment makes satisfied employees, they are more productive, which in turn makes customers satisfied via better service. Satisfied customers are loyal. They repeat purchases and refer other customers, this in turn raises profits and leads to growth.

This chapter is done except for the product lifecycle which we cover after the midterm.