

## Chapter 12 Product

### Key terms

1. Marketing mix: is a term which is used to describe all the activities which go into marketing a product or service. These activities are often summarized as the four Ps- product, price, place, and promotion.
2. Unique Selling Point(UPS): the special feature of a product that differentiates it from the products of competitors.
3. Brand name: the unique name of a product that distinguishes it from other brands.
4. Brand loyalty: when consumers keep buying the same brand again and again instead of choosing a competitor's brand.
5. Brand image: an image or identity given to a product which gives it a personality of its own and distinguishes it from its competitors' brands.
6. Packaging: the physical container or wrapping for a product. It is also used for promotion and selling appeal.
7. The product life cycle: the stages a product will pass through from its introduction, through its growth until it is mature and then finally its decline.

1. **Marketing strategy**: a plan to combine the right combination of the four elements of the marketing mix for a product or service to achieve a particular marketing objective.

**Marketing mix**: describe all activities involving selling products and services. It involves products, price, place and promotion.

2. **The costs and benefits of developing new products**

Costs and benefits of developing new products	
Advantages	Disadvantages
<ul style="list-style-type: none"><li>• The business will be first into the market by developing Unique Selling Point (USP) [the special feature of a product that differentiates it from the products of competitors]</li><li>• Business can sell a broader range of products to diversify risks.</li><li>• Business can expand into new markets.</li><li>• It may allow the business to expand into existing markets</li></ul>	<ul style="list-style-type: none"><li>• The costs of carrying out market research and analysing the finding</li><li>• The costs of producing trial products including cost of wasted material</li><li>• Lack of sales if the target market is wrong.</li><li>• Loss of company image if a new product fails to meet customer needs and wants.</li></ul>

3. **Brand image; impact on sales and customer loyalty**

**Product** : what to produce in order to respond demand

- **Brand name**: the unique name of the products that distinguishes it from others in order to be easy to remember. It creates perception to customers that the product has high quality and standard.
- **Brand image**: is an image or identify given to a product which gives it a personality of its own and distinguishes it from competitors.

- **Brand Identity:** company created to reflect value of the company e.g. color/slogan etc.
- **Brand loyalty:** keep buying products even if they have competitors.

### **The importance of brand image**

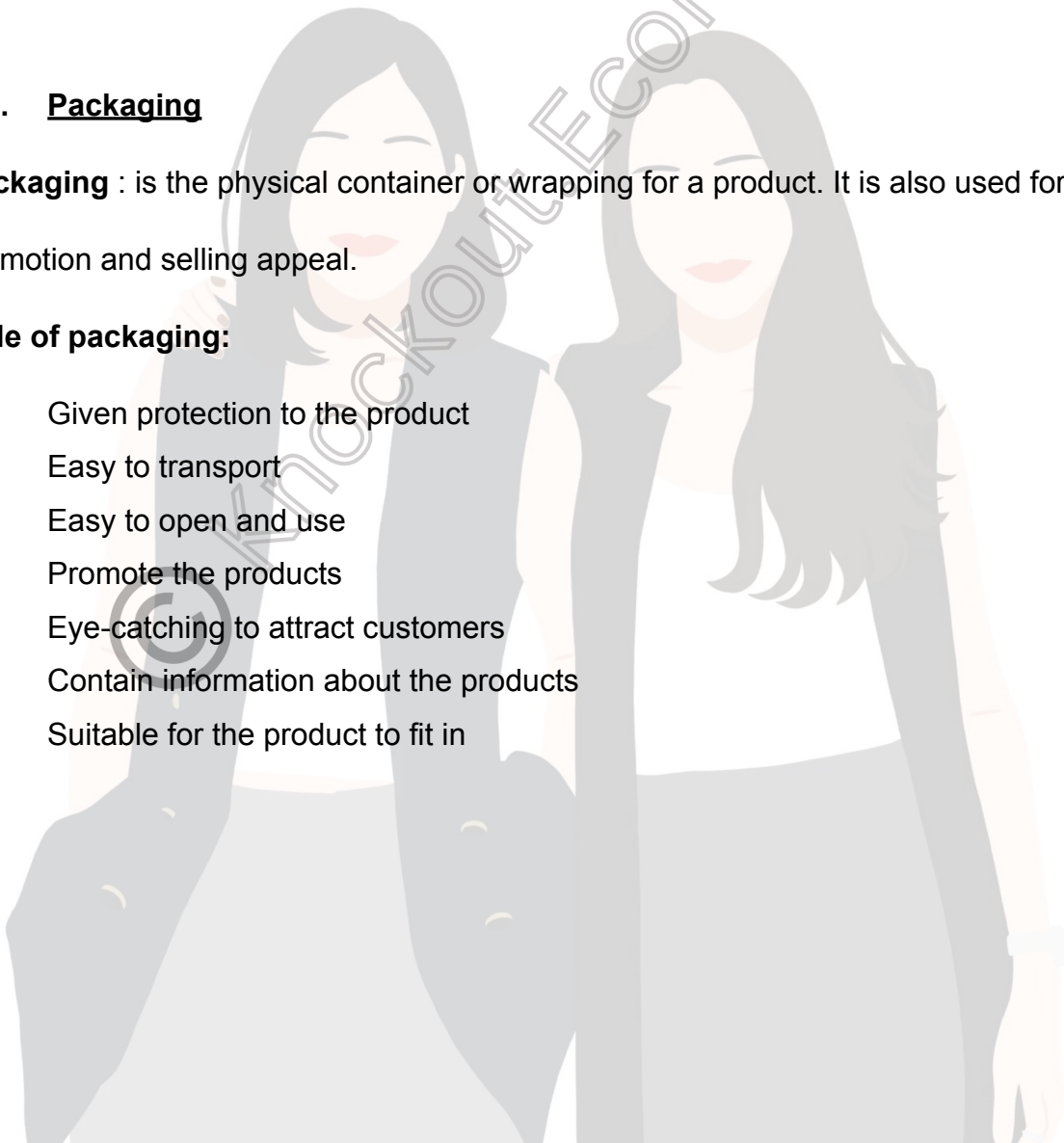
- Branded products normally have higher quality and they can be sold at a higher price than unbranded products.
- Branded products are assurance of a standard quality that makes consumers confident in buying brand products.
- This can be used to keep customers buying by developing brand loyalty.
- This might have unique packaging which will attract more consumers.

### **4. Packaging**

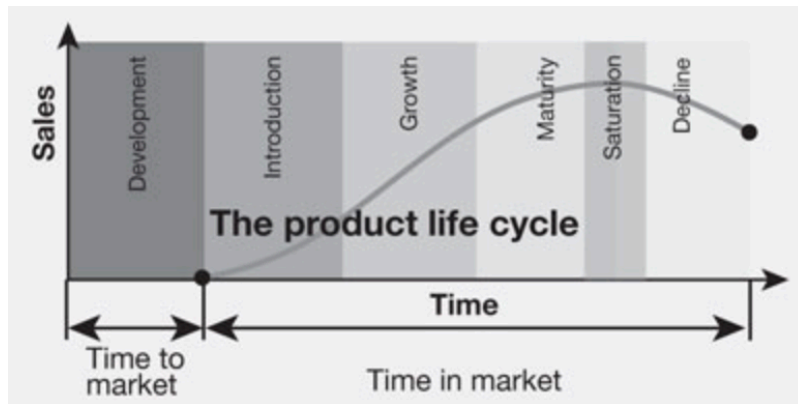
**Packaging** : is the physical container or wrapping for a product. It is also used for promotion and selling appeal.

#### **Role of packaging:**

- Given protection to the product
- Easy to transport
- Easy to open and use
- Promote the products
- Eye-catching to attract customers
- Contain information about the products
- Suitable for the product to fit in



5. **The product life cycle :** products do not last forever. A typical cycle for a product is as follows :



**5.1 Development Stage :** The prototype will be tested and market research carried out before the product is launched on the market.

**5.2 Introduction Stage:** just launch products in the market.

- Sales revenue will grow slowly at first.
- Informative advertising is used
- Price skimming might be used if a product is new to the market.
- No profit since development costs have not yet been covered.

**5.3 Growing Stage**

- Sales start to grow rapidly because of better reputation.
- Persuasive advertising is used
- Prices are reduced since there are higher competitors.
- Profits are made because development costs are covered.

**5.4 Maturity Stage**

- Sales growth increases at a declining rate.
- Intense competition.
- Using competitive or promotional pricing strategies.
- Profits are at the highest.
- Firm needs to develop new products.

### 5.5 Saturation Stage

- Sales is at the highest point.
- Competition is high but no new competitors.
- Using competitive pricing.
- Profit starts to fall because of a drop in sales and a fall in selling price.

### 5.6 Decline Stage

- Sales and price decrease.
- Advertising is reduced and then stopped.
- The product will usually be withdrawn from the market.

### 6. How stages of the product life cycle can influence marketing decisions.

Stages	Product	Price	Promotion	Place
<b>Introduction</b>	Newly launched product	Skimming or penetration pricing	Informative Advertising	Limited range of exclusive shops if skimming
<b>Growth</b>		Raise price if penetration pricing was used initially	Establish strong brand image by promotional	Increase range of outlets / E-commerce
<b>Maturity/ Saturation</b>	Plan for product changes or start development of new product	Lower price to remain competitive and to extend	Sales promotion techniques to encourage	Full range of distribution channels used

<b>Decline</b>	Adapt product to extend its life	Lower price as customers will be attracted by competitors' newer products	Relaunch the product as a form of extension strategy	Sell mainly through lower cost distribution outlets
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**7. Extending the product life cycle**

When a product reaches the maturity, the business may adopt extension strategies to boost sales again. Extension strategies includes e.g. Introducing new version of the original product, Creating a new advertising campaign, Selling in new market, Changing products' design, Selling in different retail shops

