

## Chapter36

### Product

#### Overviews

1. What is meant by marketing mix
2. The development of new product/service
3. The difference between goods and services
4. The role played by packing and its importance
5. The product life cycle
6. How the product portfolio is managed and reviewed (Boston matrix)

#### 1. Marketing mix:

is a term which is used to describe all the activities which go into marketing a product or service to meet the needs of customers. These activities are often summarized as the four Ps- product, price, place, and promotion.

#### 2. Product development

##### Process of developing new products

1. **Generate ideas**
2. **Analysis;** deciding whether products are marketable, technically possible, a fit with portfolio.
3. **Development;** developing samples
4. **Test marketing;** testing the product in small section of the total market.
5. **Commercialisation and launch;** press conferences to launch their products.

#### 3. Goods and services

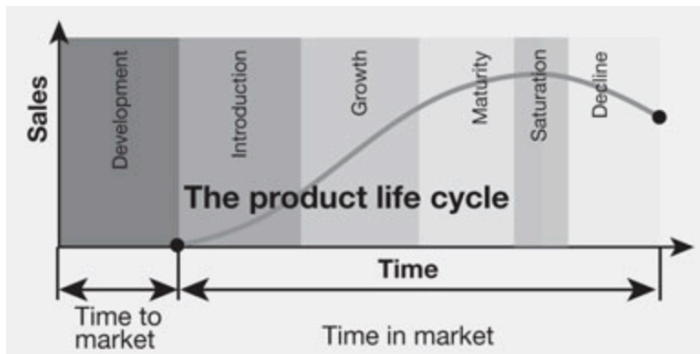
- **Products** : goods and services produced by businesses.
- **Consumer goods** : such as clothes, phone, food
- **Producer goods** : such as machines, tools and equipment

#### 4. Packaging

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

## 5. The product life cycle

**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 until the product becomes known.
- Price skimming might be used if a product is new to the market.

**5.3 Growing Stage**

- Sales start to grow rapidly because of better reputation.
- Persuasive advertising is used to encourage customers to buy.
- 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.
- A lot of advertising is used to maintain sales growth.
- Firm needs to develop new products.

### 5.5 Saturation Stage

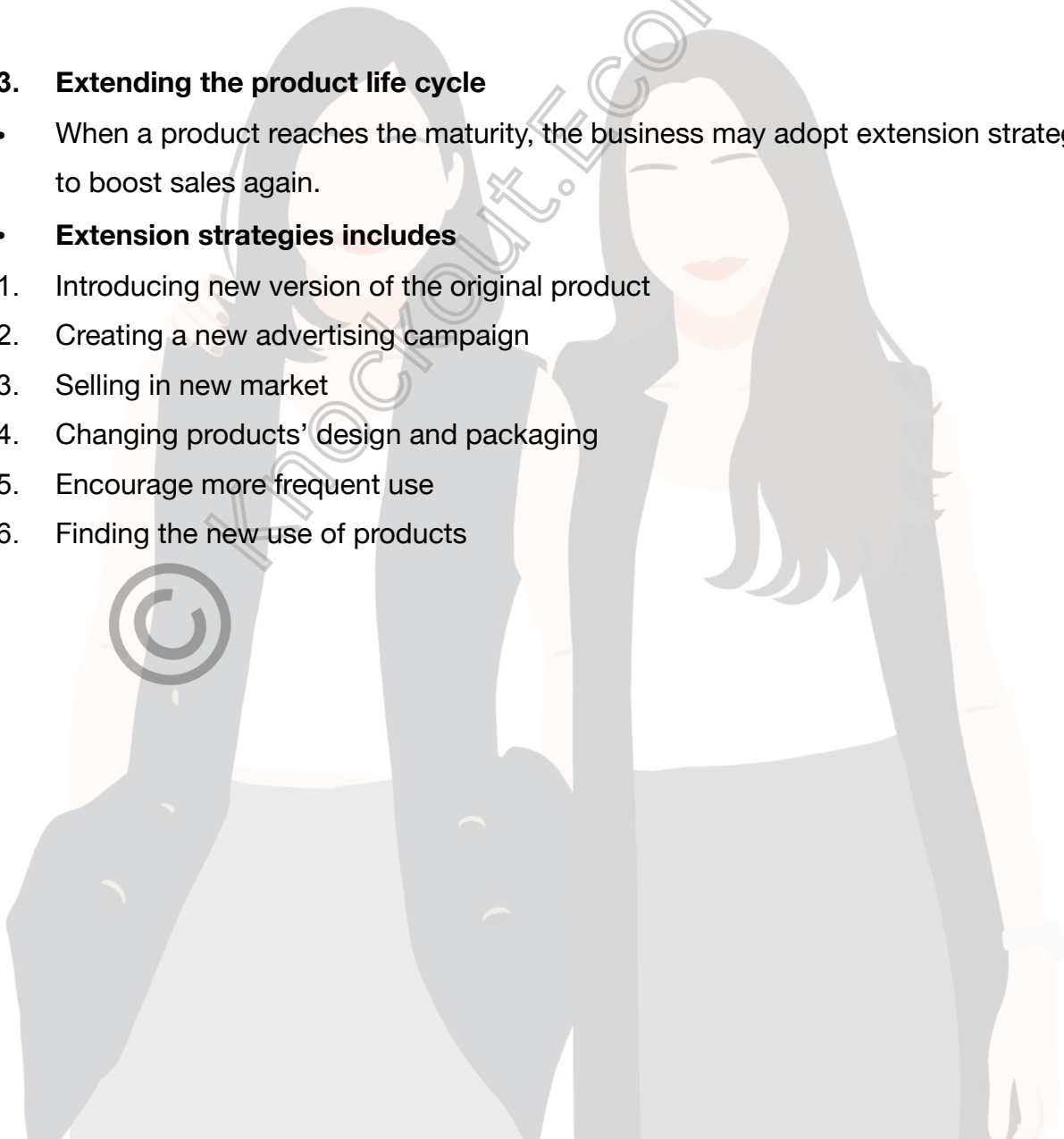
- Sales is at the highest point.
- Competition is high but no new competitors.
- Using competitive pricing.
- Profit starts to fall because of a drop in sales and a fall in selling price.
- Extension strategies : method used to lengthen the life of a product.

### 5.6 Decline Stage

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

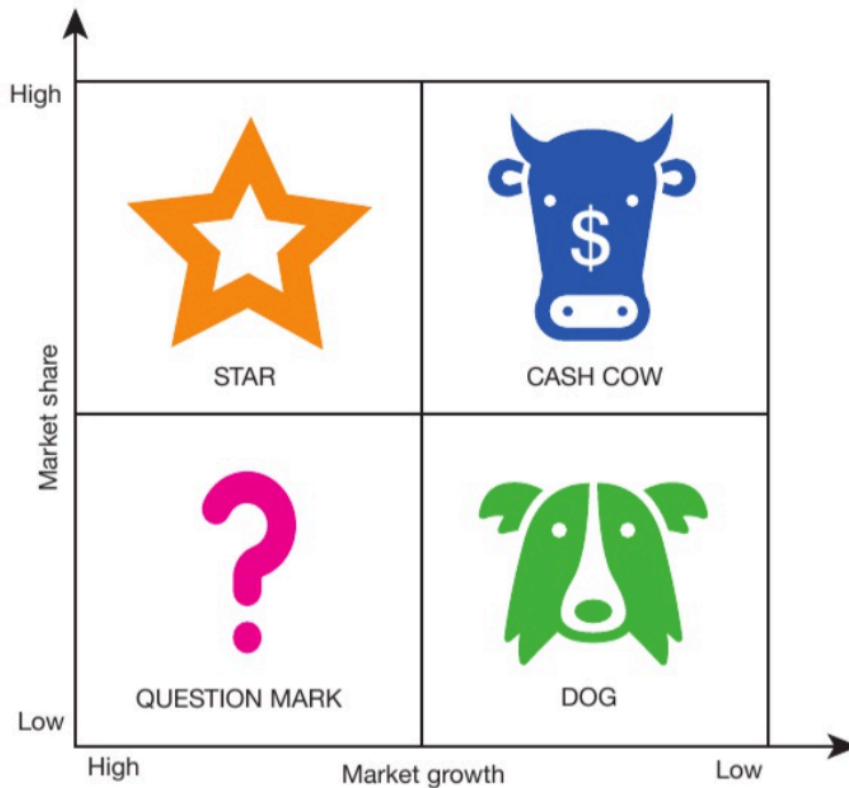
### 3. Extending the product life cycle

- When a product reaches the maturity, the business may adopt extension strategies to boost sales again.
- **Extension strategies includes**
  1. Introducing new version of the original product
  2. Creating a new advertising campaign
  3. Selling in new market
  4. Changing products' design and packaging
  5. Encourage more frequent use
  6. Finding the new use of products



## 7. Managing and reviewing the product portfolio

**Product portfolio:** (product mix) range of products a business is currently marketing.



**Boston matrix:** 2x2 matrix that describes products according to the market share they enjoy and whether the market has any potential for growth

**The Boston matrix puts products in 4 categories.**

1. **Stars** : are valuable products for a business. They have a high market share and potential for growth.
2. **Cash cows** : are mature products. They have a high market share but market is not growing. They generate a steady flow of income for the business.
3. **Question marks** : are products with low market share but the market is growing.
4. **Dogs** : are at the end of their life cycle. They have low market share and the market is not likely to grow any more. Dogs are likely to be replaced with new products.