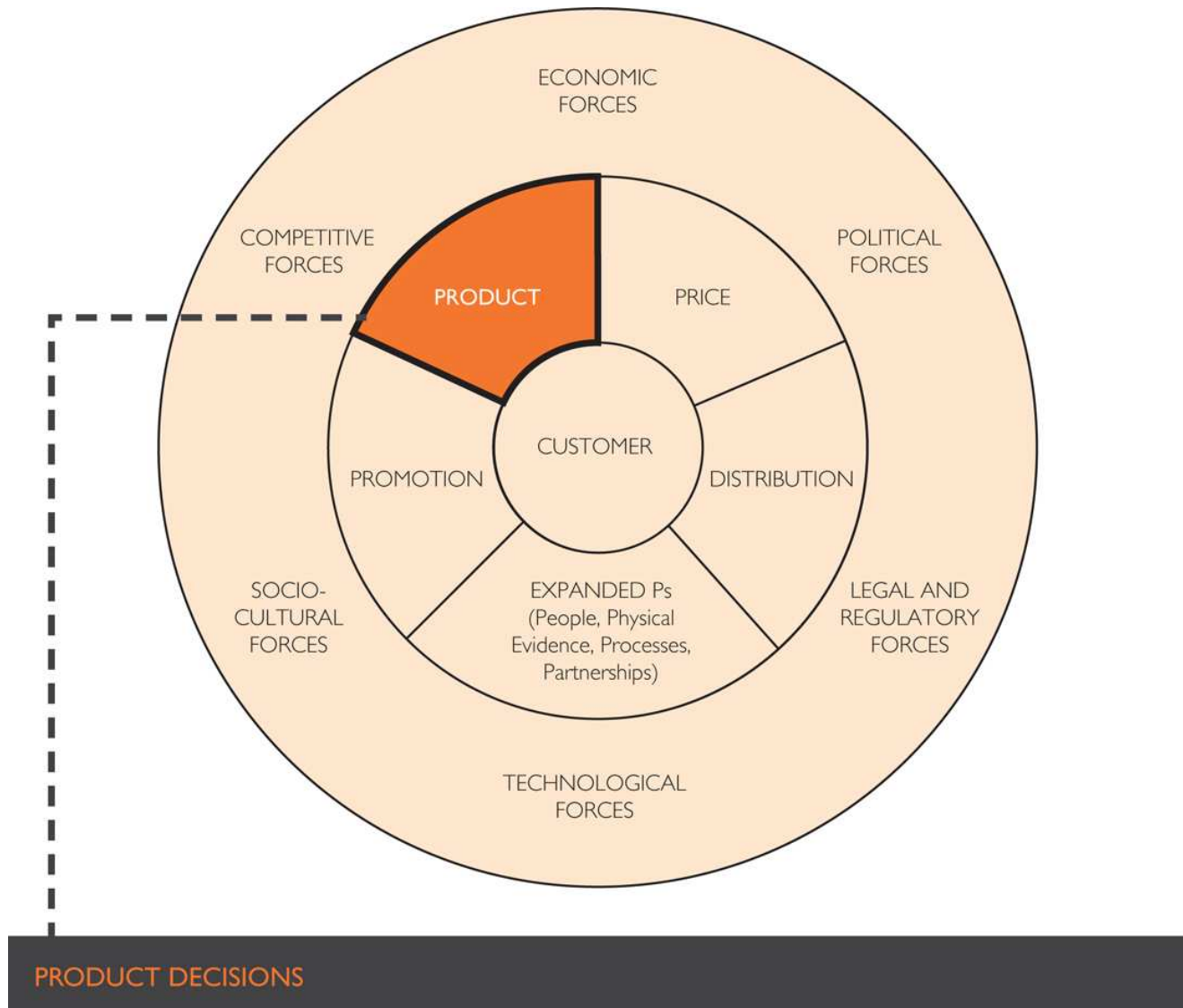




Learning Objectives:

- Understand the concept of product life cycle and its impact on marketing strategies
- Explain new product development process
- Explain adoption process of new products
- Understand important decisions in product management
 - Product line decisions
 - Product mix decisions
 - Individual product decisions
 - Product differentiation



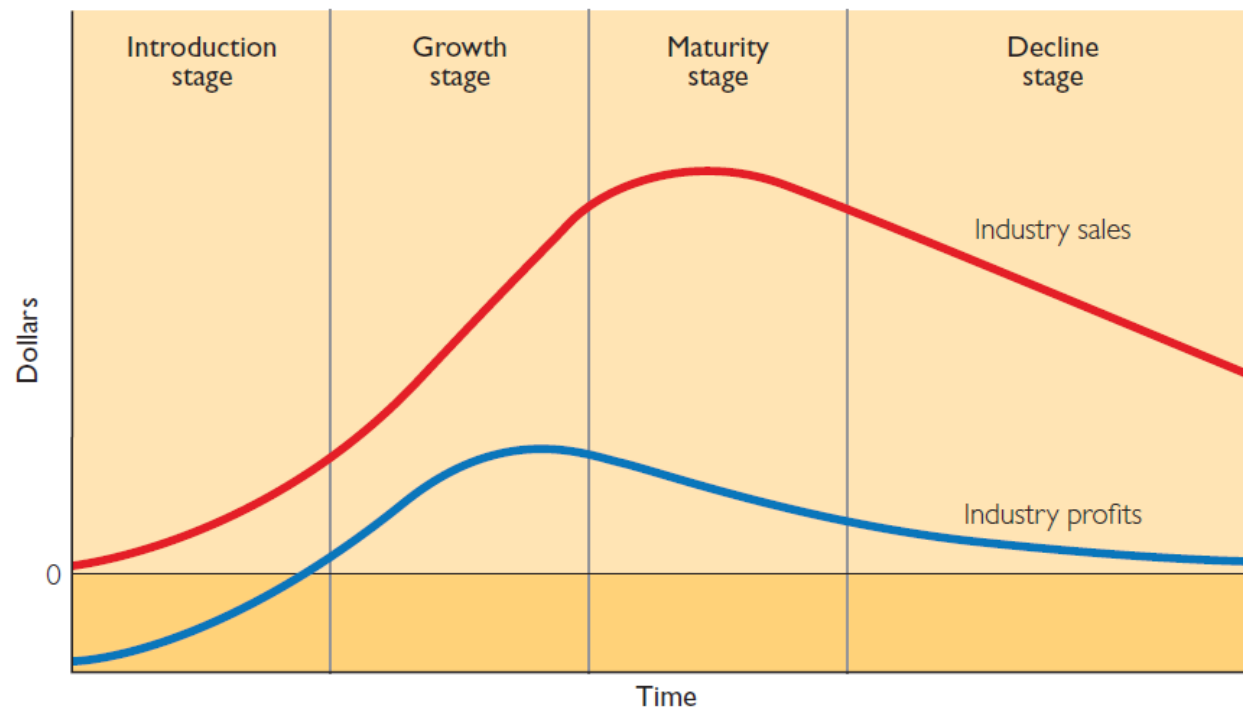


What is a Product?

- A good, a service or an idea received in an exchange
 - A good is a tangible physical entity (or thing)
 - A service is a mostly intangible result of the application of human and mechanical efforts to people or objects
 - An idea is a concept, philosophy, image or issue

Product Life Cycle (PLC)

- The progression of a product through four stages: introduction, growth, maturity and decline
- The course of a product's sales and profits during its lifetime



(Figure 8.2, Pride 2e, p.264)

PLC: Introduction

- Product first appears in the marketplace
- Sales start at zero and profits are negative
- Risk of failure high
- Buyers must be made aware of new product features, uses and benefits
- Sellers lack the resources, technological knowledge and marketing know-how to launch the product successfully
- Marketers should be alert for product weaknesses and make corrections quickly to prevent product failure

PLC: Growth

- Sales rise rapidly and profits reach a peak and then start to decline
- More competitors enter the market
- Product pricing is aggressive
- Brand loyalty becomes important
- Gaps in market coverage are filled
- Promotion expenditures moderate
- Production efficiencies lower costs

PLC: Maturity

- The sales curve peaks and starts to decline and profits continue to fall
- Intense competition
- Emphasis on improvements and differences in competitors' products
- Weaker competitors lose interest and exit the market
- Advertising and dealer-oriented promotions predominate
- Distribution sometimes expands to the global market
- Strategic objectives for maturity stage are to generate cash flow, maintain market share or increase share of customer

PLC: Decline

- Sales fall rapidly
- Pruning items from the product line
- Cutting promotion expenditures
- Eliminating marginal distributors
- Planning to phase out the product
- Opportunity to reposition the product to extend its life

TABLE 11.3 Summary of product life-cycle characteristics, objectives and strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives				
	Create product awareness and trial	Maximise market share	Maximise profit while defending market share	Reduce expenditure and milk the brand

(Continues next slide)

TABLE 11.3 Summary of product life-cycle characteristics, objectives and strategies

	Introduction	Growth	Maturity	Decline
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or better competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

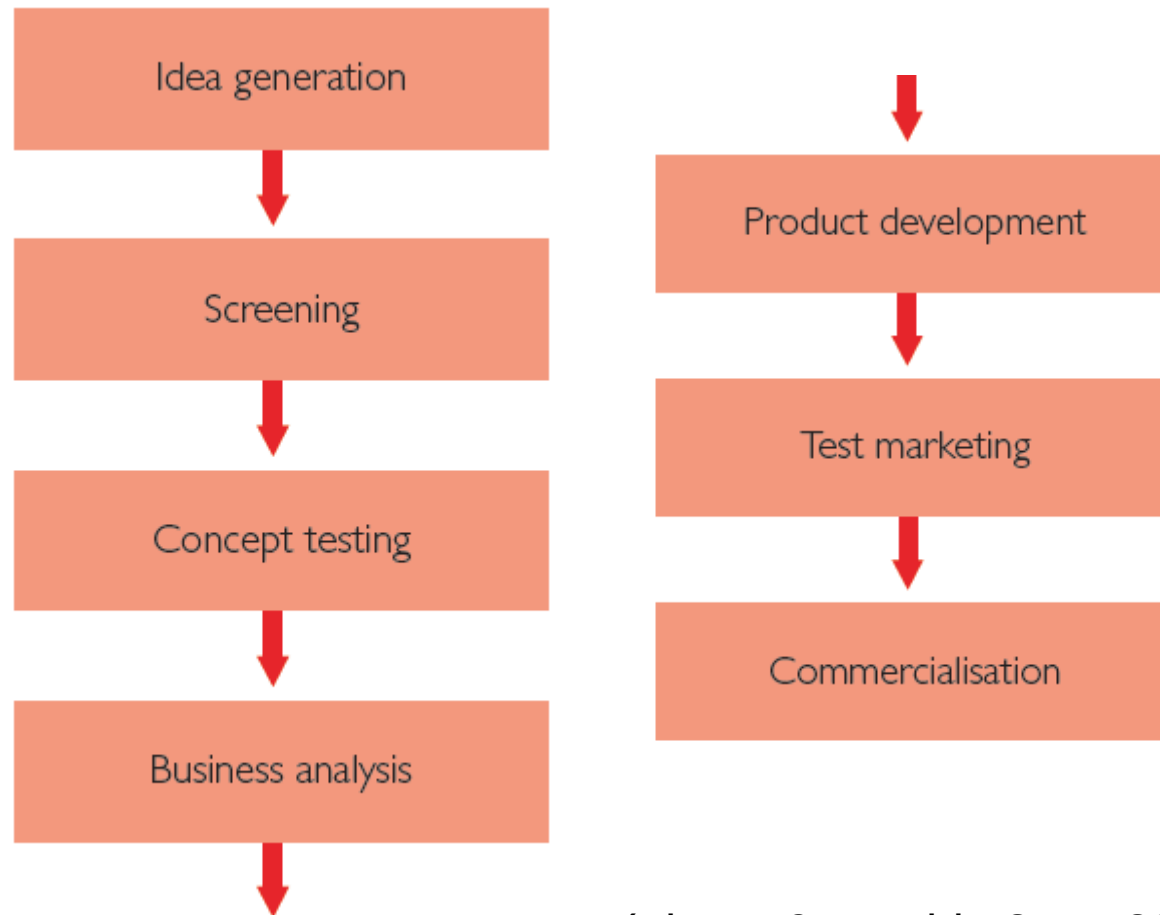
Source: Philip Kotler and Kevin Lane Keller, *Marketing Management*, 14th ed. (2011), p. 339. Reprinted by permission of Pearson Education Inc., Upper Saddle River, NJ.

(Kotler et al., 2013, p. 342)

Developing New Products

- The term 'new product' can have more than one meaning
 - Offering innovative benefits
 - Different and distinctly better than existing products
 - Not previously sold by any organisation
 - One a specific firm is currently launching even though other firms are already producing and marketing similar products
 - It is brought to one or more markets from another market

Phases of New-Product Development (NPD)



(Figure 9.1, Pride 2e, p.292)

NPD – Stage 1: Idea Generation

- Seeking product ideas to achieve objectives
 - Internal sources: marketing managers, R&D department, employees
 - External sources: customers, competitors, consultants

NPD – Stage 2: Screening

- Choosing the most promising ideas for further review
 - Real need in the market?
 - Match the organisation's objectives and resources?
 - Cannibalise the sales of current products?
 - Possible environmental changes?

NPD – Stage 3: Concept Testing

- Seeking potential buyers' responses to a product idea
- A detailed version of the new-product idea stated in meaningful consumer term
 - Word description of the potential new product
 - Picture of the potential new product
 - Questionnaires asking for product improvement ideas, potential purchase, etc.

NPD – Stage 4: Business Analysis

- Evaluating the potential contribution of a product idea to the company's sales, costs and profits
- Assess the financial viability of an investment in the new product

NPD – Stage 5: Product Development

- Determining if producing a product is technically feasible and cost effective
- Developing and testing a prototype
 - Performance, safety, convenience, durability, etc.

NPD – Stage 6: Test Marketing

- Introducing a product on a limited basis to measure the extent to which potential customers will actually buy it

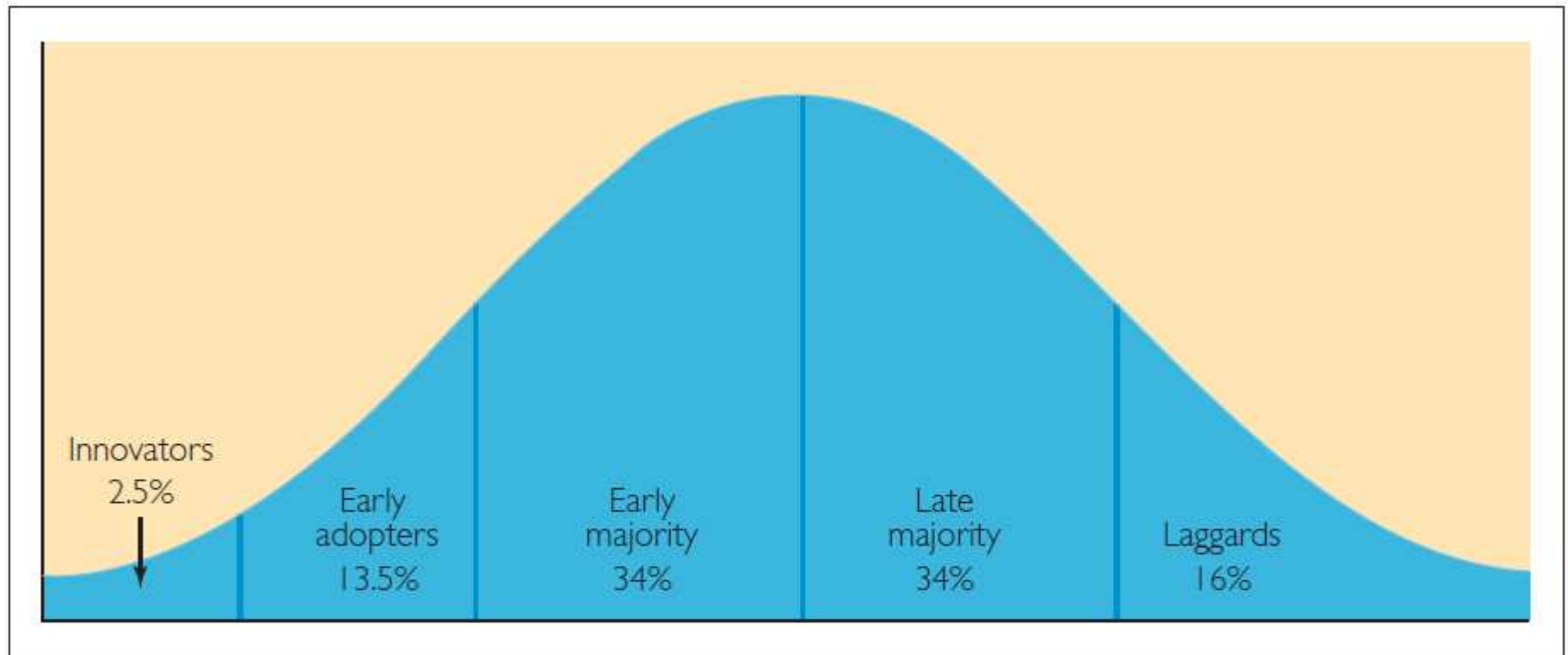
NPD – Stage 7: Commercialisation

- Deciding on full-scale manufacturing and marketing plans and preparing budgets

Product Adoption Process

- The mental process through which an individual passes from first learning about an innovation to final adoption
- Five stages in the adoption process
 - *Awareness* – the buyer becomes aware of the product
 - *Interest* – the buyer seeks information
 - *Evaluation* – the buyer considers the product's benefits
 - *Trial* – the buyer examines, tests or tries the product to determine if it meets his or her needs
 - *Adoption* – the buyer purchases the product and hopefully enjoys usage which will ensure repurchase

Consumer Adoption Categories



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(Figure 8.4, Pride 2e, p.270)

Characteristics of the Five Adopter Groups

Type of adopter(s)	Characteristic(s)
Innovators (2.5%)	First adopters of new products. Enjoy trying new products and tend to be more adventurous consumers.
Early adopters (13.5%)	Careful choosers of new products. Well informed. Opinion leaders within the segment of interest.
Early majority (34%)	Those adopting new products just before the average person. Deliberate and cautious in trying new products.
Late majority (34%)	Sceptics who adopt new products when they feel it is necessary. Eventually adopt products due to economic necessity or social pressure.
Laggards (16%)	The last adopters, who distrust new products. Predominantly risk averse and oriented toward the past.

Product Line Decisions

- **Product line** – a group of closely related product items viewed as a unit because of marketing, technical or end-use considerations
- **Line extension** – development of a product that is closely related to existing products in the line but meets different customer needs

Product Mix Decisions

- **Product mix** – the total group of products that an organisation makes available to customers
- **Width of product mix** – the number of product lines a company has
- **Depth of product mix** – the average number of different product items offered in each product line

Individual Product Decisions

- Product and brand managers should carefully consider the following elements when developing and marketing individual products:
 - Packaging
 - Labelling
 - Product modification
 - Product deletion

Packaging

- Involves the development of a container and a graphic design for a product
- Functions
 - Protect the product
 - Maintain its functional form
 - Offer convenience to consumers
 - Prevent waste and make storage easier
 - Deter shoplifting
 - Promote by communicating its features, uses, benefits and image
 - Reusable, as well as environmentally responsible

Packaging and Marketing Strategy

- New packaging can give a competitive advantage
 - Altering the package
 - Secondary-use packaging
 - Category-consistent packaging
 - Innovative packaging
 - Multiple packaging
 - Handling-improved packaging

Labelling

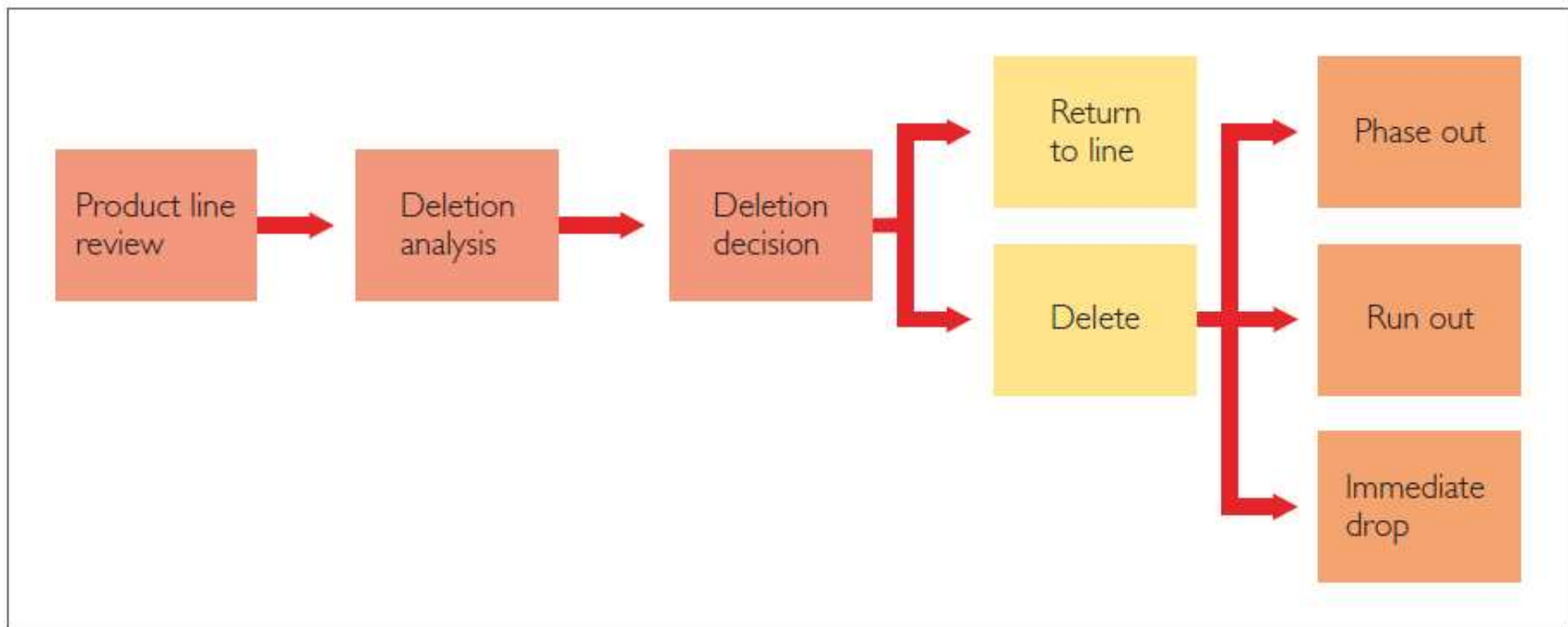
- Providing identifying, promotional or other information on package labels
- Functions
 - Help identify the product
 - Support promotional efforts for the product
 - Provide legally required labelling information
 - Provide information on product origin

Product Modification

- Change in one or more characteristics of a product
 - **Quality modifications** – changes relating to a product's dependability and durability
 - **Functional modifications** – changes affecting a product's versatility, effectiveness, convenience or safety
 - **Aesthetic modifications** – changes to the sensory appeal of a product

Product Deletions

- Eliminating a product from the product mix, usually because it no longer satisfies a sufficient number of customers



Source: Martin L. Bell, *Marketing: Concepts and Strategy*, 3rd ed., p. 267; copyright 1979, Houghton Mifflin Company; used by permission of Marcellette Bell Chapman.

(Figure 9.2, Pride 2e, p.304)

Product Differentiation

- Creating and designing products so that customers perceive them as different from competing products
- Companies can position their products in the marketplace based on three aspects
 - **Quality** - characteristics of a product that allow it to perform as expected in satisfying customer needs
 - **Design** – how a product is conceived, planned or produced
 - **Support services** – human or mechanical efforts or activities a company provides that add value to a product



Summary:

- Product life cycle is the progression of a product through four stages: introduction, growth, maturity and decline
- Marketers need to understand the consumer adoption process and its connection to the product life cycle
- Before a product is introduced, it goes through a seven-phase new-product development process.
- In product management, marketers need to make product line and product mix decisions.
- When developing and marketing individual products, marketers should carefully consider the following elements, packaging, labelling, product modification, product deletion, and product differentiation