



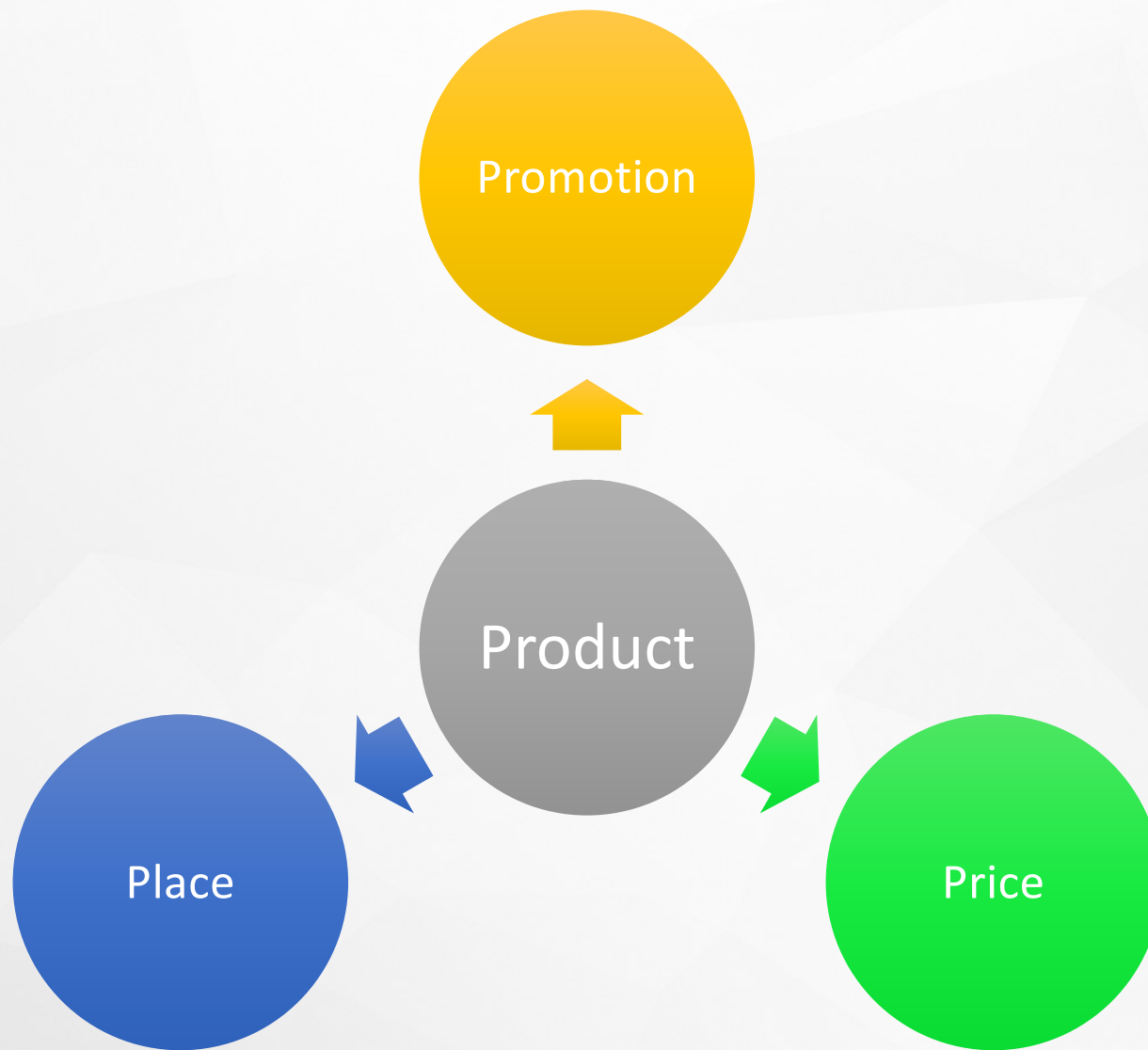
**SLEZSKÁ
UNIVERZITA**

OBCHODNĚ PODNIKATELSKÁ
FAKULTA V KARVINĚ

Product Marketing



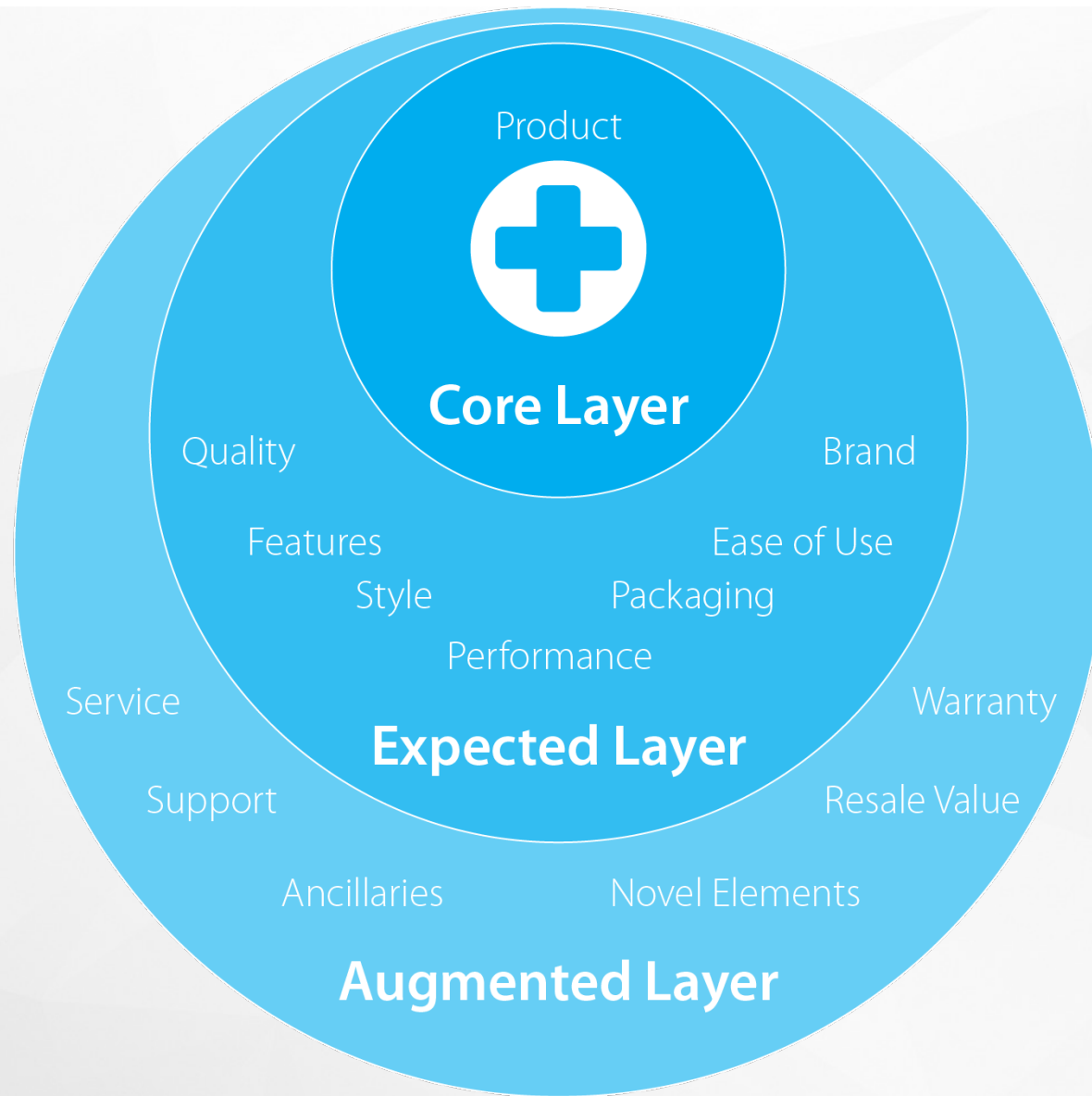




Product characteristics

- The goal of the marketer is to help customers to meet their own goals.
- Means for meeting customers needs and goals are products.
- If the customer's goal is to move from point A to point B, he can own a car (goods) or use public transport or a taxi (service).
- Both products achieve our customer's goal.





Bike example

(CORE) BENEFIT

BASIC PRODUCT

EXPECTED PRODUCT

AUGMENTED PRODUCT



Product levels

- **CORE PRODUCT**
 - The service or benefit the customer is really buying.
- **BASIC PRODUCT**
 - The core benefit transformed into a basic product.
- **EXPECTED PRODUCT**
 - Set of attributes and conditions buyers normally expect when they purchase this product.
- **AUGMENTED PRODUCT**
 - That exceeds customer expectations.



Product Classification

- **Nondurable goods** are tangible goods normally consumed in one or a few uses, such as beer and shampoo. Because these goods are purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.
- **Durable goods** are tangible goods that normally survive many uses: refrigerators, machine tools, and clothing. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.



Product

Service vs Goods



Type of products

Goods	Services
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separated from the consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible



Examples

- **Health care** – hospital, medical practice, dentistry, eye care.
- **Professional services** – accounting, legal, architectural.
- **Financial services** – banking, investment advising, insurance.
- **Hospitality** – restaurant, hotel, bed & breakfast, ski resort, rafting.
- **Travel** – air lines, travel agencies, theme park
- **Others** – hair styling, pest control, lawn maintenance, counseling services.



Specific service differences

- **Intangibility**
- **Heterogeneity**
- **Inseparability**
- **Perishability**



Intangibility:

- Services are intangible and do not have a physical existence.
- Hence services cannot be touched, held, tasted or smelt.
- This is most defining feature of a service and that which primarily differentiates it from a product.
- Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.



Heterogeneity/Variability:

- Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider.
- While products can be mass produced and be homogenous the same is not true of services. e.g.: All burgers of a particular flavor at McDonalds are almost identical.
- However, the same is not true of the service rendered by the same counter staff consecutively to two customers.



Inseparability

- This refers to the fact that services are generated and consumed within the same time frame. E.g.: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase.
- Moreover, it is very difficult to separate a service from the service provider. E.g.: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.



Perishability:

- Services cannot be stored, saved, returned or resold once they have been used.
- Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.
e.g.: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him.
- At the most he may decide not to visit that particular barber in the future.



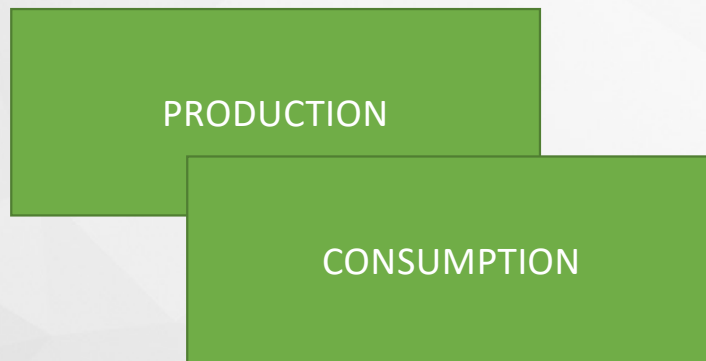
Extension of marketing mix for services:
processes, people, physical evidence



OUTCOME CONSUMPTION



PROCESS CONSUMPTION



What is the role of marketing in services?

- Matching the production (service) process with consumption process
- Result is that consumers perceive good service quality and value
- Than they are willing to continue he relationship with the service provider



What remains?

- Market research
- Pricing
- Advertising
- Marketing communication



What is new?

- Relationship management
- Customer processes analysis
- Customer databases
- Feedback



CASE STUDY

YOU ARE RICE MERCHANT IN CHINA COUNTRYSIDE

(Grönroos, Ch. 2015. *Service management and marketing*)

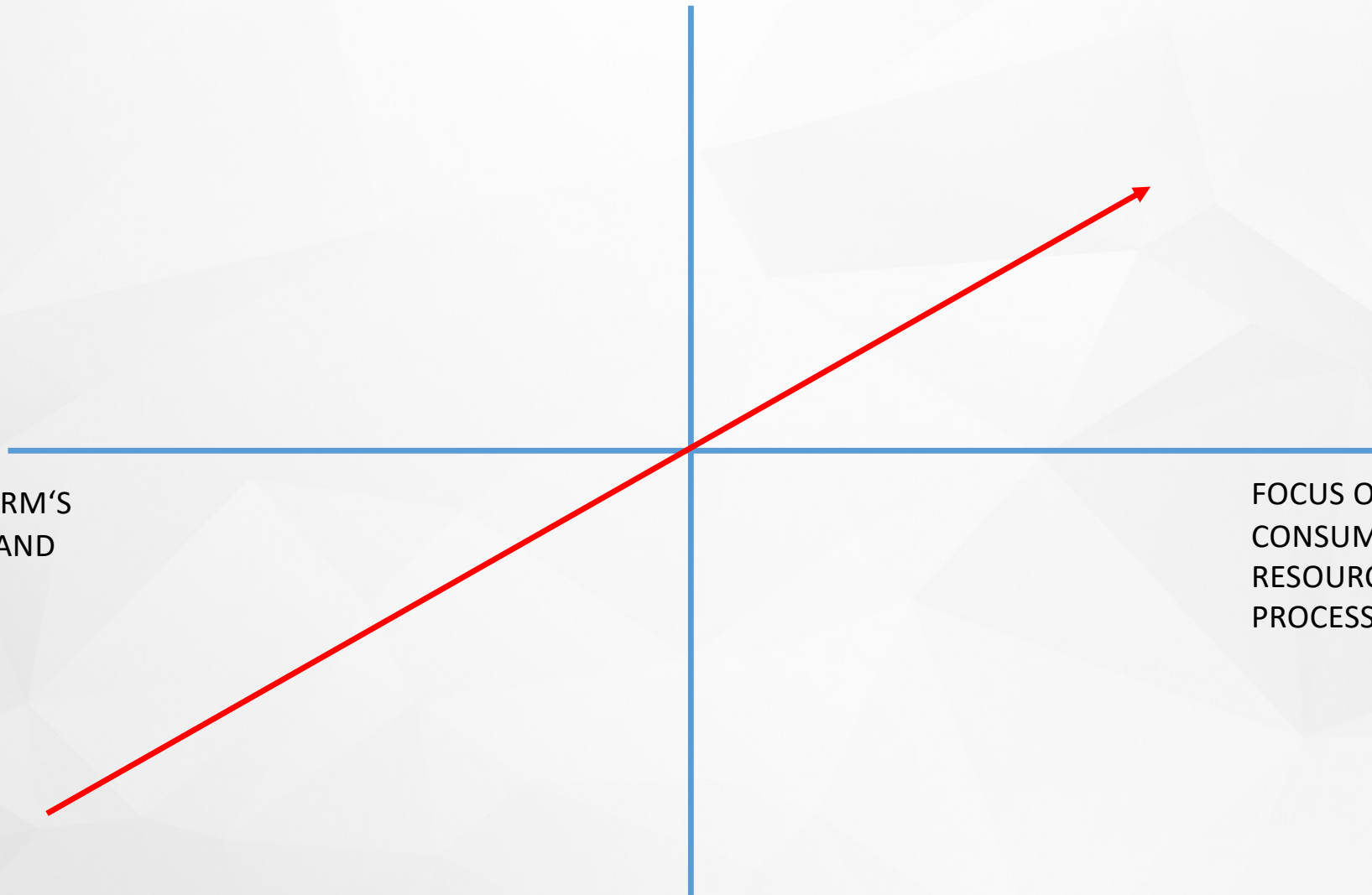


FOCUS ON REVENUE

FOCUS ON FIRM'S
RESOURCES AND
PROCESSES

FOCUS ON
CONSUMERS'
RESOURCES AND
PROCESSES

FOCUS ON COSTS



From goods dominant to service dominant

- Changing the economic ratios and the advanced economies' orientations towards the service sector is coming up with a series of assessments of product thinking effectiveness.
- In theory, we have two approaches:
 - Goods-dominant logic
 - Service-dominant logic



Service dominant logic

- Tangible products do not exist
- The product is always strongly connected to the benefit
- This tangible product only generates the benefit
- We say "This product has made us a service"
- The logic of service helps businesses perceive the true value that product generates.



EXERCISE

**FIND OTHER EXAMPLES OF
GOODS-DOMINANT INDUSTRIES,
BUSINESSES AND PROVIDERS!**



Logic	Goods-Dominant	Service-Dominant
Main Idea	Goods	Service
Focus	Product	Experience
Improvement	Product features	Solution
Means for the transaction	Price	Value proposition
Communication style	Promotion	Dialogue
Marketing goals	Market	Co-create value





Case study

- The Swiss firm Hilti is a manufacturer of high quality professional electronic tools.
- Customers are mainly construction companies.
- Thanks to the fierce competition, which was able to produce at a lower cost, large orders were dropping significantly.
- Hilti responded by changing the business model from product to service thinking.
- Providing large developers and construction companies with rental of machinery.
- Ensured delivery of the specified quantity and type of tools directly to the construction.

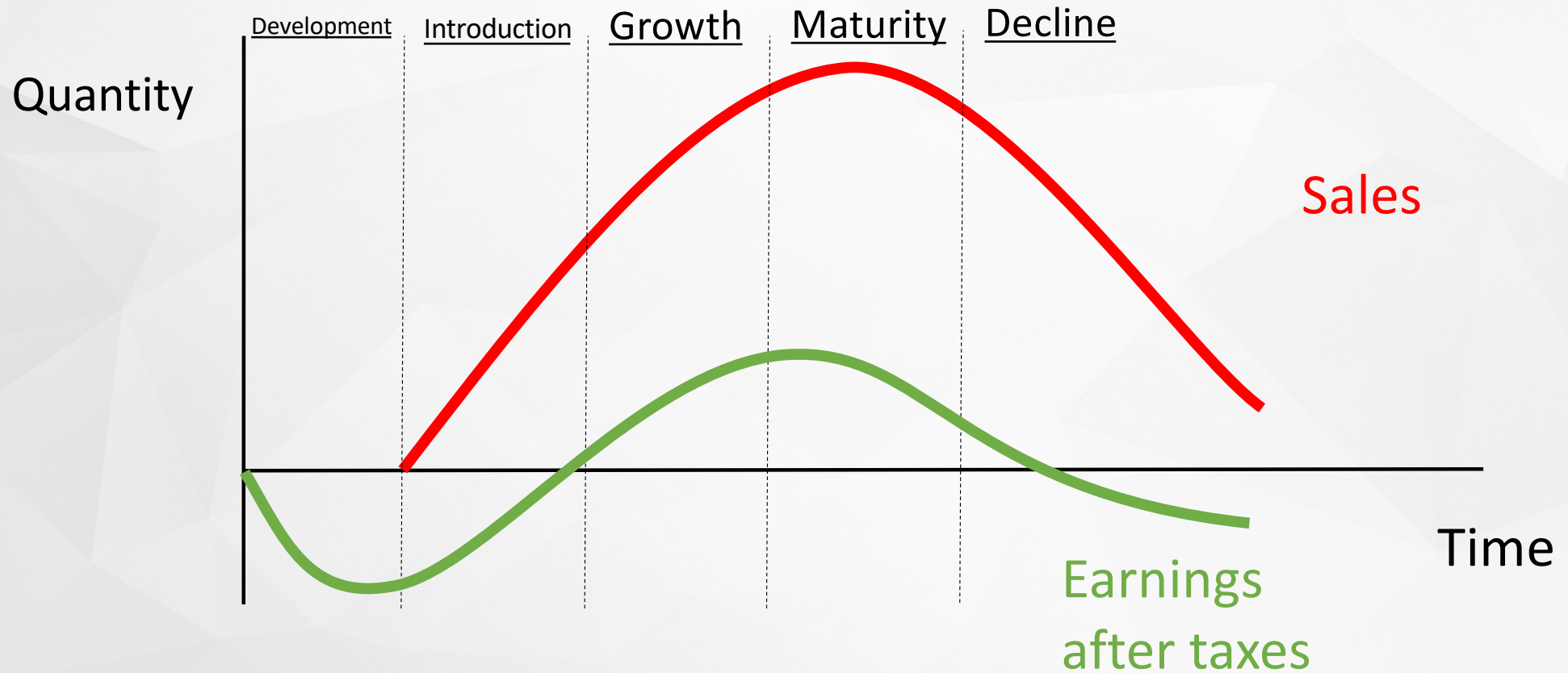


Case study

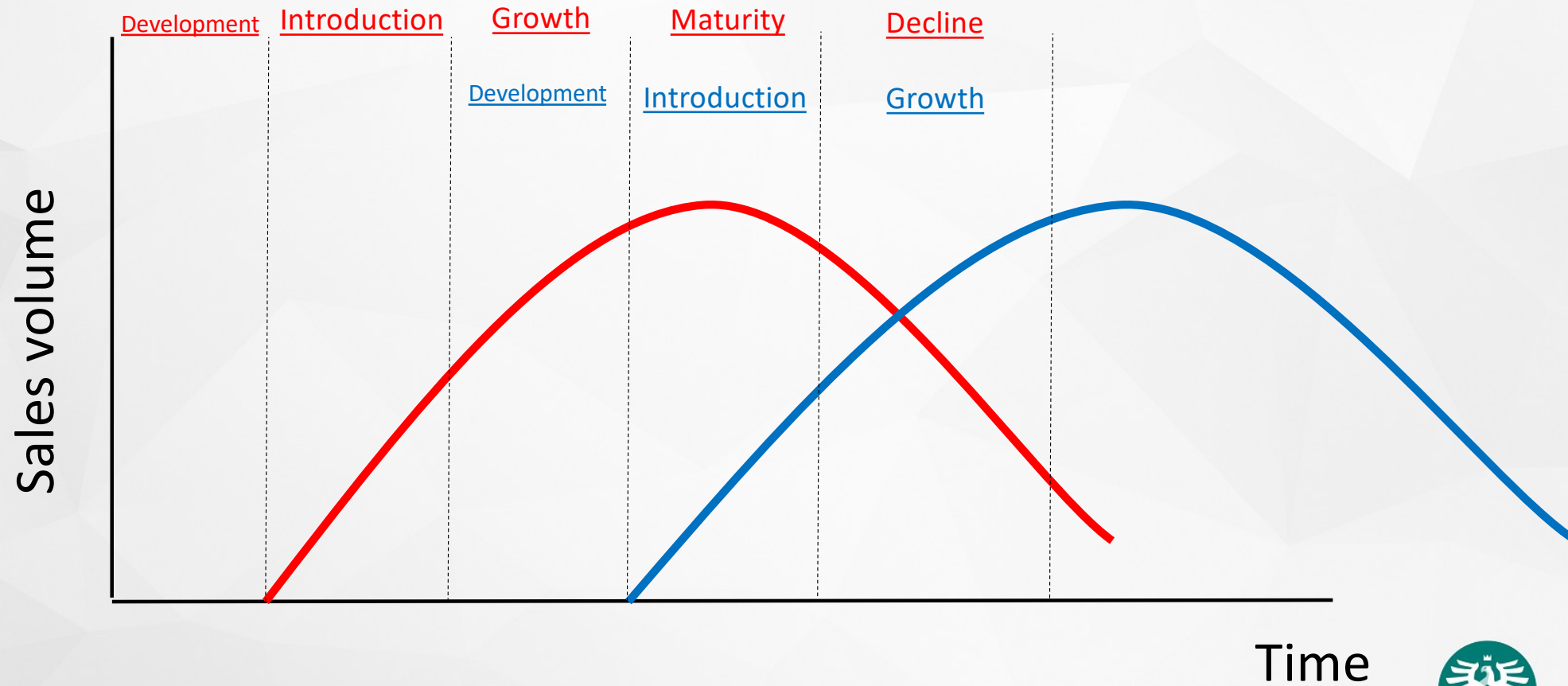
- Construction companies do not have to buy, own and maintain tools.
- The client's need is access to tools rather than tool ownership.
- Clients can concentrate on what they do best and that's building and not caring for tools.
- Set up a regular company income from contracts for rental of tools.
- Hilti also provides service and that machines are always functional and available.
- For this added value, the customer is willing to pay - he is sure that the construction will not be blocked due to machine failures.
- No delay mean no fine for delayed constructions.
- https://www.youtube.com/watch?time_continue=11&v=VxSObyUhqNY



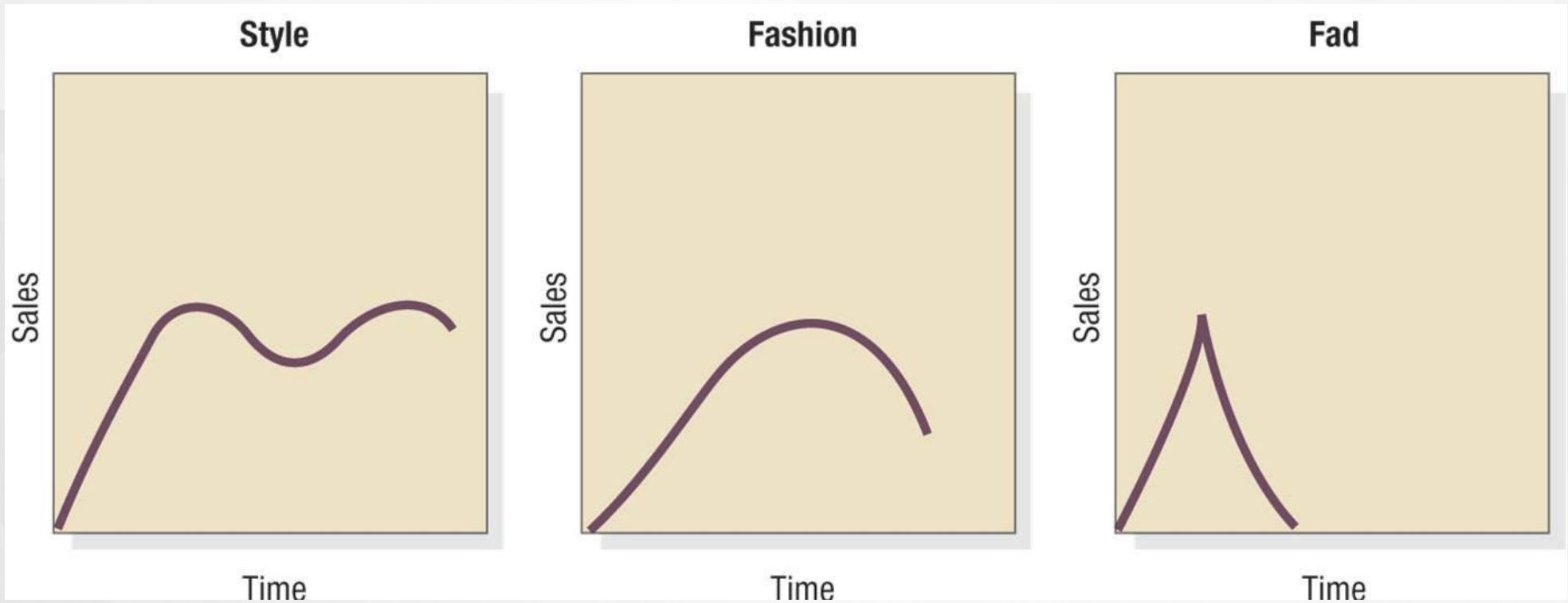
Product lifecycle



Product portfolio life cycle



Non-standard product lifecycles

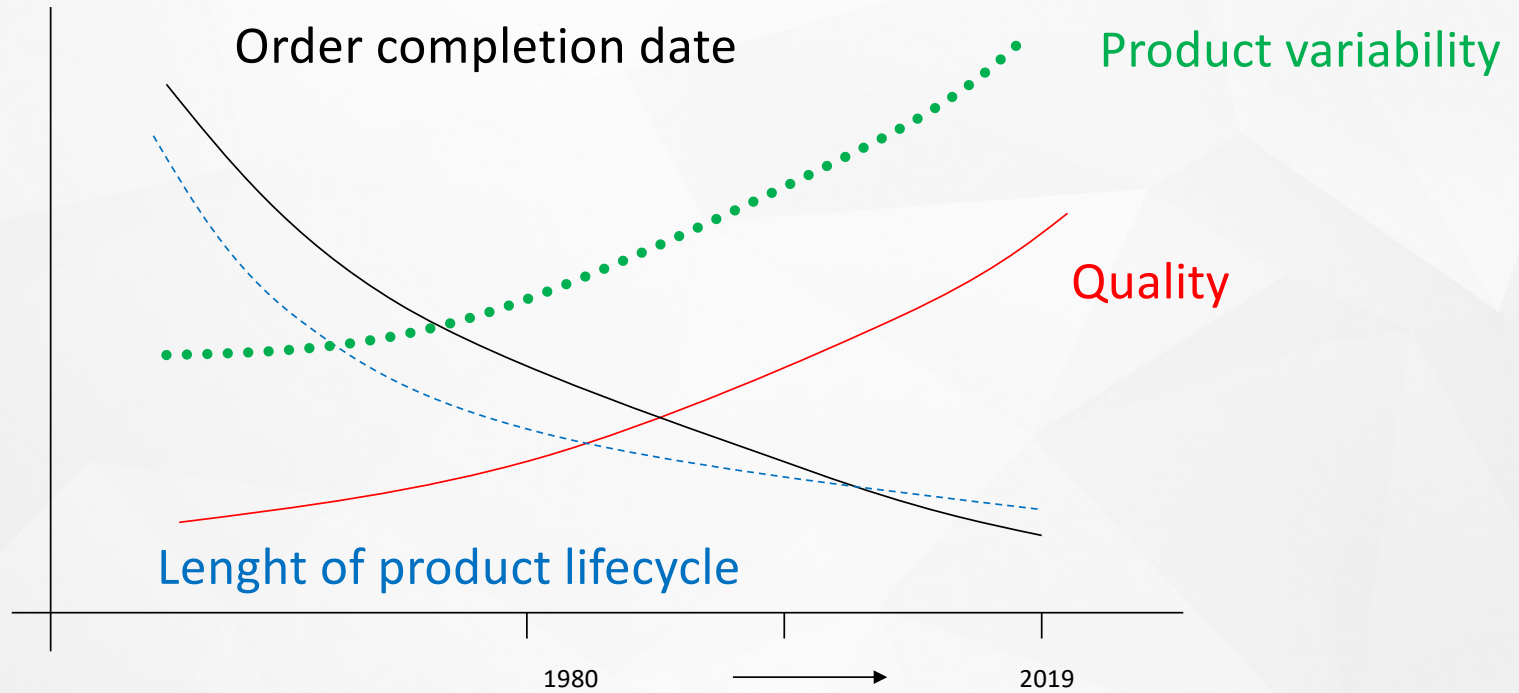


Could you guess a fad?

Zájem v průběhu času ?



Strategy	Introduction	Growth	Maturity	Decline
Marketing emphasis	Create product awareness	Establish high market share	Fight off competition	Minimize marketing expenditure
Product strategy	Encourage product trial Introduce basic products	Improve features of basic products	Generate profits Design product versions for different segments	Rationalize the product range
Pricing strategy	Price skimming or price penetration	Reduce prices enough to expand the market and establish market share	Match or beat the competition	Reduce prices further
Promotional strategy	Advertising and sales promotion to end-users and dealers	Mass media advertising establish brand image	Emphasize brand strengths to different segments	Minimal level to retain loyal customers
Distribution strategy	Build selective distribution outlets	Increase the number of outlets	Maintain intensive distribution	Rationalize outlets to minimize distribution costs



PRODUCT CHARACTERISTIC TRENDS



Product portfolio / assortment



- Width of product portfolio
 - How many product categories we offer
- Depth of product portfolio
 - How many brands are in product categories



Product portfolio / assortment

- In the food store, the breakdown of meat and sausages, milk and dairy products, pastries, fruits and vegetables etc. is the **width of the assortment**.
- The division of milk and dairy products into milk, cheese, yoghurt, etc. is still the **width of the assortment**.
- The division of yoghurts according to flavours, brands, etc. is the **depth of the assortment**.



Milka

Mondelez
International

TOBLERONE
OF SWITZERLAND

SNICKERS

MARS
incorporated

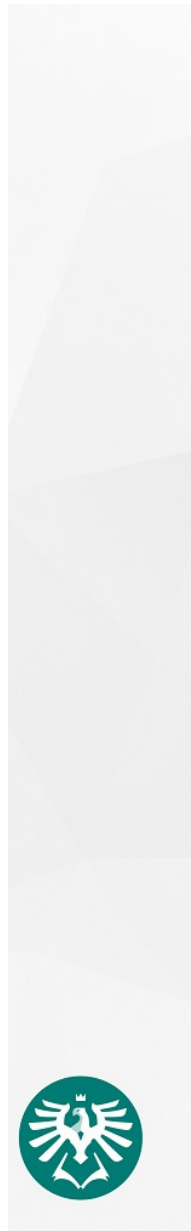
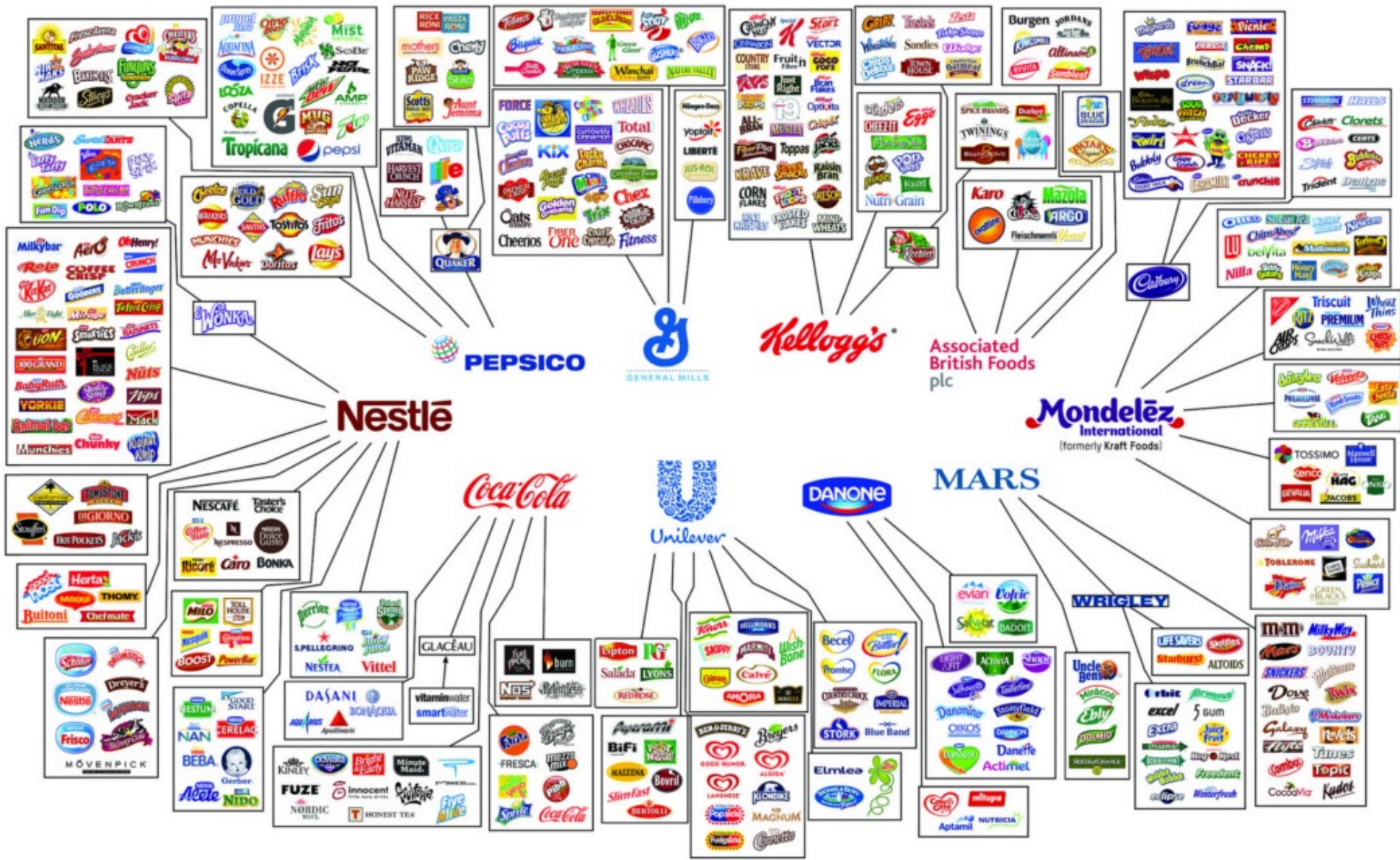
TWIX^{Brand}

Orbit

WRIGLEY
A Subsidiary of Mars, Incorporated

WRIGLEY'S
SPEARMINT
THE PERFECT GUM





BCG Matrix



- Most famous portfolio analysis is Boston Consulting Group Matrix .
- Logic: profitability of different strategic business units (brands or products) is aligned with **share** and **growth**.
- Result: Model BCG which sort brands



BCG Matrix

Market growth rate	20%	<i>High</i>	STARS Growing profit	QUESTION MARKS Low profit
	10%		CASH COWS Highest profit	DOGS Lowest profit
0%	<i>Low</i>			
			<i>High</i>	<i>Low</i>
		10x	1x	0,1x
		Relative market share		

$$\text{Relative Market Share} = \frac{\text{Your firm's market share (or revenues)}}{\text{Largest competitor's market share (or revenues)}}$$



BCG Model

- **Stars**

- Requires lots of investments and managing effort
- Strong competition in the segments

- **Cash Cows**

- Established well functioning units.
- Generates valuable profits for other units.



BCG Model

- **Question marks**

- Requires extensive investments to maintain market share.
- Management have to decide which of these will progress to Stars.

- **Dogs**

- Can generate sufficient amount of profits to survive.
- Has no bright future ahead of them.



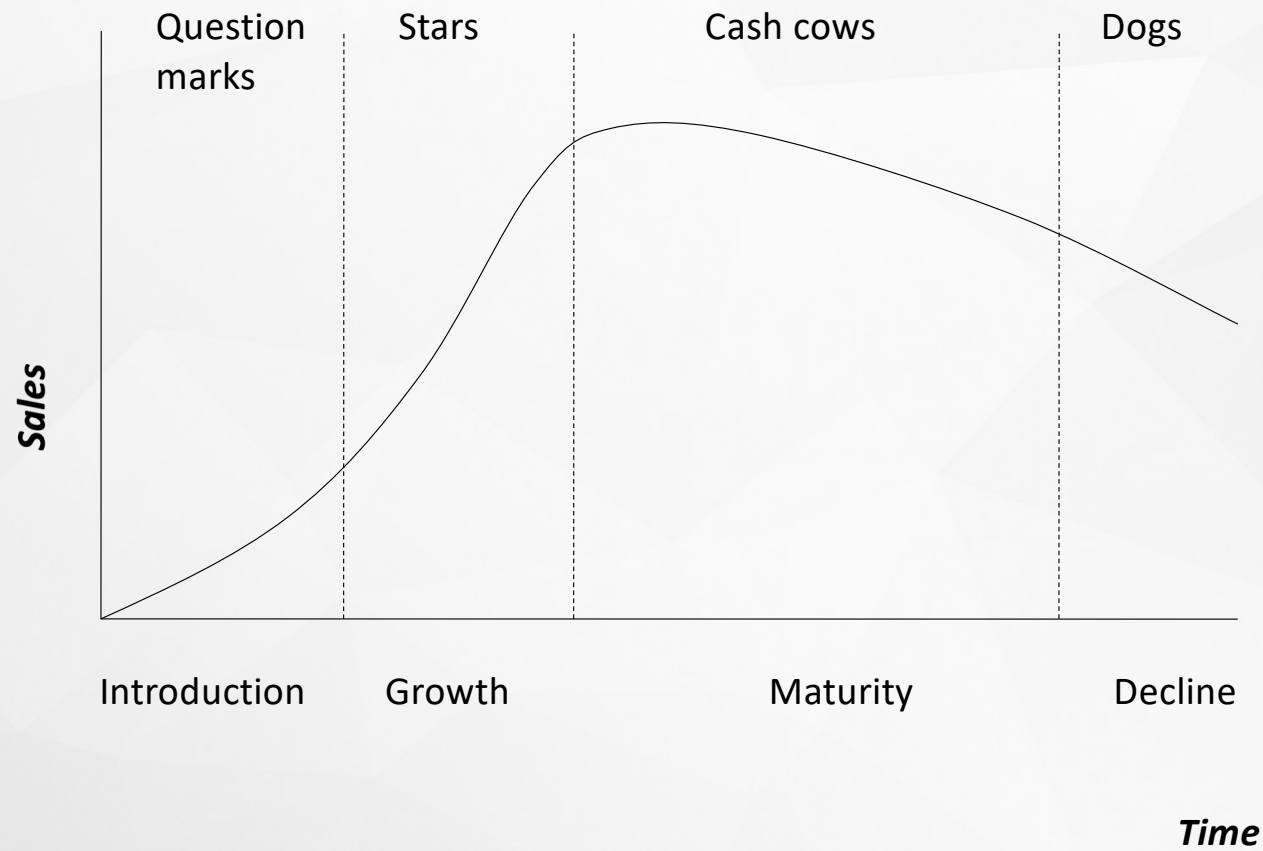
Excercise for BCG Matrix

- P&G porduct portfolio:

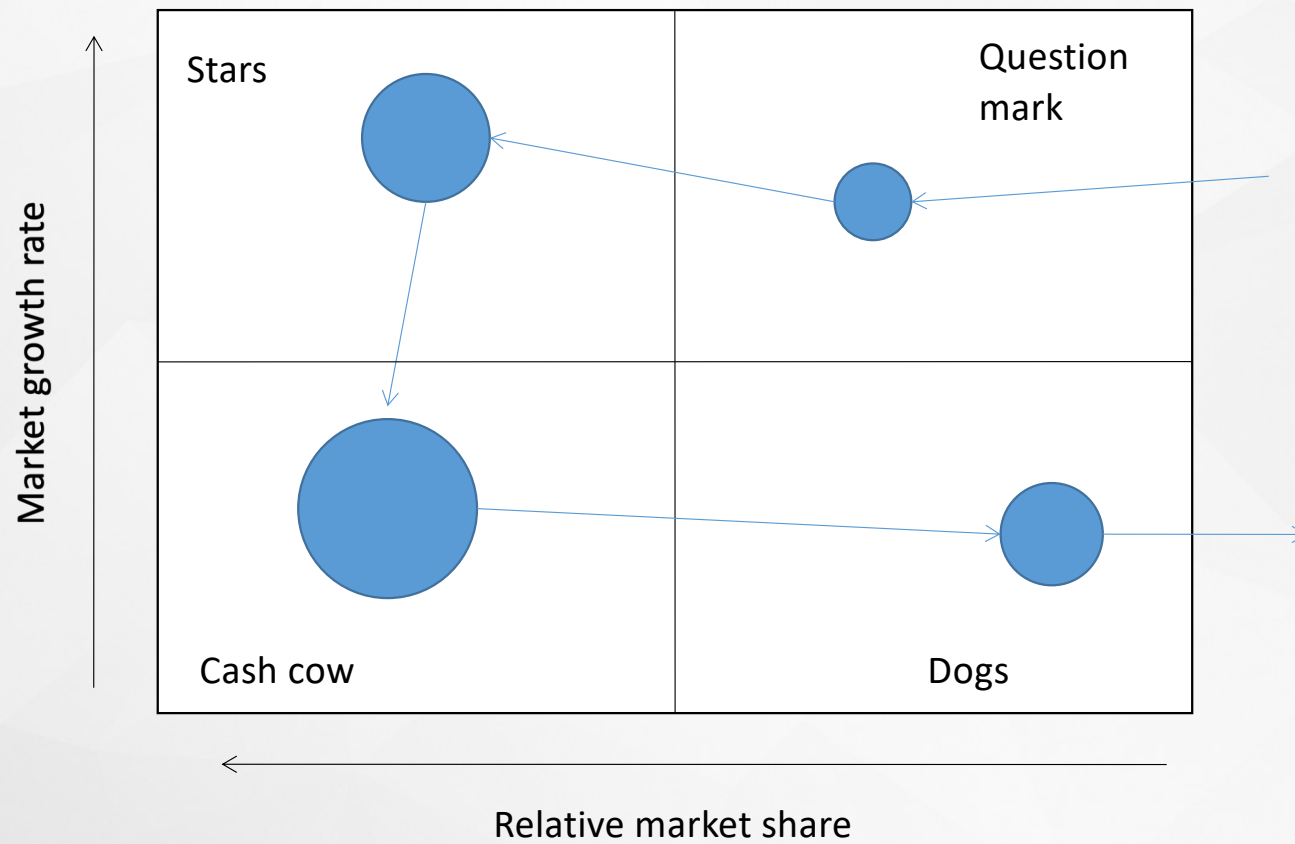
	Market growth rate	Market share	Largest competitor share	Profit	Liquidity
Gillette	8%	45%	21%	1 560	2,2
Old Spice	6%	13%	18%	752	1,2
Vicks	16%	7%	32%	25	5,7
Braun	5%	7%	35%	44	4,3
Garnier	6%	11%	18%	82	0,2
Lacoste	15%	22%	25%	405	1,1



BCG model and lifecycle



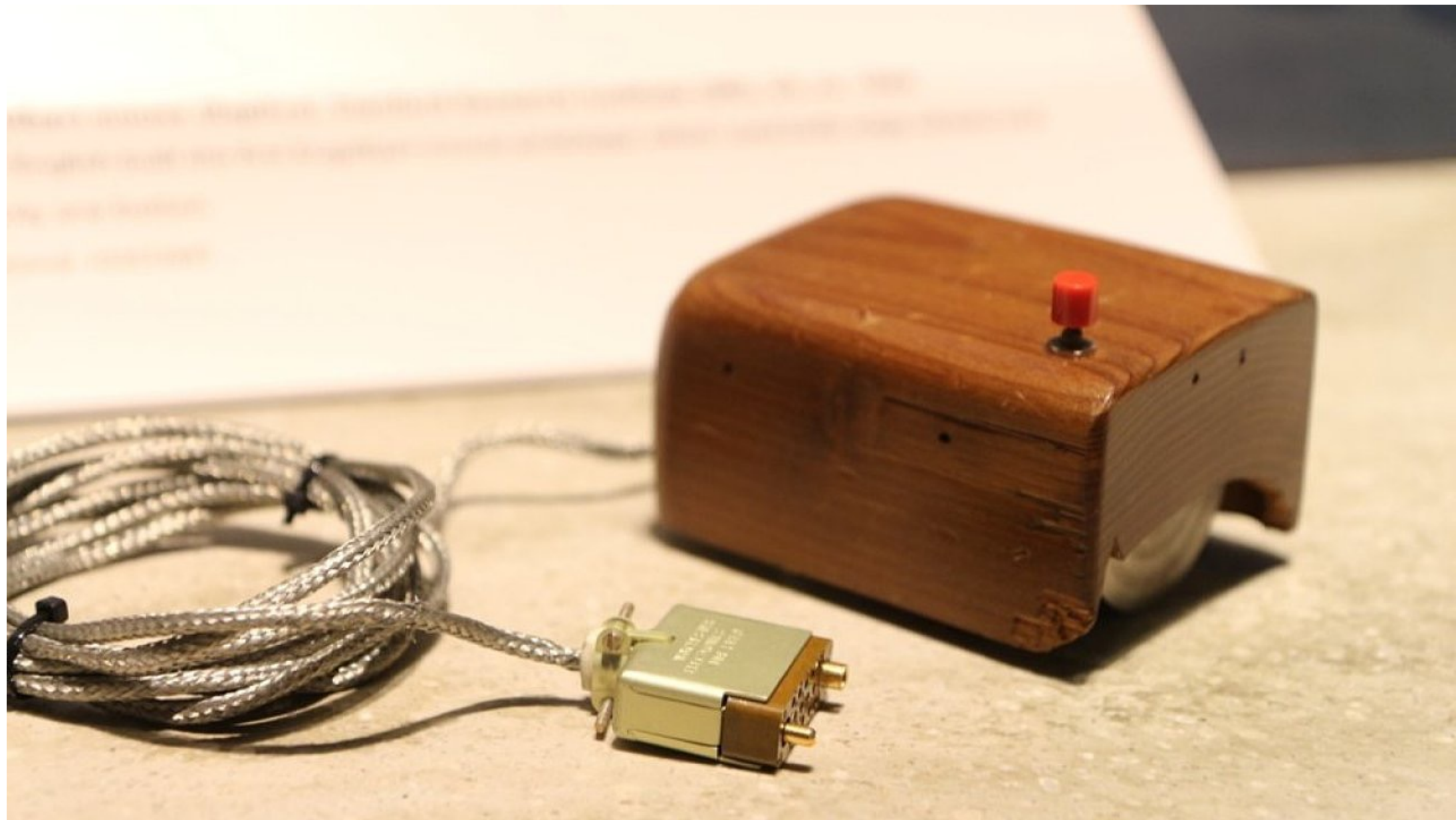
BCG model and lifecycle



Product development

- It is obvious that the company's range is not static, but the products need to be changed purposefully.
- Companies need to develop new products and services due to rapid changes in consumer consciousness, technology and competition.
- In addition, the products have a limited life and the company has to look for new products to replace the older ones.
- The result is product innovations.





What is innovation?



Product development

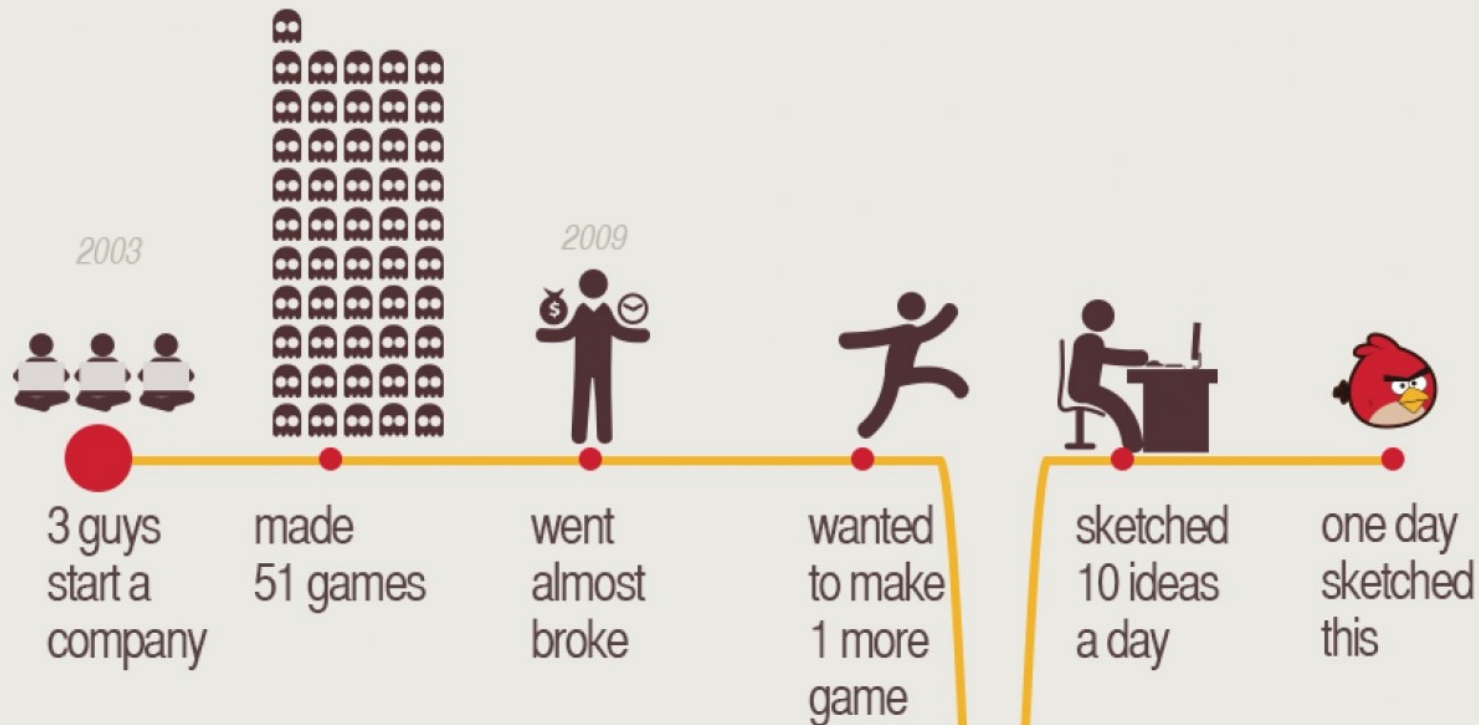
- Product innovation includes various activities - product improvement, new product development, product expansion, or product line upgrades.
- New products can be established by the company in two ways:
 - **acquisition** - purchase of an entire company, patent or production license from someone else,
 - development of **new products** in its own development department.
- These are the the **make or buy** decisions.



HOW ANGRY BIRDS STARTED

by Anna Vital

or How Many Tries Are Behind the 2-Billion Download Game



THERE IS NO FAILURE EXCEPT IN NO LONGER TRYING.

Elbert Hubbard

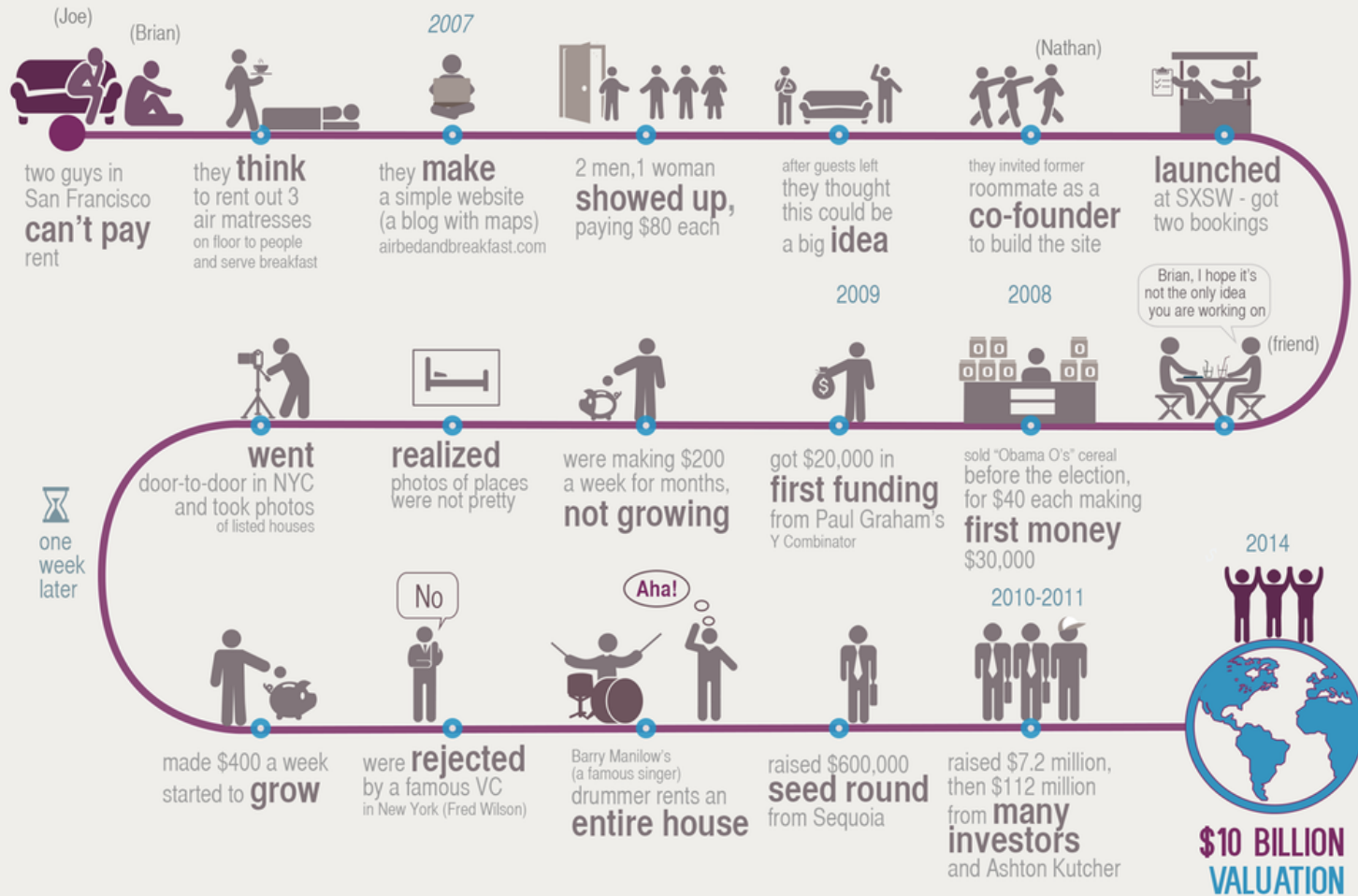
 Funders and Founders



HOW AIRBNB STARTED

BY ANNA VITAL

Or How 3 Guys Went From Renting Air Mattresses To A 10 Billion Dollar Company



New product development process

1. Generate ideas
2. Idea screening
3. Creating a concept or prototype
4. Creating a marketing strategy
5. Business analysis
6. Product development
7. Test Marketing
8. Commercialization



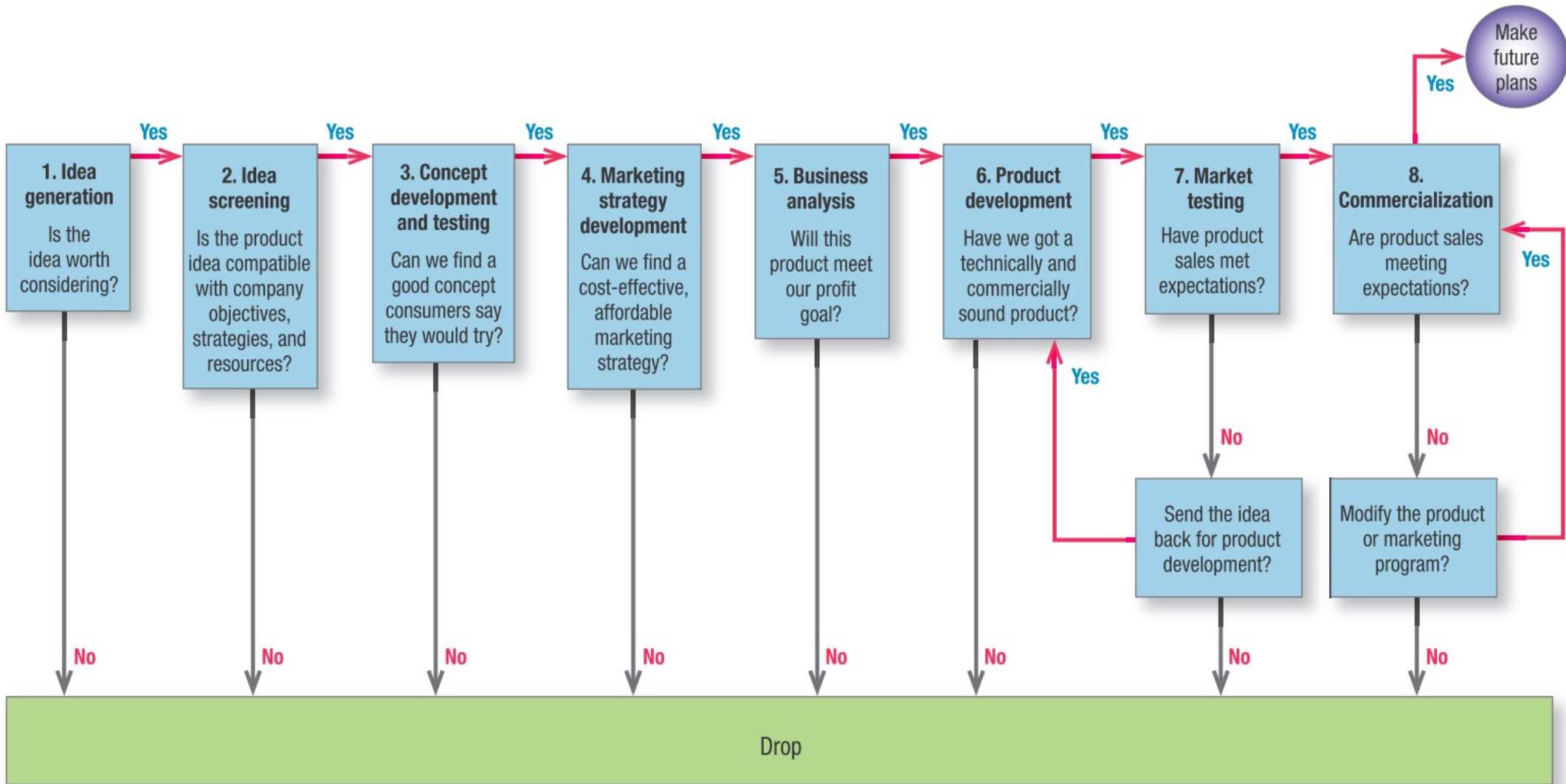


TABLE 15.1**Cost of Finding One Successful New Product
(Starting with 64 New Ideas)**

Stage	Number of Ideas	Pass Ratio	Cost per Product Idea	Total Cost
1. Idea screening	64	1:4	\$ 1,000	\$ 64,000
2. Concept testing	16	1:2	20,000	320,000
3. Product development	8	1:2	200,000	1,600,000
4. Test marketing	4	1:2	500,000	2,000,000
5. National launch	2	1:2	<u>5,000,000</u>	<u>10,000,000</u>
			\$5,721,000	\$13,984,000



Design thinking

- At the center of attention is man, not technology or product.
- Active engagement of a company to create a product with customers.
- Empathy
- User testing
- Innovation is understood as applied creativity to a problem where results can be measured - market share, profitability



New methods for product development



- **Crowdsourcing**
 - Drawing an idea from people
 - Customers or fans
 - This form of product development has enabled technological development
- **Crowdfunding**
 - Financing development
 - Product launch financing
 - Kickstarter or Indiegogo
 - A relatively safe way combining market validation and product introduction





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Thank you

