أكاديمية

إعمل بيزنس

المحاضرة الخامسة

Marketing Plane
Fifth Part
Products and Services

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What is a Product?

A PRODUCT is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need includes :

- Physical Objects
- Services
- Events
- Persons
- Places
- Organizations
- Ideas
- Combinations of the above

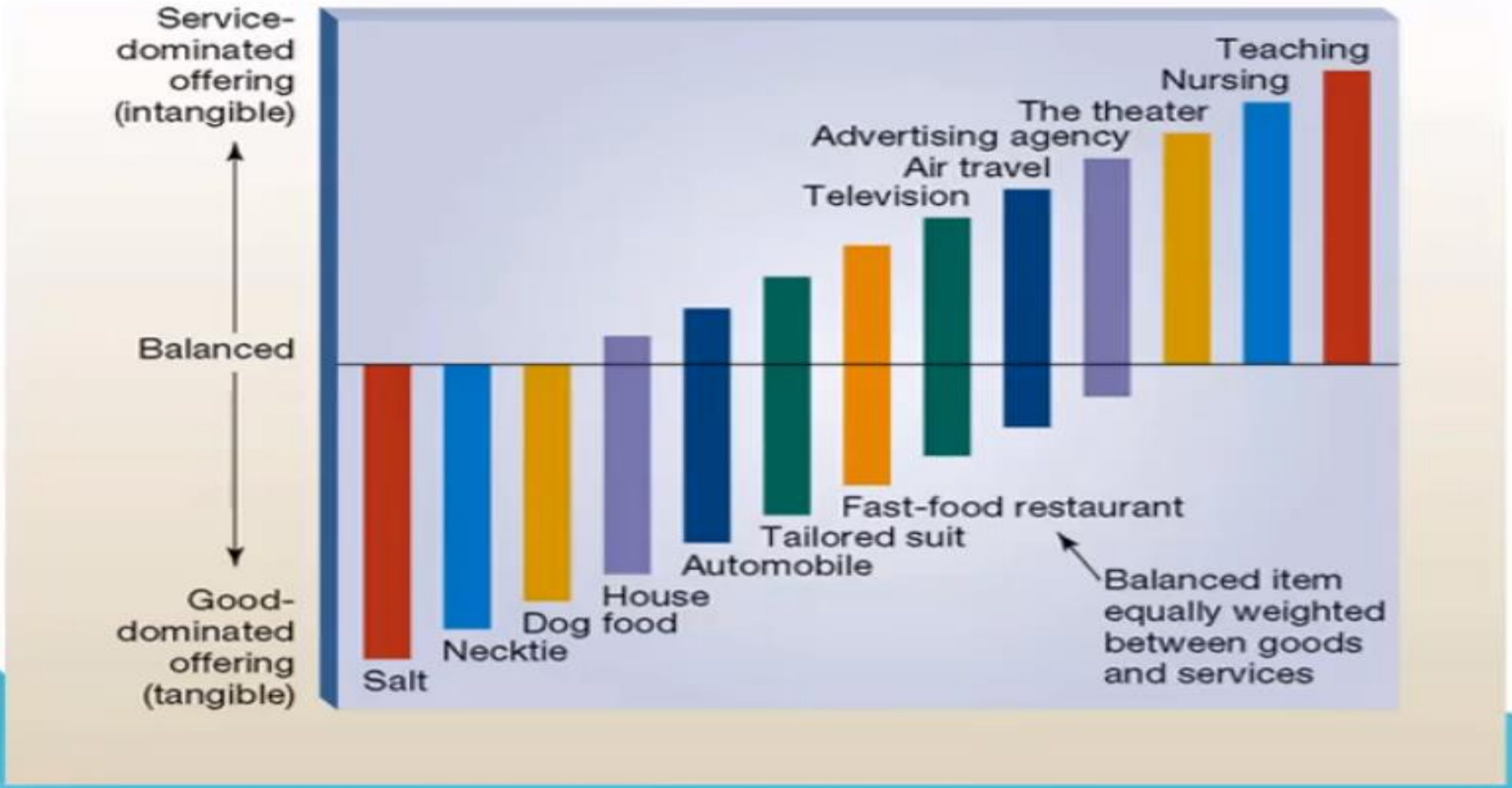
What is a Service?

A SERVICE is a form of product that consist of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything :

Examples include:

- Banking
- Hotels
- Tax preparation
- Home repair services

Product Vs. Service



Products, Services, and Experiences

Pure Tangible Good

Tangible Good With Accompanying Services

Hybrid Offer

Service With Accompanying Minor Goods

Pure Service

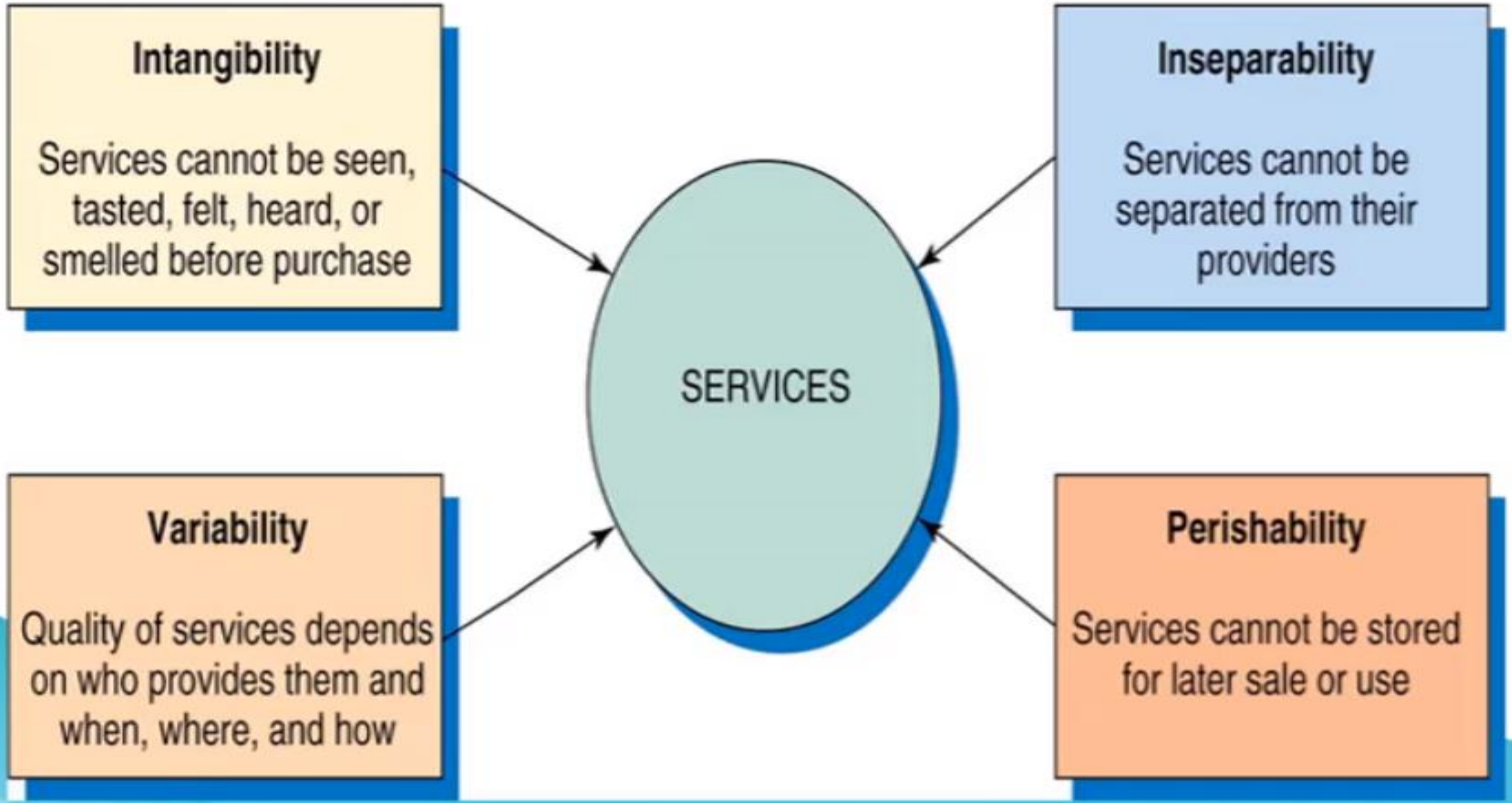
The Product-Service Continuum

Service characteristics

Service

Service is an activity or a benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Nature and Characteristic of a Service



Product Classifications

Convenience Products

- Buy frequently & immediately
- Low priced
- Mass advertising
- Many purchase locations

i.e Candy, newspapers

Shopping Products

- Buy less frequently
- Higher price
- Fewer purchase locations
- Comparison shop

i.e Clothing, cars, appliances

Specialty Products

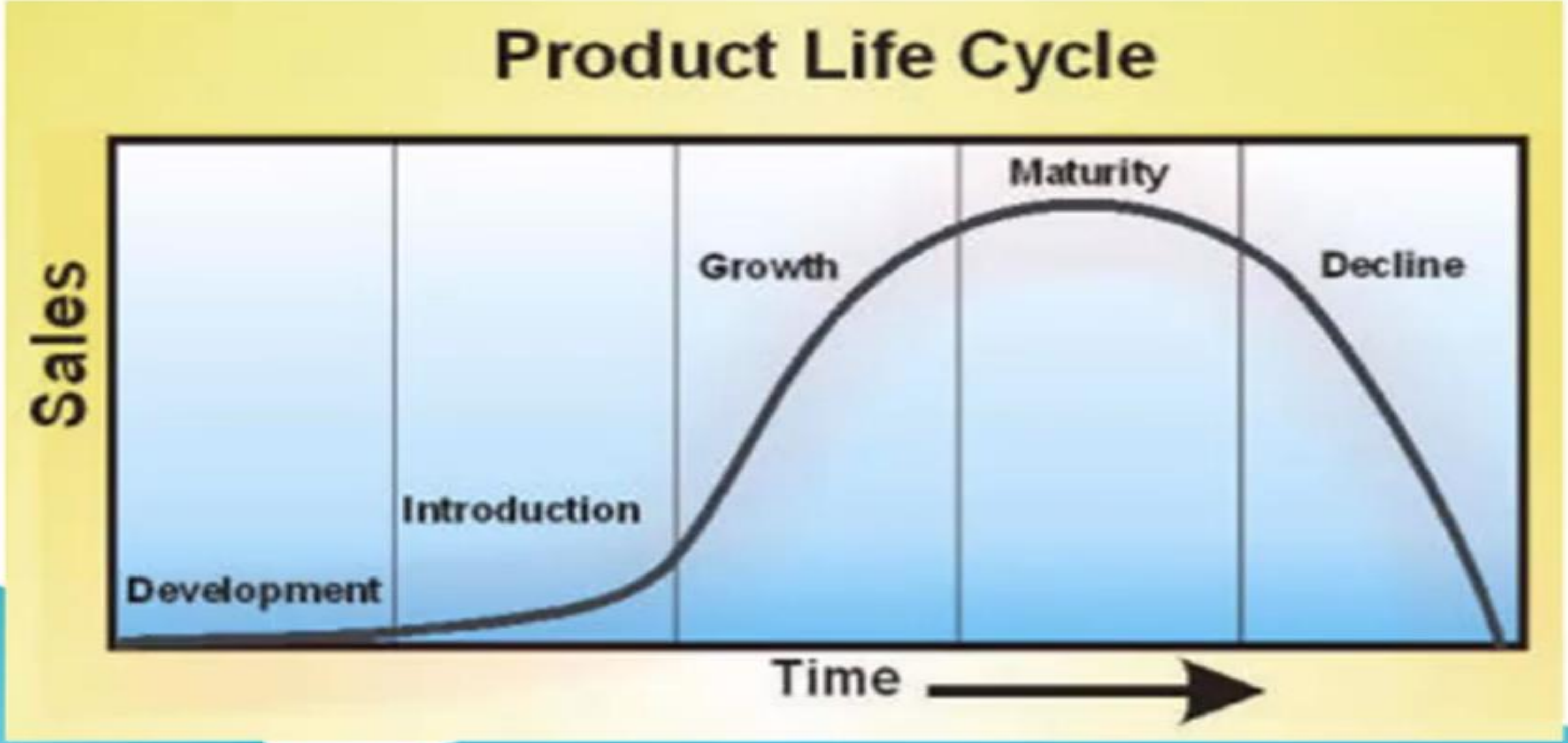
- Special purchase efforts
- High price
- Unique characteristics
- Brand identification
- Few purchase locations

i.e Lamborghini, Rolex

Unsought Products

- New innovations
- Products consumers don't
- want to think about
- Require much advertising
- personal selling
- i.e Life insurance, blood donation

Product Life Cycle



Sales and Profits Over the Product's Life From Inception to Demise

Introduction Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Low sales
Costs	High cost per customer
Profits	Negative or low
Marketing Objective	Create product awareness and trial
Product	Offer a basic product
Price	Usually is high
Distribution	High distribution expenses
Advertising	Spending is high to inform consumers

Growth Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objective	Maximize market share
Product	Offer new product features and models
Price	Remain where they are or fall slightly
Distribution	Increase number of distribution outlets
Advertising	Educating consumers and meeting competition

Maturity Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Begin to slow
Costs	Low cost per customer
Profits	High profits, then lower profits
Marketing Objectives	Maximize profits while defending market share
Product	May modify product
Price	May decline
Distribution	Build more intensive distribution
Advertising	Stress brand differences and benefits

Decline Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

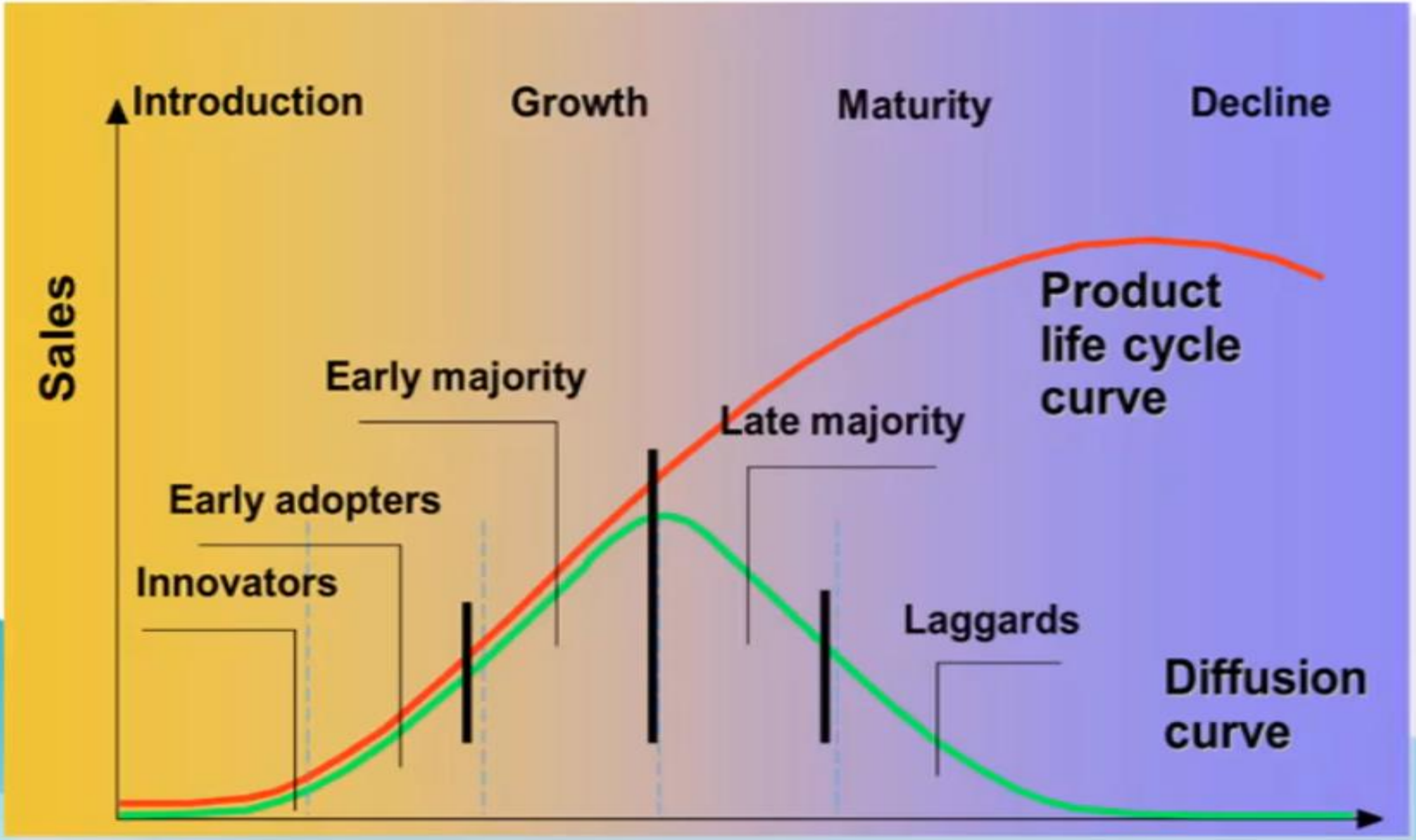
Sales	Declining sales
Costs	Low cost per customer
Profits	Declining profits
Marketing Objectives	Reduce expenditure and maintain, harvest, or drop the product
Product	Phase out weak items
Price	Cut price
Distribution	Selective: phase out unprofitable outlets
Advertising	Reduce to level needed to retain hard-core loyal customers

Table 10.5 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	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands	Phase out weak items and models
Price	Charge cost-plus	Price to penetrate market	Price to match or beat 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	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 levelReduce to minimal level

Sources: Chester R. Wasson, *Dynamic Competitive Strategy and Product Life Cycles*, (Austin, TX: Austin Press, 1978); John A. Weber, "Planning Corporate Growth with Inverted Product Life Cycles," *Long Range Planning*, October 1976, pp. 12–29; Peter Doyle, "The Realities of the Product Life Cycle," *Quarterly Review of Marketing*, Summer 1976.

Adoption process



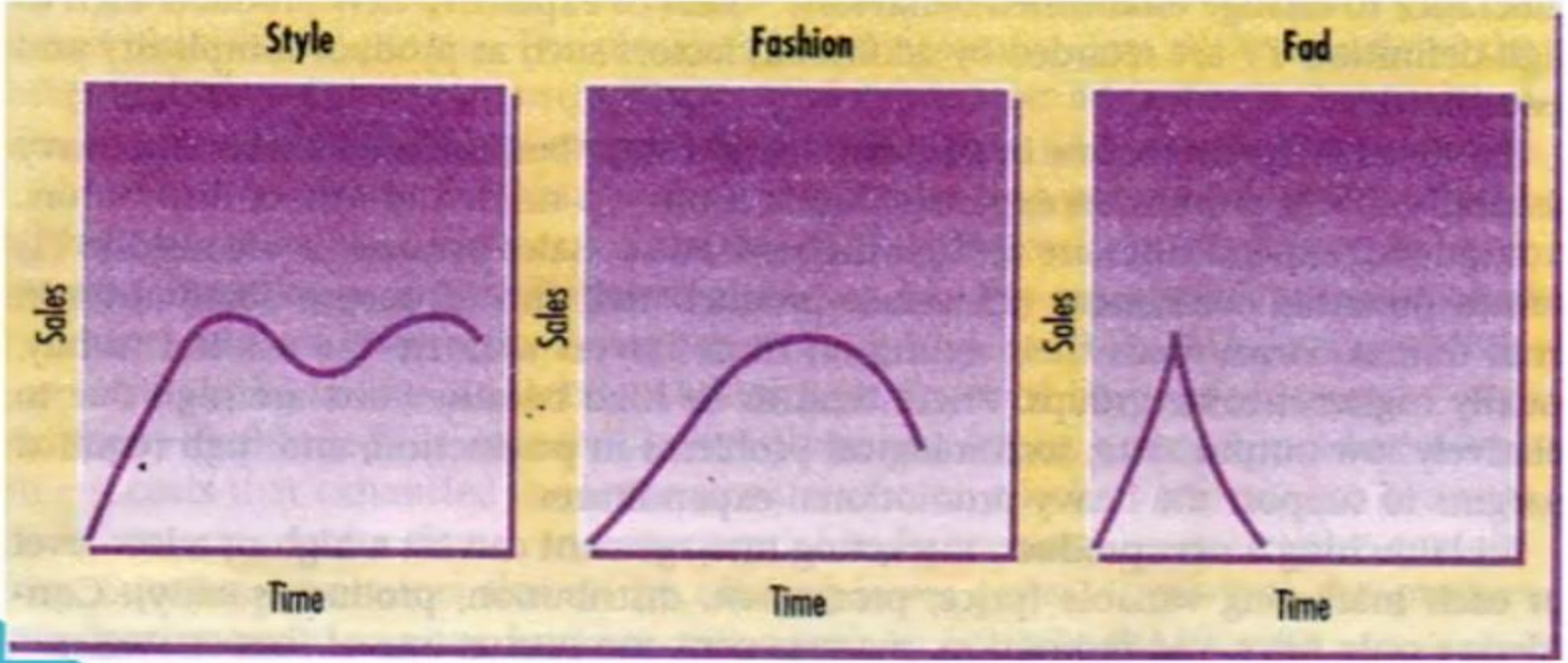
A Product in Decline

PLC example

- When the Sony Play station 2 entered into the decline stage of its life cycle, Sony had to select a turnaround strategy
- Sony's response: Introduce a slim Play station 2
- This strategy enabled Sony to extend the life of its Play station 2 until the release of their new next generation system, the Play station 3

SONY

Product life-cycle marketing strategies



PLC insight

- A particular problem faces the manufacturers of classic fragrance brands.
- There are fashion trends in fragrances and younger consumers may find an established classic fragrance not to their taste.
- The solution is to launch a variant but maintain the brand values .
- Poison now has “Tender Poison”.

PLC insight

- Some products appear to go forever .
- Chanel No.5 is 80 years young and remains among the top 10 selling perfumes in the twenty first century .
- Chanel's success is built on its excellent marketing
- Some products appear to have an almost infinite life cycle such as tea
- We may switch from loose tealeaves to bags but we still drink tea
- This is contrast to some other products where the life cycle can be measured in months .
- Computer games are an example of a very turbulent market with many new introductions.

Criticisms of PLC

1. The stages are not always easily defined
2. Not all the products go through each stage
3. Strategic decisions can change the cycle
4. The life cycle varies between different industries

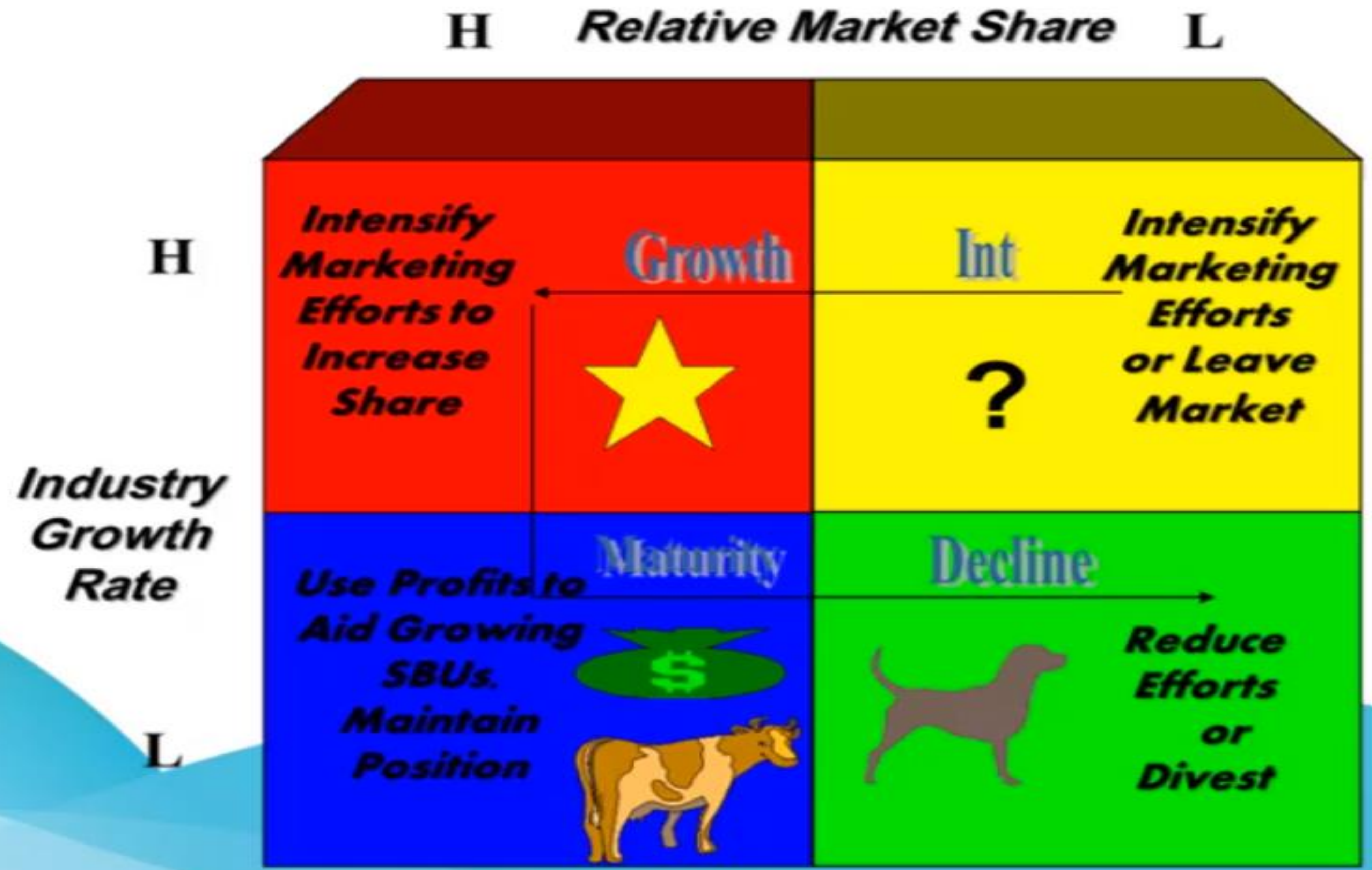
Market attractiveness

1. Size
2. Growth rate
3. Historical profit margin
4. Technological requirements
5. Social impact
6. Legal impact

Competitive position

1. Market share
2. Product quality
3. Brand reputation
4. Distribution network
5. Promotional effectiveness
6. Productive capacity
7. R&D performance
8. Managerial personnel

Boston Consulting Group Matrix

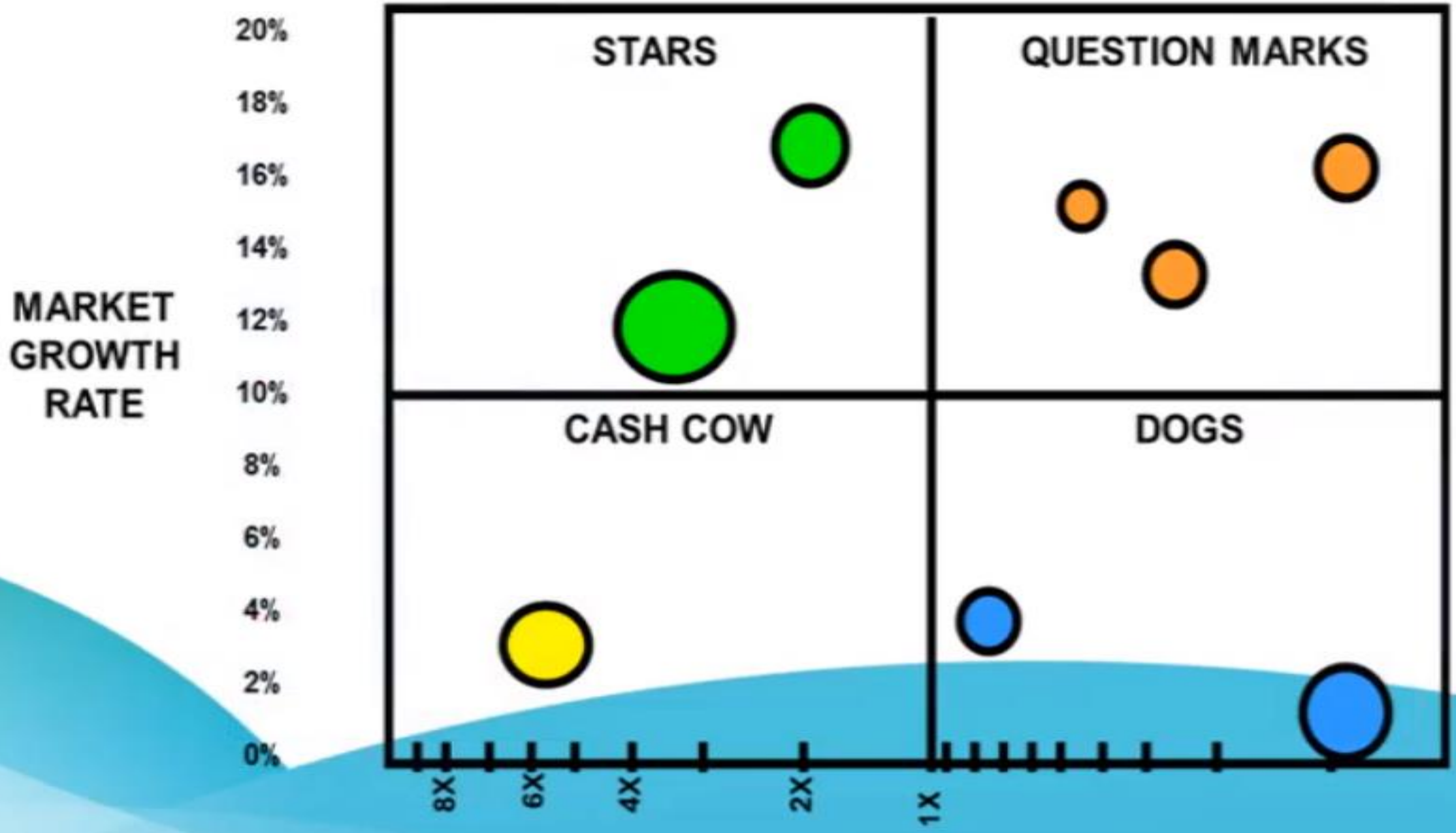


Analyzing Current SBU's: BCG Growth-Share Matrix

Relative Market Share

Market Growth Rate	High	Low
High	*Stars* • High growth & share • Profit potential • May need heavy investment to grow	*Question Marks* ? • High growth, low share • Build into Stars or phase out • Require cash to hold market share
Low	*Cash Cows* • Low growth, high share • Established, successful SBU's • Produce cash	*Dogs* • Low growth & share • Low profit potential

BCG Portfolio Analysis



Example of UK bank portfolio

1. Dog : Mortgage products .
2. Star : ATMs.
3. Cash cow : Personal current accounts .
4. Problem child : Corporate accounts .

Portfolio types

1. **Balanced portfolio :**

   There is a balance between the stars, question marks ,cash cows and dogs

2. **Unbalanced portfolio:**

   There is no balance between the stars, question marks ,cash cows and dogs

Criticisms of BCG

1-It concentrates only on 2 dimensions

2-The matrix assumes a relationship between profitability and market share