

## PRODUCT

### DEFINITION

—In marketing, a product is anything that can be offered to a market that might satisfy a want or need. However it is much more than just a physical object. It is the complete bundle of benefits or satisfactions that buyers perceive they will obtain if they purchase the product.

It is the sum of all physical, psychological, symbolic, and service attributes.

A product is similar to goods. In accounting, goods are physical objects that are available in the marketplace. This differentiates them from a service, which is a non-material product.

The term —goods is used primarily by those that wish to abstract from the details of a given product. As such it is useful in accounting and economic models. The term product is used primarily by those that wish to examine the details and richness of a specific market offering. As such it is useful to marketers, managers, and quality control specialists.

A "man" can also be an "experience", which like a service is intangible. However an experience is unique to the receiving individual, based upon their history. Example: amusement parks offer rides (product), acceptance of credit cards (service), and audience participation at the dolphin show (experience). My value of the dolphin show is different from yours, and to the extent I value it more, will trade more for it (money). The word "product" is also used as a pejorative term to describe teenagers who have homogenized themselves in the sense they have become indistinguishable due to their clothing, possessions, and brands they choose to display (at least at first glance).

### Three aspects of a Product

There are three aspects to any product or service:

1. **Core Benefit**
  - In-use benefits
  - Psychological benefits (e.g., self-image enhancement, hope, status, self worth)
  - Problem reduction benefits (e.g., safety, convenience)
2. **Tangible Product or Service**
  - Product attributes and features
  - Quality
  - Styling
  - Packaging protection and label information
  - Brand name
3. **Augmented Product or Service**
  - Warranty
  - Installation
  - Delivery

- Credit availability
- After-sale service and maintenance

### **Types of products**

There are several types of products:

- Consumer Products: used by end users
- Industrial Products: used in the production of other goods
- Convenience Goods: purchased frequently and with minimal effort, often referred to as FMCG
- (Fast Moving Consumer Goods)
- Impulse Goods: purchase stimulated by immediate sensory cues
- Emergency Goods: goods required immediately
- Shopping Goods: some comparison with other goods
- Specialty Goods: extensive comparisons with other goods and a lengthy information search
- Unsought Goods: e.g., cemetery plots, insurance
- Perishable Goods: goods that will deteriorate quickly even without use
- Durable Goods: goods that survive multiple use occasions, often further subdivided into 'white goods' (refrigerators and cookers, for example) and 'brown goods' (such as furniture, as well as
- electrical/electronic devices)
- Non-durable/consumption/consumable goods: goods that are used up in one occasion
- Capital goods: installations, equipment, and buildings
- Parts and materials: goods that go into a finished product
- Supplies and services: goods that facilitate production
- Commodities: undifferentiated goods (e.g., wheat, gold, sugar)

### **By-products**

A product that results from the manufacture of another product.

### **Classifying products**

Product management involves developing strategies and tactics that will increase product. It classifies and rates products based on five variables:

1. Replacement rate (how frequently is the product repurchased?)
2. Gross margin (how much profit is obtained from each product?)
3. Buyer goal adjustment (how flexible are the buyers' purchasing habits in regards to this product?)
4. Duration of product satisfaction (how long will the product produce benefits for the user?)
5. Duration of buyer search behaviour (how long will they shop for the product?)

## Product differentiation

In marketing, product differentiation is the modification of a product to make it more attractive to the target market. This involves differentiating it from competitors' products as well as your own product offerings. The changes are usually minor; they can be merely a change in packaging or also include a change in advertising theme. The physical product need not change, but it could.

The objective of this strategy is to develop a position that potential customers will see as unique. If your target market sees your product as different from the competitors', you will have more flexibility in developing your marketing mix. A successful product differentiation strategy will move your product from competing based primarily on price to competing on non-price factors (such as product characteristics, distribution strategy, or promotional variables).

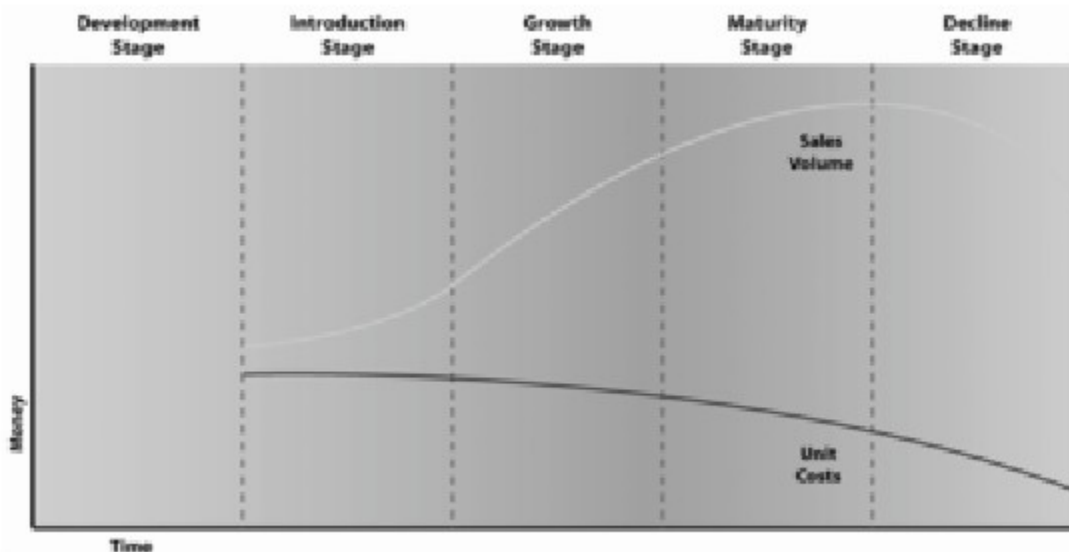
The disadvantage of this repositioning is that it usually requires large advertising and production expenditures.

### PRODUCT LIFE CYCLE (PLC)

The Product Life Cycle refers to the succession of stages a product goes through.

Product Life Cycle Management is the succession of strategies used by management as a product goes through its life cycle.

#### The stages



## A Typical Product Life Cycle

Products tend to go through five stages:

1. **New product development stage**
  - very expensive
  - no sales revenue
  - losses
2. **Market introduction stage**
  - cost high
  - sales volume low
  - losses
3. **Growth stage**
  - costs reduced due to economies of scale
  - sales volume increases significantly
  - profitability
  - prices to maximize market share
4. **Mature stage**
  - costs are very low as you are well established in market & no need for publicity.
  - sales volume peaks
  - prices tend to drop due to the proliferation of competing products
  - very profitable
5. **Decline stage**
  - costs become counter-optimal
  - sales volume decline
  - prices, profitability diminish

### Management of the cycle

The progression of a product through these stages is by no means certain. Some products seem to stay in the mature stage forever (e.g., milk). Marketers have various techniques designed to prevent the process of falling into the decline stage. In most cases however, one can estimate the life expectancy of a product category.

Marketers' marketing mix strategies change as their products goes through their life cycles.

Advertising, for example, should be informative in the introduction stage, persuasive in the growth and maturity stages, and be reminder-oriented in the decline stage.

Promotional budgets tend to be highest in the early stages, and gradually taper off as the product matures and declines.

Pricing, distribution, and product characteristics also tend to change. Customers respond to new products in different ways.

The first two stages, introduction and growth, are often seen as offensive in nature.

The second two stages, mature and decline stage, are often seen as defensive in nature.

The defensive stage is sometimes called the armadillo phase because of that animal's defensive technique of hiding in its shell.