Chapter Seven
Introduction to the Marketing Mix Strategies

Now that you have had a good look at marketing strategy, we will take a deeper look at the marketing mix- the tactical tools that marketers use to implement their strategies. In this chapter well study how companies develop and manage products and brand, and pricing, distribution and marketing communication tools. Product is usually the first and the most basic marketing consideration. Let's start with a seemingly simple question: what is product?

7.1. Product Strategy

Product is defined as anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need. Products include more than just tangible goods. Broadly defined, products include physical objects, services, events, persons, places, organizations, ideas or mixes of these entities. Product is a key element in the market offering. Marketing-mix planning begins with formulating an offering that brings value to target customers and satisfy their needs. This offering becomes the basis upon which company builds profitable relation ship with customers.

7.1.1. Levels of Product

Product planners need to think about products at three levels. Each level adds more customer value. The most basic level is the core benefit, which addresses the question *what is the buyer really buying?* When designing product, marketers must first define the core, problem-solving benefits or services that consumers seek. At the second level, product planners must turn the core benefit into an actual product. They need to develop product and service features, design, a quality level, a brand name, and packaging. Finally, product planners must build an augmented product around the core benefit and actual product by offering additional customer services and benefits.

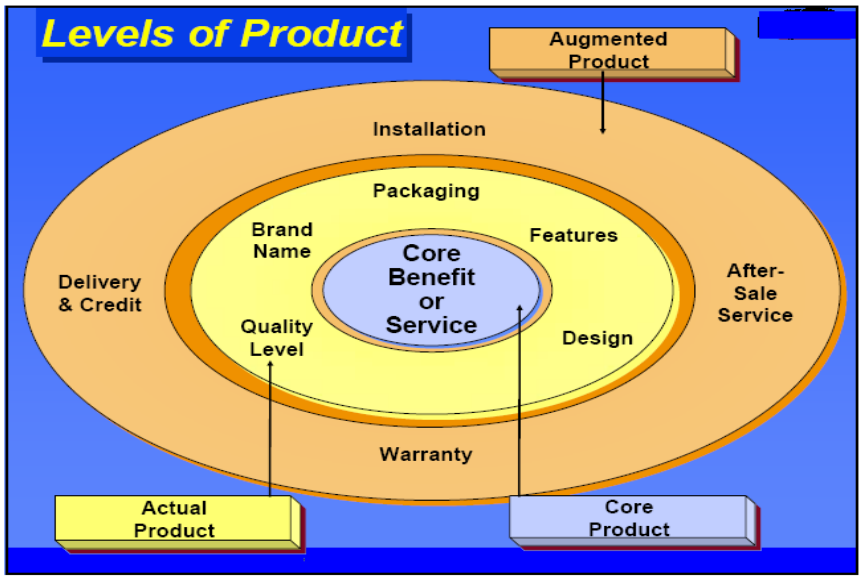


Figure 1. Levels of Product

7.1.2. Product Classification

Products fall into two broad classes based on the types of consumers that use them -consumer products and industrial products.

A. Consumer Products

Consumer products are products bought by final consumer for personal consumption. Marketers usually classify these products and services further based on how consumers go about buying them. Consumer products include convenience products, shopping products, specialty products and unsought products. These products differ in the ways consumers buy them and therefore in how they are marketed.

i. **Convenience products:** are consumer products that the customer usually buys frequently, immediately, and with a minimum of comparison and buying effort. Convenience goods can be further divided into *staples, impulse and emergency goods*. **Staples** are goods that consumers purchase on a regular basis. For example, one buyer might routinely purchase bread, soap, and salt. **Impulse** goods are purchased on impulse, without any planning or search effort. These goods are usually displayed widely. Examples are chewing gums, lottery, and magazines. They are widely distributed and displayed because shoppers may not have thought of buying them until they spot them. **Emergency** goods are purchased when a need is urgent- umbrellas during rainstorm, and candles during blackout. Manufactures of emergency goods will place them in many outlets so as to capture the sale when the customer needs them.

ii. **Shopping products**: are less-frequently-purchased consumer products that customers compare carefully on suitability, quality, price, and style. When buying shipping products, consumers spend much time and effort in gathering information and making comparison. Examples include furniture, clothing, and major appliances etc.

iii. **Specialty products:** are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. Examples include specific brand and types of fancy goods, cars, stereo components, and photographic equipments. Buyers normally do not compare products. They invest only the time needed to reach dealers carrying the wanted products.

iv. **Unsought Products** are consumer products that the consumer either does not know about or knows about but does not normally think of buying. New products, such as smoke detectors and food processors, are unsought goods until the consumer is made aware of them through advertising. The classic examples of known but unsought goods are life insurance, blood donation and encyclopedias. Unsought goods require substantial marketing effort in the form of advertising and personal selling.

B. Industrial Products

Industrial products are those purchased for further processing or for use in conducting a business. The distinction between a consumer products and an industrial product is based on the purpose for which the product is bought. We can distinguish three groups of industrial products: ***materials and parts***, ***capital items***, and ***supplies and business services.***

Material and parts are goods that enter the manufacturer's product completely. They fall into two classes: ***Raw materials*** and ***manufactured materials*** and ***parts***.

Raw materials fall into two major classes: farm products (e.g. wheat, cotton, livestock, fruits, and vegetables) and natural products (e.g., fish, crude petroleum, iron ore). ***Manufactured materials*** and ***parts*** are divided into two categories: component materials (e.g., iron, cement, yarn, wires) and component parts (e.g., small motors, tires, castings). Component materials are usually fabricated further for-example, pig iron is made into steel, and yarn is woven into cloth. Component parts enter the finished product completely with no further change in form, as when small motors are put into vacuum cleaners, and tires are put on automobiles.

Capital Items are industrial products that aid in the buyer's production or operations, including installations and accessory equipment. Installations consist of major purchases such as buildings (factories, offices) and fixed equipment (generators, drill presses,

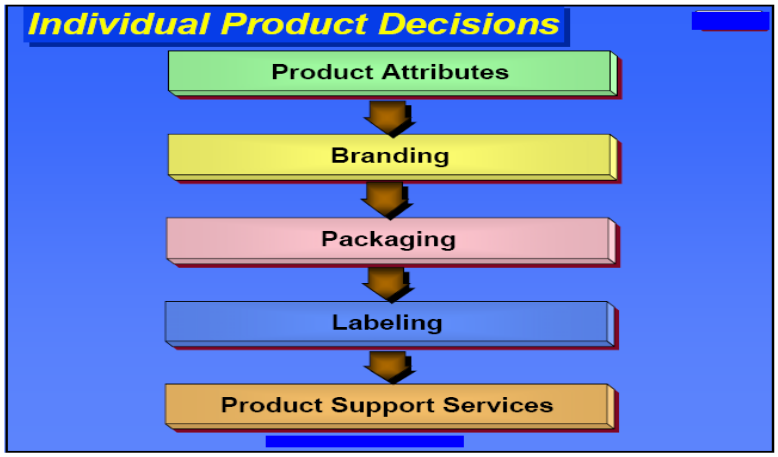
large computer systems). Accessory equipment includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (computers, fax machines, desks).

Supplies and Business Services: are short-lasting goods and services that facilitate developing and or managing the finished products.

Supplies are two kinds: operating supplies (e.g., lubricants, writing paper, pencils) and maintenance and repair items (paint, nails, brooms). Supplies are the equivalent of convenience goods in the industrial field; they are usually purchased with a minimum effort on a straight re-buy basis.

Business services include maintenance and repair services (e.g., car repair, computer repair) and business advisory services (e.g., legal, management consulting, and advertising). Maintenance and repair services are usually supplied under contract. Business advisory services are usually purchased in new task-buying situations, and the industrial buyer will choose the supplier on the basis of the supplier's reputation and people.

7.1.3. Product Decision



The above figure shows the important decisions in the development and marketing of products. It focuses on decisions about product attributes, branding, packaging, labeling and product support services.

i. **Product Attributes:** Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes such as *quality, features*, and *style and design.*

Product Quality: Product Quality is one of the marketer's major positioning tools. Quality has a direct impact on product

performance; thus it is closely linked to customer value and satisfaction. Most customer centered companies define quality in terms of customer satisfaction. This customer-focused definition suggests that quality begins with customer needs and ends with customer satisfaction.

Product Features. Features are a competitive tool for differentiating the company's product from competitors' product. Being the first producer to introduce a needed and valued new feature is one of the most effective ways to compete. Product style and Design: Another way to add customer value is through distinctive product style and design. Design is a larger concept than style. Style simply describes the appearance of a product. Style can be eye-catching. A sensational style may grasp attention and produce pleasing aesthetics, but it does not necessarily make the product perform better. Unlike style, design is more than skin deep—it goes to the very heart of a product. Good design contributes to a product's usefulness as well as to its looks.

ii. **Branding:** A brand is a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands of their products. Consumers view a brand as an important part of a product, and branding can add value to a product. Branding helps buyers in many ways. Brand names help consumers identify product that might benefit them. Brands also tell the buyer something about product quality. Buyers who always buy the same brand know that they will get the same features, benefits, and quality each time they buy. Branding also gives the seller several advantages. The brand name becomes the basis on which a whole story can be built about a product's special qualities.

iii. **Packaging:** Packaging involves designing and producing the container or wrapper for a product safety. The package includes a product's primary container (the tube holding Colgate total toothpaste). It may also include a secondary package that is thrown away when the product is about to be used (the card-board box containing the tube of Colgate). Finally, it can include a shipping package necessary to store, identify, and ship the product. In recent times, packaging has become a powerful marketing tool. Well-designed packages can create convenience value for the consumer and promotional value (sales tax) for the producer. Companies are realizing the

power of good packaging to create instant consumer recognition of the company or brand. Innovative packaging can give a company an advantage over competitors. In contrast, poorly designed packages can cause headaches for consumers and lost sales for the company. Developing effective packaging may cost lots of money and take from a few months to a year. The importance of packaging cannot be overemphasized, considering the functions it performs in attracting and satisfying customer. Companies must pay attention, however, to the growing environmental and safety concerns about packaging.

iv. **Labeling:** Labeling is a subset of packaging. Labels may range from simple tags attached to products to complex graphics that are part of the package. The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. The label might carry only the brand name or a great deal of information. Even if the seller prefers a simple label, the law may require additional information. At the very least, the label *identifies* the product or brand such as the name Coca Cola is stamped on the bottle. The label might also *describe* several things about the product—who made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safely. Finally, the label might *promote* the product through attractive graphics.

v. **Product Support Service:** Customer service is another element of product strategy. A company's offer to the marketplace usually includes some support services, which can be a minor or a major part of the total offering. The company should survey customers periodically to assess the value of current services and to obtain ideas for new ones. Once the company has assessed the value of various support services to customers, it must next assess the costs of providing these services. It can then develop a package of services to customers; it must both satisfy customers and yield profits to the company. Many companies are now using internet and other modern technologies to provide support services that were not possible before.

7.1.4. Product line decision

Product line is a group of products that are closely related because they function in a similar manner; are sold to the same customer groups, are marketed through the same type of outline, or fall within given price ranges. A major product line decision involves product line length-*The number of items in the product line.* The line is too short if the manager can increase profits by adding items. The line is too long if the manager can increase profits by dropping items.

Managers need to analyze their product lines periodically to assess each product item‘s sales and profits and to understand how each item contributes to the line’s overall performance.
A company can expand its product line in two ways: by line filling or line stretching. Product line filling involves adding more items with in the present range of the line. There are different reasons for product line filling: Reaching for extra profits, Satisfying dealers, Use excess capacity, being the leading full line company and plugging holes to keep out competitors.

Product line stretching occurs when a company lengthens its product line beyond its current range. The company can stretch its product line down ward, upward, or both ways. Companies located at the upper end of the market can stretch their line down ward. A company may stretch downward to plug a market hole that otherwise would attract a new competitor or to respond to a competitor’s attack on the upper end. Or it may add low end products because it finds faster growth taking place in the low end segments.
Companies can also stretch their product line upward. Sometimes, companies stretch upward in order to add prestige to their current products. Or they may be attracted by a faster growth rate or higher margins at the higher end. Companies in the middle range of the market may decide to stretch their line both directions.

7.1.5. Product mix decision

Product mix is the set of all product lines and items that a particular seller offers for sale.
The company product mix has four important dimensions: width, length, depth and consistency. Product mix width: refers to the number of product lines the company carries. Product mix length: refers to the total number of items the company carries within its product lines. Product mix depth: refers to the number of versions offered of each product in the line. Consistency refers to how closely related the various are in end use, production requirements, distribution channels or some other way.

7.1.6. New product Development

Given the rapid changes in consumer tastes, technology and competition, companies must develop a steady steam of new products. A firm can obtain new products in two ways. One is through acquisition—by buying a whole company, a patent, or al license to produce someone else’s product. The other is through new-product development in the company’s own research and development department. By new product we mean original product, product improvements, product modifications, and new brands that the firm develops through its own research and development efforts.

New product development process: New product development is the development of original products, product improvements, product modifications, and new brands through the firm's own R&D effort. New product development process involves; idea generation, idea screening, concept development and testing, marketing strategy, business analysis, product development, taste marketing and commercialization.

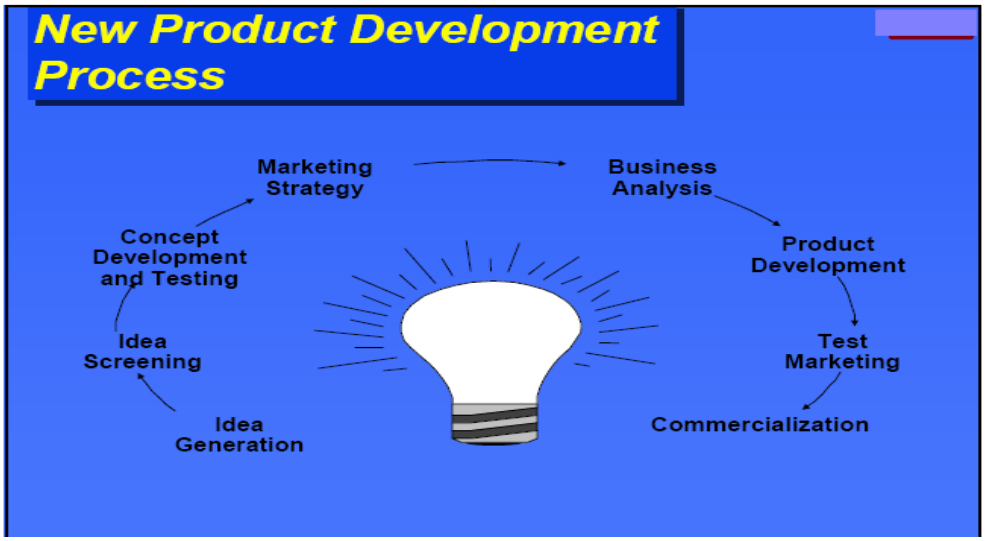


Figure 5. New product development Process

i. **Idea Generation:** New product development starts with idea generation—the systematic search for new product ideas. A company typically has to generate many ideas in order to find a few good ones. Major source of new product ideas include internal sources and external sources such as customers, competitors, distributors and suppliers, and others. Using internal sources the company can find new ideas through formal research and development. Externally, good new-product ideas also come from watching and listening to customers. The company can analyze customer questions and complaints to find new products that better solve consumer problems.

ii. **Idea Screening:** The purpose of idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce that number. The first idea-reducing stage is idea screening, which helps spot good ideas and drop poor ones as soon as possible. Product development costs rise greatly in later stages, so the company wants to go ahead only with the product ideas that will turn into profitable products.

iii. **Concept Development and Tasting:** Concept Development: An attractive idea must be developed into a product concept. A product concept is a detailed version of the new product idea stated in meaningful consumer terms. It is the development of product ideas into alternative product concept. Concept Testing: It is about testing new-product concepts with a group of target consumers to find out if the concepts have strong consumer appeal. The concept may be presented to consumers symbolically or physically. Many firms routinely test new-product concept with consumers before attempting to turn them into actual new products.

iv. **Marketing Strategy Development:** Marketing strategy development involves designing an initial marketing strategy for a new product based on the product concept. The marketing strategy statement consists of three parts. The first part describes the target market; the planned product positioning; and the sale, market share, and profit goals for the first few years. The second part of the marketing strategy statement outlines the product's planned price, distribution and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and marketing mix strategy.

v. **Business Analysis:** Business analysis is a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives. If they do, the product can move to the product development stage. If not, it is better to eliminate the product concept. To estimate sales, the company might look at the sales history of similar products and conduct surveys of market opinion. It can then estimate minimum and maximum sales to assess the range of risk. After preparing the sales forecast, management can estimate the expected costs and profits for the product, including marketing, R&D, operating, accounting and finance costs.

vi. **Product Development:** So far, for many new product concepts, the product may have existed only as a word description, a drawing, or perhaps a crude mock-up. If the product concept passes the business test, it moves into product development. Product development is the development of product concept into a physical product in order to ensure that the product idea can be turned into a workable product. This step calls for a large jump in investment. The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype can take days, weeks, months, or even years.

vii. **Test Marketing:** Test marketing is the stage of new product development in which the product and marketing program are tested in more realistic marketing setting. Test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. It lets the company test the product and its entire marketing program—positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels. When using test marketing, consumer products companies usually choose one of three approaches – standard test markets, controlled test markets, or simulated test markets.

viii. **Commercialization:** Commercialization is the phase at which the company introduces the new product into the market. Test marketing gives management the information needed to make a final decision about whether to launch the new product. If the company goes ahead with commercialization, it will face high costs. The company will have to build or rent a manufacturing facility. The company launching a new product must first decide in introduction timing. Next, the company must decide *where* to launch the new product – in a single location, a region, the national market or the international market. The company must also decide to *whom* to sells and *how* to sale the product.

7.1.7. The product life Cycle

A firm's product strategy must take into account the fact that products have a life cycle. Figure 6 illustrates this product life-cycle concept.

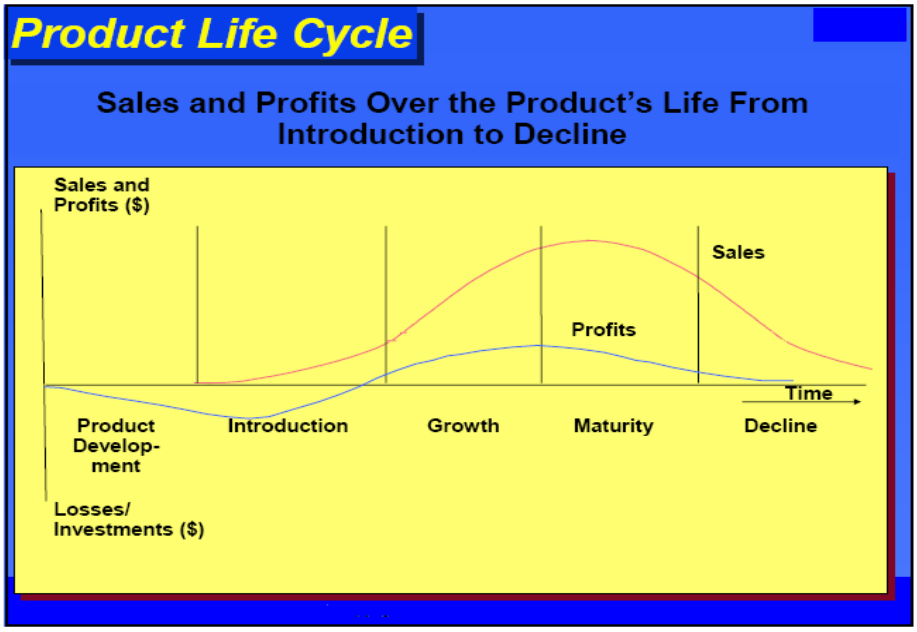


Figure . Product life cycle States

Products are introduced, grow, mature, and decline. This cycle varies according to product, technology, and market. Marketing executives need to aware of the life-cycle concept because it can be a valuable aid in developing marketing strategies. During the introduction phase of the cycle, there are usually high production and marketing costs, and since sales are only beginning to materialize, profits are low or nonexistent.

Profits increase and are positively correlated with sales during the growth stage as the market begins trying and adopting the product. As the product matures, profits for the initiating firm do not keep pace with sales because of competition. Here the seller may be forced to "remarket" the product, which may involve making price concessions, increasing product quality, or expanding outlays on advertising and sales promotion just to maintain market share. At some time sales decline, and the seller must decide whether to (1) drop the product; (2) alter the product; (3) seek new uses for the product; (4) seek new markets; or (5) continue with more of the same.

Table 1. Summary of product life-cycle characteristics, objectives and strategies.

Characteristics	Introduction	Growth	Maturity	Decline
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 profit	Declining Profit
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing numbers	Stable number Beginning to decline	Declining number
Marketing Objectives				
	Create product Awareness & 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 brand and models	Phase out weak items
Price	Use 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 to level needed Among early adopters	Build awareness & interest in the mass market	Stress brand differences and benefits	Reduce to retain hard-core loyal And-deale