Principles of Marketing

Session 10

Product and Product Development

Text: Chapters 8, 9

Outline

I. Levels of Product

II. Classification of Products

III. Services Marketing

IV. New Product Development

V. Test Marketing

I. Levels of Product

- **Augmented Product**

  Delivery& Credit, Installation, After-Sale Service, Warranty
- **Actual Product**

  Packaging, Features, Styling, Quality, Brand Name
- **Core Product**

  Benefit or Service

Product Levels: Qantas

- **Augmented Product**

  The Qantas Club, Tours, Frequent Flyer Scheme, Holiday Packages

- **Actual Product**

  In-flight Services, Meals, Hertz booking, Seat alloc, Booking System, Schedules, Safety record

- **Core Product**

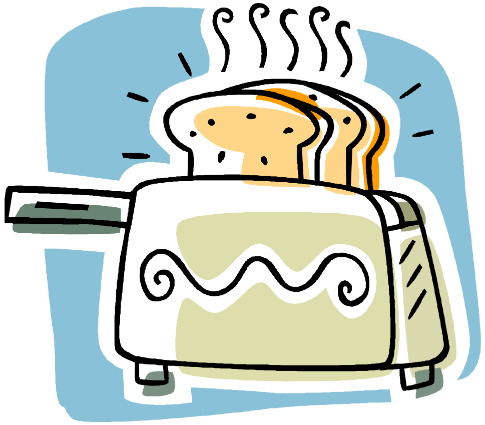
  Time-critical Transport

Discussion

1. What core benefit do you seek when you buy a high education service ?
2. Elaborate the actual product (second level) of this service.
3. In your view, what makes up the augmented product?

II. Classification of Products

- Consumer Product
- Industrial Product



Consumer Product Classifications

Types of Consumer Products

- **Convenience Goods**
- **Unsought Goods**
- **Shopping Goods**
- **Specialty Goods**

Industrial Product Classifications

Types Of Industrial Products

- **Materials and Parts**
- **Capital Items**
- **Supplies and Services**

III. Services Marketing

What is a service?

- An act or performance offered by one party to another. (Performances are intangible, but may involve use of physical products.)
- An economic activity that does not result in ownership
- A process that creates benefits by facilitating a desired change in customers themselves, physical possessions or intangible assets

-- ***Christopher Lovelock***

Some Industries in the Service Sector

- Banking, stockbroking
- Lodging
- Restaurants, bars, catering
- Insurance
- News and entertainment
- Transportation (freight and passenger)
- Health care
- Education
- Wholesaling and retailing
- Laundries, drycleaning
- Repair and maintenance
- Professional
- (e.g., law, architecture, consulting)

Service Characteristics

- **Service intangibility**
- **Service inseparability**
- **Service variability**
- **Service perishability**

IV. New Product Development

Successful new product development requires:

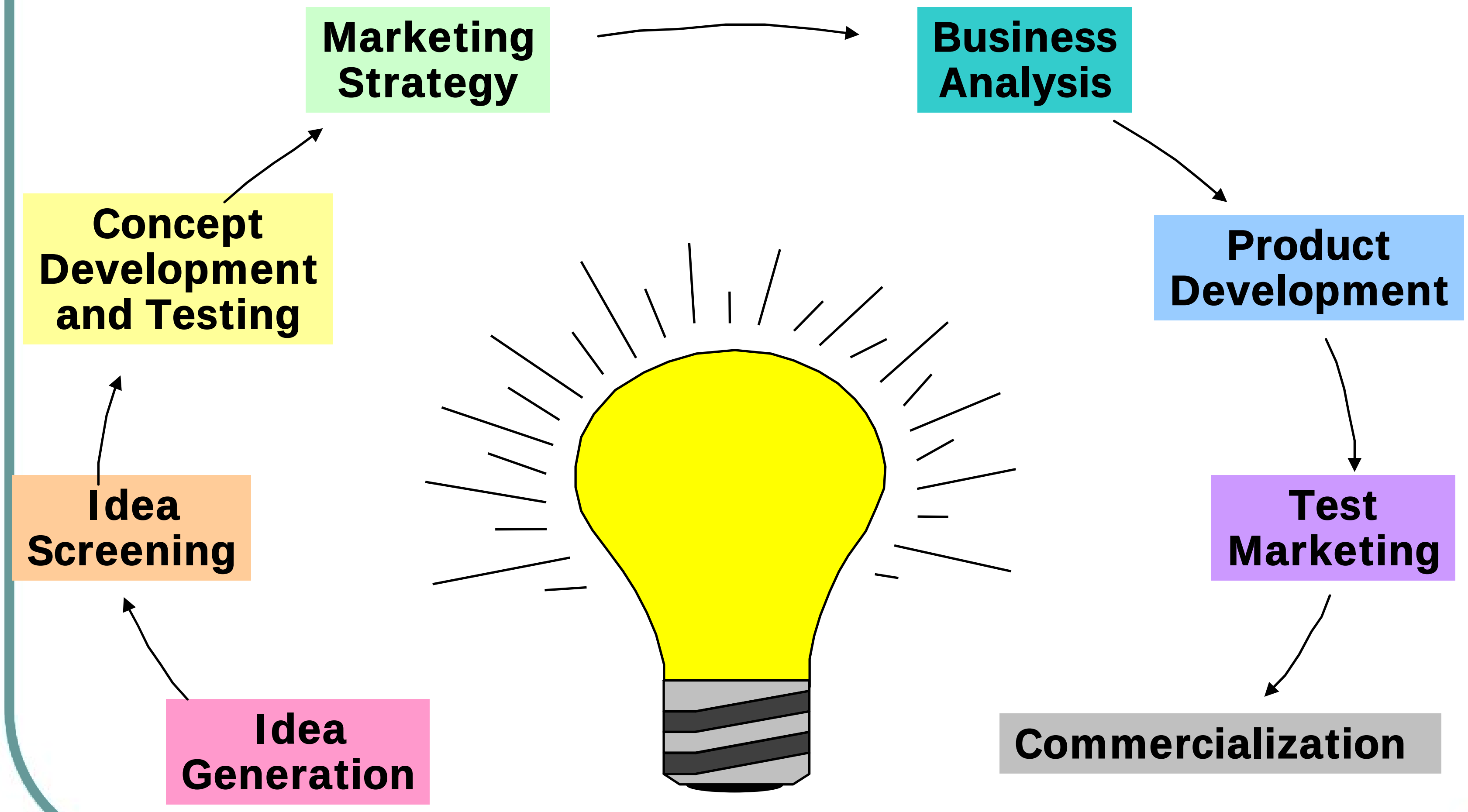
- Top managers’ strategic intents & implication
- Abundant resources
- Flexible organization structure

Organizing For New Product Development

Ways to Organize New Product Development

- New Product Venture Teams
- Product Managers
- New Product Managers
- New Product Committees
- New Product Departments

New Product Development Process



Idea Generation

Idea Screening

Concept Development and Testing

Marketing Strategy

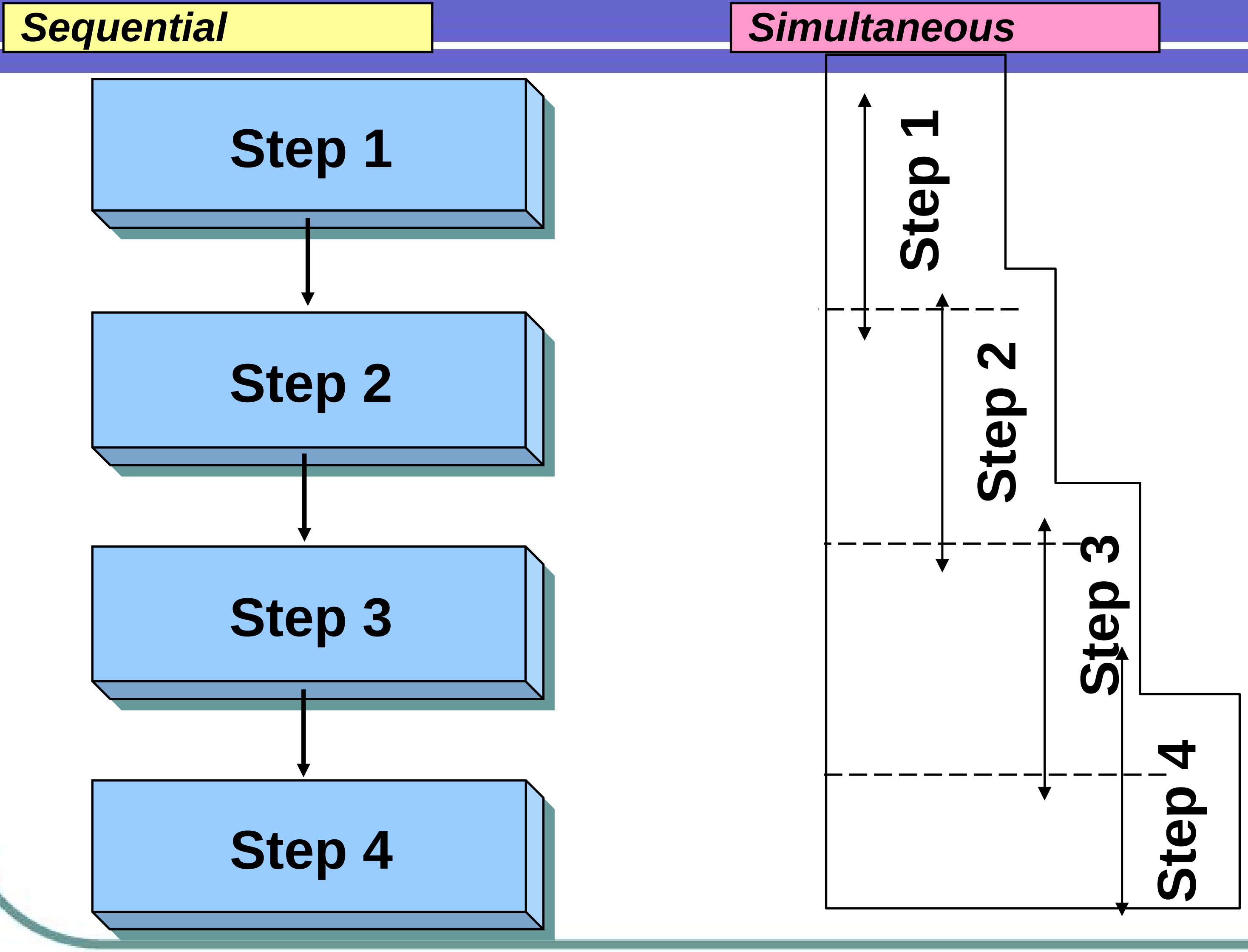
Business Analysis

Product Development

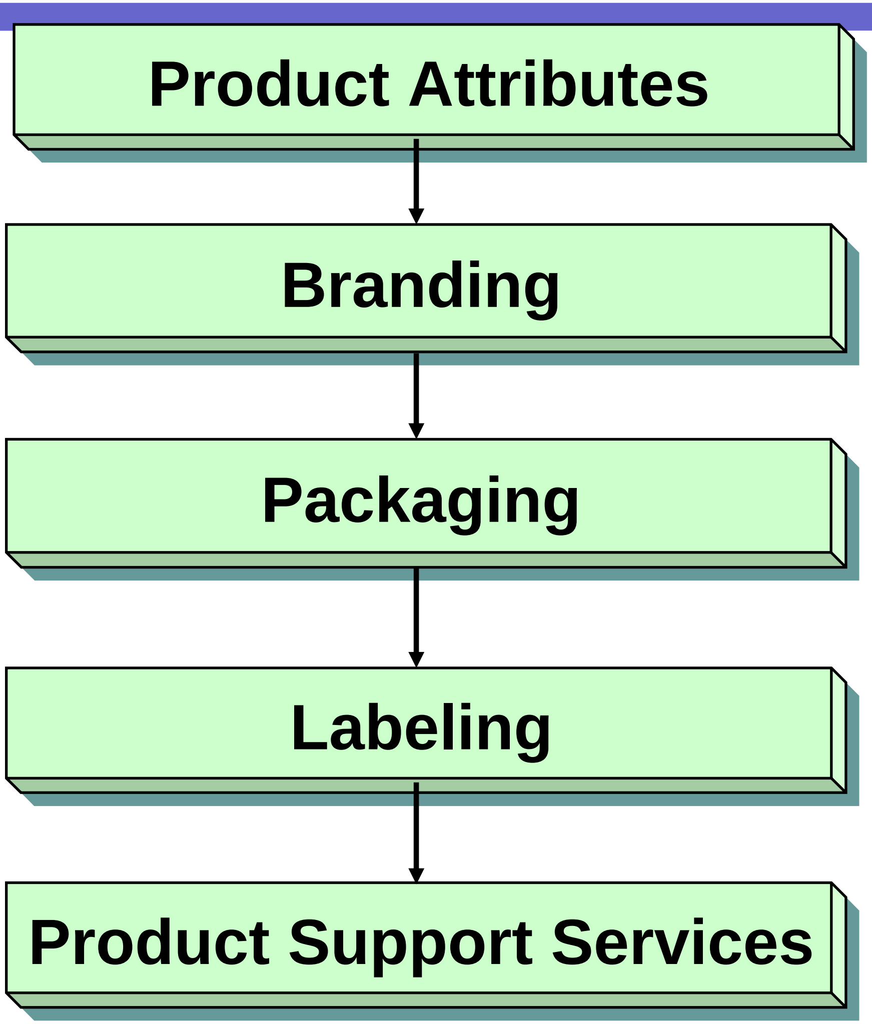
Test Marketing

Commercialization

Speeding Up Development


Sequential
Step 1
Step 2
Step 3
Step 4
Simultaneous
Step 1
Step 2
Step 3
Step 4

Individual Product Decisions



Product Attributes

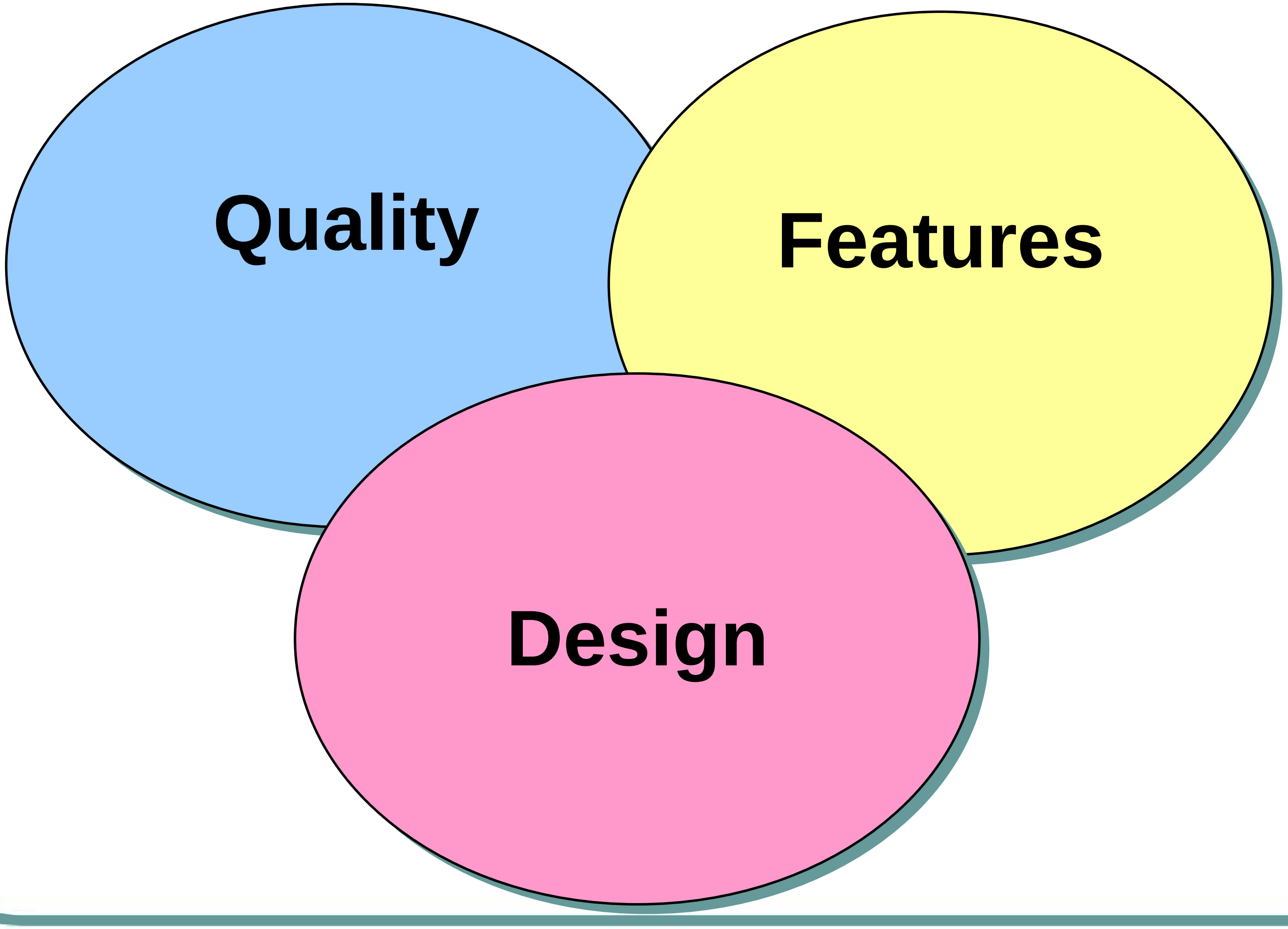
Branding

Packaging

Labeling

Product Support Services

Product Attribute Decisions


Quality

Features

Design

V. Test Marketing

Major Types of Test Marketing

- Standard
- Controlled
- Simulated

Questions

1. List and explain the “core, actual, and augmented products” of the educational experience that universities offer. How are they different, if at all, from the “product” offered by junior colleges?
2. Get the profile of Lihua Fastfood, Ltd. on its website, and analyze its business model with the theory about service.
3. To get perception from its target market, which way of test marketing is best for a brand-new product such as the flea remover for pets?