



**MILLIONS**

**MANAGEMENT SOLUTIONS**

**MARKETING**

**SUMMARY**

**Chapter 8**

**Create The Product**

## LAYERS OF THE PRODUCT CONCEPT

- **CORE PRODUCTS:** All the benefit the products will provide for consumer/business consumer.
- **ACTUAL PRODUCTS:** The physical good or the delivered service that supplies the desired benefit.
- **AUGMENTED PRODUCTS:** The actual product plus other supporting features such as warranty, credit, delivery, installation, repair service, etc.

## HOW MARKETERS CLASSIFY PRODUCTS

### Classification depends on how long the product lasts

- **Durable goods:** consumer products that provide benefits over a long period of time.
- **Nondurable goods:** consumer products that provide benefits for a short time because they are consumed or are no longer useful.

### Classification of Product

#### Consumer Product

- **Convenience product:** a consumer good or service that is usually low-priced, widely available, and purchased frequently with a minimum of comparison and effort.
- **Shopping product:** goods or service for which consumers spend considerable time and effort gathering information and comparing alternatives before making a purchase.
- **Specialty products:** goods or service that has unique characteristics and is important to the buyer and for which he will devote significant effort to acquire.
- **Unsought products:** goods or service for which consumer has little awareness or interest until the products or a need for the product is brought to his attention.

#### Business Product

- **Equipment:** expensive goods that an organization uses in its daily operations that last for a long time.
- **Maintenance, repair, and operating (MRO) products:** goods that a business customer consumes in a relatively short time.
- **Raw materials:** product of the fishing, lumber, agricultural, and mining industries that organizational customers purchase to use in their finished products.
- **Processed materials:** product created when firms transform raw materials from their original state.

## INNOVATION

## Types of Innovation

1. Continuous innovation: a modification of an existing product that sets one brand apart from its competitors.
2. Dynamically continuous innovation: a change in an existing product that requires a moderate amount of learning or behavior change.
3. Discontinuous innovation: a totally new product that creates major changes in the way we live.

## How to Measure Innovation?

Innovation involve not only marketing, but also the firm's overall culture, leadership, and processes in place that foster innovation. So, to measure it, we have to measure firm's strategy, firm's culture, and also outcomes of the innovation.

## NEW PRODUCT DEVELOPMENT

### Phase 1: Idea Generation

Marketers brainstorm for products that provide customer benefits and are compatible with company mission.

### Phase 2: Product Concept Development and Screening

Marketers test product ideas for technical and commercial success.

### Phase 3: Marketing Strategy Development

Marketers must identify the target market, estimate its size, and determine how they can effectively position the product to address the target market's needs. Also include planning for pricing, distribution, and promotion expenditure.

### Phase 4: Business Analysis

Marketers assess a product's commercial viability.

### Phase 5: Technical Development

Company engineers refine and perfect a new product.

### Phase 6: Test Marketing

Testing the complete marketing plan in a small geographic area that is similar to the larger market the firm hopes to enter.

### Phase 7: Commercialization

A new product is launched into the market.

## ADDOPTION AND DIFFUSION OF NEW PRODUCTS

**Product adoption:** the process by which consumer or business customer begins to buy and use a new good, service, or idea.

**Diffusion:** the process by which the use of the product spreads throughout a population.

**Tipping point:** the point when a product's sale spike from a slow climb to an unprecedented new level, often accompanied by a steep price decline.

### Stages in Consumers' Adoption of a New Product

- Awareness: massive advertising.
- Interest: may use teaser advertising.
- Evaluation: provide information to customers about how the product can benefit them.
- Trial: demonstration, samples, trial-size package.
- Adoption: make the product available, provide product use information.
- Confirmation: reinforce the customer's choice through advertising, sales promotion, and other communication.

### Adopter Categories

- Innovators (2.5%): the first segment of a population to adopt a new product.
- Early adopters (13.5%): those who adopt an innovation early in the diffusion process, but after innovators.
- Early majority (34%): those whose adoption of a new product signals a general acceptance of the innovation.
- Late majority (34%): the adopters who are willing to try new products when there is little or no risk associated with the purchase, when the purchase becomes an economic necessity, or when there is social pressure to purchase.
- Laggards (16%): the last consumers to adopt an innovation.

### Product Factors That Affect the Rate of Adoption

- Relative advantage: the degree to which a consumer perceives that a new product provides superior benefits.
- Compatibility: the extent to which a new product is consistent with existing cultural values, customs, and practices.
- Complexity: the degree to which consumers find a new product or its use difficult to understand.
- Trialability: the ease of sampling a new product and its benefit.
- Observability: how visible a new product and its benefits are to others who might adopt it.