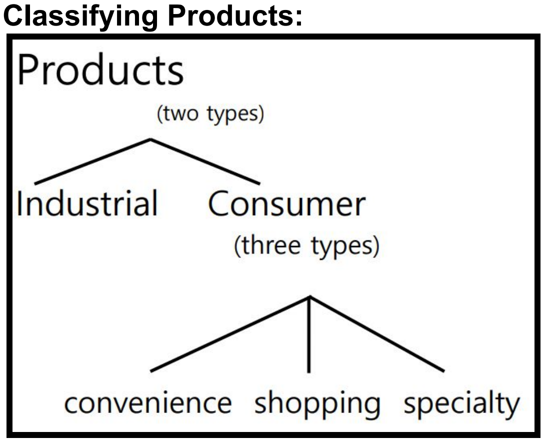
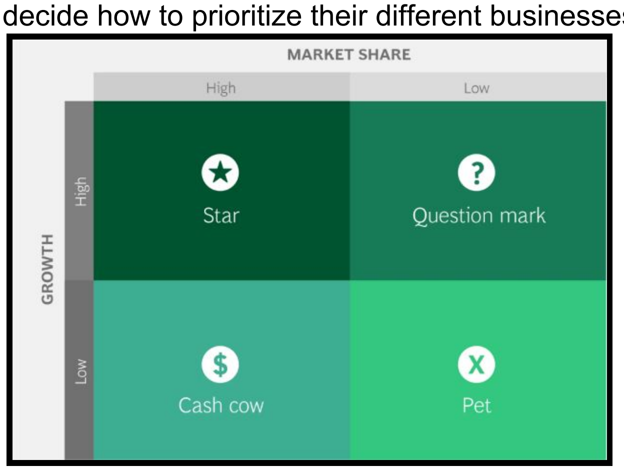
Lecture Notes:

- **Products:**
- A **product** is what a purchaser hopes to get, or believes to be getting, when they enter a financial transaction. It is anything (good/service/other) that fills a buyer's need or satisfies a want.
- There are 3 attributes of products:
    1. **Function:**
    - What the product is intended to do.
    - E.g.
      A car provides transportation.
      A restaurant provides a meal.
    2. **Features:**
    - Additional attributes or offerings which contribute improved usefulness or better experience of the product.
    - E.g.
      A car has AC.
      A car has a convertible roof.
      A restaurant has music.
    3. **Benefit:**
    - Advantages that are derived from purchasing a product.
    - Usually, these are intangible.
      I.e. Benefits can give status, image, reputation, etc.
    - E.g.
      A car gives you independence from parents.
      A car gives you status with friends.
- The **value package** is the bundle of tangible and intangible functions, features and benefits that a business offers its customers.
  Value package = Benefits + Features + Function
- **Classifying Products:**



- Industrial Products:
- Purchased by other businesses.
- Used (directly or indirectly) to produce other products.
- There are usually only a small number of buyers who are knowledgeable.
- Function is the key criterion while pricing is an important criterion.
- Consumer Products:
- Purchased by individuals generally for their own use.
- There are usually a large number of consumers.
- Name recognition, branding and packaging are very important.

- <u>Convenience Products:</u>
- Are inexpensive and purchased frequently.
- They are purchased with little time and effort and consumed quickly and regularly.
- Examples: Newspaper, razor, soap, snack foods
- <u>Shopping Products:</u>
- Are more expensive and bought less frequently than convenience products.
- They also have more features than convenience products.
- Consumers will usually spend more time evaluating alternatives.
- Examples: Insurance, laptops, cars
- <u>Specialty Products:</u>
- Consumers will spend time and effort to find exactly what they want.
- These products justify time and effort because consumers attach a great deal of importance to the products.
- Consumers expect to buy these products just once, and will remember the purchase.
- Examples:
  Wedding gown (Specialty good)
  wedding reception (Specialty service)
- **Product Life Cycle (PLC):**
- Products, technologies, and industries have finite lives.
  They begin small and weak.
  They grow quickly.
  They mature.
  They decline.
- The PLC model has 2 dimensions: Growth (vertical axis) and Time (horizontal axis)
- **Extending A Product's Life:**
- If everyone already knows about your product, and it's starting to decline, you can introduce a new version/variation or an update.
- E.g. Coca-cola has many variations and flavours.
- **Growth Share Matrix (BCG Matrix):**
- The **growth share matrix** is a portfolio management framework that helps companies decide how to prioritize their different businesses. It is a table, split into four quadrants.

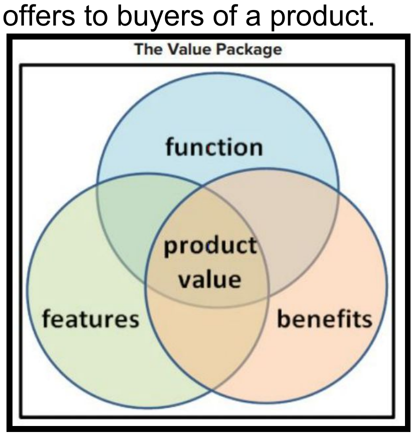


- The matrix reveals two factors that companies should consider when deciding where to invest, company competitiveness, and market attractiveness, with relative market share and growth rate as the underlying drivers of these factors.

- Each of the four quadrants represents a specific combination of relative market share, and growth:
    1. **Low Growth, High Share.** Companies should milk these “cash cows” for cash to reinvest.
    2. **High Growth, High Share.** Companies should significantly invest in these “stars” as they have high future potential.
    3. **High Growth, Low Share.** Companies should invest in or discard these “question marks,” depending on their chances of becoming stars.
    4. **Low Share, Low Growth.** Companies should liquidate, divest, or reposition these “pets.”

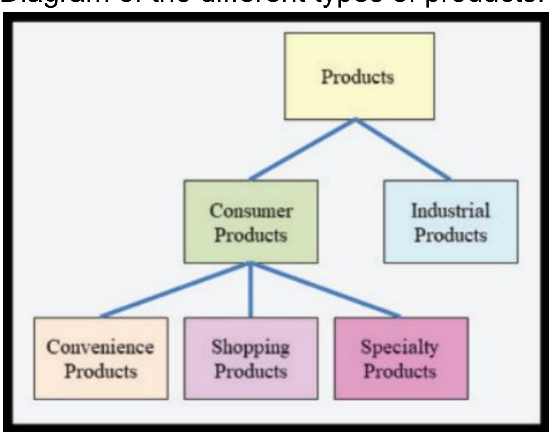
Textbook Notes (Chapter 3):

- **Products - Filling Needs and Satisfying Wants:**
- A **product** is whatever a purchaser hopes to get or believes they are getting whenever they make a purchase from another individual or organization. It is a good or service that fills a buyer’s needs or satisfies a want.
- **Goods** are products which are tangible. Examples include laptops, jeans, pencils.
- **Services** are products which are intangible but can be experienced. Examples include healthcare and education.
- Whether it’s a good or service, people are looking for these 3 elements in a product:
    1. Functions
    2. Features
    3. Benefits
- A product’s **function** is what it’s intended to do. It describes a good or service at its most minimal.
- A product’s **feature** is an additional attribute or offering which contributes improved usefulness or better experience of the product.
- A product’s **benefit** is an advantage that is derived from purchasing that product.
- The combination of a product’s functions, features and benefits gives the product its **value**. **Value** is the regard with which a product is held by potential buyers, expressed as its financial worth.
- The **value package** is the bundle of functions, features and benefits that a business offers to buyers of a product.



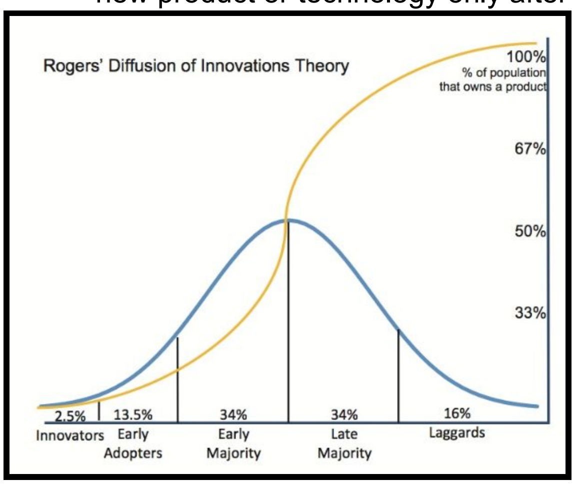
- **Understanding Different Products and Their Consumers:**
- **Consumer products** are products purchased by the end user, for personal use. They are the end result of production and manufacturing and are what the average consumers see in stores. Examples include magazines, cereal and clothing.
- In contrast, **industrial products** are the parts, ingredients, materials and supplies that are bought by one business from another in the process of making consumer goods. E.g. Cereal companies need to buy cardboard for their boxes.

- Industrial products aren't purchased by the end consumer; they contribute as inputs to the making of the consumer product. Because industrial products are purchased for different reasons than consumer products, the way they are marketed also differs.
- Industrial goods are sold to a much smaller number of buyers.
- When designing the functions, features and benefits of a product, the business must bear in mind whether the purchaser is likely to be another business.
- **Convenience products** are inexpensive products purchased relatively frequently and with little expenditure of time and effort. They are also consumed quickly. Examples include newspapers, disposable razors, deodorants.
- The key to marketing convenience products is that they must be inexpensive, easy to find and perform their function well.
- **Shopping products** are more expensive and purchased less frequently than convenience products. They also tend to have more features than convenience goods. As a result, users are willing to spend more time and effort evaluating and comparing alternatives in terms of style, performance, colour, price, etc.
  Examples include insurance, laptops, cars.
- The key to marketing shopping products is that they offer good value in terms of the features they offer.
- **Speciality products** are goods and services for which a customer will spend a good deal of both time and effort to find exactly what they want.
- Speciality products will justify the time and effort because they are goods and services to which customers will attach a great deal of importance.
- Examples include wedding gowns or catering for a wedding reception.
- The key to marketing speciality products is to maximize consumers' perceptions of the benefits that will come from using a particular supplier.
- Diagram of the different types of products:

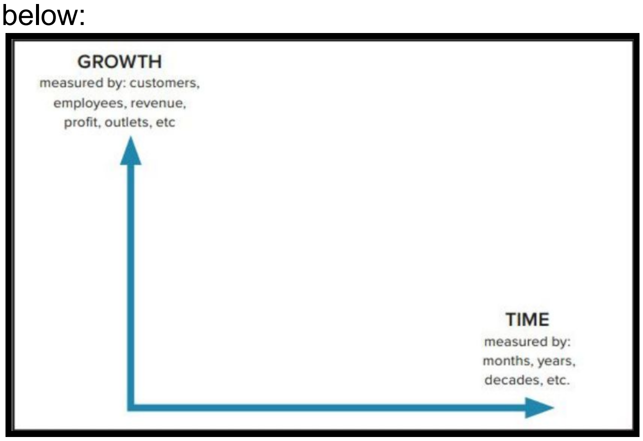


- **Product Obsolescence:**
- The **diffusion of innovations theory** explains how, over time, an idea or product gains momentum and spreads through a population.
- This theory was developed by Everett Rogers in 1962.
- Rogers argued, and subsequent research has shown, that people who are the first to try a new product are different from people who try it later on.
- Rogers identified 5 categories of people, based on their willingness to try something new. He argued that a business needs to use different strategies to appeal to each category of consumer.

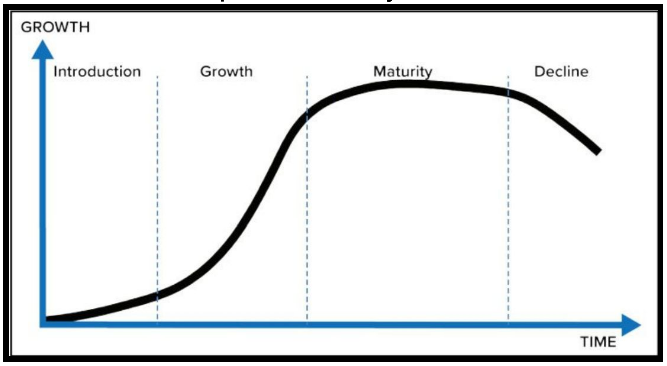
- The 5 categories are:
    1. **Innovators:** A small percentage of the population who actively want to be the first to try something new. These people are willing to take risks and little, if anything is needed to appeal to these people
    2. **Early Adopters:** The people who are aware of the need to change and are comfortable adopting new ideas. Strategies to appeal to early adopters include how-to manuals and information sheets on implementation. They do not need much info to change.
    3. **Early Majority:** These people aren't taste leaders but are willing to adopt new ideas or try new products before the average person. Typically, they need to see evidence the innovation works before changing. Strategies to appeal to early majority include success stories and evidence of innovation's effectiveness.
    4. **Late Majority:** These people are skeptical to change and will try something new only after it has been tried by majority. Strategies to appeal to late majority include information on how many other people have tried the product and used it successfully.
    5. **Laggards:** These people are bound to tradition and conservative in their tastes. They are very skeptical and the hardest to change. Often, they will purchase the new product or technology only after the previous versions have been obsolete.



- **The Product Life Cycle:**
- The **product life cycle** is the introduction, growth, maturity, decline and ultimate demise of products and industries as technologies and tastes change.
- The product life cycle can be visualized on a 2 dimensional diagram/model, shown below:



- Here is what the product life cycle looks like on the 2-d model:



- **Introduction Stage:**
    - The first stage of the product life cycle.
    - During the introduction stage, the product or technology is new and not well known.
    - There are few customers, and as a result, there are few suppliers. Furthermore, the price is high and profits are low.
    - The few businesses that do sell the product/technology will spend much of their time and effort educating potential customers, building channels of distribution and perfecting the product's design.
    - According to a Harvard Business School professor, each year, more than 30, 000 new consumer products are launched and about 80% of them fail.
    - Examples of recent high profile products that failed are New Coke (1985) and Samsung's Galaxy Note 7 (2016).
- **Growth Stage:**
    - The second stage of the product life cycle.
    - During this stage, demand for a product, particularly from first-time users, expands rapidly.
    - During this stage, production costs should begin to fall as producers begin to enjoy **economies of scale**. **Economies of scale** is the term used to describe a decrease in the cost to produce something as the volume of production increases.
    - Lowering their production costs means producers can lower their selling price. This increases demand and sales even more.
    - In most cases, it is during this stage that the product begins to make a profit.
- **Maturity Stage:**
    - The third stage of the product life cycle. This is when sales peak.
    - It is at this stage when products are most profitable. The product is now well understood and well accepted.
    - Expenditures on sales, marketing and further product development, I.e. new features, can begin to drop.
    - When a market has reached this stage, it is said to have experienced **saturation**. **Saturation** is when a market can absorb no more products.
- **Decline Stage:**
    - The fourth and final stage of the product life cycle.
    - The number of purchases fall after a market has reached saturation or the product/technology becomes old fashioned.
    - Businesses selling products in this stage may be forced to cut the product's price, merely to maintain demand.

  - With prices falling and demand either falling or staying flat, profits will fall. Falling profits will drive the smaller, less efficient, less committed competitors from the market.
  - The cause of industry decline is often the introduction of newer and better technologies that can perform the same tasks faster, better and cheaper. Other reasons may be changing social attitudes or changing demographics.
  - When products or technologies go into decline, **barriers to exit** become important.
  - **Barriers to exit** are characteristics which make an industry difficult, time-consuming or expensive for a business to leave.
  - For example, airlines have a lot of barriers to exist because an airline may have entered into contracts stretching months, or even years into the future. The airline will have to give lay-off notices to hundreds or thousands of employees, and negotiate severance and retirement packages. The airline will need to honour existing passenger tickets, some booked up co a year in advance. It will then need to sell its fleet of aircraft.
- **Life Cycle Extension:**
- A tactic for delaying product decline by launching a new variation or an update of the product.
- **Research & Development (R&D):**
- It is looking for innovations and ideas which will lead to the next generation of products.
- In the US, a typical business spends about 3.5% of their revenues on R&D. However, rapidly changing or technology intensive businesses often spend 4 or 5 times that much.
- **Branding:**
- Developing products and product features is only part of a marketer's job. Marketers must also design and package products so that customers can recognize them. 3 important tools for this task are branding, packaging and labelling.
- **Branding** is the use of logos, colours or symbols to identify a product and differentiate it in the minds of target customers.
- Businesses want customers to develop brand loyalty.
- **Brand loyalty** is customers' recognition of, preference for, and insistence on buying a product with a certain brand name.
- Creating brand loyalty is a 3 stage process. First, marketing managers must work to get customers to recognize the product's logo, name, colors and design, so that when they need a particular good or service, they will look for any of these. This is known as **brand awareness**.
- Next, marketers must attempt to get consumers to develop a favourable attitude towards the product and choose it over competitive offerings. This is known as **brand preference**.
- Finally, **brand insistence** involves persuading consumers to demand a product and make them willing to go out of their way to get it.
- Branding is important for sustaining the products revenue and profitability.
- **Protecting the Product:**
- Businesses undertake a lot of research and development in order to create new products that satisfy customer needs. The effort can be time consuming and expensive. Hence, businesses want to ensure that their creations and inventions are protected.
- **Intellectual property** is the name given to the ideas, inventions, and other creations that belong to a business.

- The 3 most common forms of intellectual property are:
  1. **Trademarks:**
  - A business does not want another business to use its name and confuse consumers into buying a substitute product.
  - Businesses can apply to the Canadian government and receive a **trademark**, which is the exclusive legal right to use a brand name.
  - Trademarks are granted for 15 years and may be renewed for further periods of 15 years.
  2. **Patents:**
  - A **patent** gives its owner exclusive right to the use of an invention or technological innovation for a period of 20 years.
  - To obtain a patent the inventor must go through a fairly lengthy and sometimes expensive process of providing blueprints, drawings, working models to the Canadian Patent Office.
  - Furthermore, the individual or business applying to obtain the patent must prove that they were the first to design and develop a working invention. For this reason, the process can take up to 3 years.
  - A Canadian patent confers exclusive right to use the invention in Canada only. If the business or individual wants to prevent competitors in the US from using its invention, it must go through a similar process to obtain a patent in the US.
  - If an individual or business believes that it has come up with a truly ground-breaking innovation, it has 4 options as to how best exploit it:
    1. Don’t get the patent. Instead, keep the innovation or process a secret for as long as possible. This gives the inventor a monopoly until a rival can duplicate the discovery.
       For example, coke never patented their formula.
    2. Obtain the patent and keep the right to be the only organization legally entitled to make the product or use the process. This gives the owner a 20 year monopoly.
    3. Obtain the patent and then sell the right to use the innovation to others. This gives the owner of the patent an immediate stream of revenue from the discovery.
    4. Announce the product worldwide. However, before doing so, the business should ensure it has the productive capacity and the sales and delivery capacity to produce and distribute widely. If the innovation is truly valuable and catches on, the inventing organization will become the market leader when the product becomes the industry standard.
  3. **Copyrights:**
  - A **copyright** gives ownership rights to the creators of books, articles, designs, illustrations, photos, music, etc. Copyrights apply to the tangible expressions of an idea.
  - Copyrights are given to the creators for the duration of their life and then to their heirs for another 50 years.
  - In Canada, the copyright process is relatively simple. The individual who creates the “copy” needs only to assert their ownership of the intellectual property and assert their exclusive rights to grant anyone else the right to copy it.
- **Packaging and Labelling:**
- For consumer products, **packaging** helps to make the product attractive, displays the brand and identifies the product’s features.
- Packaging is the marketer's last chance to say “buy me” to the consumer.
- **Packaging** is the physical container in which a product is sold.

Textbook Definitions (Chapter 3):

- **Barriers to exit:** Characteristics which make an industry difficult, time-consuming or expensive for a business to leave.
- **Benefit:** An advantage that is derived from purchasing that product.
- **Brand awareness:** A consumer being able to recognize a product's name, logo, colours or design so that when they need a particular good or service, they can look for them.
- **Brand insistence:** Consumers demand a product and make them willing to go out of their way to get it.
- **Brand loyalty:** Customers' recognition of, preference for, and insistence on buying a product with a certain brand name.
- **Brand preference:** Consumers develop a favourable attitude towards the product and choose it over competitive offerings.
- **Branding:** The use of logos, colours or symbols to identify a product and differentiate it in the minds of target customers.
- **Consumer products:** Products purchased by the end user, for personal use.
- **Convenience products:** Inexpensive products relatively frequently and with little expenditure of time and effort.
- **Copyright:** Exclusive right to the use of books, articles, designs, illustrations, photos, and music that are the tangible expression of an idea.
- **Decline stage:** The final stage of the product life cycle. Here, demand falls, prices fall, profits fall and the number of competitors decline.
- **Diffusion of innovations theory:** Explains how, over time, an idea or product gains momentum and spreads through a population.
- **Economies of scale:** A decrease in the cost to produce something as the volume of production increases.
- **Feature:** An additional attribute or offering which contributes improved usefulness or better experience of the product.
- **Function:** What a product is intended to do.
- **Goods:** Products which are tangible.
- **Growth stage:** The second stage of the product life cycle. During this stage, demand for a product, particularly from first-time users, expands rapidly.
- **Industrial products:** The parts, ingredients, materials and supplies that are bought by one business from another in the process of making consumer goods.
- **Intellectual property:** The name given to the ideas, inventions, and other creations that belong to a business.
- **Introduction stage:** The stage of the product life cycle when the product/technology is new and little known.
- **Life cycle extension:** Any effort by a business to re-package, re-launch or update a mature but well-known product.
- **Maturity stage:** The third stage of the product life cycle. This is when sales peak.
- **Packaging:** The physical container in which a product is sold.
- **Patent:** Exclusive right to the use of an invention or technological innovation.
- **Product:** Whatever a purchaser hopes to get or believes they are getting whenever they make a purchase from another individual or organization. It is a good or service that fills a buyer's needs or satisfies a want.
- **Product life cycle:** The introduction, growth, maturity, decline and ultimate demise of products and industries as technologies and tastes change.
- **Research & Development (R&D):** Looking for innovations and ideas which will lead to the next generation of products.
- **Saturation:** When a market can absorb no more products.
- **Services:** Products which are intangible but can be experienced.

- **Shopping products:** Products that are moderately expensive and purchased infrequently causing consumers to spend time comparing features, benefits and price.
- **Speciality products:** Products to which consumers will attach a great deal of importance and for which they will spend a good deal of both time and effort to find exactly what they want.
- **Trademark:** The exclusive right to the use of a name.
- **Value:** The regard with which a product is held by potential buyers, expressed as its financial worth.
- **Value package:** The bundle of functions, features and benefits that a business offers to buyers of a product.