MR2100 – Marketing II

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|  | ***Chapter 11: Managing Products and Branding*** | |
|  | |  | | --- | | **Learning Objectives:** | |  | Upon completion of this unit the learner should be able to:   1. Explain the product life cycle. 2. Explain how manage product’s life cycles. 3. Study the role of branding in a product’s life. 4. Study the role of packaging.  |  | | --- | | **The Product Life Cycle Graph** | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/product_lifecycle.jpg | | |  |  |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    The Stages of the Product Life Cycle  |  | | --- | | **The Stages of the Product Life Cycle** | | |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/11Goods_clip_image002.gif | **Introduction**   * the product is an unknown entity in the marketplace * sales are building but there is no profit being made on the sales * the point of advertising is to make the consumer aware of the product and to inform them of its use * there is little or no competition * the price is set either low (so as to penetrate the market and sell large quantities) or high (so as to recognize that few may be sold but a large profit will be skimmed from each product sold. * the product is only sold in a relatively few outlets and is not widely available * there are few if only one model of the product | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/11Goods_clip_image002_0000.gif | **Growth**   * the product is becoming better known in the marketplace * sales and profits are beginning to rise * competition is growing * the point of advertising is to make the consumer aware of the differences that exist in their product and competitive products * the price is set to gain/maximize market share * the product is sold in progressively more outlets and is becoming more common in certain stores however it is not widely available * more product models available | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/11Goods_clip_image002_0001.gif | **Maturity**   * sales and profits have maximized * people are buying their second unit now so the goal is to maintain brand loyalty.  Advertising is reminder-oriented * the number of competitors have maximized * many models of the product are available * the product is available in the maximum number of outlets | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/11Goods_clip_image002_0002.gif | **Decline**   * sales and profits have begun to decline * people are buying newer products that have replaced this product * the number of competitors is declining * only the best-selling models of the product are available * the product is available in fewer specialty outlets * there is little or no promotion of the product |   Once the product is in decline, the Producer has to make a choice. Companies usually want to find better ways to use their resources once a product begins to hit the decline stage of its life cycle.  **Three Basic Options for the Decline Stage:**   1. **Delete the product** - stop making it 2. **Harvest the product** - let sales continue as they are without expending resources on advertising 3. **Contract out the production** - get some other manufacturer to make the product.  This frees up the company to make and sell other things while collecting royalties on the contracted-out product. |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Different Product Life Cycles  |  | | --- | | **Different Product Life Cycles** | | The length and shapes of product life cycles will vary depending on the product.Typical variations in life cycles include:   |  |  | | --- | --- | | **High Learning Products Life Cycle** | Typified by very long introduction stages because consumers are forced to learn what the product is for and how to use it. (DOS-based computer programs)  https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/microwave-2.jpgThe microwave is one example. | | **Low Learning Products Life Cycle** | Typified by a fast rise to maturity because it's easy for a consumer to learn about and use the product. | | **Fad Product Life Cycle** | Typified by an extremely fast life cycle  https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/Rock180.jpgPet Rock Fad - 1975 | | **Fashion Product Life Cycle** | Typified by a recurring life cycle whose frequency depends on the product.  https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/dress.jpg |      |  |  | | --- | --- | | Weblinks | For additional reading on The Product Life Cycle, review the following site:  <http://courses.unt.edu/kt3650_9/sld004.htm> | |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Factors Affecting the Consumer Adoption Process  |  | | --- | | **Factors Affecting the Consumer Adoption Process** | | |  |  | | --- | --- | | **Usage Barriers** | the product is not compatible with existing consumer habits. | | **Value Barriers** | the product provides no incentive to change usage | | **Risk Barriers** | * physical * economic * social * psychological * cultural differences | |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Categories of Early Adopters - Graph  |  | | --- | | **Categories of Early Adopters Graph** | | **Innovators**   * experimental * use different information sources * higher education * risk takers   **Early Adopters**   * leaders in social setting * slightly above average education * opinion leaders   **Early Majority**   * deliberate * many informal social contacts * rely on recommendations from social contacts * product is proven successful by early adopters & innovators * tend to avoid risk   **Late Majority**   * skeptical * below-average social status * adopt only after it is common place   **Laggards**   * fear of debt * neighbours & friends are information sources * more comfortable with the familiar * avoid change   https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/categories_product_adopters.jpg |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Managing the Product Life Cycle  |  | | --- | | **Managing the Product Life Cycle** | | **Managing the Product Life Cycle**  Every organization would like to extend the life of its products for as long as possible.   * **Product Managers** - manages the marketing efforts of a product or brand * **Products can be modified** to meet new needs. i.e. adding food colouring to Ketchup * **Markets can be modified** by creating a new use situation, or by finding new users (think Baking Soda - not only used in baking but odor control in the fridge, whitening in tooth paste etc.) * **Product Repositioning -** Change the image of the product to extend its life   + Factors triggering a repositioning     - to react to competitors     - to reach new markets     - to catch a rising trend     - to change the value offered       * **trade up** - raise the image/features/options of the product       * **trade down** - lower the image/features/options of the product |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Branding  |  | | --- | | **Branding** | | A brand is a name, a phrase, a design, symbols (logo) or a combination of these to identify products and distinguish them from their competitors.   |  |  | | --- | --- | | **Trade Name** | the name under which a company does business - Apple Computers | | **Trademark** | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/applelogo.jpgthe symbol or logo that identifies the company and its products. |   **The Value of Branding**  A good brand name improves the value of the product (brand equity)   * Brand equity provides a competitive advantage * A Brand name endures changes in the market   **Licensing**  Brand equity can be sold in the form of licensing arrangements.  Other companies pay a royalty to the original company for the right to produce the original company's product.  The original company is then free to focus on other things.  **Picking a Good Brand Name**  Choosing a good brand name can be difficult.  Five criteria can be used to select a good brand name:   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/1.gif | Should suggest the product benefits, i.e.: *Easy-off* Oven cleaner | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/2.gif | Should be memorable, distinctive and positive, i.e. *Mustang* car | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/3.gif | Should fit the company or product image, i.e.: *Sharp* electronics | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/4.gif | Should have no legal or regulatory restrictions | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/5.gif | Should be simple, i.e.: *Bold* laundry detergent, but watch for translations to other languages, i.e. Chevy Nova car where *Nova* translates to "no-go" in Spanish or Travelocity where *travelo* translates to slang for transvestite in France. |   **Branding Strategies**   * Manufacturer's Branding * Multi-product Branding * Multi-branding * Euro-branding * Global branding * Private Branding * Mixed Branding * Generic Branding  |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/gaming.jpg | **Building Brands Game**  Click on the link below to play a game called *Building Brands*. It reinforces the branding concepts.  <http://www.buildingbrands.com/flash/game01.html> | |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Packaging  |  | | --- | | **Packaging** | | **Packaging**  Packaging serves three major functions:   |  |  | | --- | --- | | **Communications Benefits** | it helps sell the product | | **Functional Benefits** | it contains the product | | **Perceptual Branding** | the package conveys image and image change to the customer |   **Global Trends in Packaging**   * Environmental Issues * Health and Safety Concerns |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Product Warranties  |  | | --- | | **Product Warranties** | | A warranty reduces the risk involved in the purchase. It represents a significant marketing advantage.   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/link.gif | Sun Microsystems offers product warranties on a variety of products.  The site below contains a chart of products and each link contains the warranty.  <http://www.sun.com/service/warranty/product_warranty_chart.html> | |  MR2100 Marketing II (Winter 2009) - Unit 2.  Product Element of the Marketing Mix - Continued -    Discussion Activity  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **The New Product**   |  |  | | --- | --- | | Weblinks | Read the following article:  [*"The DVD War: Two tech titans are replaying the VHS vs Betamax fight* Michael Sinder in **Maclean's** - Jan 10, 2005](http://www.macleans.ca/article.jsp?content=20050103_131129_4964&source=srch) |   Having read the article and using it as a basis for your discussion:   |  |  | | --- | --- | | One | Discuss the Competitive Advantages offered by each competing product.  Discuss whether each advantage is an "industrial/corporate"-oriented advantage or a "consumer"-oriented advantage. | | Two | Consider where the following products are on the Product Life Cycle:   * Record Albums * Cassettes * CD Players * VHS Machines * Betamax machines * These new players   Draw a product life cycle and indicate where each of these products are located along it. | | Three | Consider the marketing aspects of each of the products listed in Question 2.  Discuss the:   * Competitive environment faced by each of these products. * How each of these products is priced. * How each of these products is promoted. * Where these products are available. | | |  |
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Discussion Questions

P300: 1,3,4,6