Product Tactics

CHAPTER

13

Gift Phala

Introduction

In this chapter, we look at how product-related tactics form a crucial part of the overall marketing mix. As outlined in the definition of marketing (Chapter 1), the chances of success in any venture are increased when products (or services) are designed with consumer needs at the forefront. Today, however, there are still many examples of product designs that focus on incremental or disruptive technology without considering needs. As a consumer marketer, the ability to understand and design products around consumer needs is a crucial skill. The chapter begins by surveying some basic definitions and product theory, followed by insights into product and brand development.

What is a product?

As we said in Chapter 1, consumer marketers may have many types of offerings. For example, they may be marketing a tangible good, a service, a person or an idea. Each of these offerings has its own approach but, for the purposes of this chapter, we use the term *product* in a more generic way. To this end, the term *product offering* is anything that can be offered to the market for attention, acquisition, use or consumption that might satisfy a need or want. On a broader scale, products are both tangible and intangible and include physical objects, services, events, persons, places, organisations, ideas and a mixture of these. A service is a form of a product offering that consists of activities, benefits or satisfaction offered for sale that are intangible and do not result in the ownership of anything. All services are products, but not all products are services.

Table 13.1 is a list of offerings that have significant marketing budgets. Notice how certain product-related rules may or may not apply in each instance. For example, a shoe can be sold in stores globally but a hike up Table Mountain can only be consumed by being in Cape Town and being able to participate in a long hike.

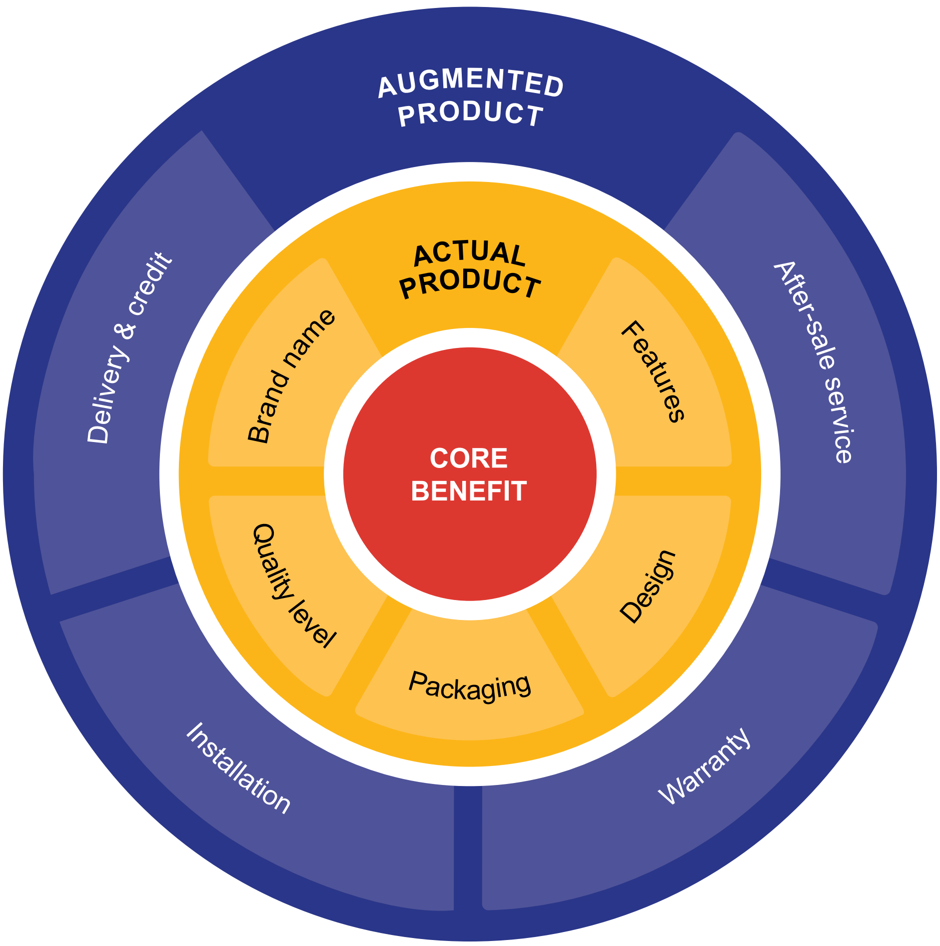
Table 13.1: Examples of products under the broad definition

Product	Example
Physical object	Pair of shoes
Service	Taxi
Event	Chiefs vs Pirates soccer match
Person	Bonang Matheba (a well known celebrity)
Place	Table Mountain (Cape Town)
Organisation	The United Nations
Idea	Climate change

A holistic view of product offerings

When understanding a product offering, it can be helpful to take a holistic view of its different components. According to a basic product model (Figure 13.1), there are three components to a product. The components are the core benefit, the actual product and the augmented product.

Figure 13.1: The three levels of a product[1]



According to the holistic three-component view of a product, the most basic level constitutes the core benefit of the offering. This aligns closely with the marketing concept, according to which people spend to meet their needs. An example is a person buying coffee. Such a person may be seeking caffeine or energy, rather than just a hot beverage. The actual product is the second component and constitutes the product features (for example, design, quality level, brand name, and packaging). An example is a medium-sized Seattle Coffee cappuccino. Finally, the augmented product is the additional services and benefits that accompany the purchase of a specific product (for example, a coupon from Seattle Coffee that entitles you to a free cup of coffee after every ten purchases).

Classifying consumer products

Consumer products are bought by consumers for personal, non-business use. Consumer products can be classified as convenience, shopping, specialty or unsought products, depending on how consumers use them[2]. Each of these is explained below.

- **Convenience products** are products and services that consumers buy frequently, immediately and with minimum effort required to compare and make the actual purchase. They buy these products regularly, without too much planning, information gathering or comparison between brands. These goods are therefore low-priced and suppliers make them available in many locations to make them easily accessible for customers. Examples of such goods include soap, sweets, cigarettes and toiletries.

- **Shopping products** are consumer products that are purchased less frequently, after the consumer has compared the price, quality, style and the suitability of different brands. They are purchased after the consumer has spent much time and effort gathering information and exploring the different options, so they are distributed through fewer locations. Examples include furniture, clothing, appliances and airline services.

- **Specialty products** are consumer products with unique traits and brand identification for which a specific and limited group of buyers are willing to make a special purchasing effort. Buyers normally do not compare speciality products and are willing to travel great distances and pay great prices to buy the products. Examples include specific types of cars, designer clothes and services from certain medical and legal specialists.

- **Unsought products** are products that the consumer either does not know about or knows about but does not normally think of buying. Consumers must therefore be made aware of the products through intense advertising, personal selling and other marketing efforts. Examples include life insurance, funeral cover and printers.

Product decisions

Once a marketing strategy has been considered, there are some product-related tactics that can be implemented in order to further the consumer marketer's strategic goals. These decisions can be made on an individual product level or collectively in product line or mix decisions. Each of these is explained below.

Individual product decisions

Individual product decisions are decisions relating to the product's attributes, branding, packaging, labelling and support services.

Product attributes
A product designer needs to decide what attributes a specific product needs to have in order to meet strategic objectives. These attributes may be divided into topics like quality, features and style.

- **Product quality** can be defined as the characteristics of a product that result in its ability to satisfy the customer's direct and indirect needs. Factors used to determine quality of a product include its physical, sensory and chemical properties, as well as its size and shape, and how these compare to competitors' products.

- **Product features** are the qualities of the product that set it apart from the competitor's products or other products in a company's range. Companies can offer the same product with varying features, for example, starting with a stripped-down car model at a lower price, and then increasing the price as the car's features are improved.

- **Product style and design** is the outward appearance of the product. The aim is generally for products to be eye-catching and to draw the attention of consumers away from competitors' products. One aspect of product design is the composition of the product that contributes to how useful and easy-to-use it is.

Branding
Branding is a name, term, sign, symbol or design, or a combination of these, which tell us who the maker or seller of a product is, and thus differentiates it from competitor offerings. Brands say a lot about the product quality, in that consumers who buy a brand trust that they will get the same quality, features and benefits with every purchase. Brand strategy is discussed in Chapter 11.

Packaging
Packaging refers to the activities entailed in designing and producing a container or wrapper for a product. The primary function of a package is to encase and protect the product, but packaging is also used to attract attention and describe the product. As such, it can play an important role in determining the sale. Creative packaging can provide an advantage over competitors and bolster sales. An example of successful packaging is the All Gold inverse tomato sauce bottle. Requirements for good packaging may include meeting some of the following criteria:[3]

- It should be distinctive, so it is easily recognised and helps the product stand out on the shelves.
- It needs to be able to fit on retail shelving.
- It should allow consumers to best use the product.
- It needs to follow strict measures of safety.
- It is preferable to have environmentally safe packaging.

Labelling

Labelling is the inclusion of certain information about the product on the outside of its packaging (usually). Product labelling has three main objectives.[4] First, the branding and qualities of the labelling help customers notice and identify the product. Second, labelling describes the product and provides information regarding the product, such as ingredients, package contents, user recommendations, safety, manufacturer details, when and where it was made, expiry dates and consumption suitability. Third, labelling is used to promote the product and can serve as a final promotional effort to persuade consumers to buy the product or to support its positioning.

Product support services

Product support services are additional services that a marketer can use to make a product offering attractive and enhance its value. In order to determine which support services to provide, the marketer needs to survey customers regularly and determine the value of current services, as well as generate ideas for new services. This will allow the company to determine the cost of providing these services and to determine whether they are viable.

Examples of support services include:

- Delivery or installation
- Credit facilities or lay-buy purchasing
- Customer support or consultation
- Product returns and replacement
- Warrantees and free repairs

Product line and mix decisions

A 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 types of outlets, or fall within given price ranges. For example, Colgate produces several lines of dental products (toothpaste, dental floss, toothbrushes, mouthwash). Product line decisions often relate to the product mix, that is, the product width, depth, length and consistency.

- **Product line width** is the number of product lines that a business has in its product portfolio. An example is the way that Colgate has a product line for toothpaste, toothbrushes, flosses and mouthwash.

- **Product line depth** is the number of variations that the company has within the product lines. The Colgate toothpaste line has Colgate Maximum Cavity Protection toothpaste, Herbal toothpaste, Total 12 Pro Breath toothpaste and Triple Action toothpaste.

- **Product line length** is the total number of products a business has within all product lines. In the Colgate example, this is the summation of all the Colgate toothpaste, toothbrushes, flosses and mouthwash variations.

- **Product consistency** speaks to how closely related the product lines are. For instance, it can be said that Colgate is consistent in that it produces dental products. This would not be true if it were to start producing clothing.

Figure 13.2: A generic product mix[5]

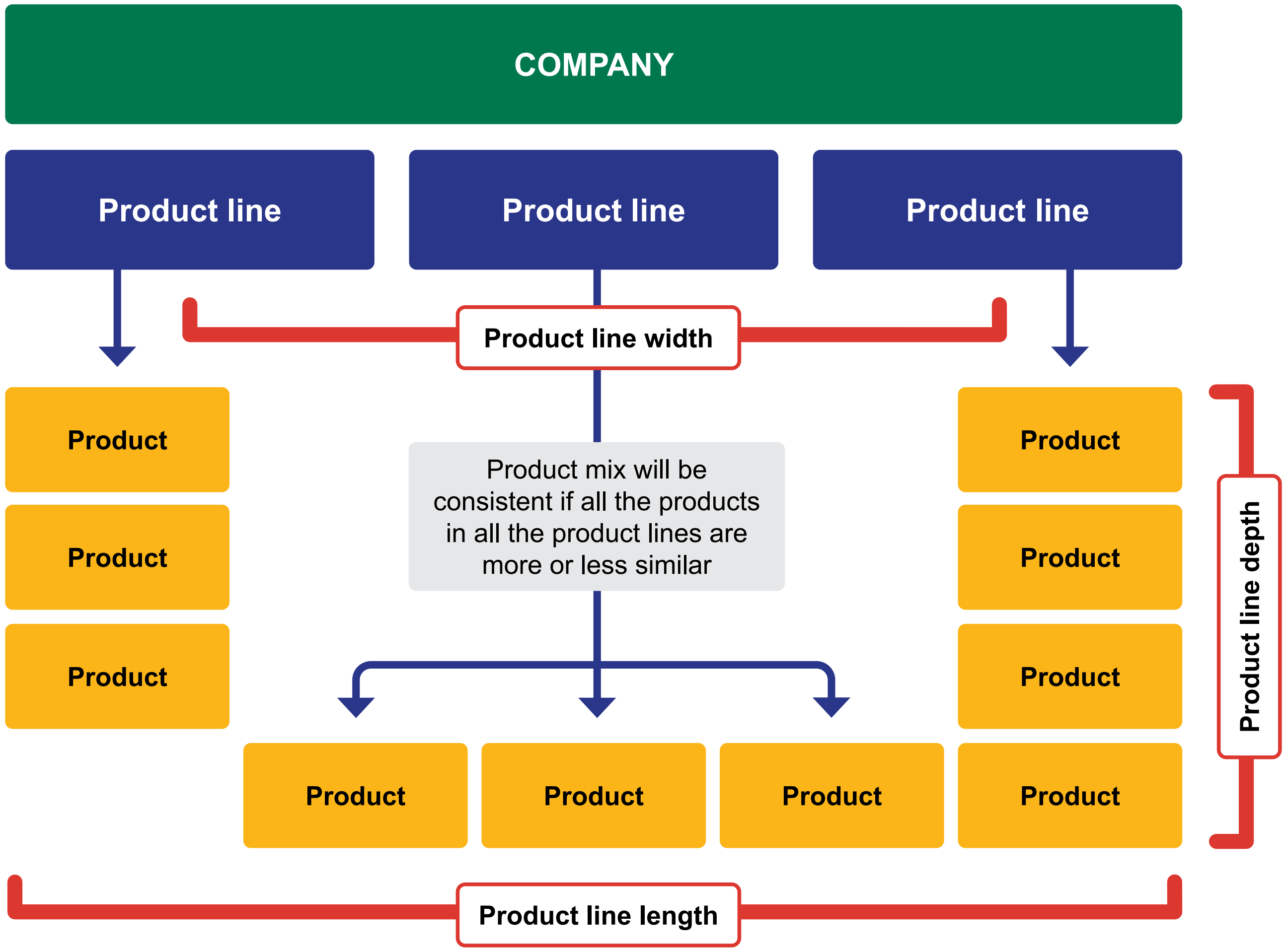
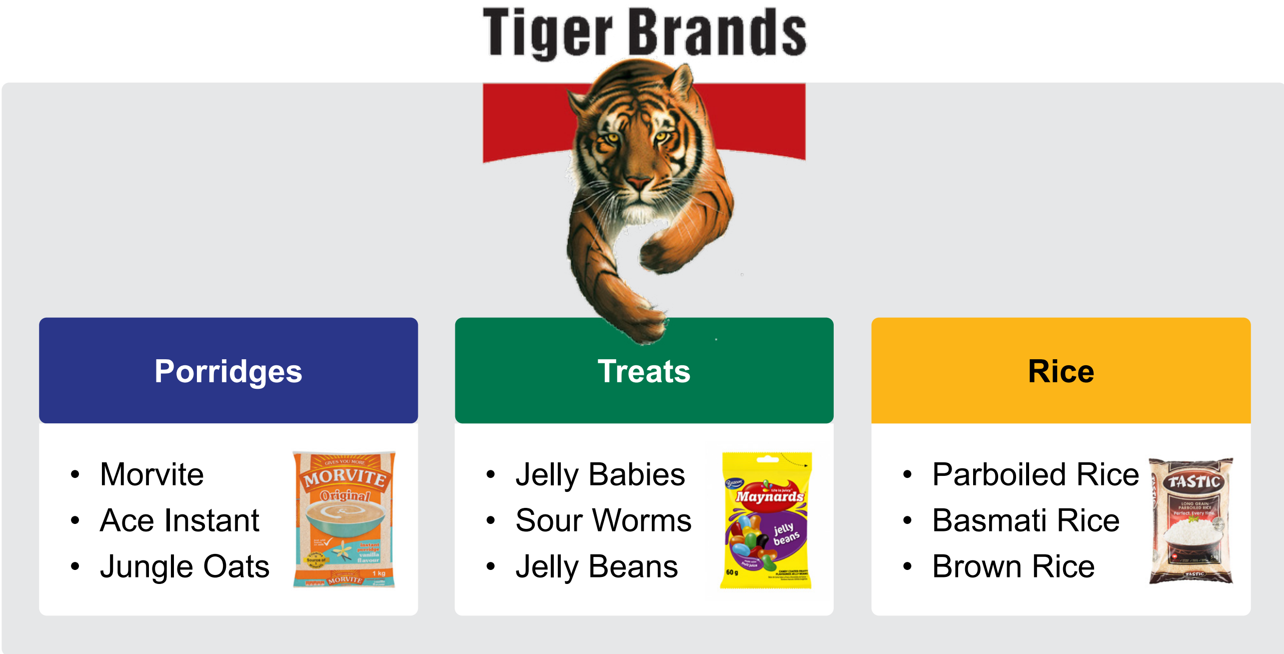


Figure 13.2 is a theoretical product mix that shows how individual products can fit into a larger product mix with different product lines. Figure 13.3 uses some examples from Tiger Brands, a large consumer goods company in South Africa, that has multiple product lines in its product mix.

Figure 13.3: A sample product mix from Tiger Brands[6]



Adjustments to a product line include a number of tactics like product line stretching, shrinking and filling. Each of these is defined below.

- **Product line stretching** takes place when you add additional products to your product line (or increase product length and width) in order to fill market gaps, create competitive advantage and ultimately increase profits. Stretching is usually done to reach segments of the market not currently accommodated. An example is Tiger Brands first introducing its Jungle Oats snack bars product line, building on the success of the Jungle Oats brand in the porridge category.

- **Product line shrinking** involves removing products from product lines when they are not profitable or when the company needs to cut costs. This is the opposite of stretching. This strategy can be used to become more focused on a specific segment and hopefully become a market leader.

- **Product line filling** is adding more items into the range of a product line (or increasing the product depth). It is done to offer more variety, to increase market share, competitive advantage and, ultimately, profit. An example was Coca Cola introducing Coke Lite, Coke Zero and Coke Life (see Figure 13.4). Marketers must be careful not to cannibalise their existing products with the new products when line filling. Cannibalising takes place when products decrease consumers' demand for the company's existing products.

For companies with multiple offerings, a well-considered product mix can create competitive advantage and growth. The converse is true for building a product mix without consideration of brand building (Chapter 12) and the fundamentals of consumer marketing.

Figure 13.4: Coca-Cola brand with multiple line extensions[7]

New product development

New product development takes place when a company develops original products, improves products and develops new brands through research and development. New products are beneficial in that they bring customers new solutions and variety, and they are a key source of growth for companies. Key drivers of new product development include:

- Consumers' changing needs and desires
- Existing technology becoming obsolete
- A product reaching the end of its life cycle
- Attempting to gain competitive advantage when competition is intense
- An existing product is declining in popularity
- A company's desire to pursue specific corporate strategy objectives, for example, diversifying the business by entering an adjacent category or a new market (Chapter 2)

The new product development process
New product development initiatives typically follow an eight-stage procedure, the purpose of each stage being to determine whether the product idea should be pursued or abandoned. These eight stages are illustrated in Figure 13.5. Note that, in some cases, this linear approach may not apply (especially in entrepreneurial ventures where implementing new ideas does not always follow a formal approach). This process, however, is a helpful way to think about developing new products.

The phases of new product development begin with idea generation. Idea generation is when new ideas are gathered from various sources, including the organisation's research and development department, market research activities, employees, customers and consumers. Ideas are then screened and unrealistic ideas are excluded from the shortlist so that the company does not waste resources on ideas that are unlikely to succeed in the marketplace. Concept development and testing involves developing a sample of the product and making decisions about the design, features and benefits of the product, as it is tested. Business analysis is when the company considers operational factors, such as achievable selling price, estimated number of sales and projected profitability (while these are projected at the start of the process, they can be solidified here). Next, the product is developed and the final product may once again be tested in the market to identify problems or further design opportunities. Eventually, the product is released into the marketplace, accompanied by advertisements and promotions **(commercialisation)** and the success of the launch is then reviewed and tracked.

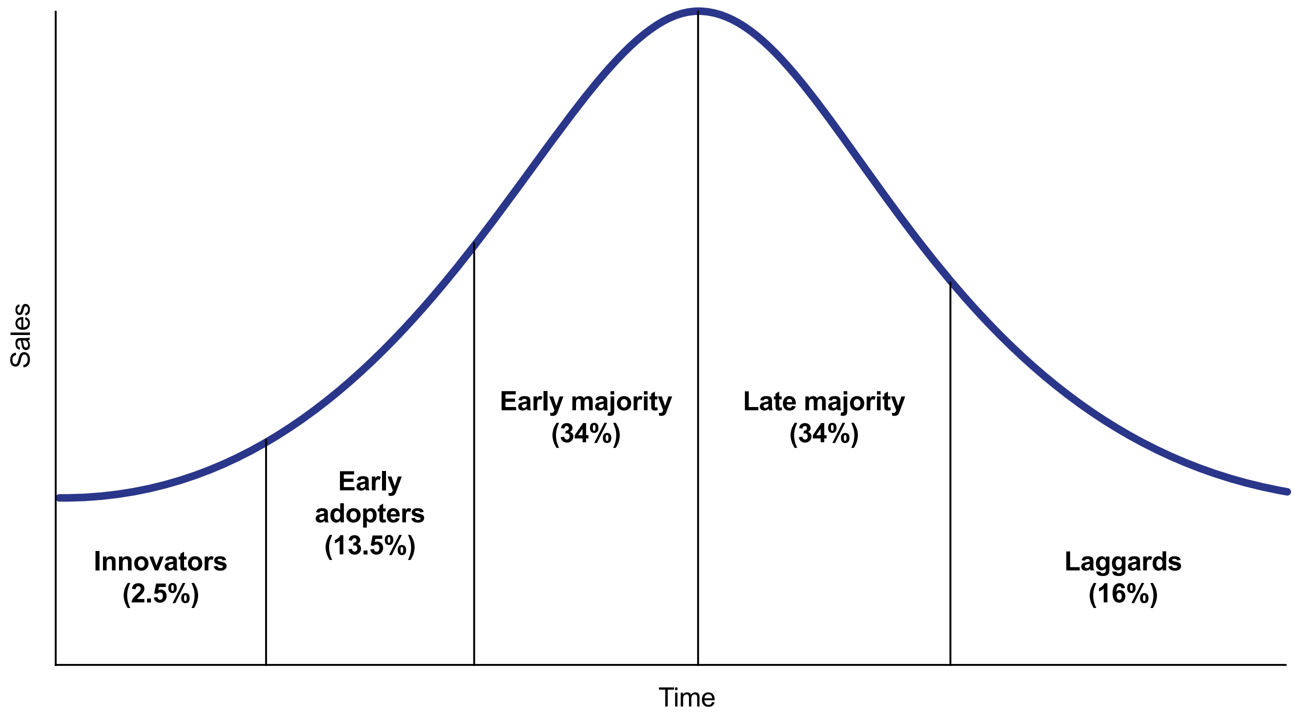
Figure 13.5: Eight phases of the new product development process[8]

1. Idea generation
2. Idea screening
3. Concept testing
4. Business analyses
5. Product development
6. Test marketing
7. Commercialisation
8. Review of marketing performance

The adoption of new products

Among consumers, you find those who are willing to adopt new products, those who are undecided and those who are not willing to adopt. Figure 13.6 shows Rogers's adoption curve[9]. This diagram shows that new products need to go through a set of phases before they are able to generate maximum sales.

Figure 13.6: Phases of new product adoption[10]



Innovators are consumers who are usually willing to try something new and will seek out new products just to be the first to own or use something. They have a high tolerance for risk, uncertainty and ambiguity. They are usually a relatively small group. **Early adopters** are the people who are first among the average consumers to try a product. The **early majority** is a group that usually waits for some momentum to be built in the diffusion of a new product and their purchase is usually preceded by information gathering, evaluating and deliberate, careful decision-making. The **late majority** are often socially influenced by the early adopters. They will take the time to evaluate the product with careful thought and consideration, and by nature they are sceptical until social pressure gets them past the tipping point. **Laggards** are slow to buy any new product because they are generally uninvolved with the product category. They tend not to have much information, not be socially influenced and purchase the familiar rather than the unfamiliar.

New product adoption can be influenced by these five phenomena:[11]

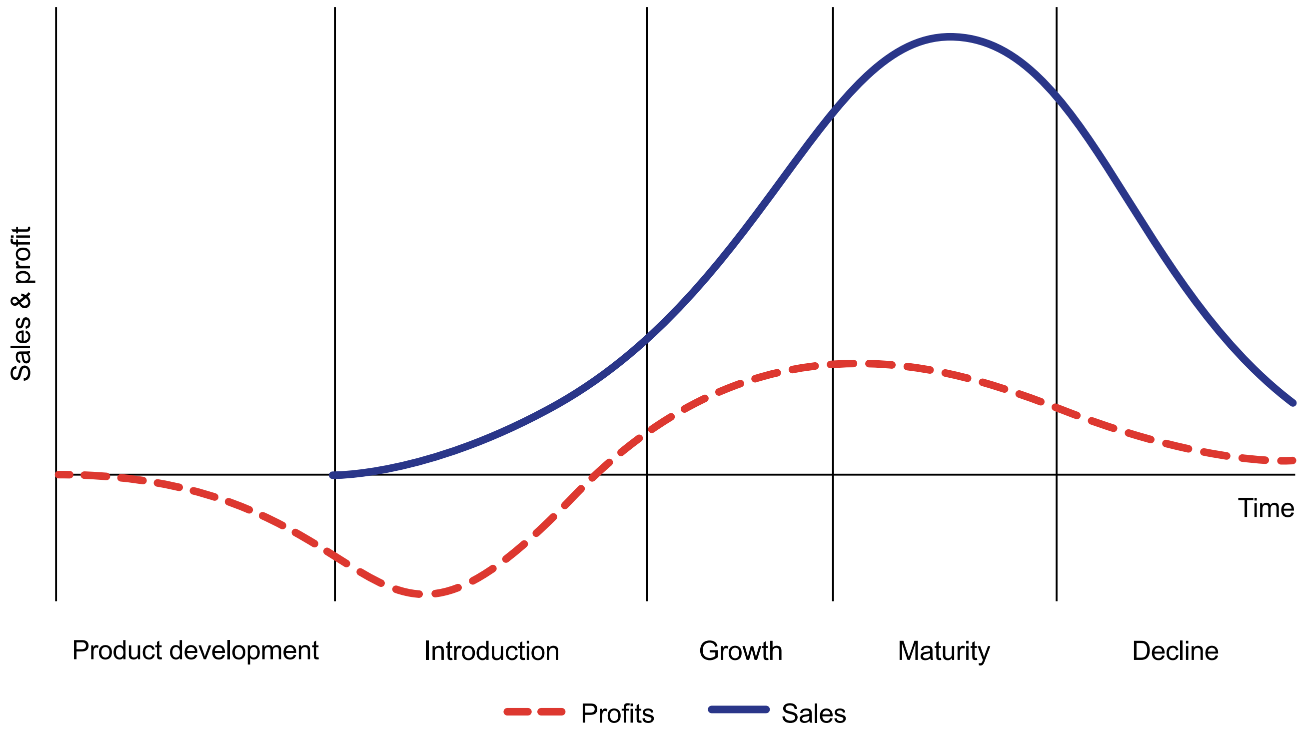
- **Relative advantage** is the degree to which the new product appears better than existing products
- **Compatibility** is the degree to which the new product fits the values and experiences of potential customers
- **Complexity** is the degree to which the new product is easy to understand or use
- **Trialability** is the degree to which the new product may be tried on a limited basis
- **Communicability** is the degree to which the results of using the product can be observed or described to others

The product life cycle

The product life cycle refers to a product's sales and profits trajectory over its lifetime once it is launched. It involves five stages: product development, introduction, growth, maturity and decline. These five stages are illustrated in Figure 13.7.

The stages of the product life cycle start at the product development stage. This is when the company finds and develops a new product idea. During this stage, sales are zero and profits are negative as the company's costs increase. At the introduction stage, the new product is introduced to the market. Production and marketing costs are high, the company's market share is minimal, sales are limited and the price is often high. The growth stage is when the demand for the product increases, resulting in a steady growth in both sales and profits. The company benefits from economies of scale in production (where the set-up costs have been covered and the per-unit costs go down due to larger volumes). The result is increased profits. During the maturity stage, the product is established and the company aims to maintain market share. At this stage, it becomes necessary to consider modifications and improvements as well as intense marketing and promotions, as competition is often high. Finally, many products go into a decline stage when the market demand for the product begins to decrease, either because all the customers who are going to buy the product have done so already or because a new product has been launched by the company or competitors that makes it redundant. Product life cycles can vary in duration.

Figure 13.7: The five stages of the product life cycle[12]



Differentiating services from physical products

At the start of this chapter, we introduced the broad use of the term *product* to include things like ideas, places and services. In this section, we build a deeper understanding of services and how they differ slightly from physical products when it comes to a consumer marketing approach. A service is an act or performance that one party can offer to another that is intangible and does not result in the ownership of anything. Examples are hotel, retail and banking services. According to Expert Program Management (n.d.), services have four main characteristics that set them apart from physical products: intangibility, inseparability, heterogeneity and perishability.

Intangibility

A service cannot be seen, tasted, felt, heard or smelled before it is bought. For example, you cannot see the result before you go in for a surgical operation or that your train will get you to your destination before you climb on board. This makes it hard for consumers to determine the quality beforehand, and so they often look to other indicators, such as price and equipment.

Inseparability

A service is produced and consumed simultaneously and so a service consumer and service provider cannot be separated. This results in an interaction known as 'the service encounter', which will determine the satisfaction level of the customer. An example is the way a customer must come into contact with a barber when getting a haircut and the fact that the manner in which the barber conducts themselves during the encounter will have an effect on the overall satisfaction level.

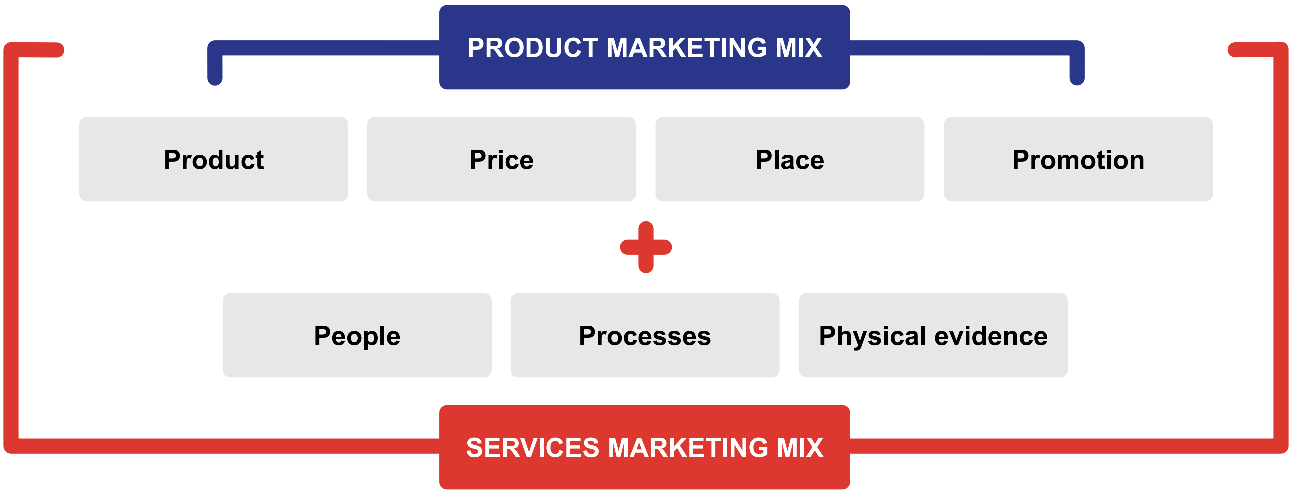
Heterogeneity
The quality of each service encounter will vary, as each takes place in real time with little scope for quality control before the service is experienced by the customer. For example, as you go to Nando's to place your order, the cashier you happen to get may be unpleasant and slow, while the cashier your neighbour gets is cheerful and efficient.

Perishability
Services cannot be stored for later use and sale. This is seen in the way that once a flight takes off, all the empty seats are income lost that cannot be retrieved.

The services marketing mix

Services have the usual four elements of the marketing mix (product, price, place and promotion), but include three additional elements: people, processes and physical evidence (Figure 13.8). These additional elements account for the intangibility of the offering and are sometimes referred to as the Seven Ps of services marketing.[13]

Figure 13.8: The services marketing mix[14]



While Chapter 13-16 of this book explain the details of the product marketing mix, the three additional elements of the services marketing mix are defined below:

- **People.** Service offerings rely heavily on employees to deliver the service, communicate information, handle reception activities and manage the entire process. As a result, employees need to be given due attention to ensure they are properly recruited, trained and motivated to deliver a quality service successfully.

- **Processes** includes the actual procedures, mechanisms and flow of activities by which the service is delivered. It is important that all aspects of the business function smoothly in order to ensure that the appropriate level of service is delivered, as failure to do so may result in delays that will result in unhappy customers and consequently a negative image of the brand.

- **Physical evidence** is making use of the organisation's tangible environment and facilities to create an atmosphere and image for the business. Physical evidence helps to give the client an indication of the quality and reliability of the service and helps to assure them that their expectations will be met. Examples of physical evidence include the general state of the office, employee dress codes, reports, business cards and the surrounding environment.

Conclusion

This chapter surveyed a number of tools available for implementing product tactics as part of a consumer marketing strategy. This chapter did this by firstly discussing product decisions that are made at an individual product level and expanded this to product decisions that are made at a product-line and product-mix level. The chapter then looked at the process that a company takes when introducing a new product. Lastly, the chapter briefly discussed how the marketing strategy would differ for a service product offering instead of a physical product offering.

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