

Chapter 19: The marketing mix: product and packaging

The role of product in the marketing mix

The **product** itself is the most important element in the marketing mix. Without it, the other three wouldn't exist. Most companies today are market oriented, and will identify a suitable product for the market before moving on to determine the other 3 elements. Large companies have **R&D** departments which spends all its time developing new product and analysing the pros and cons of competitors' products.

Types of products:

- **Consumer goods:** Goods that are used up by consumers. (e.g. food, cake)
- **Consumer services:** Services that are produced for people. (e.g. education)
- **Producer goods:** Goods produced for businesses. (e.g. machinery)
- **Producer services:** Services for businesses. (e.g. accounting, insurance)

Each type of product **determines** the price, promotion and place to sell the product. Here are what make products successful.

- Products need to **satisfy** consumer **wants/needs** to be successful.
- The product must be at the right **quality** so that customers are willing to pay for it.
- Costs should be low enough to make a **profit**.
- **Design** of a product is important. This means that its **quality** and **durability** should meet expectations and match the **price** of the product. The design should also enhance the products **brand image**.
- Products are **novelties** (newly introduced to the market).
- Products can **stimulate new wants**.

Product development

Most businesses use a general process to develop any product:

1. **Generate ideas:** Ideas can be generated by:

1. Employees.

2. Customers.
 3. Competitor's products.
 4. R&D department.
 5. Sales department.
2. **Further research:** The best ideas are selected and further research is done to see their pros and cons.
 3. **Will there be enough sales?:** To see whether there will be enough sales of the product to break-even (development costs included).
 4. **Develop a prototype:** To see how a product could be manufactured and identify its problems.
 5. **Test launch:** To see if the product can sell or not.
 6. **Full launch.**

The importance of branding

Traditionally, a product's unique features and quality were explained by the sellers who made the product. However, since products are usually sold in private retail shops nowadays, these points need to be projected differently. Products therefore need to be **branded** with an **unique brand name** and the products features and quality will be projected with advertisement. The price of branded goods are usually higher, since customers are more confident to buy them. Here are things that are involved with branding:

- **Unique name.**
- **Unique packaging.**
- Needs **advertising** to enforce the brand's qualities.
- **Higher price** than unbranded products.
- **Higher quality** than unbranded products.
- Creates a **brand image** (**unique** image associated with using the product)
- Creates **brand loyalty**.
- **Consistent quality.**

Packaging

Getting the packaging right is very important. Packaging performs several tasks:

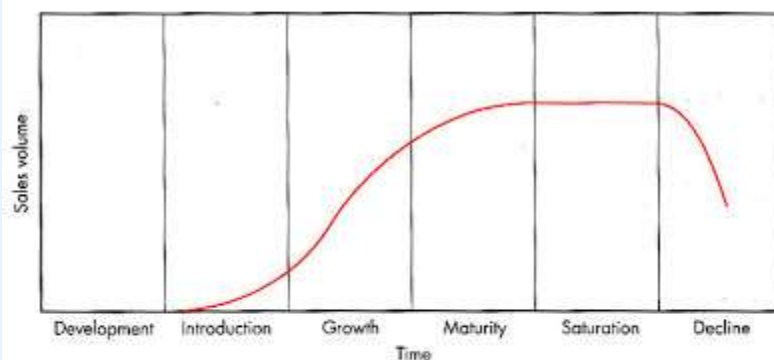
- **Protecting** the product (also includes preserving foods)
- Making it **easy** to **transport**.
- Allow the product to be **used easily**. Container must be able to be **opened easily**. (e.g. juice in a can)
- Suitable for the product to **fit in**.

Packaging also helps **promote** the product:

- Make it **eye-catching**.
- Carries **information** about the product.
- **Promotes** the **brand image**.

The product life cycle

Product life cycles show the stages that a product goes through from its introduction, to its growth, and then to its decline. Here is a graph to show the product life cycle:



1. **Development:** The product is under development.
2. **Introduction:** The product is introduced. Sales grow slowly and **informative** advertising start to attract customers. Price skimming could be used if the product is new to the market. The main aim of sales is to breakeven.
3. **Growth:** Prices rise rapidly. **Persuasive** advertising is used to encourage brand loyalty. Prices may be reduced a little. Sales start to generate profits since costs have been covered.
4. **Maturity:** Sales rise more slowly. Competition forces prices to be lowered and the firm uses competitive pricing. Advertising is used to maintain sales. Profits are at their **highest**.

5. **Saturation:** Sales reach their **limit**. There are no new competitors. Sales and advertising becomes stable but profits fall because of lowered prices to be competitive.

6. **Decline:** Product go out of fashion and sales and profits decline. Advertising eventually stops. It is no longer profitable to produce the product.

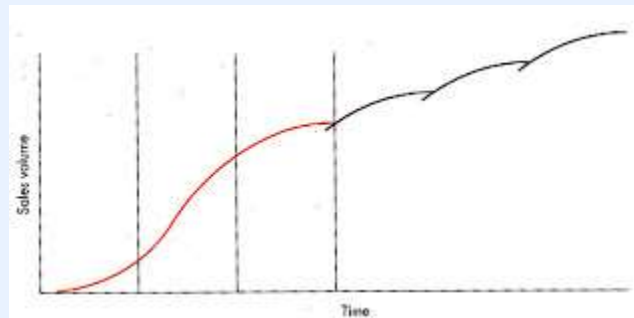
The length of each stage varies with products. The business needs to identify which stage their products are in so that they can use a suitable marketing strategy for it.

Extending the product life cycle

When a product has reached its maturity or saturation stage a business may adopt **extension strategies** to stop sales from falling which **extends** the product life cycle. Sales are given a **boost** by these strategies.

- Introducing **new variations** of the product.
- Sell into **new markets**.
- Make small **changes** to the products **design** and **packaging**.
- Sell through **additional, different** retail outlets.
- **Update** the product (make it better)
- Use a new **advertising campaign**.

Extension strategies aim to prolong the **maturity** stage of a product. Successful extension strategies may result in something like this:



Nevertheless, it must be noted that businesses manufacture more than one product. They should have a product in **growth** stage to **counteract** an older one which is declining.