

# SETTING PRODUCT STRATEGY

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# **Product Characteristics and Classifications**

# Product

- Product is a key element in the market offering
- Market leaders generally offer product and services of superior quality that provide unsurpassed customer value



- Product is anything that can be offered to a market to satisfy a want or need
- Product → Physical goods, services, experiences, events, persons, places, properties, organizations, information, ideas

# Components of the market offering

**Value-based Prices**



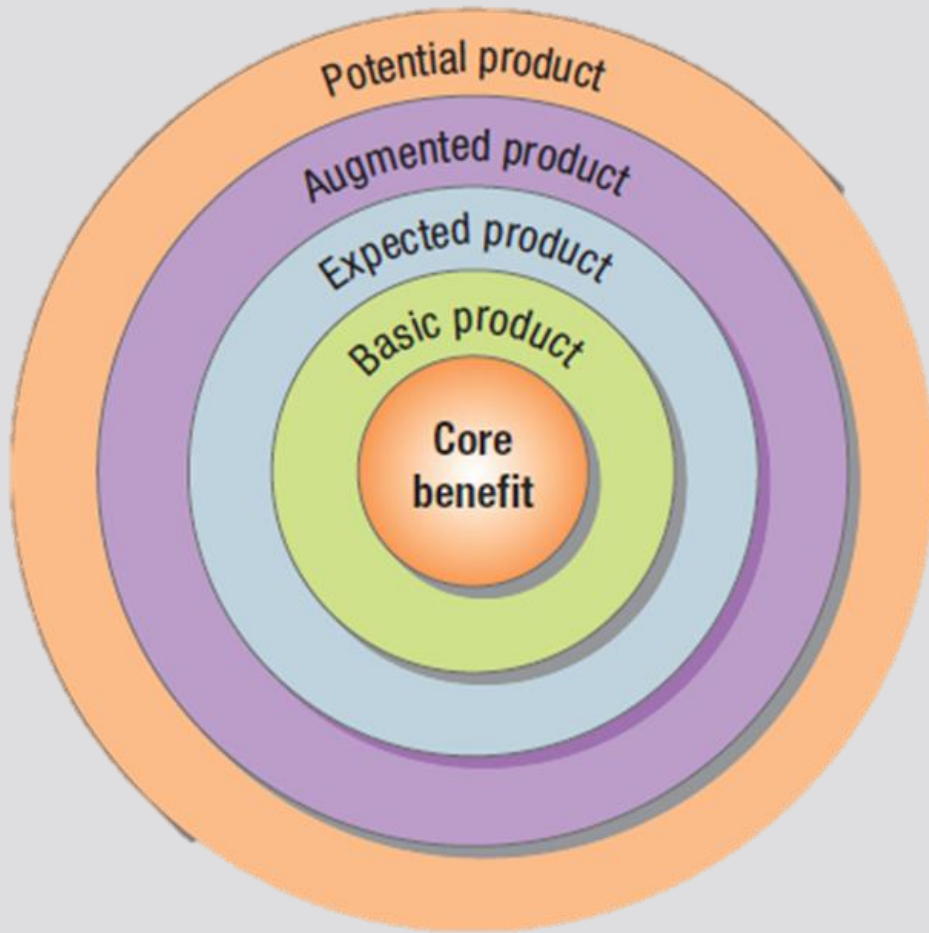
**Attractiveness  
of the market offering**

**Product  
Features and  
Quality**

**Services  
Mix and  
Quality**

# PRODUCT LEVELS:

## The Customer Value Hierarchy



Case: A Hotel Guest

- **Core benefit:** Service or benefit the customer is really buying  
→ Rest and Sleep
- **Basic Product**  
→ Hotel Room includes a bed, bathroom, towels, desk, dresser and a closet
- **Expected product** : a set of attributes and conditions buyers normally expect  
→ clean bed, fresh towel, working lamps, a relative degree of quiet
- **Augmented Product:** > customers expectations  
→ flower, free meals
- **Potential Product**  
Companies distinguish their offering

# PRODUCT CLASSIFICATION

**Durability**  
(daya tahan)

**Tangibility** (wujud)

**Use**  
(penggunaan)



# Durability and Tangibility

## Nondurable Goods

- Tangible goods normally consumed in one or a few uses c. soap
- Strategy: available in many locations, small markup, advertise heavily (trial & build preference)

## Durable Goods

- Tangible goods normally survive many uses. c. refrigerators
- Strategy: more personal selling & service, higher margin, more seller guarantee

## Services

- Intangible, inseparable, variable & perishable products. C. haircuts, legal advice
- Strategy: More quality control, supplier credibility & adaptability

# Use:

## Consumer Goods Classification

### Convenience Goods

- > Buy frequently & immediately
- > Low priced
- > Many purchase locations
- > Includes:
  - Staple goods
  - Impulse goods
  - Emergency goods

### Shopping Goods

- > Buy less frequently
- > Gather product information
- > Fewer purchase locations
- > Compare for:
  - Suitability & Quality
  - Price & Stylei.e. appliances

### Specialty Goods

- > Special purchase efforts
- > Unique characteristics
- > Brand identification
- > Few purchase locations  
i.e. cars, photographic equipment

### Unsought Goods

- > New innovations
- > Products consumers don't want to think about
- > Require much advertising & personal selling  
C. life insurance, cemetery plots



# Use:

## Industrial Goods Classification



- **Materials and parts**

Goods that enter the manufacturer's product completely  
i.e: cotton, crude petroleum, wires, tires

- **Capital items**

Long-lasting goods that facilitate developing or managing the finished product.

i.e: factories, generators, elevators

- **Supplies/business services**

Short-term goods and services that facilitate developing or managing the finished product.

i.e: paint, writing paper, coal

# **Product and Service Differentiation**

# Product Differentiation

- Product form
- Features
- Customization
- Performance
- Conformance
- Durability
- Reliability
- Repairability
- Style



# Service Differentiation

- Ordering ease
- Delivery
- Installation
- Customer training
- Customer consulting
- Maintenance and repair
- Returns

The screenshot shows the Domino's website homepage. At the top, there is a navigation bar with 'MENU', 'ORDER', and 'LOCATIONS' links. A clock shows 'FRI 8:42 AM' and a language selector for 'ENGLISH | ESPAÑOL'. The main banner features the Domino's logo, the text 'the BFD (BIG FANTASTIC DEAL) LARGE \$10.99', and a 'BUILD YOUR BFD' button. To the right, a 'YOU GOT 30 MINUTES™' badge is displayed with an 'ORDER ONLINE NOW' button. Below this is a search bar for 'FIND YOUR LOCAL DOMINO'S:' with fields for 'Address', 'City, State, or Zip', and a 'GO' button. A vertical banner on the right edge reads 'DOMINO'S // YOU GOT 30 MINUTES'. Below the main banner, a section titled 'TIME SAVING TECHNOLOGY' highlights three services: 'TRACK YOUR PIZZA' (with a laptop icon), 'BEAT THE RUSH' (with a football icon), and 'MOBILE ORDERING' (with a smartphone icon). Each service includes a brief description and a 'Track Now' or 'Order Now' button.

# Design Differentiation

**Design** is the totality of features that affect how a product looks, feels, and functions to a consumer.

Design offers functional and aesthetic benefits and appeals to both our rational and emotional sides



# **Product and Brand Relationships**

# The Product Hierarchy

1. **Need family**—The **core need** that underlies the existence of a product family. i.e security.
2. **Product family**—All the product classes that can **satisfy a core need** with reasonable effectiveness. i.e: savings and income.
3. **Product class**—A group of products within the product family recognized as having a **certain functional** coherence, also known as a product category. i.e financial instruments.
4. **Product line**—A group of products within a product class that are closely related because they **perform a similar function**, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. i.e life insurance.
5. **Product type**—A group of items within a product line that **share one of several possible forms** of the product. i.e: term life insurance.
6. **Item** (also called *stock-keeping unit* or *product variant*)—A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. i.e Prudential renewable term life insurance.

# Product Systems and Mixes

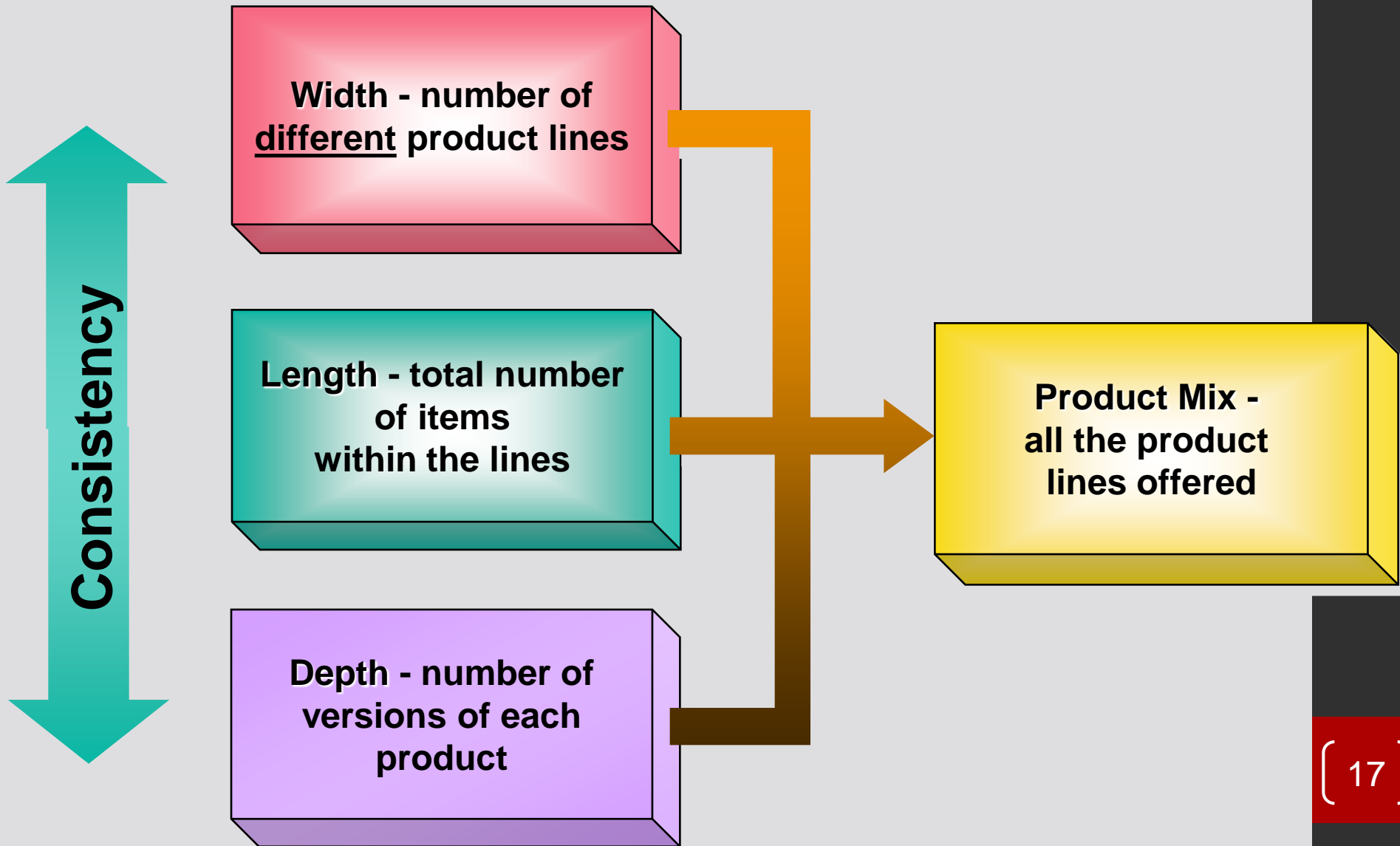
- A **product system** is a group of diverse but related items that function in a compatible manner.
- A **product mix** (also called a **product assortment**) is the set of all products and items a particular seller offers for sale. Consists of various product line.

A company's product mix has a certain width, length, depth, and consistency.

- The **width** of a product mix refers to how many **different product lines** the company carries.
- The **length** of a product mix refers to the **total number of items** in the mix.
- The **depth** of a product mix refers to how many **variants are offered** of each product in the line.
- The **consistency** of the product mix describes how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.



# PRODUCT MIX DECISIONS





# Product-Mix Width and Product-Line Length for Procter& Gamble Products

## Product-Mix Width

PRODUCT-  
LINE  
LENGTH

Detergents	Toothpaste	Disposable Bar Soap	Diapers	Paper Tissue
<b>Ivory Snow (1930)</b>	<b>Gleem (1952)</b>	<b>Ivory (1879)</b>	<b>Pampers (1961)</b>	<b>Charmin (1928)</b>
	<b>Crest (1955)</b>			
<b>Dreft (1933)</b>		<b>Kirk's (1885)</b>	<b>Luvs (1976)</b>	<b>Puffs (1960)</b>
<b>Tide (1946)</b>		<b>Lava (1893)</b>		<b>Banner (1982)</b>
<b>Cheer (1950)</b>		<b>Camay (1926)</b>		<b>Summit (1992)</b>

# Product Line Length

**Product Line Length**  
Number of Items in the Product Line



**Stretching**  
Lengthen beyond  
current range



**Filling**  
Lengthen within  
current range

**Downward**

**Upward**

# Two-Way Product-Line Stretch: Marriott Hotels

## Quality

Economy

Standard

Good

Superior

High

Marriott  
Marquis  
(Top  
executives)

Above  
average

Marriott  
(Middle  
managers)

Average

Courtyard  
(Salespeople)

Low

Fairfield Inn  
(Vacationers)

# Product Mix Pricing

- PRODUCT LINE PRICING
- OPTIONAL-FEATURE PRICING
- CAPTIVE-PRODUCT PRICING
- TWO-PART PRICING
- BY-PRODUCT PRICING
- PRODUCT-BUNDLING PRICING

# Co-Branding and Ingredient Branding

## CO-BRANDING (dual branding or brand bundling)

- Marketers often combine their products with products from other companies in various ways.
- i.e General Electric and Hitachi light bulbs in Japan

## INGREDIENT BRANDING

- It creates brand equity for materials, components, or parts that are necessarily contained within other branded products.
- i.e DuPont: Corian<sup>®</sup> solid-surface material, for use in markets ranging from apparel to aerospace. Many, such as Tyvek<sup>®</sup> house wrap, Teflon<sup>®</sup> non-stick coating, and Kevlar<sup>®</sup> fiber.

# Packaging

**Packaging** includes all the activities of designing and producing the container for a product

## **Factors Contributing to the Emphasis on Packaging:**

- Self-service
- Consumer affluence
- Company/brand image
- Innovation opportunity



# Labeling

<b>Nutrition Facts</b>	
Serving Size ½ cup (114g)	
Servings Per Container 4	
<b>Amount Per Serving</b>	
<b>Calories</b> 90	Calories from Fat 30
<b>% Daily Value*</b>	
<b>Total Fat</b> 3g	<b>5%</b>
Saturated Fat 0g	<b>0%</b>
<b>Cholesterol</b> 0mg	<b>0%</b>
<b>Sodium</b> 300mg	<b>13%</b>
<b>Total Carbohydrate</b> 13g	<b>4%</b>
Dietary Fiber 3g	<b>12%</b>
Sugars 3g	
<b>Protein</b> 3g	
Vitamin A 80%	Vitamin C 60%
Calcium 4%	Iron 4%
* Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs:	
	Calories: 2,000 2,500
Total Fat	Less than 65g 80g
Sat Fat	Less than 20g 25g
Cholesterol	Less than 300mg 300mg
Sodium	Less than 2,400mg 2,400mg
Total Carbohydrate	300g 375g
Dietary Fiber	25g 30g
Calories per gram:	
Fat 9 • Carbohydrate 4 • Protein 4	

Identifies

Grades

Describes

Promotes



# Warranties and Guarantees

- **Warranties** are formal statements of expected product performance by the manufacturer.

Products under warranty can be returned to the manufacturer or designated repair center for repair, replacement, or refund.

- Many sellers offer either general or specific **guarantees**.

A company such as Procter & Gamble promises general or complete satisfaction without being more specific—“If you are not satisfied for any reason, return for replacement, exchange, or refund.”

A. T. Cross guarantees its Cross pens and pencils for life. The customer mails the pen to A. T. Cross (mailers are provided at stores), and the pen is repaired or replaced at no charge.

**THANK YOU!!!**