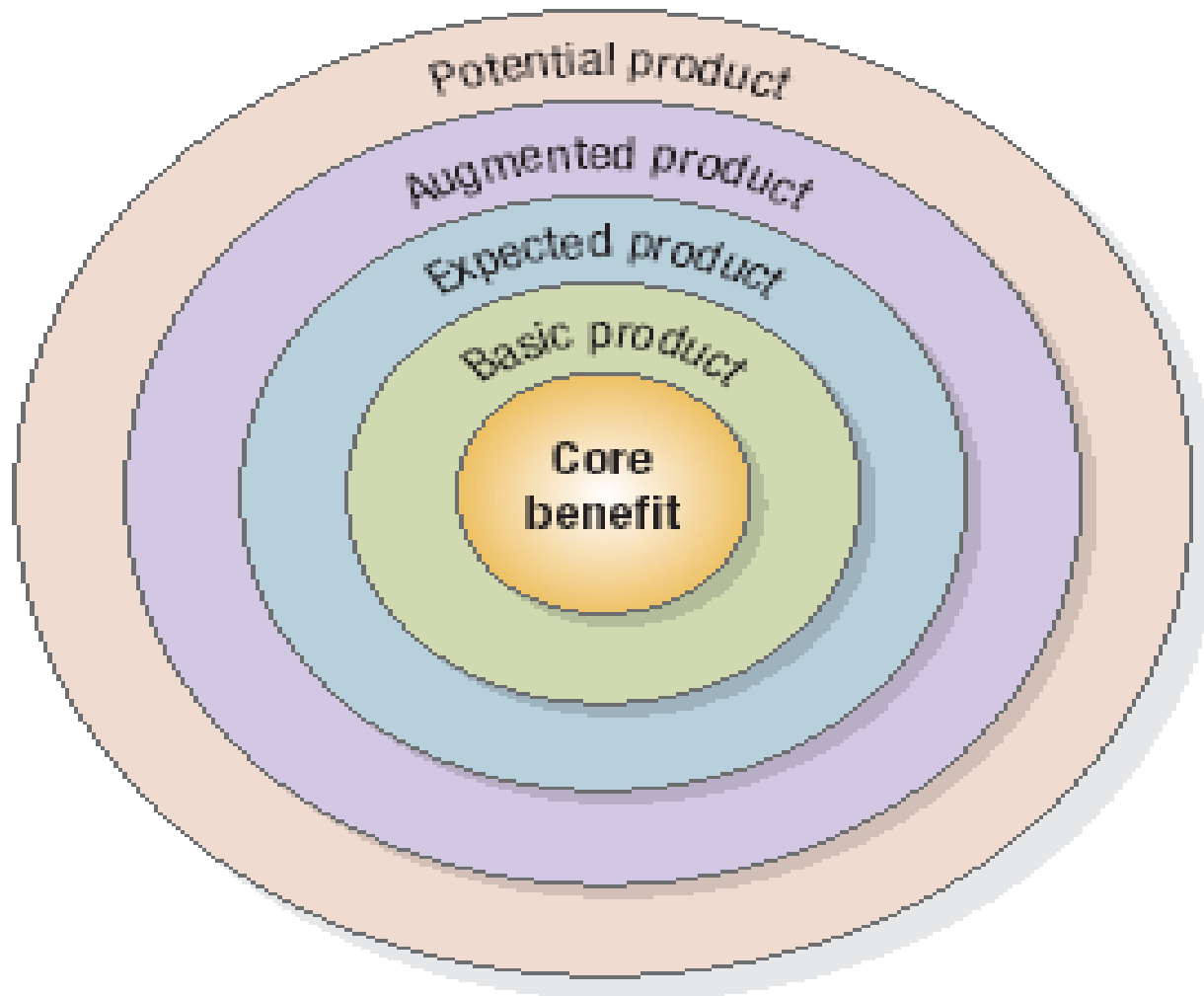


What is a Product?

A **product** is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Five Product Levels



Packaging

Packaging is 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



Innovations in Packaging



Packaging Objectives

- Identify the brand
- Convey descriptive and persuasive information
- Facilitate product transportation and protection
- Assist at-home storage
- Aid product consumption

Functions of Labels

Nutrition Facts	
Serving Size ½ cup (114g)	
Servings Per Container 4	
Amount Per Serving	
Calories 90	Calories from Fat 30
% Daily Value*	
Total Fat 3g	5%
Saturated Fat 0g	0%
Cholesterol 0mg	0%
Sodium 300mg	13%
Total Carbohydrate 13g	4%
Dietary Fiber 3g	12%
Sugars 3g	
Protein 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	

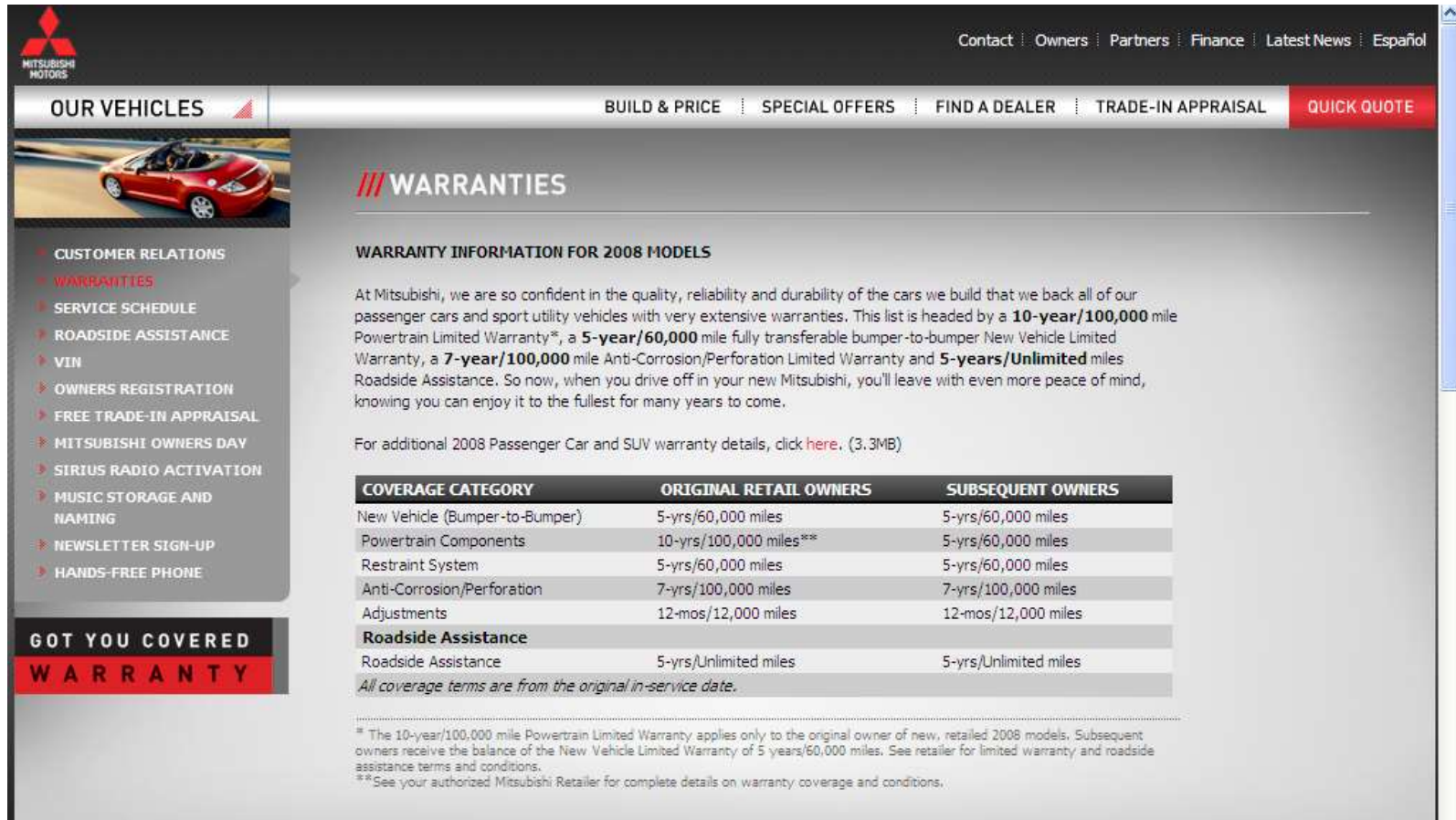
Identifies

Grades

Describes

Promotes

Warranties and Guarantees



The screenshot shows the Mitsubishi Motors website's 'WARRANTIES' page. At the top left is the Mitsubishi Motors logo. The top right navigation bar includes links for 'Contact', 'Owners', 'Partners', 'Finance', 'Latest News', and 'Español'. Below this is a secondary navigation bar with 'OUR VEHICLES', 'BUILD & PRICE', 'SPECIAL OFFERS', 'FIND A DEALER', 'TRADE-IN APPRAISAL', and a red 'QUICK QUOTE' button. A red sports car is featured in a small image on the left. A vertical sidebar on the left contains a list of navigation links: 'CUSTOMER RELATIONS', 'WARRANTIES' (highlighted in red), 'SERVICE SCHEDULE', 'ROADSIDE ASSISTANCE', 'VIN', 'OWNERS REGISTRATION', 'FREE TRADE-IN APPRAISAL', 'MITSUBISHI OWNERS DAY', 'SIRIUS RADIO ACTIVATION', 'MUSIC STORAGE AND NAMING', 'NEWSLETTER SIGN-UP', and 'HANDS-FREE PHONE'. Below the sidebar is a red banner that reads 'GOT YOU COVERED WARRANTY'. The main content area is titled 'WARRANTIES' and contains the following text:

WARRANTY INFORMATION FOR 2008 MODELS

At Mitsubishi, we are so confident in the quality, reliability and durability of the cars we build that we back all of our passenger cars and sport utility vehicles with very extensive warranties. This list is headed by a **10-year/100,000 mile** Powertrain Limited Warranty*, a **5-year/60,000 mile** fully transferable bumper-to-bumper New Vehicle Limited Warranty, a **7-year/100,000 mile** Anti-Corrosion/Perforation Limited Warranty and **5-years/Unlimited miles** Roadside Assistance. So now, when you drive off in your new Mitsubishi, you'll leave with even more peace of mind, knowing you can enjoy it to the fullest for many years to come.

For additional 2008 Passenger Car and SUV warranty details, [click here](#). (3.3MB)

COVERAGE CATEGORY	ORIGINAL RETAIL OWNERS	SUBSEQUENT OWNERS
New Vehicle (Bumper-to-Bumper)	5-yrs/60,000 miles	5-yrs/60,000 miles
Powertrain Components	10-yrs/100,000 miles***	5-yrs/60,000 miles
Restraint System	5-yrs/60,000 miles	5-yrs/60,000 miles
Anti-Corrosion/Perforation	7-yrs/100,000 miles	7-yrs/100,000 miles
Adjustments	12-mos/12,000 miles	12-mos/12,000 miles
Roadside Assistance		
Roadside Assistance	5-yrs/Unlimited miles	5-yrs/Unlimited miles

All coverage terms are from the original in-service date.

* The 10-year/100,000 mile Powertrain Limited Warranty applies only to the original owner of new, retailed 2008 models. Subsequent owners receive the balance of the New Vehicle Limited Warranty of 5 years/60,000 miles. See retailer for limited warranty and roadside assistance terms and conditions.
**See your authorized Mitsubishi Retailer for complete details on warranty coverage and conditions.

New-Product Development Strategy

- **Acquisition refers to the buying of a whole company, a patent, or a license to produce someone else's product**
- **New product development refers to original products, product improvements, product modifications, and new brands developed from the firm's own research and development**

New-Product Development Reasons for new product failure

Overestimation of market size

Poor design

Incorrect positioning

Wrong timing

Priced too high

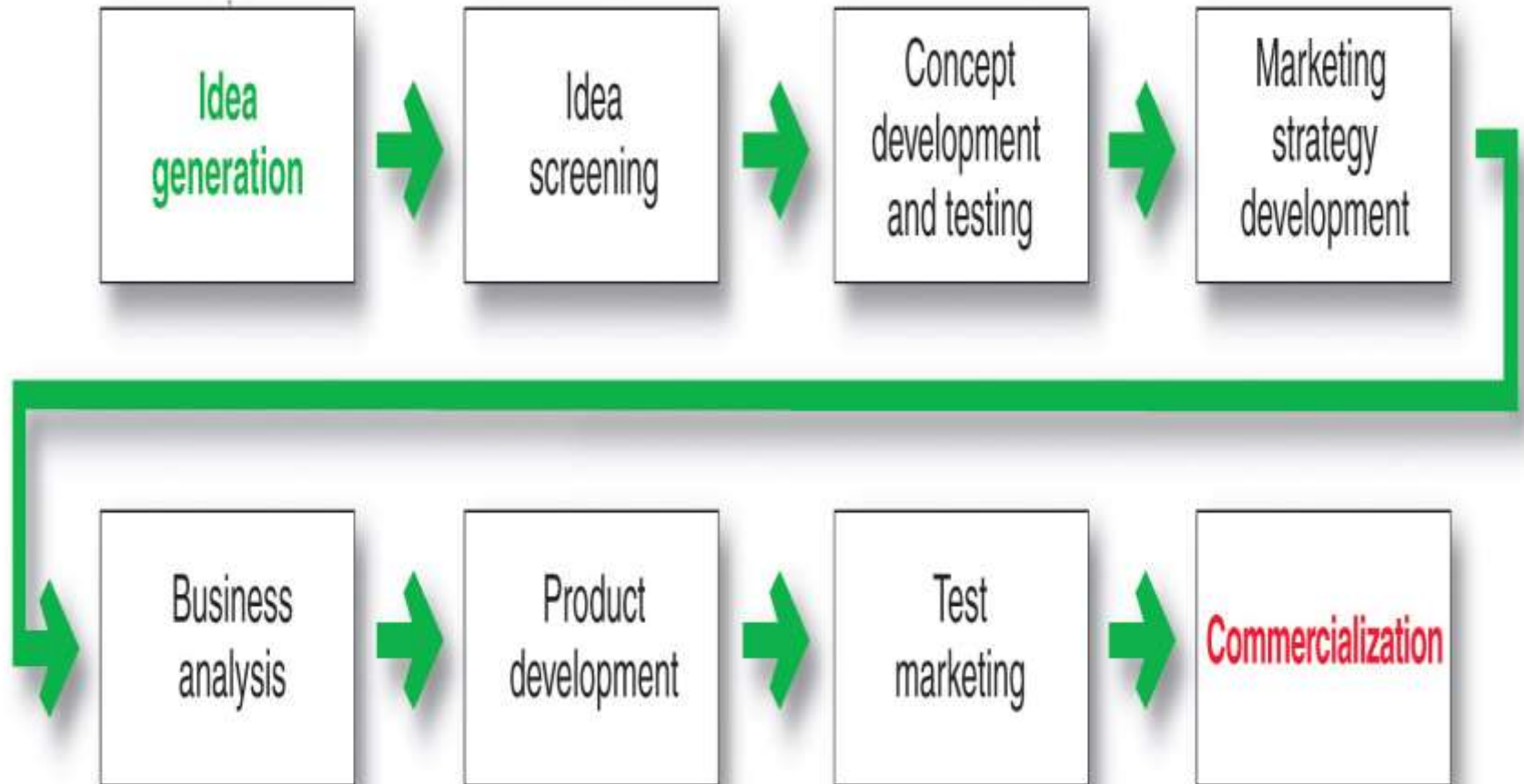
Ineffective promotion

Management influence

High development costs

Competition

New-Product Development Process



New-Product Development Process

- Idea generation is the **systematic search for new-product ideas**
- Sources of new-product ideas
 - Internal
 - External



New-Product Development Process

Idea Generation

- Internal sources refer to the company's own formal research and development, management and staff,
- External sources refer to sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms



New-Product Development Process

Idea Screening

- Identify good ideas and drop poor ideas
- R-W-W Screening Framework: Is it real?
- Can we win?
- Is it worth doing?

New-Product Development Process

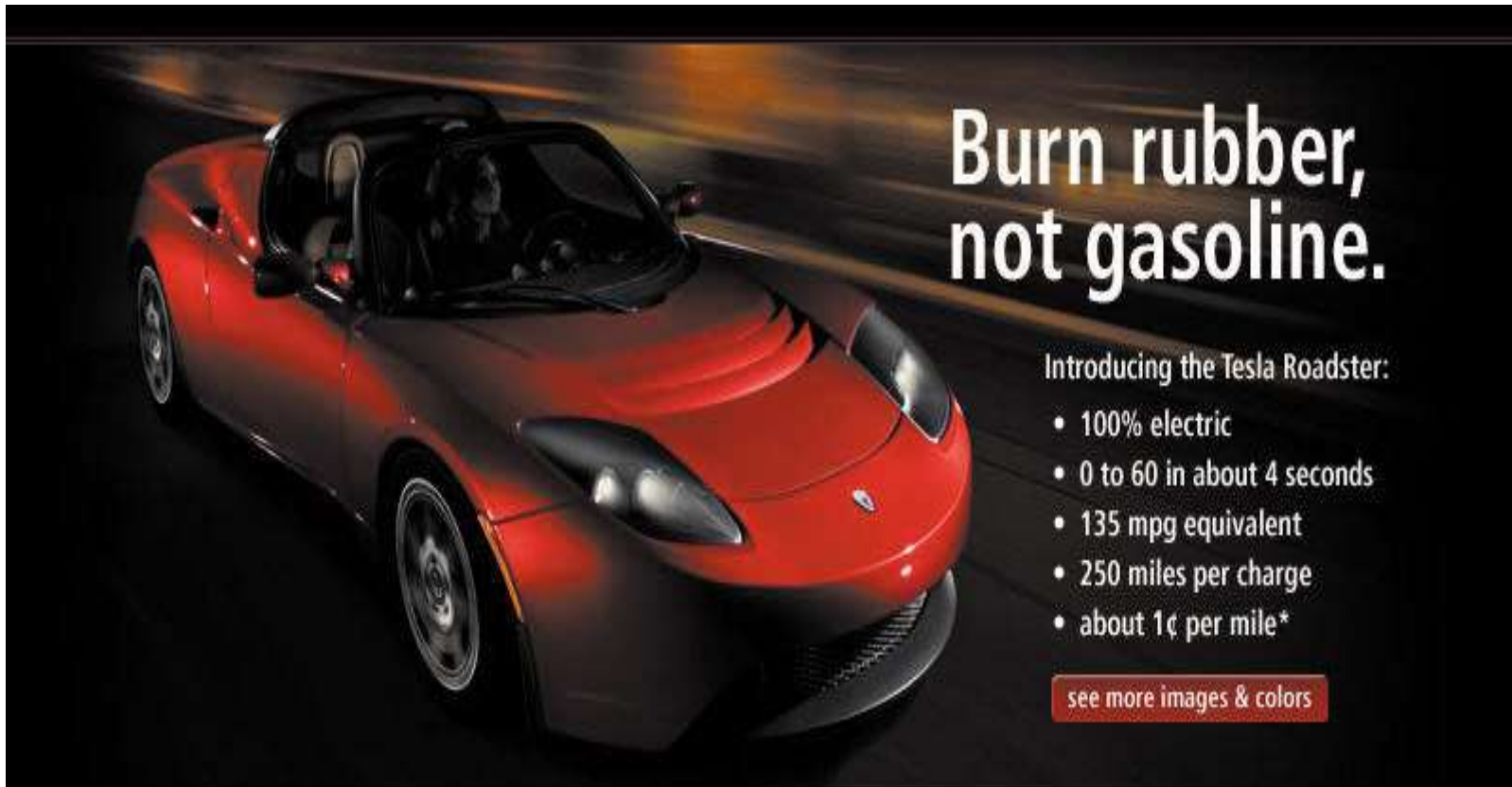
Concept Development and Testing

- **Product idea is an idea for a possible product that the company can see itself offering to the market**
- **Product concept is a detailed version of the idea stated in meaningful consumer terms**
- **Product image is the way consumers perceive an actual or potential product**

New-Product Development Process

Concept Development and Testing

- Concept testing refers to testing new-product concepts with groups of target consumers



**Burn rubber,
not gasoline.**

Introducing the Tesla Roadster:

- 100% electric
- 0 to 60 in about 4 seconds
- 135 mpg equivalent
- 250 miles per charge
- about 1¢ per mile*

[see more images & colors](#)

New-Product Development Process

Marketing Strategy Development

- Marketing strategy development refers to the initial marketing strategy for introducing the product to the market
- Marketing strategy statement includes:
 - *Description of the target market
 - *Value proposition
 - *Sales and profit goals

New-Product Development Process

Business analysis

- **Business analysis involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives**

New-Product Development Process

Product development



Product development involves the creation and testing of one or more physical versions by the R&D or engineering departments

Requires an increase in investment

New-Product Development Process

Test marketing

- Test marketing is the stage at which the product and marketing program are introduced into more realistic marketing settings
- Provides the marketer with experience in testing the product and entire marketing program before full introduction



New-Product Development Process

Commercialization

- **Commercialization** is the introduction of the new product
- When to launch
- Where to launch
- Planned market rollout

"Wow."

Introducing Windows Vista.™ It's all about "Wow."

The all-new Windows Vista operating system is here. We've added a whole slew of new features to help you get the most out of the digital world you're living in. It's enough to get you excited about pressing that "Start" button again.

Better search. **Better security.** **Better entertainment.** **Better mobility.**

Family safety: Monitor your kids' "Wow" time.
Improved Parental Controls mean your kids are safer while online—and you can rest easy that they're using the computer appropriately.

Instant Search: Find your "Wow" faster.
A new intuitive search engine means you'll spend less time looking for things, and more time doing, creating, and enjoying.

Windows Media Center: 7.1 Surround Sound. "Wow."
Play movies and games. Watch and record your favorite TV shows in HD. Listen to your favorite music. And distribute it all to every room in your house.

Microsoft

Introducing Windows Vista.
The "Wow" starts now. WindowsVista.com

Managing New-Product Development

Successful new-product development should be:

- Customer centered
- Team centered
- Systematic

Managing New-Product Development

New-Product Development Strategies

Customer-centered new product development focuses on finding new ways to solve customer problems and create more customer satisfying experiences

- Begins and ends with solving customer problems



Managing New-Product Development

New-Product Development Strategies

Sequential new-product development is a **development approach where company departments work closely together individually to complete each stage of the process before passing it along to the next department or stage**

- Increased control in risky or complex projects
- Slow

Managing New-Product Development

New-Product Development Strategies

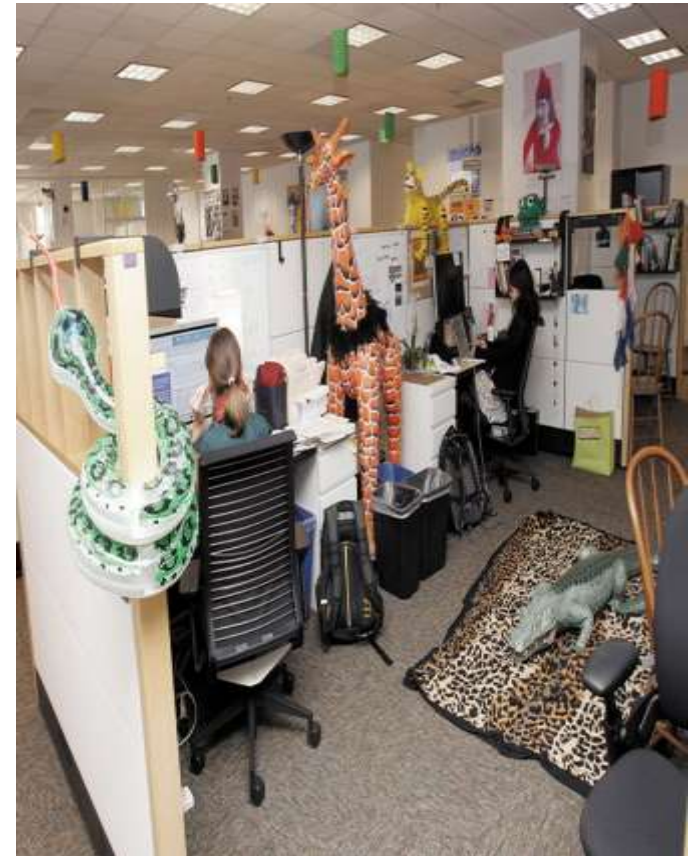
Team-based new-product development is a development approach where company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness

Managing New-Product Development

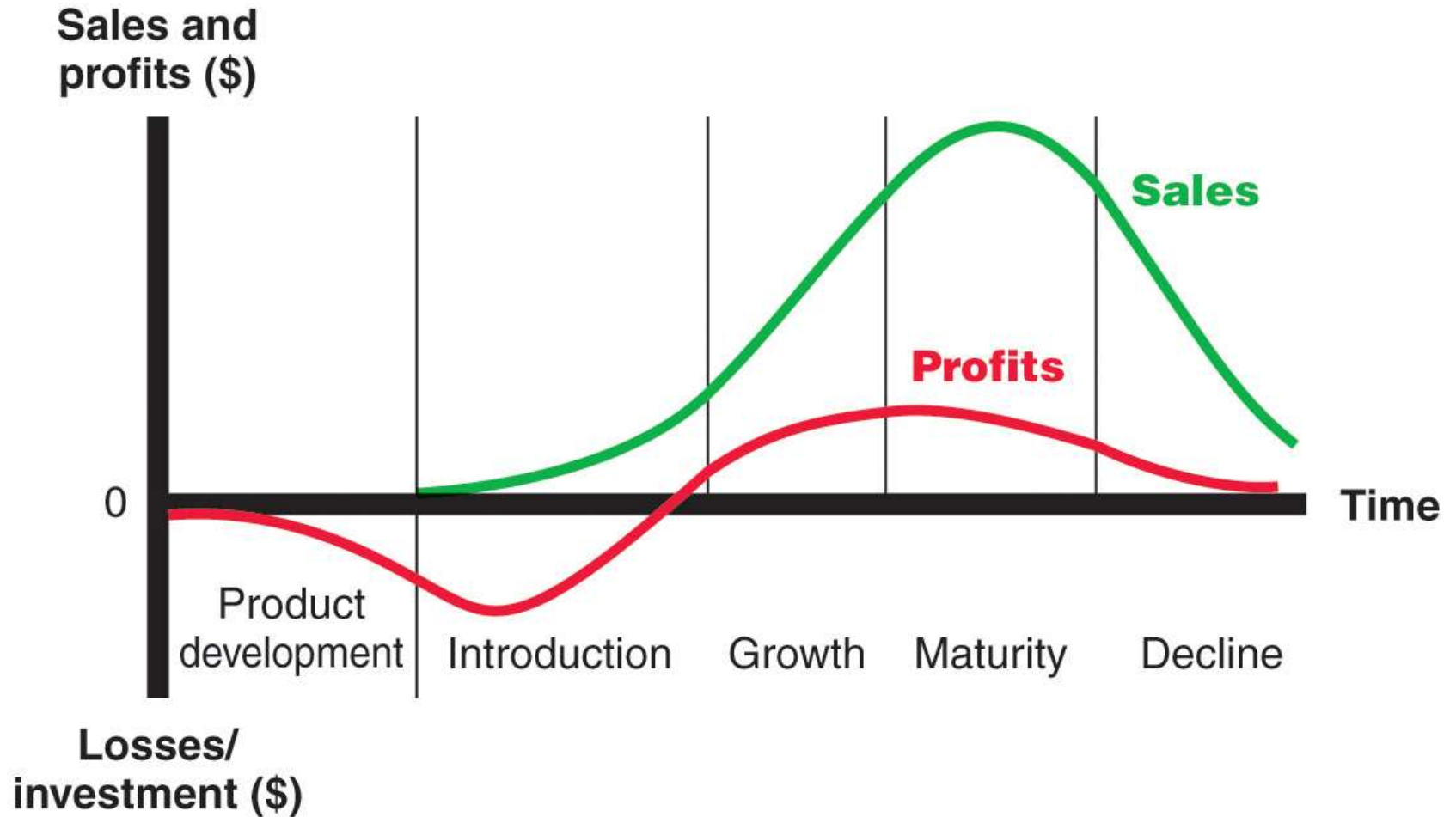
New-Product Development Strategies

Systematic new-product development is an **innovative development approach that collects, reviews, evaluates, and manages new-product ideas**

- Creates an innovation-oriented culture
- Yields a large number of new-product ideas



Product Life-Cycle



Product Life-Cycle

Product development Sales are zero and investment costs mount

Introduction Slow sales growth and profits are nonexistent

Growth Rapid market acceptance and increasing profits.

Maturity Slowdown in sales growth and profits level off or decline

Decline Sales fall off and profits drop

Product Life-Cycle

- **Fads are temporary periods of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity**

Product Life-Cycle

Introduction Stage

- Slow sales growth
- Little or no profit
- High distribution and promotion expense

Product Life-Cycle

Growth Stage

- Sales increase
- New competitors enter the market
- Price stability or decline to increase volume
- Consumer education
- Profits increase
- Promotion and manufacturing costs gain economies of scale

Product Life-Cycle

Maturity Stage

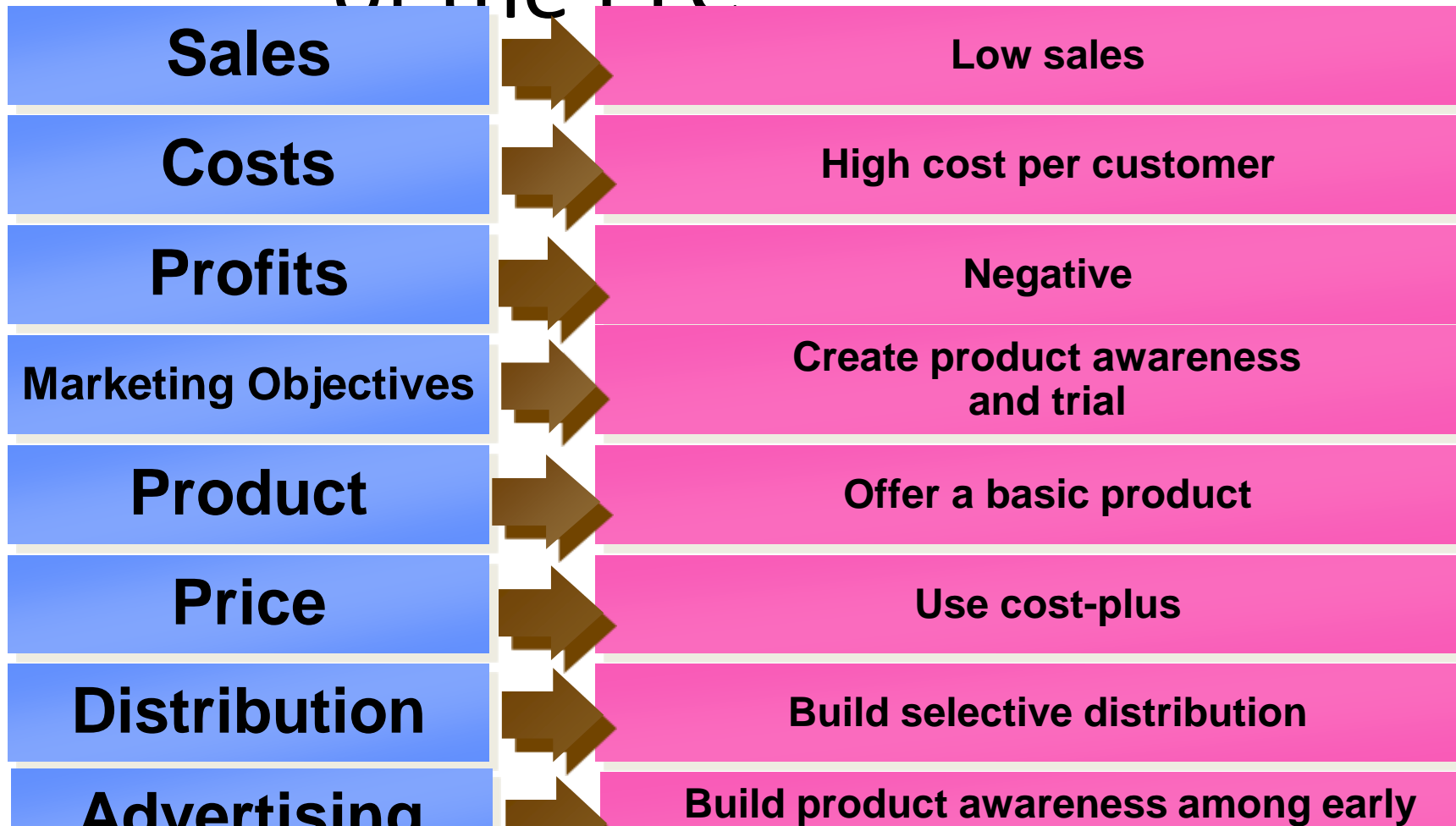
- Slowdown in sales
- Many suppliers
- Substitute products
- Overcapacity leads to competition
- Increased promotion and R&D to support sales and profits

Product Life-Cycle

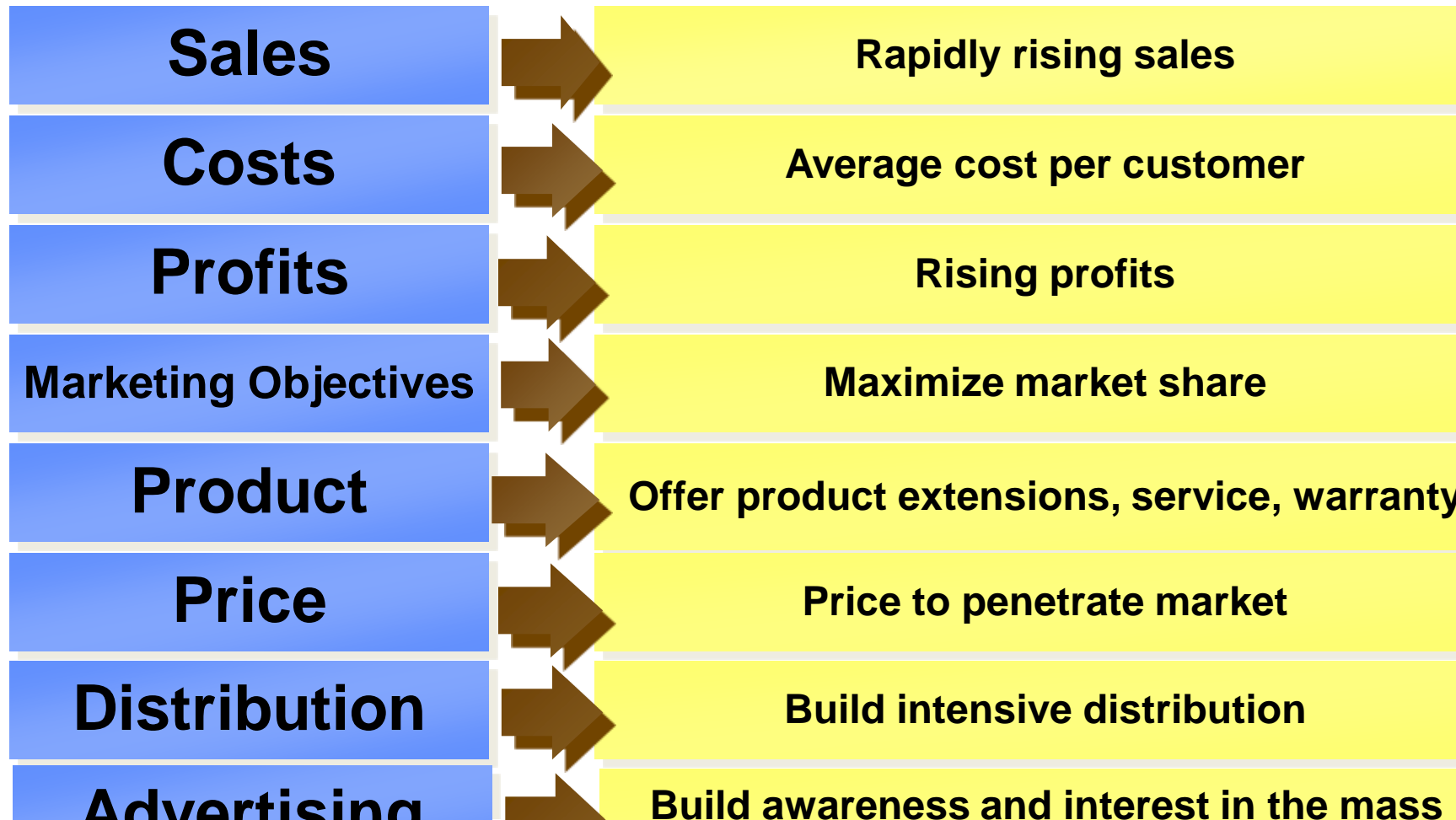
Decline Stage

- Maintain the product
- Harvest the product
- Drop the product

Strategies-Introduction Stage of the PLC



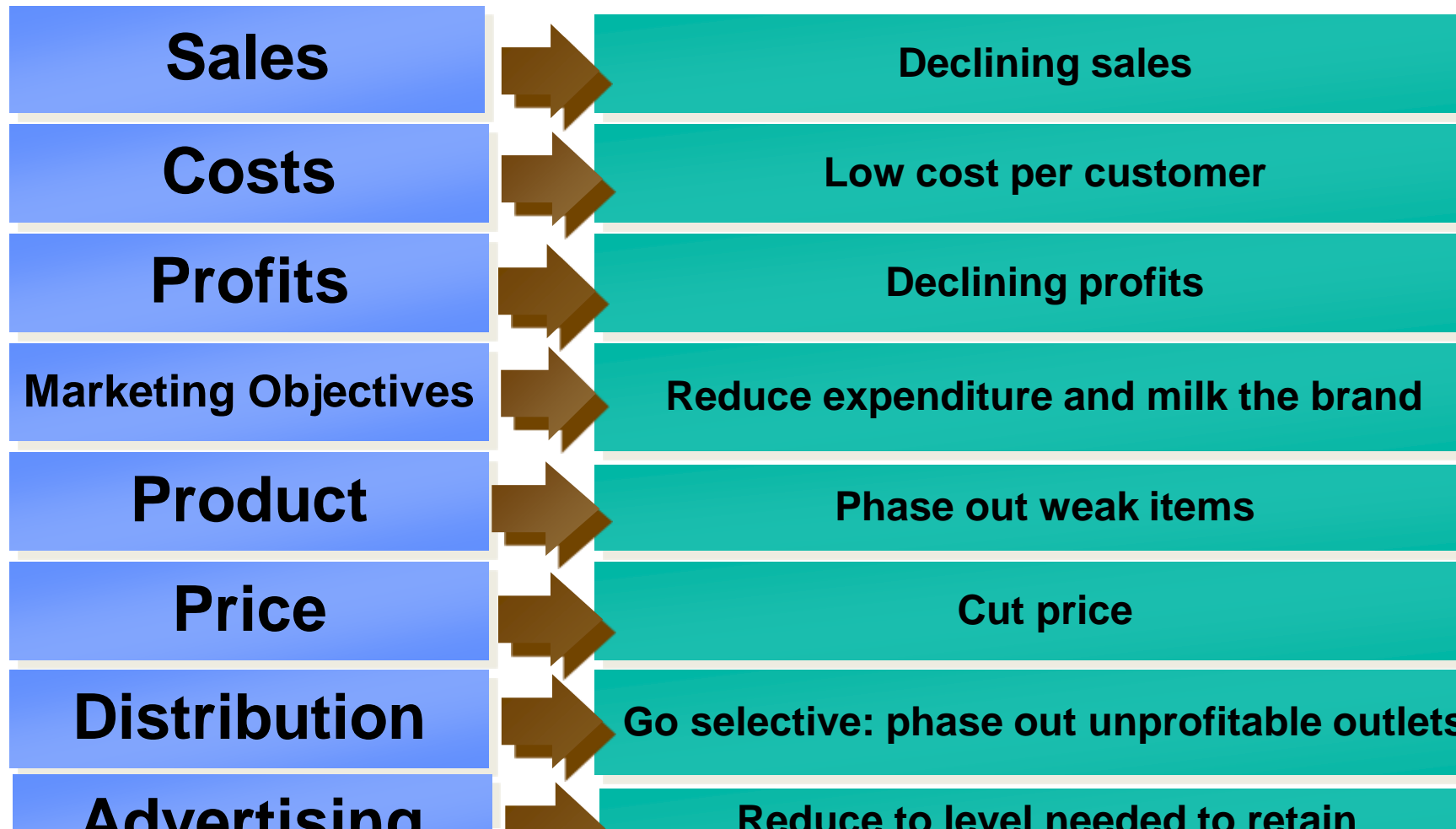
Strategies - **Growth Stage of the PLC**



Strategies - **Maturity Stage of the PLC**



Strategies- *Decline Stage of the PLC*



Product Decisions and Social Responsibility

- Public policy and regulations regarding developing and dropping products, patents, quality, and safety

Diffusion of Innovation

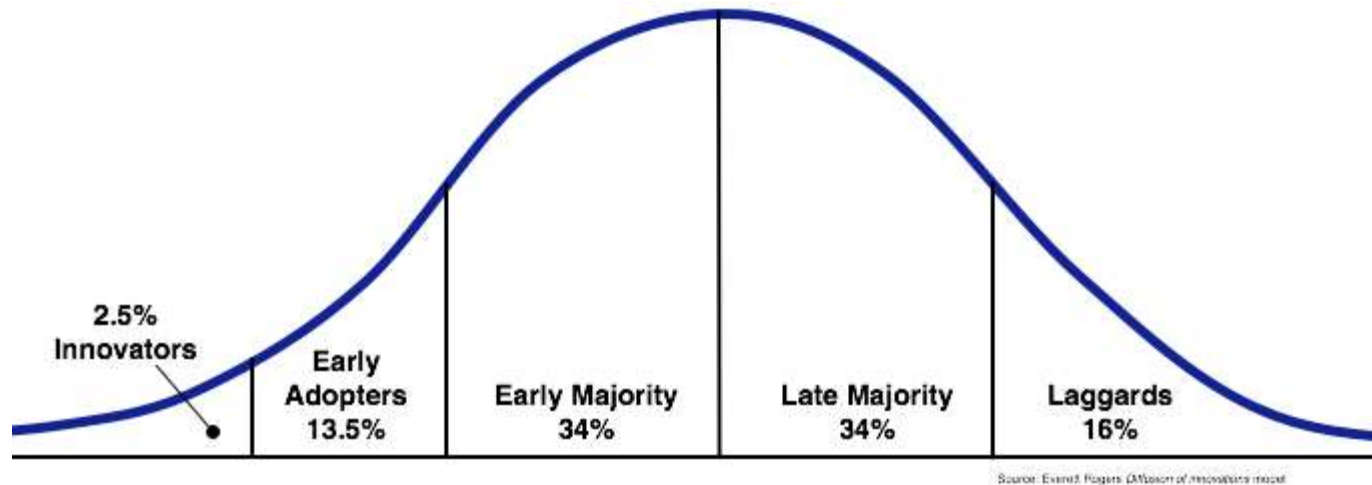


- Everett Rogers—the main developer
 - Adapted ideas from Gabriel Tarde and from the Hybrid Seed Corn Study (Ryan & Gross)
- This theory has been used and studied across many fields: Rural sociology, Medical sociology, Anthropology, Economics, Marketing

Innovation

- Innovation = An idea, practice, or object perceived as new by an individual or other unit of adoption
 - Software (necessary)
 - Hardware (optional)
- The Diffusion of Innovations Theory attempts to predict adoption of innovations. . .
Typically, the adoption follows a standard pattern:

The corresponding Classic Bell-Shaped Adopters Curve



Many studies have looked at how these groups differ:

Innovators are highly cosmopolite and open to new things.

Early adopters tend to be opinion leaders.

Early majority provide “legitimization” of the innovation.

Late majority are skeptical.

Laggards put trust in the status quo.

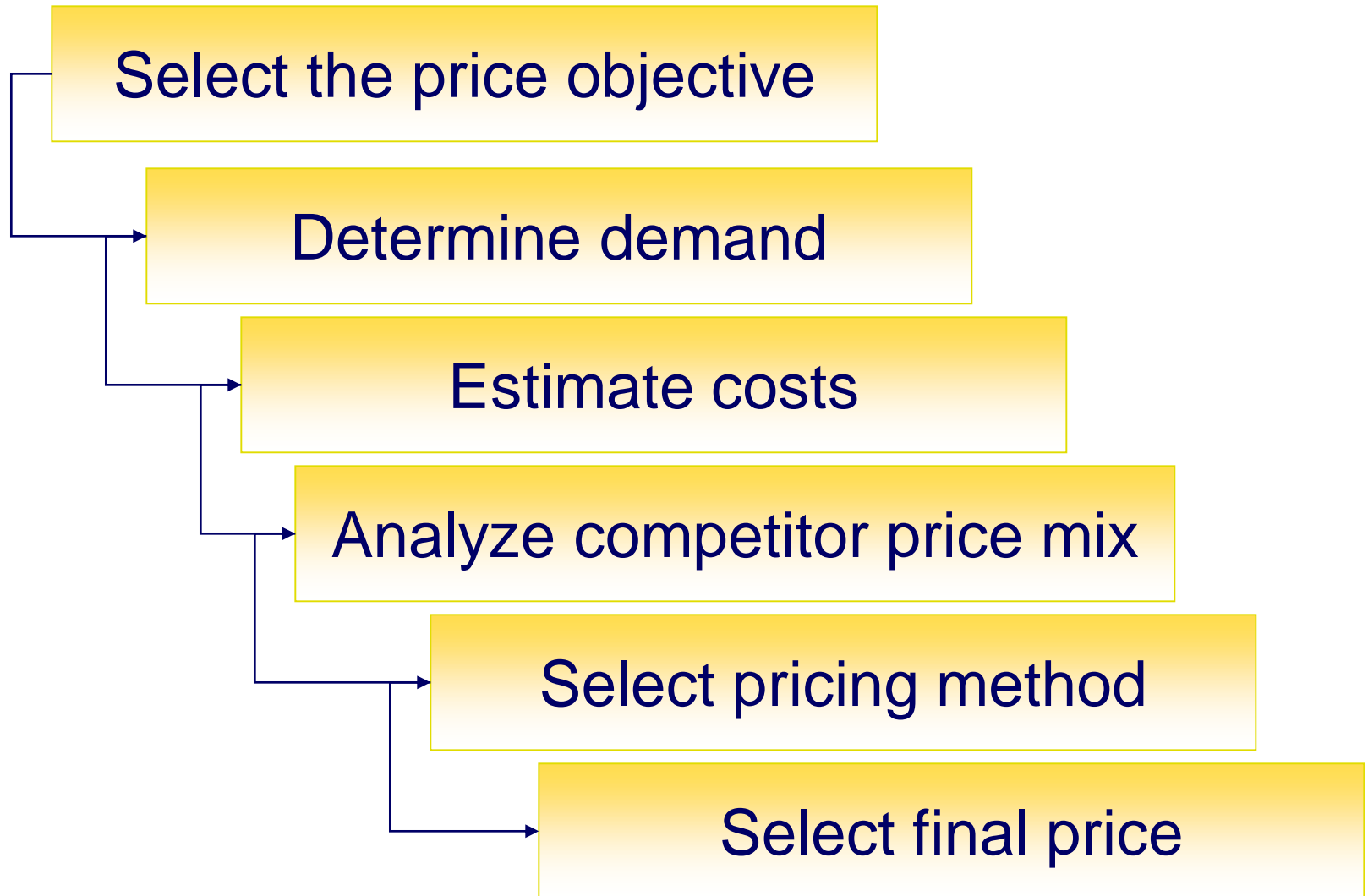
Synonyms for Price

- Rent
- Tuition
- Fee
- Fare
- Rate
- Toll
- Premium
- Special assessment
- Bribe
- Dues
- Salary
- Commission
- Wage
- Tax

Common Pricing Mistakes

- Determine costs and take traditional industry margins
- Failure to revise price to capitalize on market changes
- Setting price independently of the rest of the marketing mix
- Failure to vary price by product item, market segment, distribution channels, and purchase occasion

Steps in Setting Price



Step 1: Selecting the Pricing Objective



- Survival
- Maximum current profit
- Maximum market share
- Maximum market skimming
- Product-quality leadership

Step 2: Determining Demand

Price Sensitivity

Estimating
Demand Curves

Price Elasticity
of Demand



Factors Leading to Less Price Sensitivity

- The product is more distinctive
- Buyers are less aware of substitutes
- Buyers cannot easily compare the quality of substitutes
- The expenditure is a smaller part of buyer's total income
- The expenditure is small compared to the total cost of the end product
- Part of the cost is paid by another party
- The product is used with previously purchased assets
- The product is assumed to have high quality and prestige
- Buyers cannot store the product

Step 3: Estimating Costs



Types of Costs

Accumulated
Production

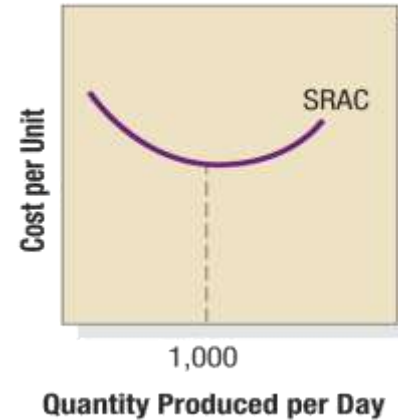
Activity-Based
Cost Accounting

Target Costing

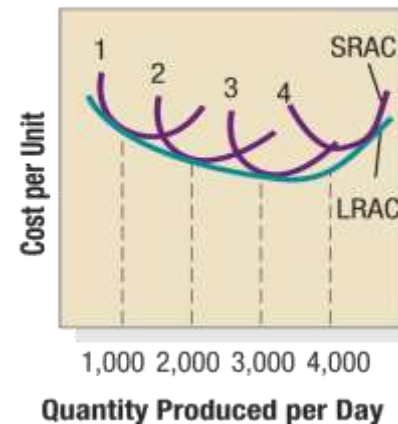
Cost Terms and Production

- Fixed costs
- Variable costs
- Total costs
- Average cost
- Cost at different levels of production

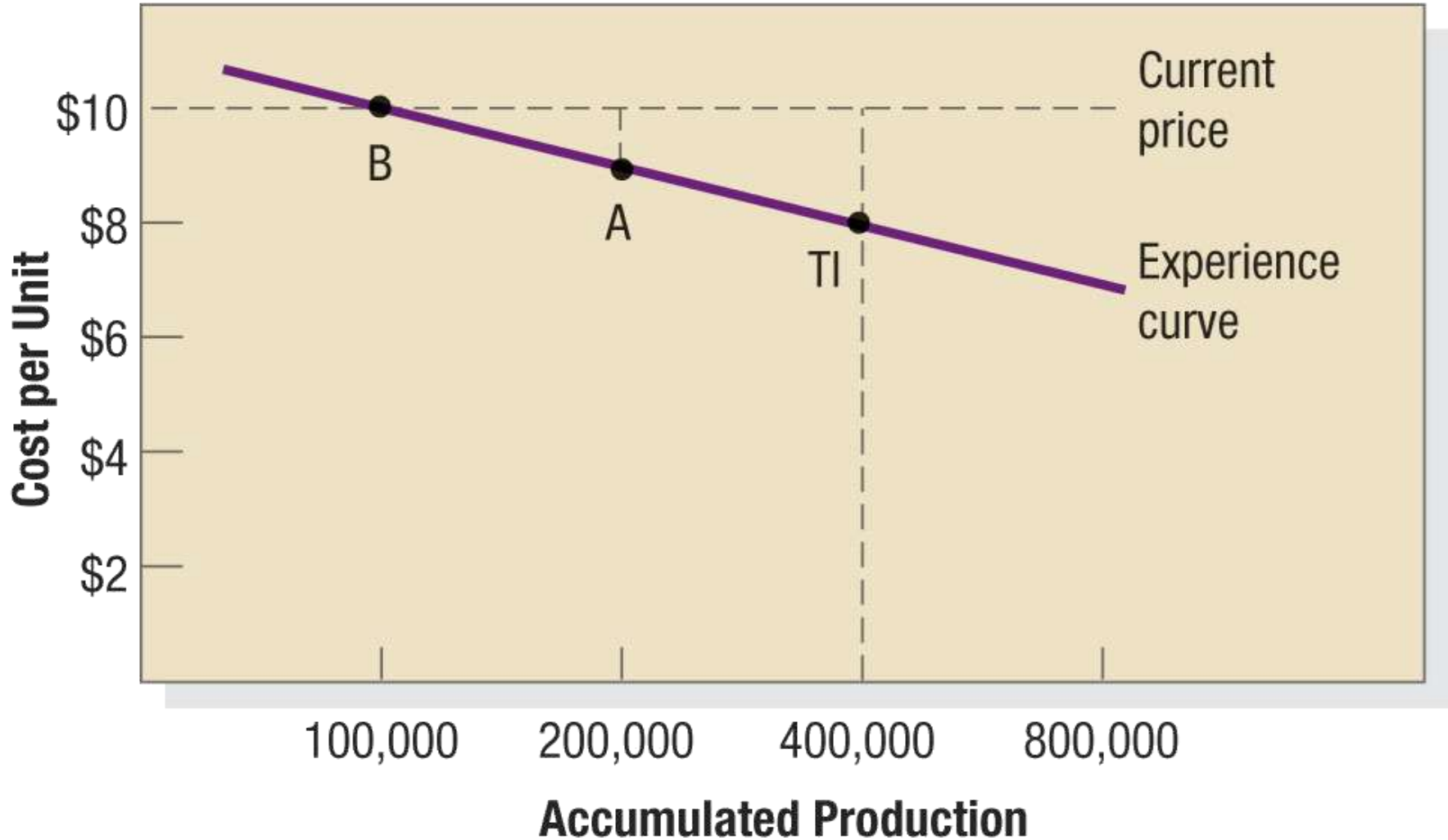
(a) Cost Behavior in a Fixed-Size Plant



(b) Cost Behavior over Different-Size Plants



Cost per Unit as a Function of Accumulated Production



Tata motors developed 'Nano' its small car with a target price

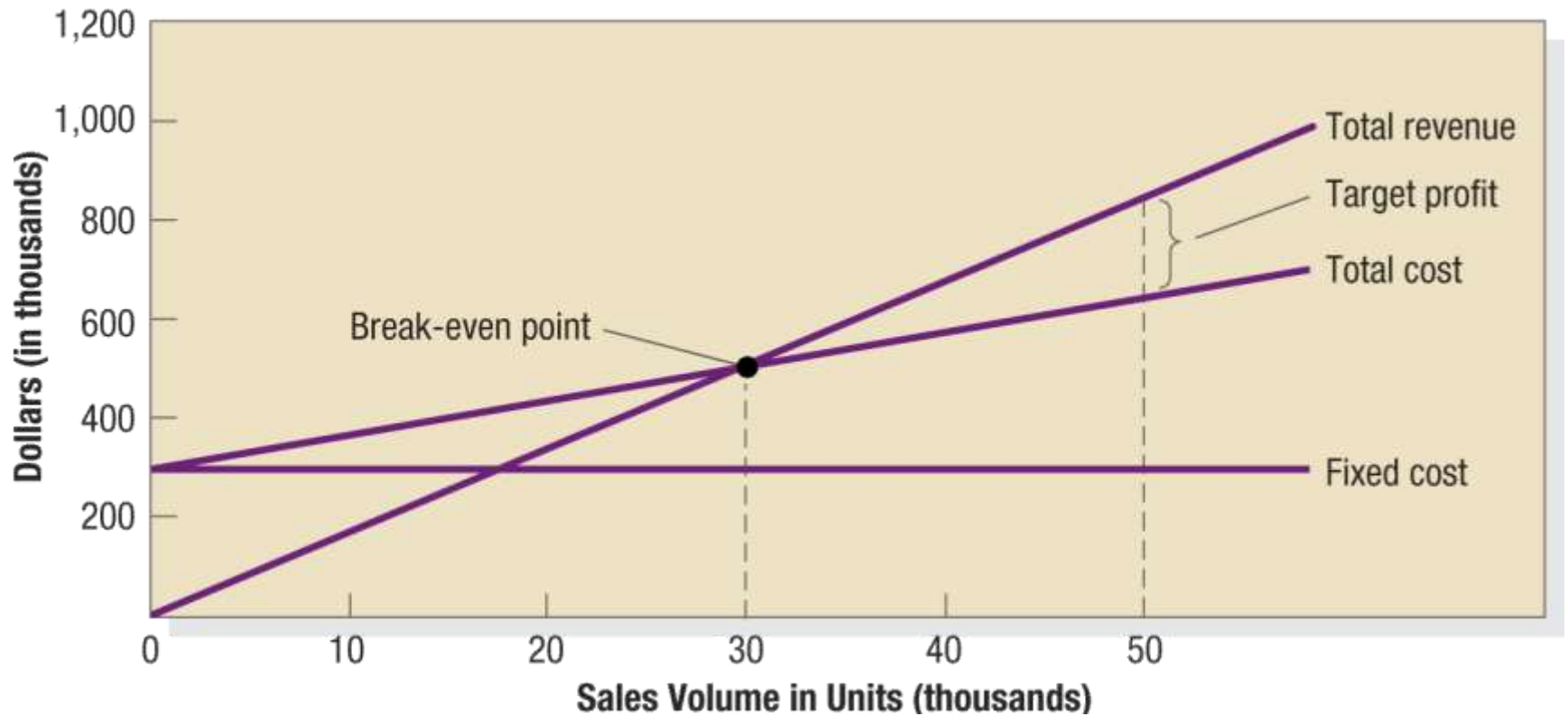


Step 5: Selecting a Pricing Method from the Types of pricing



- Markup pricing
- Target-return pricing
- Perceived-value pricing
- Value pricing
- Going-rate pricing
- Auction-type pricing

Break-Even Chart



Auction-Type Pricing



English auctions

Dutch auctions

Sealed-bid auctions

Step 6: Selecting the Final Price

- Impact of other marketing activities
- Company pricing policies
- Gain-and-risk sharing pricing
- Impact of price on other parties

Price-Adaptation Strategies



Geographical Pricing

Discounts/Allowances

Promotional Pricing

Differentiated Pricing

Discounts/ Allowances

- Cash discount
- Quantity discount
- Functional discount
- Seasonal discount
- Allowance

Promotional Pricing Tactics



- Loss-leader pricing
- Special-event pricing
- Cash rebates
- Low-interest financing
- Longer payment terms
- Warranties and service contracts
- Psychological discounting

Special festival pricing by Coca-Cola on the occasion of Ramzan in Pakistan.



Differentiated Pricing



- Customer-segment pricing
- Product-form pricing
- Image pricing
- Channel pricing
- Location pricing
- Time pricing
- Yield pricing