Chapter 30

product planning

Section 30.1
Product Development

Section 30.2
Sustaining Product Sales
PREDICT  Think of a new product you or a friend recently purchased. Do you think it will become successful? Why or why not?
OBJECTIVES

• **Describe** the steps in product planning.

• **Explain** how to develop, maintain, and improve a product mix.
Product planning allows a business to plan marketing programs that increase sales through making products that customers want.
VOCABULARY

- product planning
- product mix
- product line
- product item
- product width
- product depth
- prototype
- product modification
Product Development

The Seven Key Steps in Product Development

Step 1
Generate Ideas

[Diagram of the seven key steps in product development]
Product Development

The Seven Key Steps in Product Development

1. Generate Ideas
2. Screen Ideas
3. Develop Business Proposal
4. Develop Product
5. Test Product with Consumers
6. Introduce Product
7. Evaluate Customer Acceptance
Product Development

Getting Ready to Sell

**Product Planning**

- Allows a business to coordinate existing products and features
- Allows a business to add new products and delete products

**product planning**

Making decisions about the features and services of a product or idea that will help sell the product.
Getting Ready to Sell

**What is the **product mix**?**

**product mix**
All the different products that a company makes or sells.
**Product Line**

A group of closely related products manufactured or sold by a business.

**Product Item**

A specific model, brand, or size of a product within a product line.
Getting Ready to Sell

**Product Width**
Product width is the number of items offered within each product line.

**Product Depth**
Product depth is the number of items offered within each product line.
Getting Ready to Sell

Components of a Product

Section 30.1
Components of a Product

- Seller's Reputation
- Physical Features
- Components of a Product
- Seller's Services
- Way Product is Viewed by People
The Different Components of New Product Research That Were Discussed in Chapter 28.
The Different Components of New Product Research That Were Discussed in Chapter 28.

**NEW PRODUCT RESEARCH**

- Concept Testing
  - Advertising
  - Pricing
  - Positioning
- Brand Research
  - Word and Personality Association
- Product Placement
  - Quality
  - Performance
- Choice Study/Blind Test
  - Feedback on Generic Products
Getting Ready to Sell

Information in a Business Proposal

- Business Proposal
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-
Getting Ready to Sell

Information in a Business Proposal

- Market size
- Potential sales
- Cost
- Profit potential
- Technological trends
- Overall competitive environment
- Level of risk
- Production requirements
- Time needed to create and introduce product
- Production efficiency
- Competitiveness of projected price
Product Mix Strategies

1. Generating Ideas
2. Screening Ideas
3. Developing a Business Proposal
4. Developing the Product
5. Testing the Product with Consumers
6. Introducing the Product
7. Evaluating Customer Acceptance

New Product Development
Product Mix Strategies

**Prototype**
A model of a new product, usually made before the product is manufactured.

Millions of dollars can be spent developing a product for testing, prototypes, and research.
Product Mix Strategies

Developing Existing Products

- Line Extensions
- Product Modification

**product modification**
An alteration in a company’s existing product.
Characteristics of Line Extensions and Product Modifications

- **Line Extensions**
- **Both**
- **Product Modifications**
Product Mix Strategies

Characteristics of Line Extensions and Product Modifications

**Line Extensions**
- Different products appeal to somewhat different customer needs
- Increase product depth within a line

**Both**
- Build on already established image
- Meet customer needs
- Appeal to new markets
- Increase sales and profits

**Product Modifications**
- Change to an existing product
- May offer new colors, sizes, or features
- Relatively quick and easy
Product Mix Strategies

Identify Each of the Reasons a Product Might be Discontinued
Product Mix Strategies

Identify Each of the Reasons a Product Might be Discontinued

- Obsolescence
- Loss of Appeal
- Changes in Company Objectives
  - Replacement with New Products
  - Lack of Profit
  - Conflict with Other Products in a Line
1. **Differentiate** between product depth and product width.

   Product depth refers to the number of items offered within each product line whereas product width refers to the number of different product lines a business manufactures or sells.
2. **Name** the types of criteria used to screen new product ideas.

Criteria used to screen new product ideas include: Is the product in line with the company’s overall strategy, which defines customers, target markets, competitors, and existing competitive strengths? Are there any potential conflicts with existing products? Has the product been tested with consumers, and, if so, did they like it and would they buy it?
3. **List** four reasons for expanding a product line.

Four reasons to expand a product line are to build on an already established image, to appeal to new markets, to increase sales and profits, and for the company to be seen as an innovator in the field.
PREDICT How might marketing strategies differ for new products and existing products?
OBJECTIVES

• **Identify** the four stages of the production life cycle.

• **Describe** product positioning techniques.
THE MAIN IDEA

Products go through different stages of growth and decline. Various marketing strategies help sustain product sales over time.
VOCABULARY

- product life cycle
- product positioning
- category management
- planogram
### Sustaining Product Sales

#### Section 30.2

**Stages in the Product Life Cycle**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Sales Characteristics</th>
<th>Marketing Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity</td>
<td></td>
<td></td>
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<tr>
<td>Decline</td>
<td></td>
<td></td>
</tr>
</tbody>
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## Stages in the Product Life Cycle

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<th>Sales Characteristics</th>
<th>Marketing Strategies</th>
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</thead>
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<tr>
<td>Introduction</td>
<td>Least profitable stage; consumers still learning</td>
<td>Special promotions; focus on benefits</td>
</tr>
<tr>
<td>Growth</td>
<td>Increasing sales and profits</td>
<td>Focus on consumer satisfaction; competitive pricing; new models</td>
</tr>
<tr>
<td>Maturity</td>
<td>Sales slow; increased competition or market saturation</td>
<td>Reinforce brand; anti-competition spending; slotting fees may rise</td>
</tr>
<tr>
<td>Decline</td>
<td>Sales fall and profits may be smaller than expenses</td>
<td>Ads reduced; may sell, license, discount, or regionalize product</td>
</tr>
</tbody>
</table>
Sustaining Product Sales

Section 30.2

The Product Life Cycle

The stages that a product goes through during its life.
The Product Life Cycle

Managing in the Introduction Stage
- Efforts are focused on promotion, or building awareness of the product
- Building brand preference
- Increasing market share
- Dealing with new competition

Managing in the Growth Stage
- More competition
- Advertising reinforces brand
- Promotional costs are lower
- Slotting fees may rise
- Sell or license the product
- Recommit to the product line
- Discount the product
- Regionalize the product
- Update or alter the product

Managing in the Maturity Stage
- Efforts are focused on promotion, or building awareness of the product
- Building brand preference
- Increasing market share
- Dealing with new competition

Managing in the Decline Stage
Managing a Product in Decline
Sustaining Product Sales

The Product Life Cycle

Managing a Product in Decline

- Sell or License the Product
- Recommit to the Product Line
- Discount the Product
- Regionalize the Product
- Update or Alter the Product
**Product Positioning**

- Positioning by Price and Quality
- Positioning by Features and Benefits
- Positioning in Relation to the Competition
- Positioning in Relation to Other Products in a Line

**product positioning**
The efforts a business makes to identify, place, and sell its products in the marketplace.
Product Positioning

Identify the Different Positioning Strategies

Positioning Strategy

Result

Product Images That
Appeals to Consumers
Product Positioning

Identify the Different Positioning Strategies

<table>
<thead>
<tr>
<th>Positioning Strategy</th>
<th>Result</th>
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<tr>
<td>By Price and Quality</td>
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<td>In Relation to Competition</td>
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Product Images That Appeals to Consumers
Category Management

What is category management?

A process that involves managing product categories as individual business units.
Category Management

How Can a Manufacturer Help Retailers?

Customizing a Product Mix Within a Category

Planograms

**planogram**

A computer-developed diagram that shows retailers how and where products within a category should be displayed on a shelf at individual stores.
1. **Define** the concept of product positioning.

In product positioning, a business attempts to identify, place, and sell its products in the marketplace. In order to properly position products, businesses must identify customer needs and determine how their products compare to the competition.
2. **Identify** the strategies a business might use during a product’s growth stage.

During the growth stage, the business works to build brand preference and increase market share. It may enter into price competition with other businesses with similar products, introduce new models, or modify the existing product to offer more benefits than the competition.
3. **Identify** the strategies a business might use during a product’s decline stage.

During the decline stage, the business might reduce advertising and promotional costs to maximize profits, or even delete the product entirely from its product mix. Other strategies are to sell or license the product, recommit to the product line, discount the product, regionalize the product, and update or alter the product.
End of

Chapter 30

product planning

Section 30.1
Product Development

Section 30.2
Sustaining Product Sales