P PRODUCT **P** PRICE
P PLACE **P** PROMOTION

4.3 – Product in the Marketing Mix
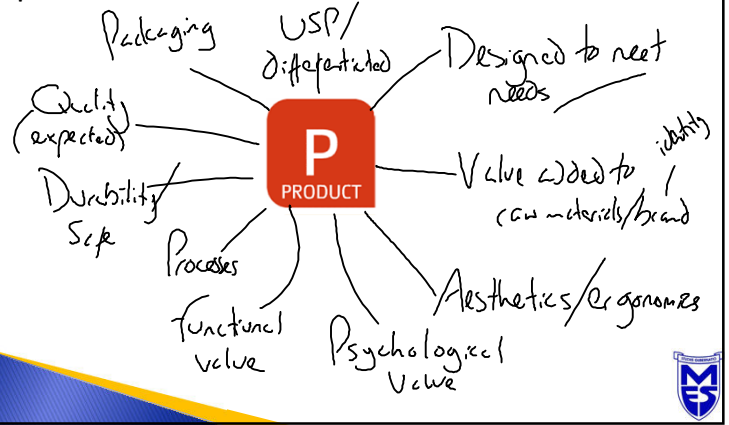
Product, NPD and PLC

Product and New Product Development

- Classify products by line range and mix.

- Describe the importance of innovation in an era of rapid technological change and discuss the problems of financing research and development.

- Analyse the relationship between the product life cycle and the marketing mix, and determine appropriate extension strategies.

- Analyse the relationship between the product life cycle, investment, profit and cash flow

P PRODUCT

Features of a 'Product'

A product is/must/should...

Packaging   USP/Differentiated   Designed to meet needs

Quality (expected)

P PRODUCT

Durability
Size

Processes

Functional value

Psychological value

Value added to identity (raw materials/brand)

Aesthetics/ergonomes

Classification of Products

Product line – a set of related products sold by a business

Galaxy Ace   Galaxy Gio   Galaxy Mini   Galaxy Fit

Product mix/portfolio – the different products that a business makes. Wider ranges = wider customer base.

Classification of Products

Product range – all product lines of a business's product mix

Classification of Products

Consumer products – purchased by private individuals.

Fast moving consumer goods
Consumer perishables
Consumer durables
Speciality consumer products

Producer products – purchased and consumed by businesses.

New Product Development

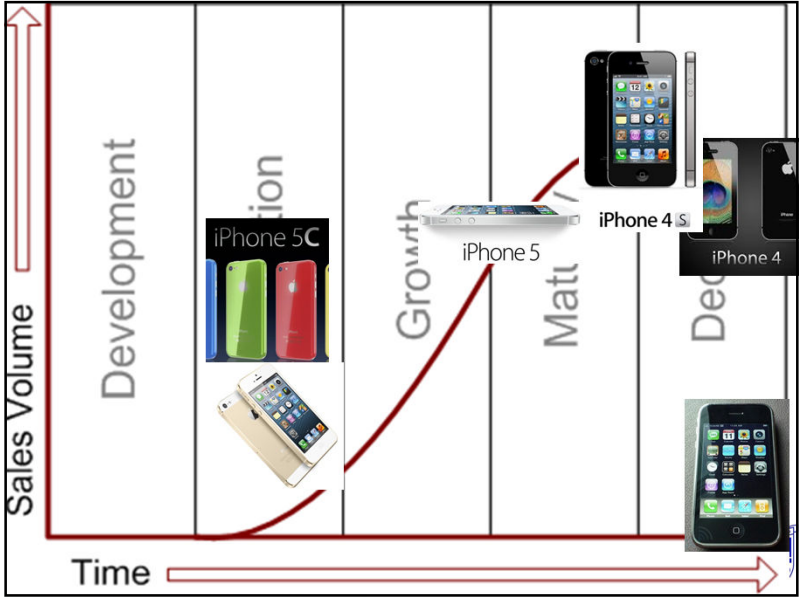| Market Research | Development and testing | Feasibility study | Launch |
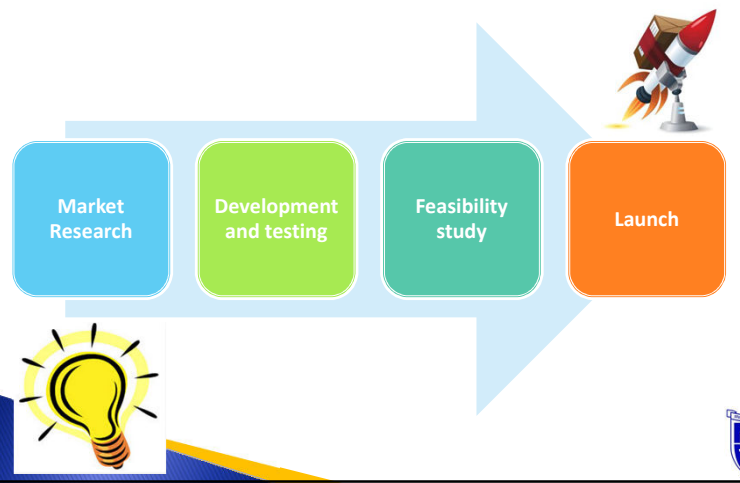
NPD - Ideas

Where do ideas come from?

NPD can be time-consuming, but ultimately it can avoid the costly risk of failure and brand damage.

Marketing Strategies

Product life-cycle phase	Price	Promotion	Place (distribution outlets)	Product
Introduction	• May be high compared to competitors (skimming) or low (penetration).	• High levels of informative advertising to make consumers aware of the product's arrival on the market.	• Restricted outlets – possibly high-class outlets if a skimming strategy is adopted.	• Basic model.
Growth	• If successful, an initial penetration pricing strategy could now lead to rising prices.	• Consumers need to be convinced to make repeat purchases – brand identification will help to establish consumer loyalty.	• Growing numbers of outlets in areas indicated by strength of consumer demand.	• Planning of product improvements and developments to maintain consumer appeal.
Maturity	• Competitors likely to be entering market – there will be a need to keep prices at competitive levels	• Brand imaging continues – growing need to stress the positive differences with competitors' products.	• Highest geographical range of outlets as possible – developing new types of outlets where possible.	• New models, colours, accessories, etc. as part of extension strategies.
Decline	• Lower prices to sell off stock – or if the product has a small 'cult' following, prices could even rise.	• Advertising likely to be very limited – may just be used to inform of lower prices.	• Eliminate unprofitable outlets for the product.	• Prepare to replace with other products – slowly withdraw from certain markets.

Table 26.1 The marketing mix and phases of the product life cycle

Product and New Product Development

- Classify products by line range and mix. 436-8

- Describe the importance of innovation in an era of rapid technological change and discuss the problems of financing research and development. 438-40

- Analyse the relationship between the product life cycle and the marketing mix, and determine appropriate extension strategies. 440-44

- Analyse the relationship between the product life cycle, investment, profit and cash flow 442

P PRODUCT

P PRODUCT **P** PRICE
P PLACE **P** PROMOTION

4.3 – Product in the Marketing Mix

Product Portfolio Analysis/Boston Matrix

Product and New Product Development

- Apply the BCG (Boston Consulting Group) matrix to a given situation. 444-5

- Use the BCG matrix to help in developing future strategic direction.

P
PRODUCT

Product Portfolios

Product Portfolio – the variety of products owned by a business.

Diverse portfolios help spread risk across different markets, and helps increase revenue/cash-flow.

Product Portfolio Analysis

PPA allows a firm to decide on investment and growth decisions and marketing strategies by looking at the market share of its portfolio.

Samsung - the World's Biggest Diversified Company?
Saturday, February 09, 2013
by Jim Riley
Print ✉ Email ✉ Tweet This! ⬛ Save to Favorites

We probably now Samsung best for its smartphones, tablets and televisions. However, Samsung's business activities and operations are spread much wider than just those two important markets.

The electronics giant also makes military hardware, apartments, ships and operates a Korean amusement park! Imagine how complicated it would be if you were asked to compose a **Boston Matrix** for Samsung's entire product or business unit portfolio!

18 April 2013 Last updated at 12:11 GMT

Nokia shares fall despite higher Lumia sales

Shares of Nokia have fallen 13% after higher sales of its Lumia smartphones failed to offset a decline in its mobile phone unit in the first quarter.

In its earnings report, the Finnish firm said sales of Lumia handsets rose 27% in the first quarter of 2013, but that total sales of mobile phones fell 30% to 1.59bn euros.

Revenue fell 20% to 5.85bn euros, down from 7.35bn euros a year earlier.

Lumia smartphones have been the only bright spot in Nokia's latest earnings

The Boston Consulting Group Matrix (BCG/Boston Box)

A method of analysing the product portfolio of a business in terms of market share and market growth

Categories and Strategies

Product Category	Main Features	Strategies
⭐	High share of a rapidly growing market. Cashflow neutral or slightly positive. Market leader/first mover advantage?	Holding – high investment in support and marketing mix to increase market share
❓	Low share of a rapidly growing market. Negative cashflow. Inappropriate market mix/targeting or a popular competitor.	Building – support and build market share through advertising or distribution. Use money 'milked' from Cash Cows
🐄	High market share of a stable, slow-growth market. Brand loyalty. Not much scope for growth.	Milking – maintain market share and spend money made on Stars and Question Marks
🐕	Low market share of a shrinking market. Out-of-date/declining demand. Several alternatives available	Divesting – cease production, sell off with low pricing/offers. Be aware of impact on workforce, loyal customers etc.

Applying the Boston Matrix

• In pairs, use the mini-whiteboards to place products into the different categories.

• Do this by industry or company

Evaluating the Boston Matrix

○ Links with PLC.

○ Helps analyse position/performance of products

○ Formulate marketing strategies to further/max success. (existing)

○ Easy/simple to interpret/understand

○ Helps plan for future products/growth

○ Highlights need for balanced portfolio.

⊘ Doesn't guarantee success

○ Can be too simplistic

○ Make classification hard unless you have market research

○ Can be subjective

○ Just shows situation, not detailed solutions

○ Assumes that high mkt. share = profitable product.

○ Static Analysis. – needs constant updating time/money.