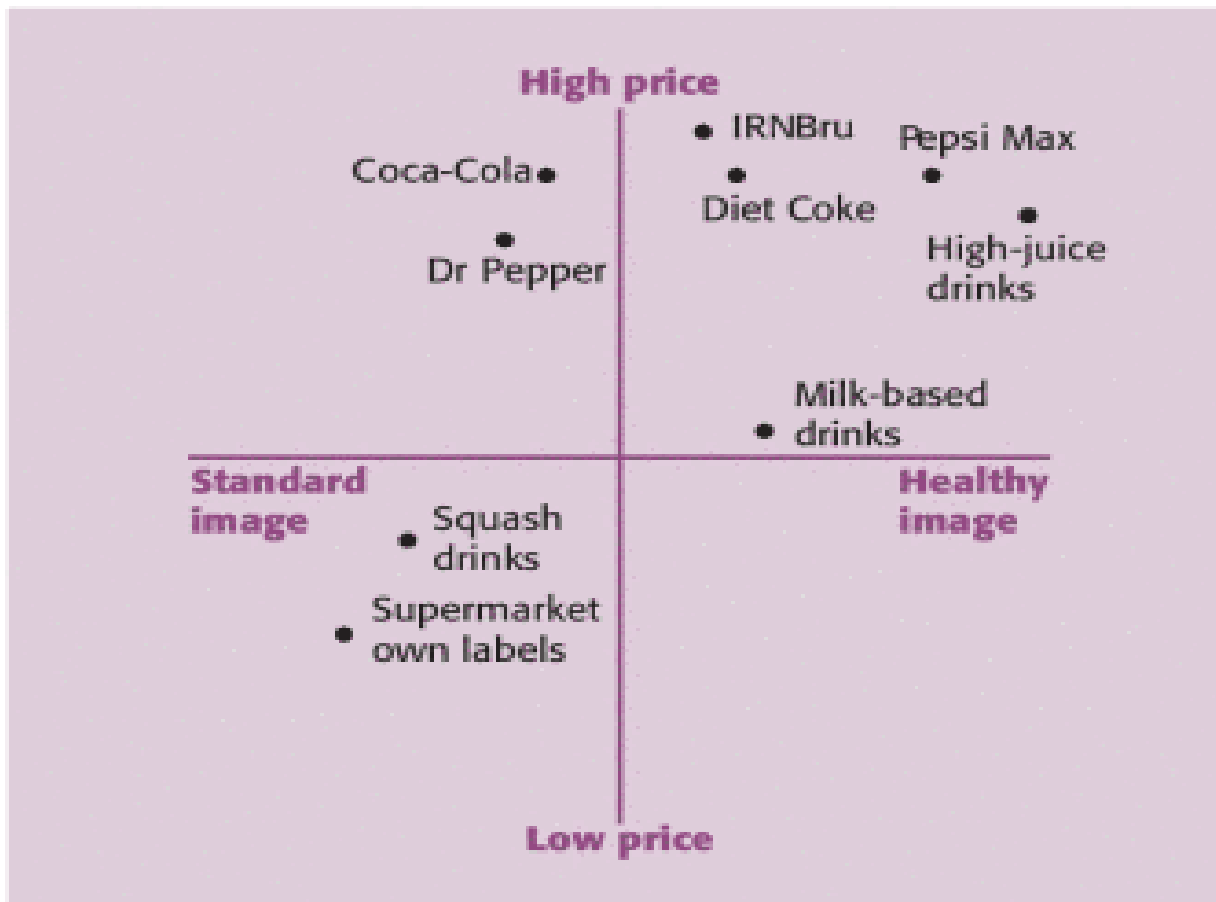
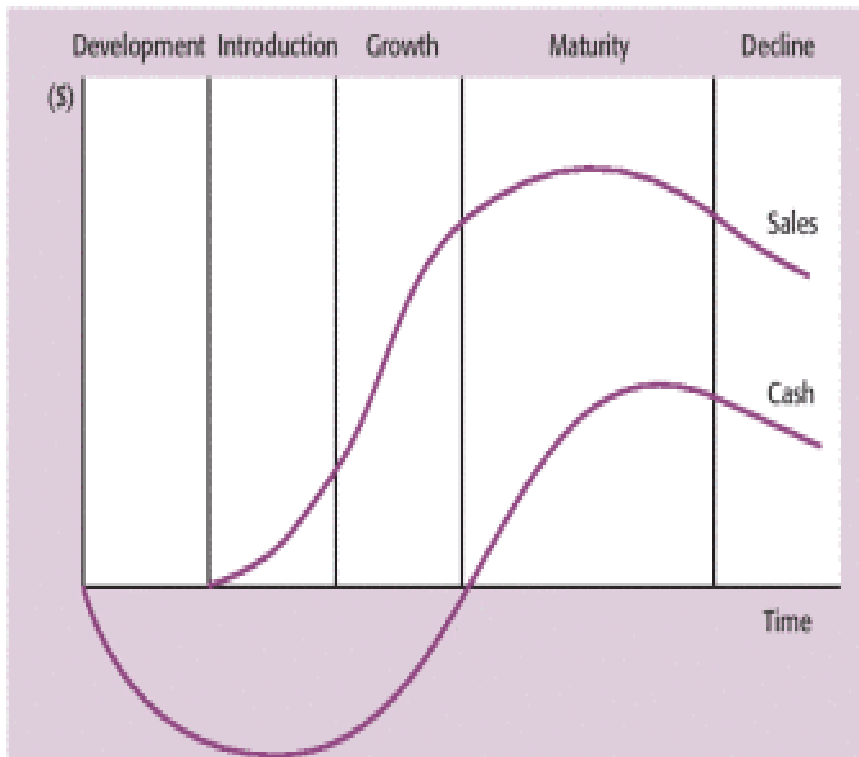


# Marketing mix – Product

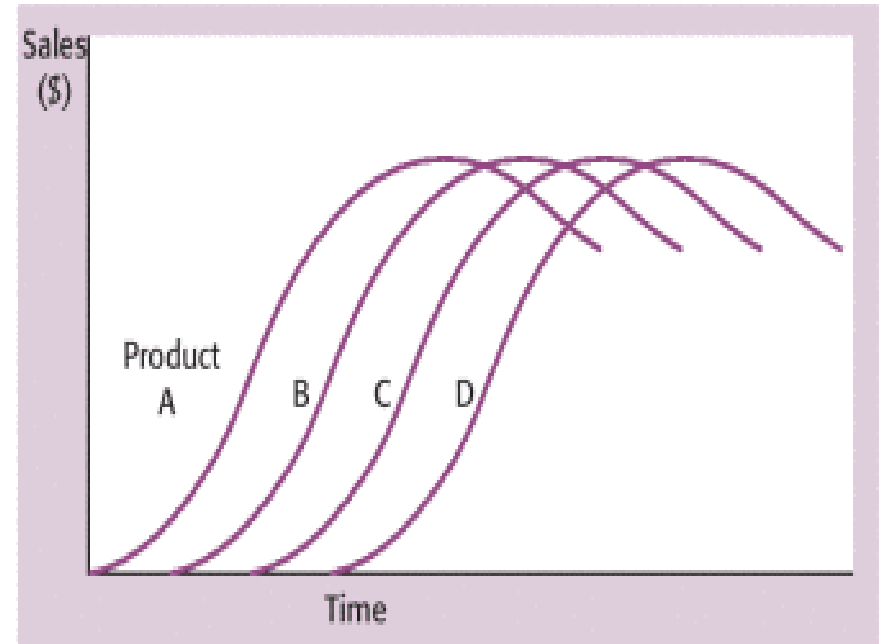
4 Ps	4 Cs
Product	Customer solution
Price	Cost to customer
Promotion	Communication with customer
Place	Convenience to customer



**Figure 16.1** A market map for soft drinks



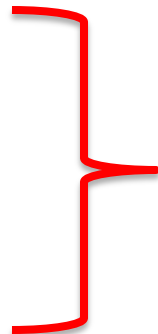
**Figure 16.4** The link between cash flow and product life cycle



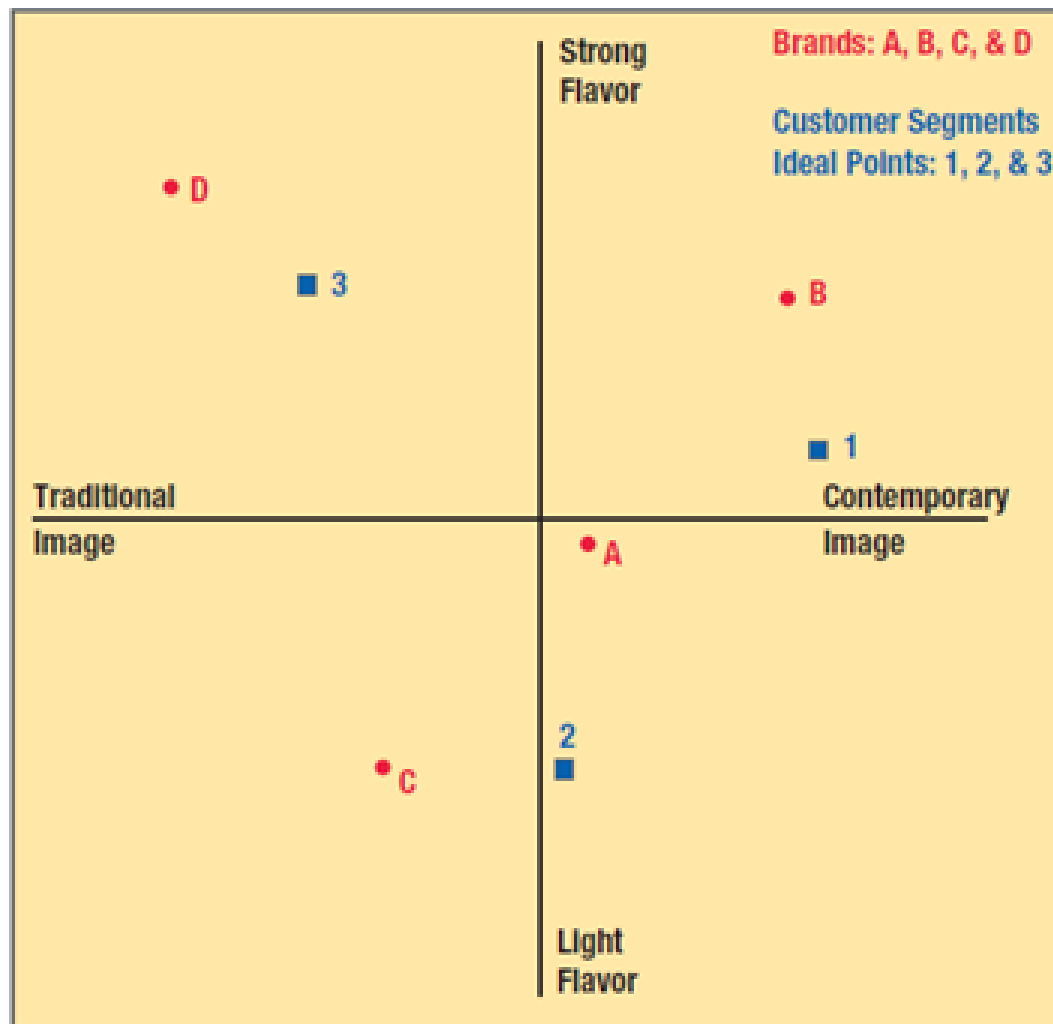
**Figure 16.5** A balanced product portfolio

**Consider Apple's balanced product portfolio**

- a) iPhone 3G
- b) iPad 2
- c) iMac
- d) Mac Air
- e) iPad Air
- f) iPhone 5C&5S

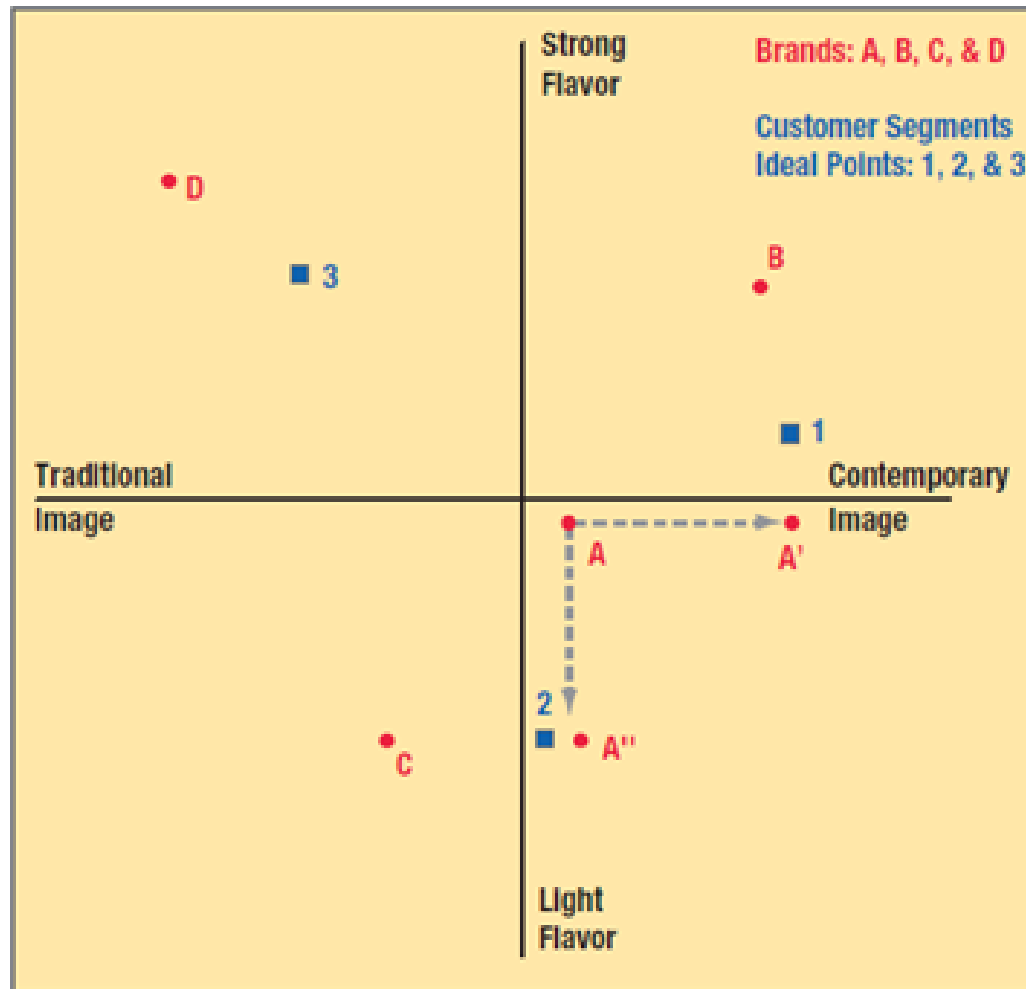


Products that are in **growth** and **maturity** stage **support** the growing products



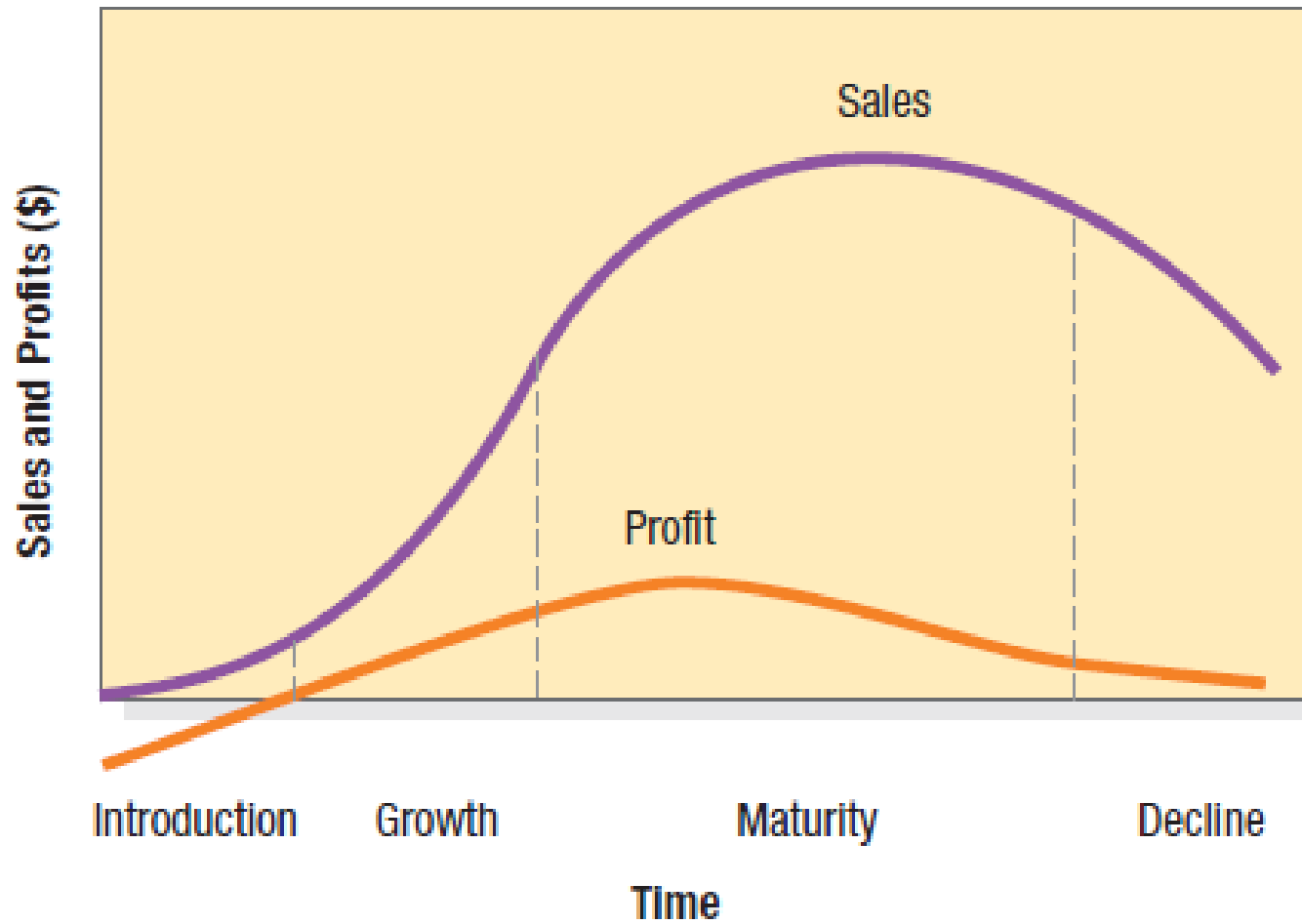
[Fig. 10.1a] ▲

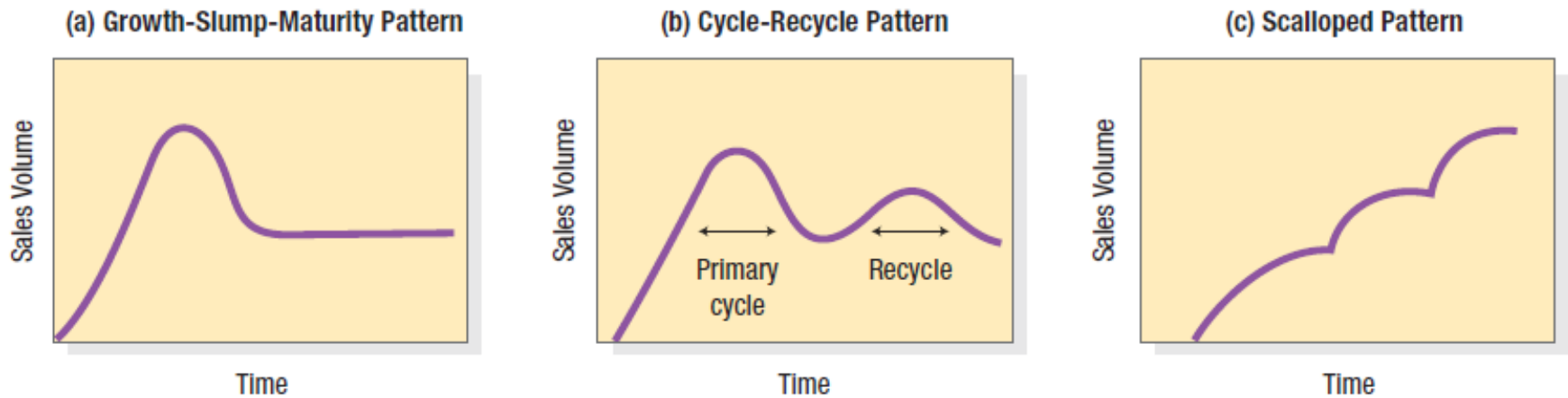
(a) Hypothetical Beverage Perceptual Map: Current Perceptions



[Fig. 10.1b] ▲

(b) Hypothetical Beverage Perceptual Map: Possible Repositioning for Brand A





[Fig. 11.5] ▲

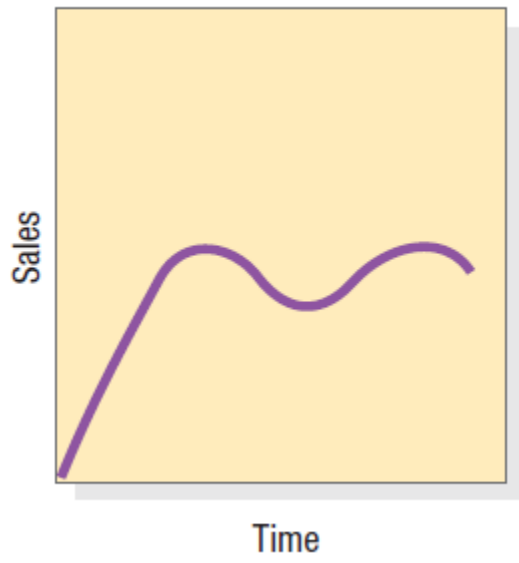
## Common Product Life-Cycle Patterns

The *cycle-recycle pattern* in Figure 11.5(b) often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, producing the first cycle. Later, sales start declining, and another promotion push produces a second cycle (usually of smaller magnitude and duration).<sup>39</sup>

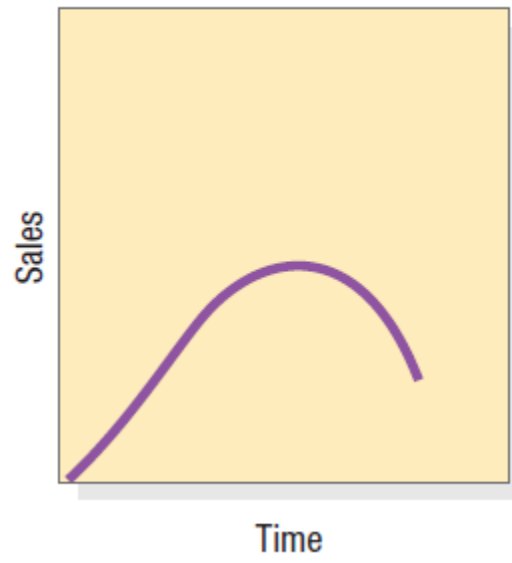
Another common pattern is the *scalloped PLC* in Figure 11.5(c). Here, sales pass through a succession of life cycles based on the discovery of new-product characteristics, uses, or users. Sales of nylon have shown a scalloped pattern because of the many new uses—parachutes, hosiery, shirts, carpeting, boat sails, automobile tires—discovered over time.<sup>40</sup>



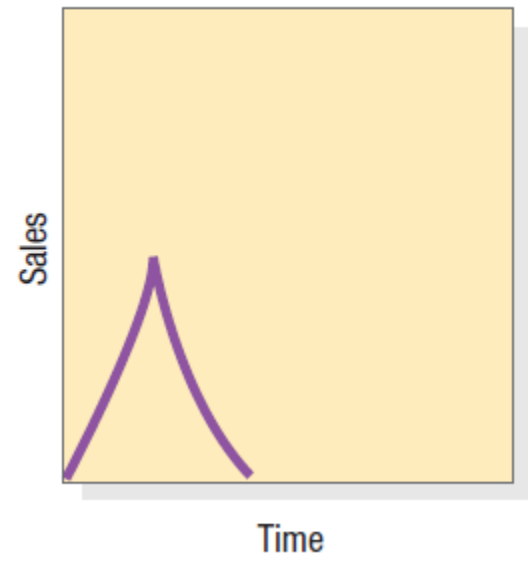
**Style**

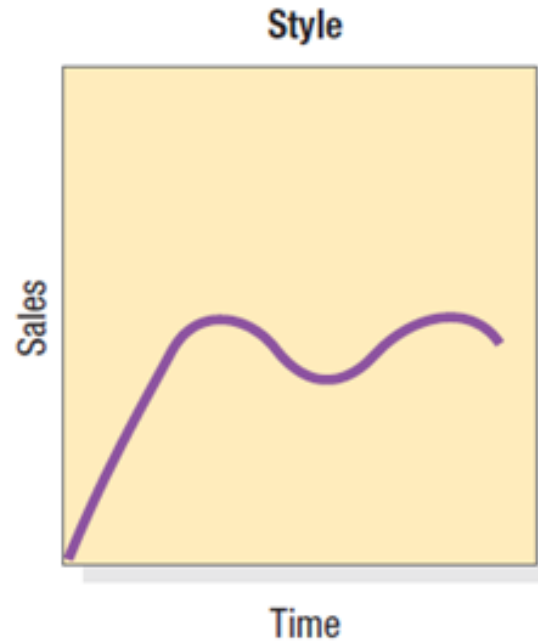


**Fashion**



**Fad**

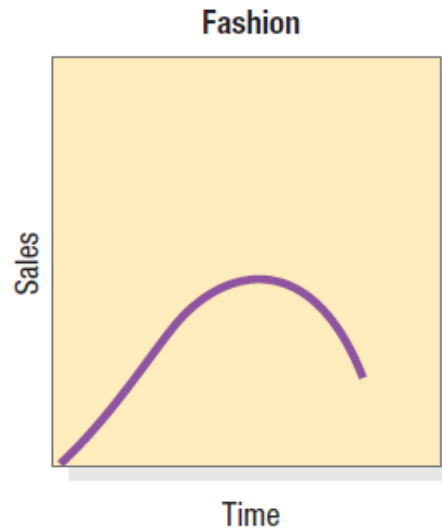




A **style** is a basic and distinctive mode of expression appearing in a field of human endeavor.

- Styles appear in homes (colonial, ranch, Cape Cod),
- clothing (**formal**, **business casual**, **sporty**), and
- art (realistic, surrealistic, abstract).

A style can last for **generations** and go in and out of vogue

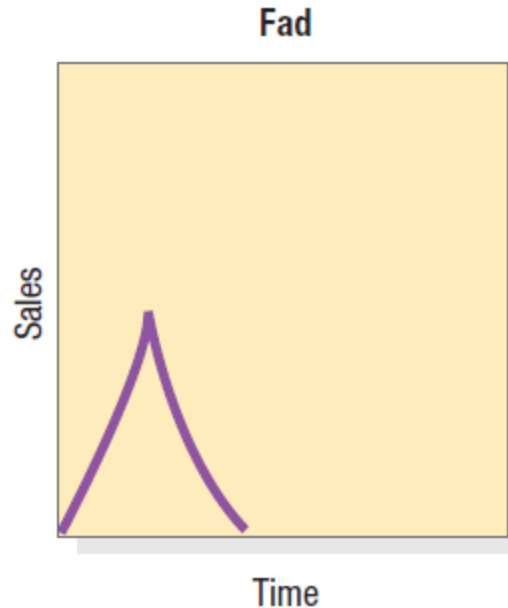


Fashion is a currently accepted or popular style in a given field.

Fashions pass through four stages:

1. **distinctiveness,**
2. **emulation,**
3. **mass fashion, and**
4. **decline**

One explanation is that **too many consumers** adopt the fashion, thus turning others away



**Fads** are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast.

Their acceptance cycle is short, and they tend to attract only a limited following who are searching for excitement or want to distinguish themselves from others.

Fads fail to survive because they don't normally satisfy a strong need.



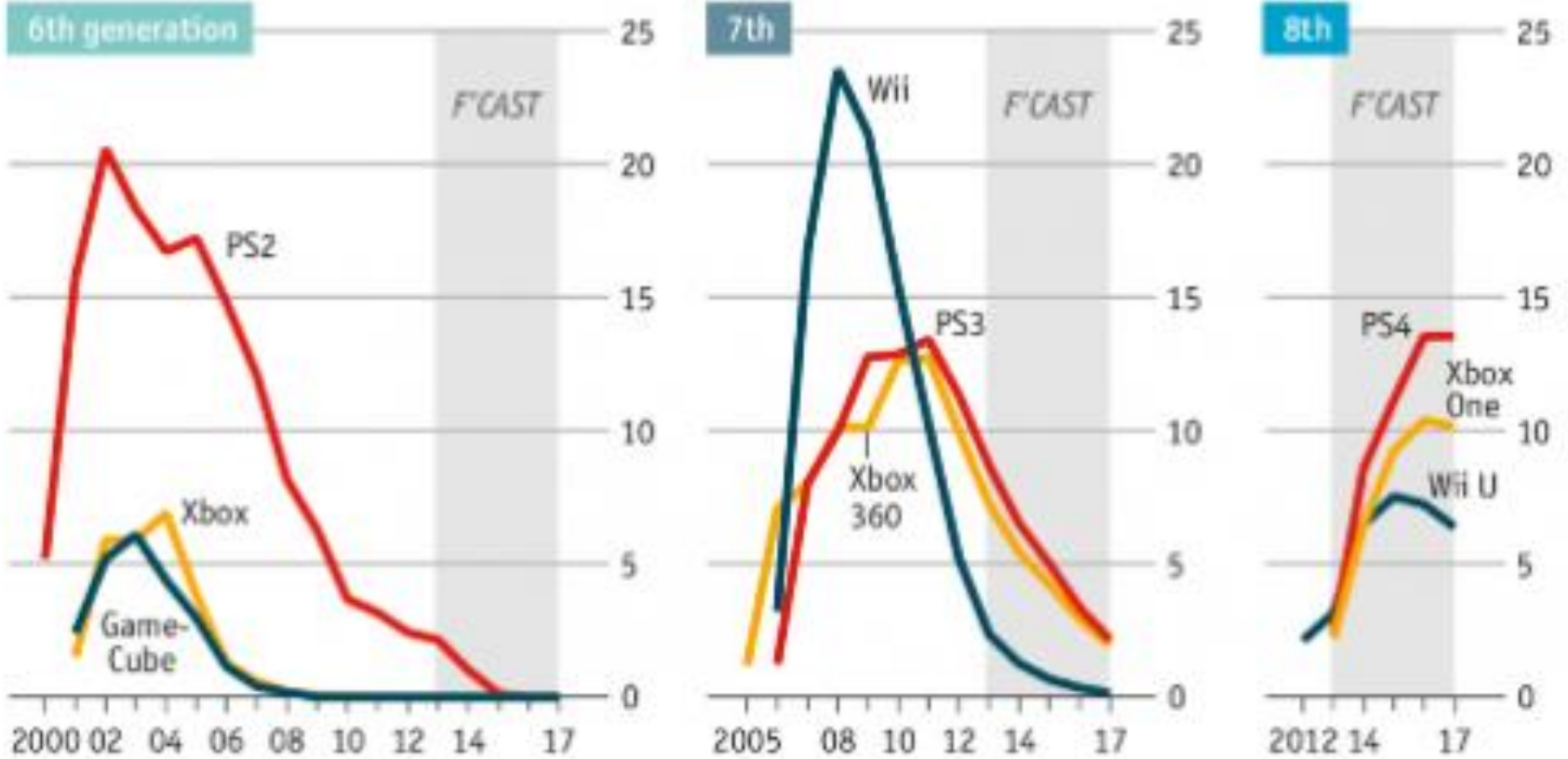
Pokemon cards...what a fad!

The PLC – fast rise, fast fall

## Video-game consoles

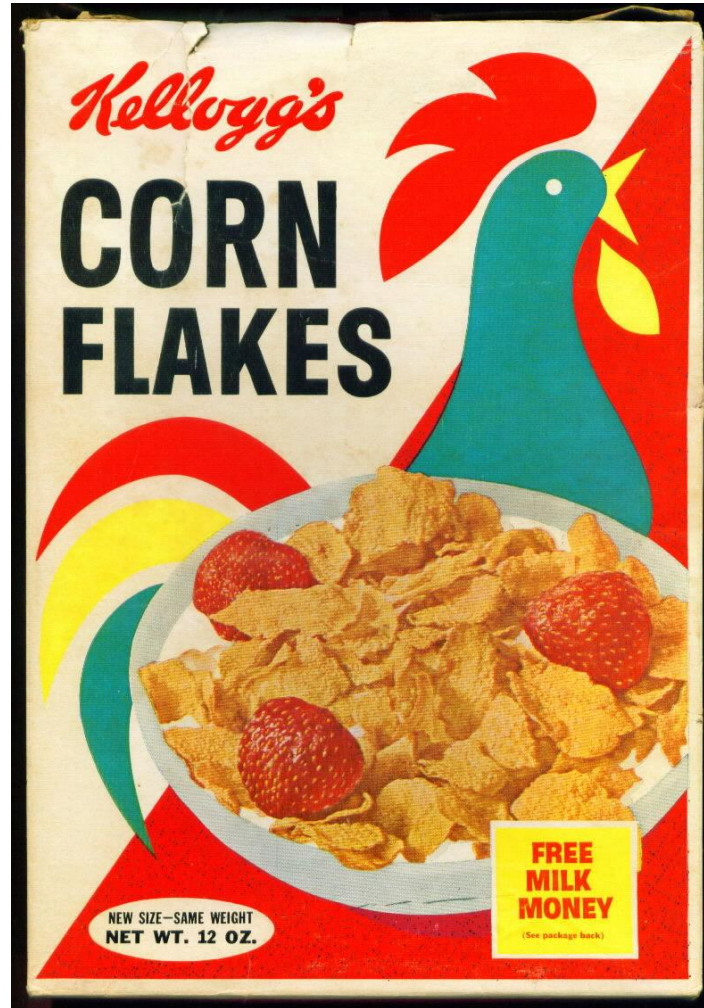
Global retail sales by generation, m

— Sony — Microsoft — Nintendo



Do you notice any trend?

Long life cycle...how to extend?

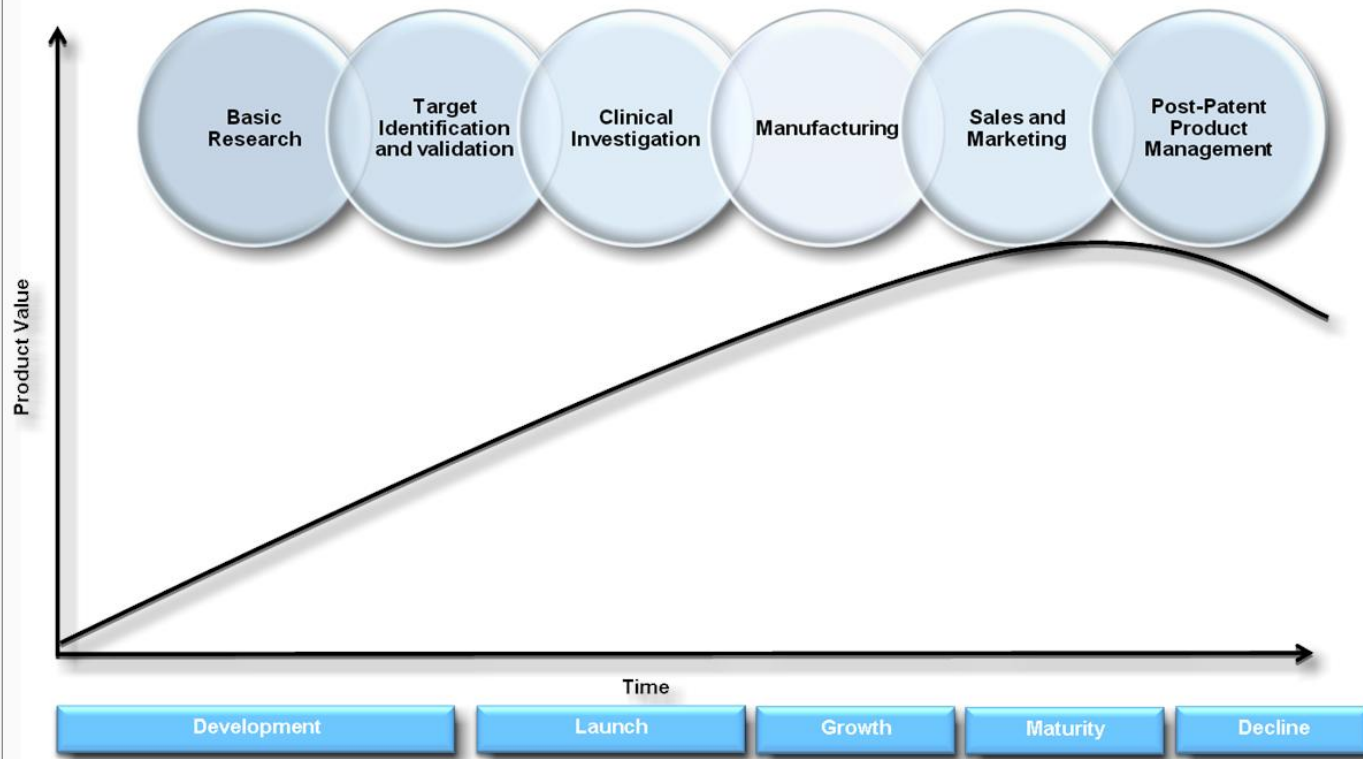


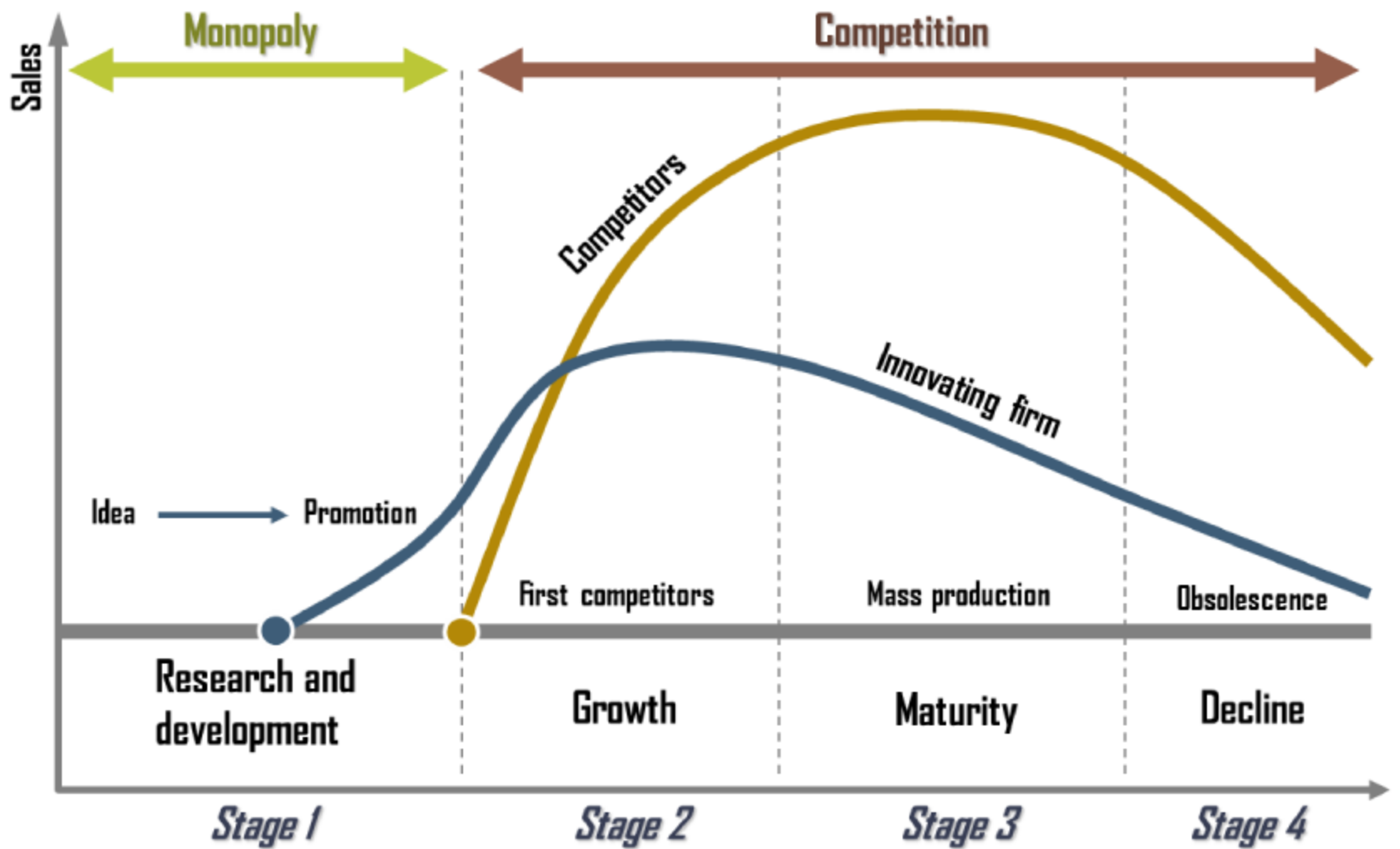
..instead on eating at breakfast, why not a **late night snack?**





### Value Creation in Pharmaceutical Life Cycle Management





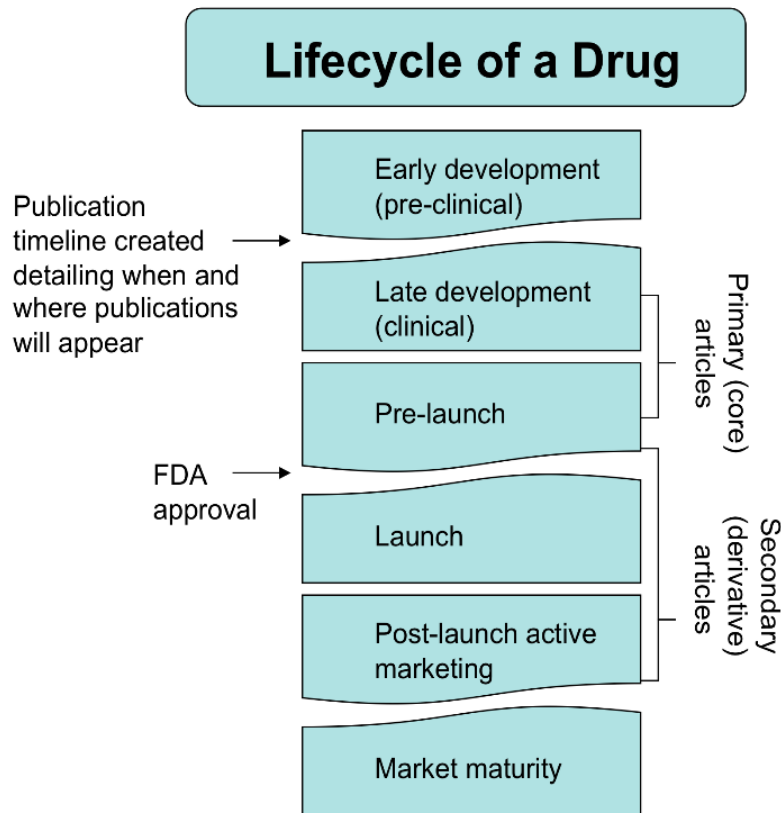


Figure 1: Publication planning and the lifecycle of a drug

As we can see, the first few years are spent in **R&D** as well as **publishing** in medical journals to gain acceptance and awareness



Has the product changed?







What is the life cycle time of a football shirt?

TABLE 11.2

## Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
<b>Characteristics</b>				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing Objectives</b>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyals

**Sources:** Chester R. Wasson, *Dynamic Competitive Strategy and Product Life Cycles* (Austin, TX: Austin Press, 1978); John A. Weber, "Planning Corporate Growth with Inverted Product Life Cycles," *Long Range Planning* (October 1976), pp. 12–29; Peter Doyle, "The Realities of the Product Life Cycle," *Quarterly Review of Marketing* (Summer 1976).





## OAPs of the market



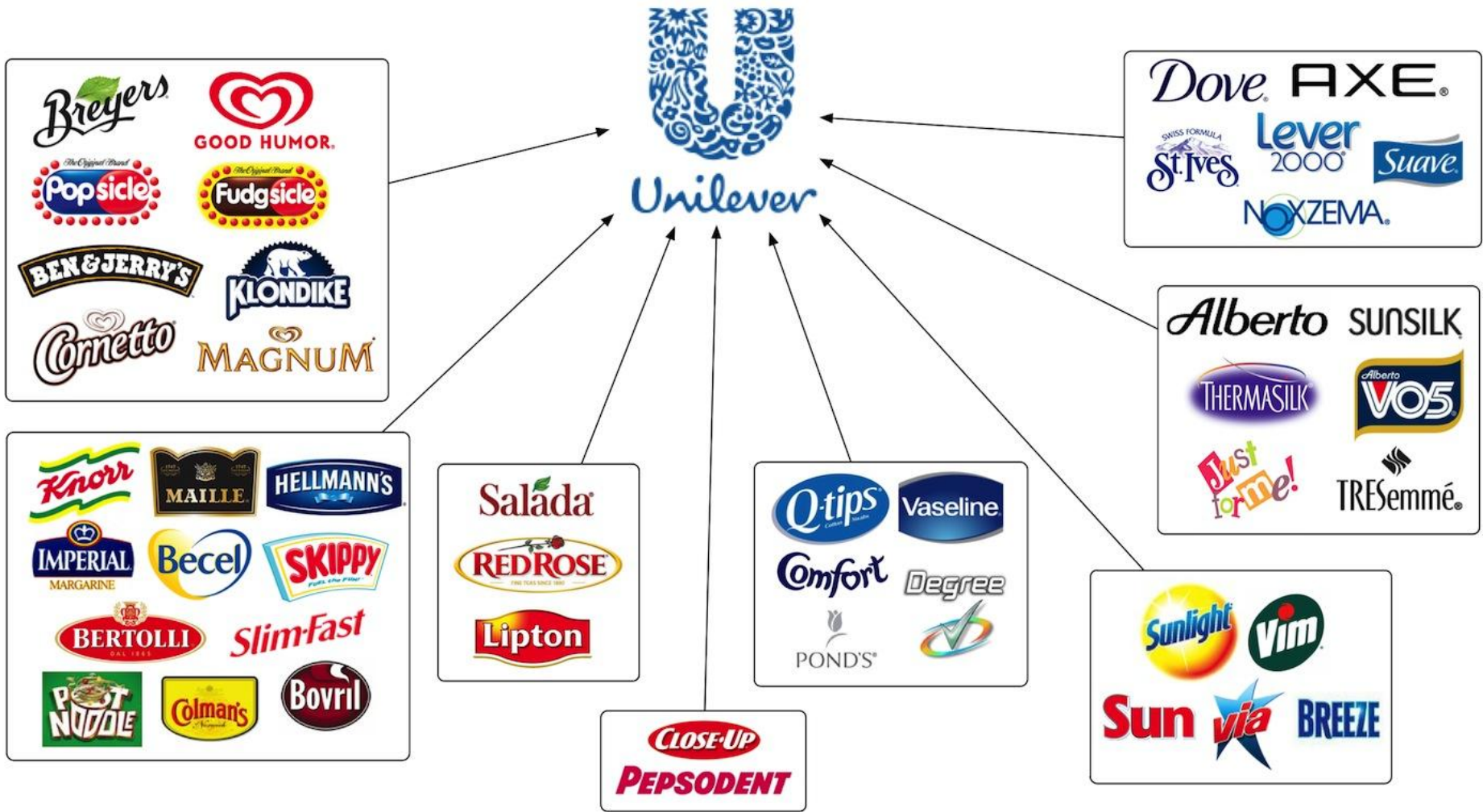
Kit-Kat, over 100 years old



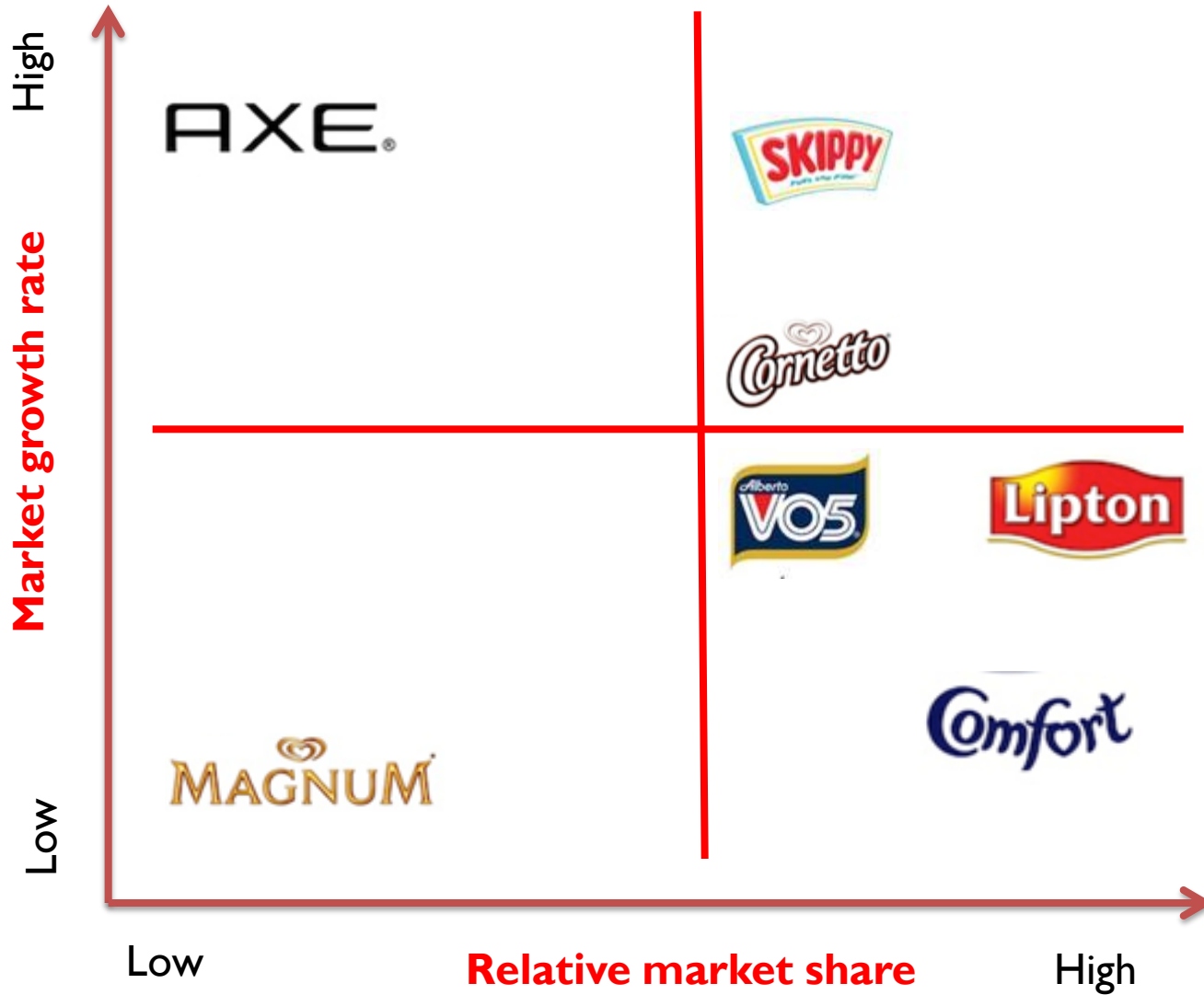
Birds custard, 150 years old

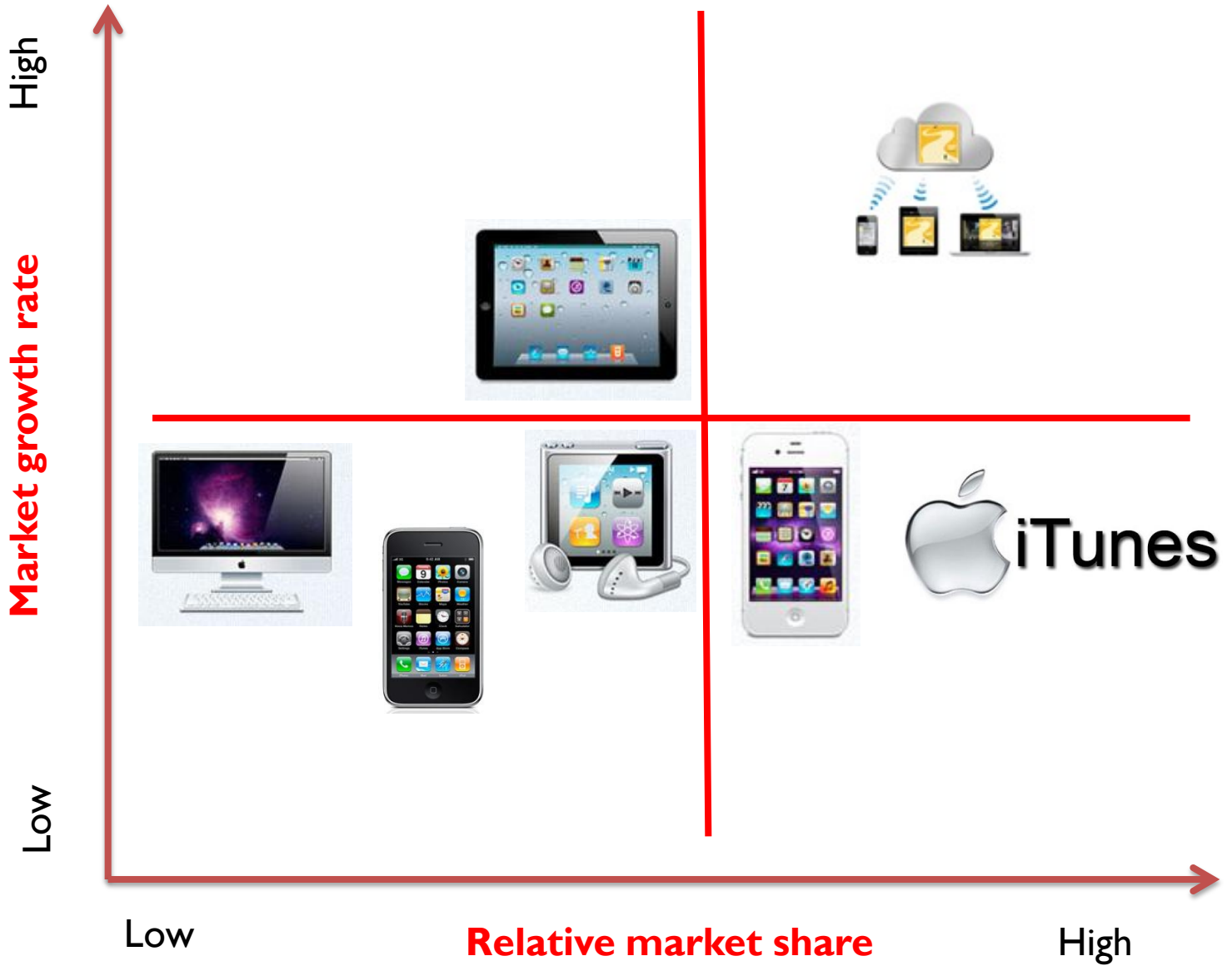


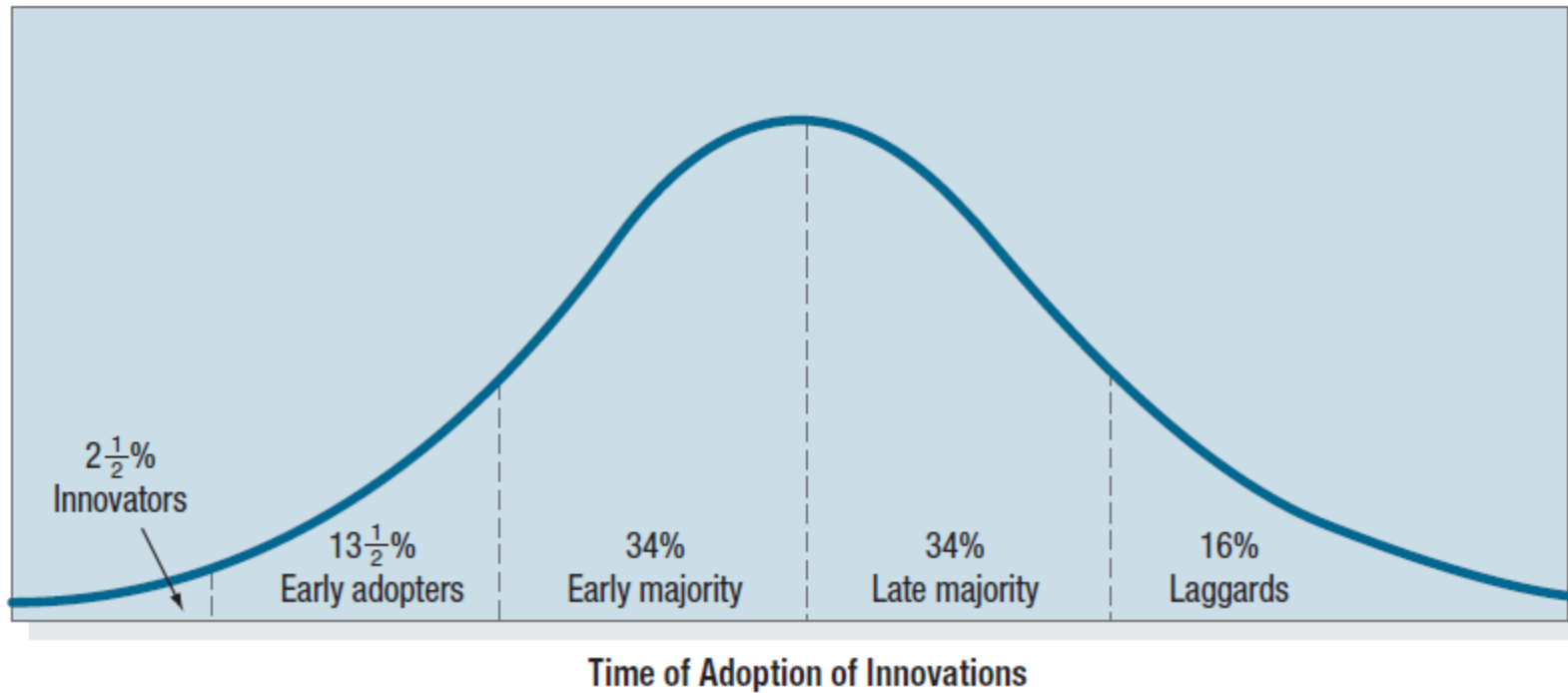
Golden syrup, over 150 years old. Considered Britains oldest brand!



Good example of product lines







Frappuccino coffee drinks have been a new source of growth and revenues for Starbucks.







Pepsi has used a bypass approach to battle Coke by finding new markets to enter.



 TOYOTA LEXUS SCION

# TOYOTA

## Let's Go Places

### Let's think big.

Let's see what's possible.

Let's make cars more exciting.

Let's share good ideas.

Let's help make great things happen.

Let's imagine a better world.

Then let's make one.

Let's go places.

## | Yaris

\$14,430  
starting<sup>1</sup>

30/37  
est. mpg<sup>2</sup>



## | Corolla

\$16,800  
starting<sup>1</sup>

28/37  
est. mpg<sup>2</sup>



## | Tacoma

\$17,875  
starting<sup>1</sup>

21/25  
est. mpg<sup>2</sup>



## | Prius c

\$19,080  
starting<sup>1</sup>

53/46  
est. mpg<sup>2</sup>



## | Matrix

\$19,275  
starting<sup>1</sup>

26/32  
est. mpg<sup>2</sup>



## | Camry

\$22,235  
starting<sup>1</sup>

25/35  
est. mpg<sup>2</sup>



## | RAV4

\$23,300  
starting<sup>1</sup>

24/31  
est. mpg<sup>2</sup>



## | Prius

\$24,200  
starting<sup>1</sup>

51/48  
est. mpg<sup>2</sup>



### | Tundra

\$25,920 | 16/20  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Camry Hybrid

\$26,140 | 43/39  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Prius v

\$26,750 | 44/40  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Sienna

\$26,920 | 18/25  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | FJ Cruiser

\$27,130 | 16/20  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Venza

\$27,950 | 20/26  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Highlander

\$29,020 | 20/25  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Avalon

\$31,340 | 21/31  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Prius Plug-in

\$32,000 | 95/50  
starting<sup>1</sup> | est. mpg<sup>5</sup> /  
est. hybrid mode  
mpg<sup>6</sup>



### | 4Runner

\$32,820 | 17/22  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Avalon Hybrid

\$35,555 | 40/39  
starting<sup>1</sup> | est. mpg<sup>2</sup>



### | Highlander Hybrid

\$40,170 | 28/28  
starting<sup>1</sup> | est. mpg<sup>2</sup>



## Sequoia

\$43,595 | 13/18  
starting<sup>1</sup> | est. mpg<sup>2</sup>



## RAV4 EV

\$49,800 | 103/76  
starting<sup>1</sup> | EPA-rated  
driving range<sup>3</sup> /  
mpge<sup>4</sup>



## Land Cruiser

\$78,755 | 13/18  
starting<sup>1</sup> | est. mpg<sup>2</sup>



## FR-S CONCEPT



The Scion FR-S is a true "Scion," born into a legendary history of Toyota performance cars and motorsports

[LEARN MORE](#)

## FUSE



Check out the Scion Fuse and see how it rivals the imagination from inside out

[LEARN MORE](#)

## T2B



Known as the t2B, this concept vehicle reflects Scion's key philosophies of style, versatility and surprise

[LEARN MORE](#)

## HAKO COUPE



## MEET THE FAMILY

This family of five all share the same Scion name and each one comes with its own distinct look and attitude.

2013 FR-S



STARTING AT

**\$25,255 MSRP<sup>[1]</sup>**

200 HP ENGINE  
REAR WHEEL DRIVE  
6-SPEED TRANSMISSION

[BUILD YOUR SCION](#)

[LEARN MORE](#)

2013 iQ



STARTING AT

**\$16,250 MSRP<sup>[1]</sup>**

37 COMBINED MPG<sup>[2]</sup> RATINGS (36/37  
CITY/HWY)  
11 STANDARD AIRBAGS AND STAR SAFETY  
SYSTEM™

[BUILD YOUR SCION](#)

[LEARN MORE](#)

2014 tC



STARTING AT

**\$19,965 MSRP<sup>[1]</sup>**

2.5L 179 HP ENGINE  
6-SPEED TRANSMISSION  
18-INCH ALLOY WHEELS

PROTOTYPE VEHICLE SHOWN WITH AFTERMARKET EQUIPMENT.  
ACTUAL VEHICLE WILL VARY.

[BUILD YOUR SCION](#)

[LEARN MORE](#)



LS



GS



ES



CT



HS



RX



LFA



ISF



IS F

LFA

F SPORT



# THE LF-NX CONCEPT

EQUIPPED WITH THE 2.0L TURBO

FIND OUT MORE >



# INTERSECT

BY LEXUS

TOKYO



CAFE



BISTRO



DESIGN

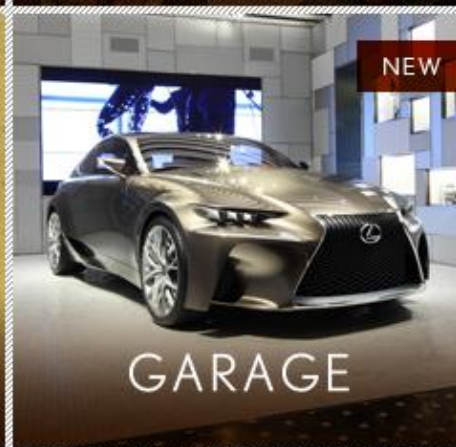
by Masamichi Katayama



NEWS



CRAFTED  
FOR LEXUS



GARAGE



NEW

NEW

DAICHI TAJIMA

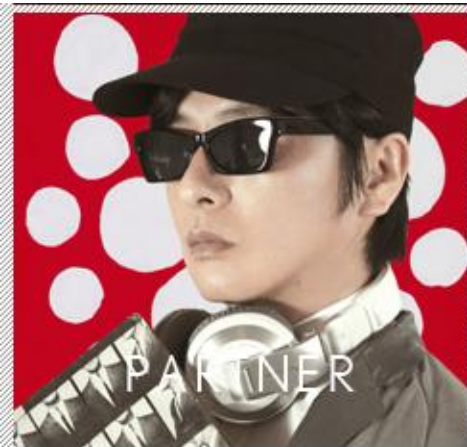
GARLAND Co., Ltd.

×

MASAMICHI TOYAMA

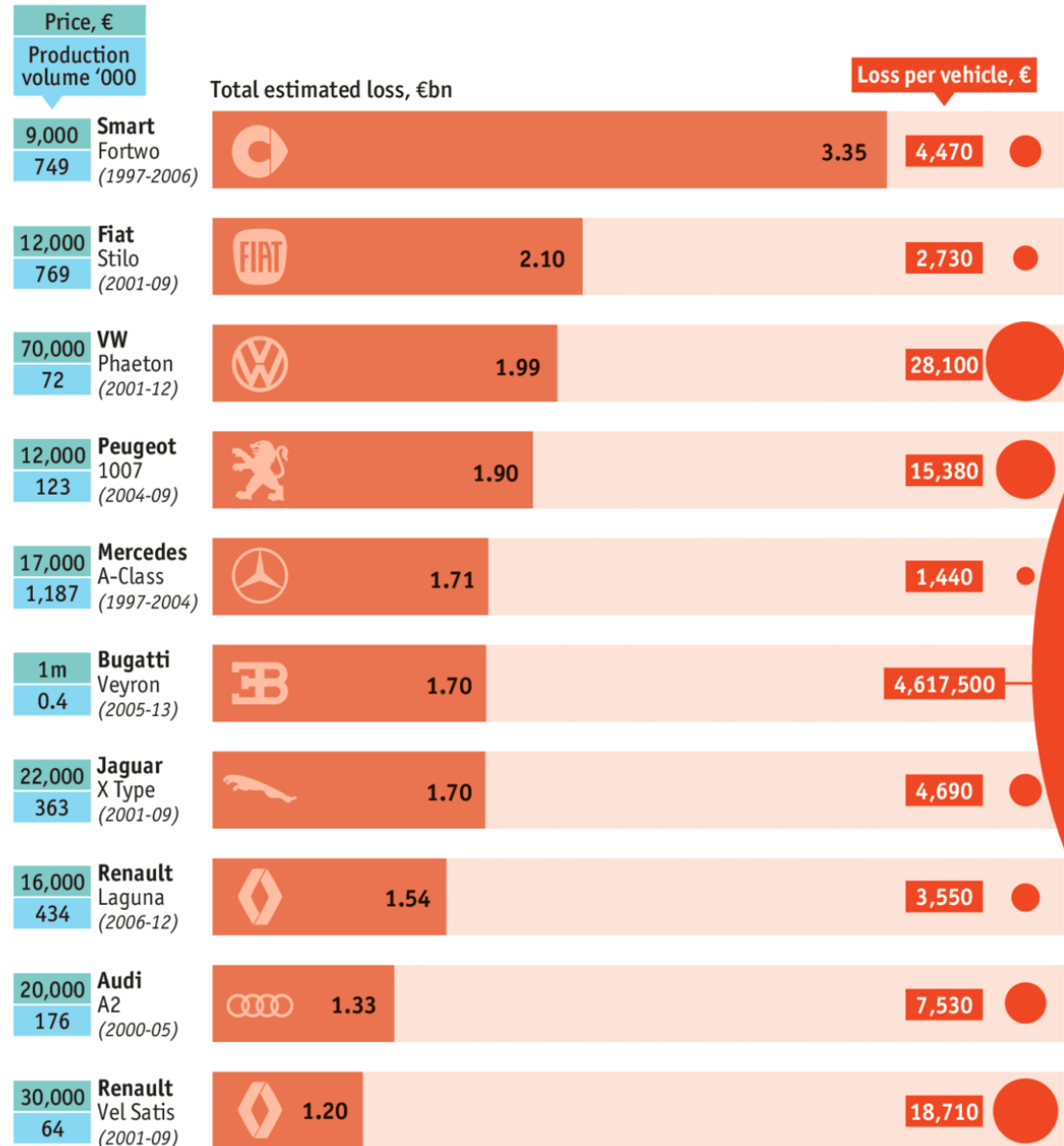
SMILES Co., Ltd.

EVENTS



# Europe's biggest loss-making cars

1997-2013 (years in production)

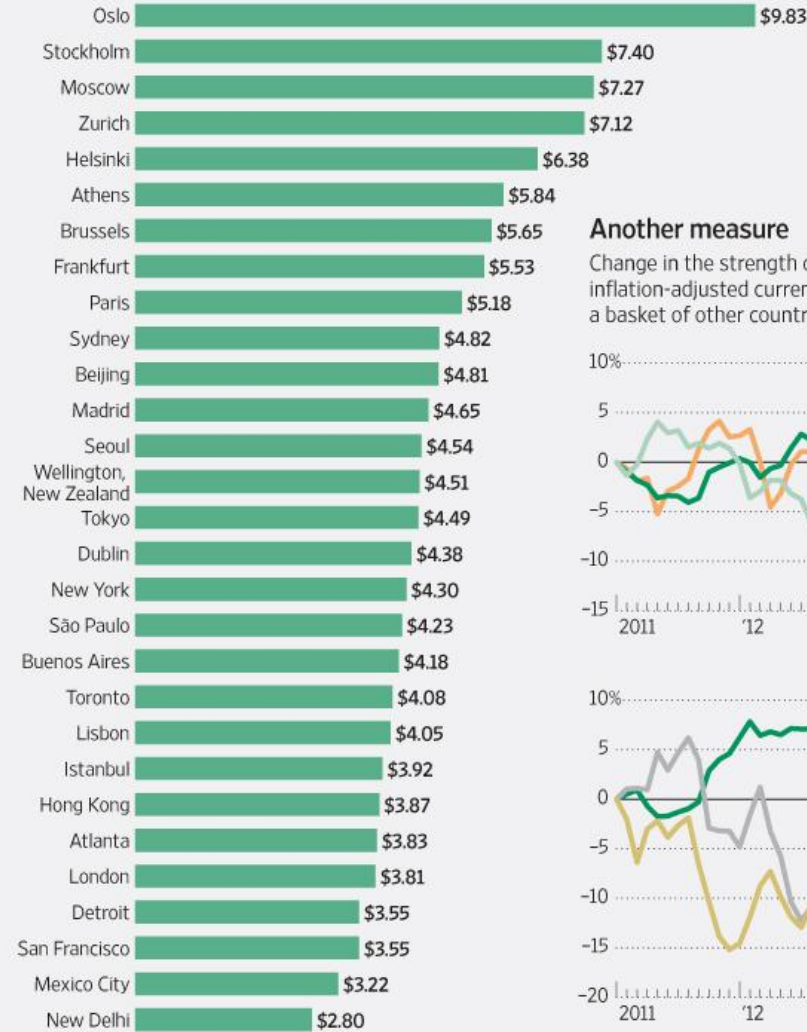


Source: Sanford C. Bernstein

# More (or Less) Brew for Your Buck

In countries where the currency is overvalued, a dollar doesn't go as far. That means **it would take more dollars to buy a Starbucks latte in a country with a strong currency, like Norway**, than in one with a currency that has less buying power, like in India. This measure—known as purchasing-power parity—is a crude way to compare the relative strengths of currencies.

Price of a Starbucks grande latte, measuring approximately 16 oz. or 473 milliliters, converted to U.S. dollars using rates of Feb. 20; tax included when applicable.



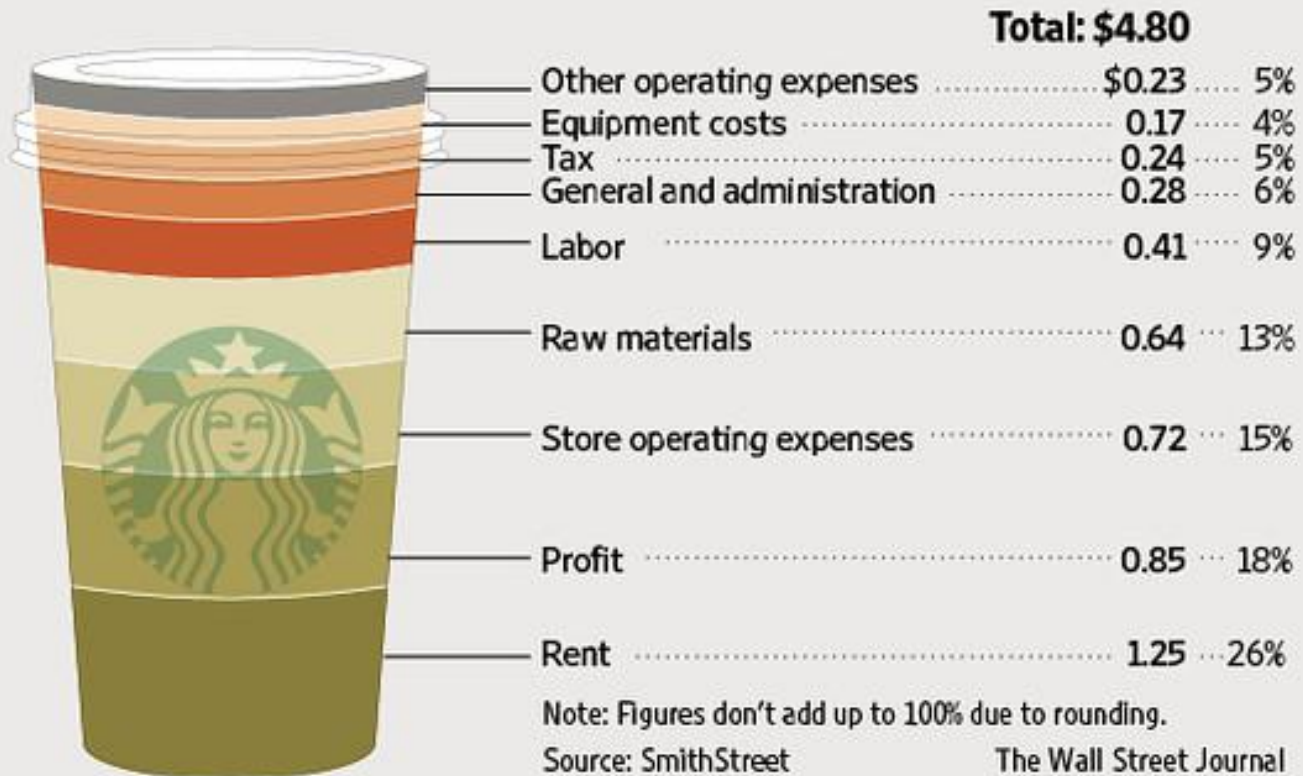
## Another measure

Change in the strength of inflation-adjusted currencies against a basket of other countries'



Sources: staff reporting (prices); Bank for International Settlements (real effective exchange rates) Photo: Bloomberg News

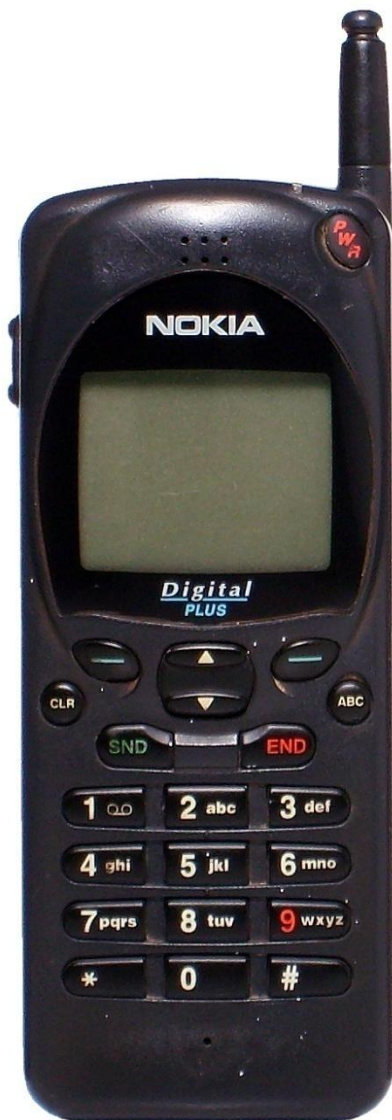
## Pricing Grounds | Starbucks grande latte in China













VS





Alamy

**High Price**

---

(No possible demand at this price)

**Ceiling price**

Customers' assessment of unique product features

Orienting point

Competitors' prices and prices of substitutes

Costs

**Floor price**

**Low Price**

---

(No possible profit at this price)

**A company would calculate the 'floor' and 'ceiling price'**

# Consider 'how' a consumer can buy an iPhone 5C or iPhone 5S

- 
- 
- 
- 
- 
- 

*For higher price purchases, a company needs to understand **how** people will **pay** as well as their ability to pay.*

*Most people cannot afford to pay cash (savings) for a car, house, or perhaps honeymoon.*

*Therefore, a company needs to remove this barrier.*

## Apple pricing strategy:

What have Apple had to consider about their iPhone pricing strategies?

What do pricing strategies and tactics may Apple have used?



TABLE 14.5

## Price Discounts and Allowances

<b>Discount:</b>	A price reduction to buyers who pay bills promptly. A typical example is "2/10, net 30," which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days.
<b>Quantity Discount:</b>	A price reduction to those who buy large volumes. A typical example is "\$10 per unit for fewer than 100 units; \$9 per unit for 100 or more units." Quantity discounts must be offered equally to all customers and must not exceed the cost savings to the seller. They can be offered on each order placed or on the number of units ordered over a given period.
<b>Functional Discount:</b>	Discount (also called <i>trade discount</i> ) offered by a manufacturer to trade-channel members if they will perform certain functions, such as selling, storing, and record keeping. Manufacturers must offer the same functional discounts within each channel.
<b>Seasonal Discount:</b>	A price reduction to those who buy merchandise or services out of season. Hotels, motels, and airlines offer seasonal discounts in slow selling periods.
<b>Allowance:</b>	An extra payment designed to gain reseller participation in special programs. <i>Trade-in allowances</i> are granted for turning in an old item when buying a new one. <i>Promotional allowances</i> reward dealers for participating in advertising and sales support programs.



# Promotional Pricing

Companies can use several pricing techniques to stimulate early purchase:

- **Loss-leader pricing.** Supermarkets and department stores often drop the price on well-known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on the loss-leader items. Manufacturers of loss-leader brands typically object because this practice can dilute the brand image and bring complaints from retailers who charge the list price. Manufacturers have tried to keep intermediaries from using loss-leader pricing through lobbying for retail-price-maintenance laws, but these laws have been revoked.
- **Special event pricing.** Sellers will establish special prices in certain seasons to draw in more customers. Every August, there are back-to-school sales.
- **Special customer pricing.** Sellers will offer special prices exclusively to certain customers. Road Runner Sports offers members of its Run America Club “exclusive” online offers with price discounts twice those for regular customers.<sup>74</sup>
- **Cash rebates.** Auto companies and other consumer-goods companies offer cash rebates to encourage purchase of the manufacturers’ products within a specified time period. Rebates can help clear inventories without cutting the stated list price.
- **Low-interest financing.** Instead of cutting its price, the company can offer customers low-interest financing. Automakers have used no-interest financing to try to attract more customers.
- **Longer payment terms.** Sellers, especially mortgage banks and auto companies, stretch loans over longer periods and thus lower the monthly payments. Consumers often worry less about the cost (the interest rate) of a loan, and more about whether they can afford the monthly payment.
- **Warranties and service contracts.** Companies can promote sales by adding a free or low-cost warranty or service contract.
- **Psychological discounting.** This strategy sets an artificially high price and then offers the product at substantial savings; for example, “Was \$359, now \$299.” Discounts from normal prices are a legitimate form of promotional pricing; the Federal Trade Commission and Better Business Bureaus fight illegal discount tactics.

Promotional-pricing strategies are often a zero-sum game. If they work, competitors copy them and they lose their effectiveness. If they don’t work, they waste money that could have been put into other marketing tools, such as building up product quality and service or strengthening product image through advertising.

Low-interest financing

Longer payment terms

## Differentiated Pricing

Companies often adjust their basic price to accommodate differences in customers, products, locations, and so on. Lands' End creates men's shirts in many different styles, weights, and levels of quality. As of January 2010, a men's white button-down shirt could cost as little as \$14.99 or as much as \$79.50.<sup>75</sup>

**Price discrimination** occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs. In first-degree price discrimination, the seller charges a separate price to each customer depending on the intensity of his or her demand.

In second-degree price discrimination, the seller charges less to buyers of larger volumes. With certain services such as cell phone service, however, tiered pricing results in consumers paying *more* with higher levels of usage. With the iPhone, 3 percent of users accounted for 40 percent of the traffic on AT&T's network, resulting in costly network upgrades.<sup>76</sup>

In third-degree price discrimination, the seller charges different amounts to different classes of buyers, as in the following cases:

- **Customer-segment pricing.** Different customer groups pay different prices for the same product or service. For example, museums often charge a lower admission fee to students and senior citizens.
- **Product-form pricing.** Different versions of the product are priced differently, but not proportionately to their costs. Evian prices a 48-ounce bottle of its mineral water at \$2.00 and 1.7 ounces of the same water in a moisturizer spray at \$6.00.
- **Image pricing.** Some companies price the same product at two different levels based on image differences. A perfume manufacturer can put the perfume in one bottle, give it a name and image, and price it at \$10 an ounce. The same perfume in another bottle with a different name and image and price can sell for \$30 an ounce.
- **Channel pricing.** Coca-Cola carries a different price depending on whether the consumer purchases it in a fine restaurant, a fast-food restaurant, or a vending machine.
- **Location pricing.** The same product is priced differently at different locations even though the cost of offering it at each location is the same. A theater varies its seat prices according to audience preferences for different locations.
- **Time pricing.** Prices are varied by season, day, or hour. Public utilities vary energy rates to commercial users by time of day and weekend versus weekday. Restaurants charge less to "early bird" customers, and some hotels charge less on weekends.

Product form –

Consider Nonfu Spring Water

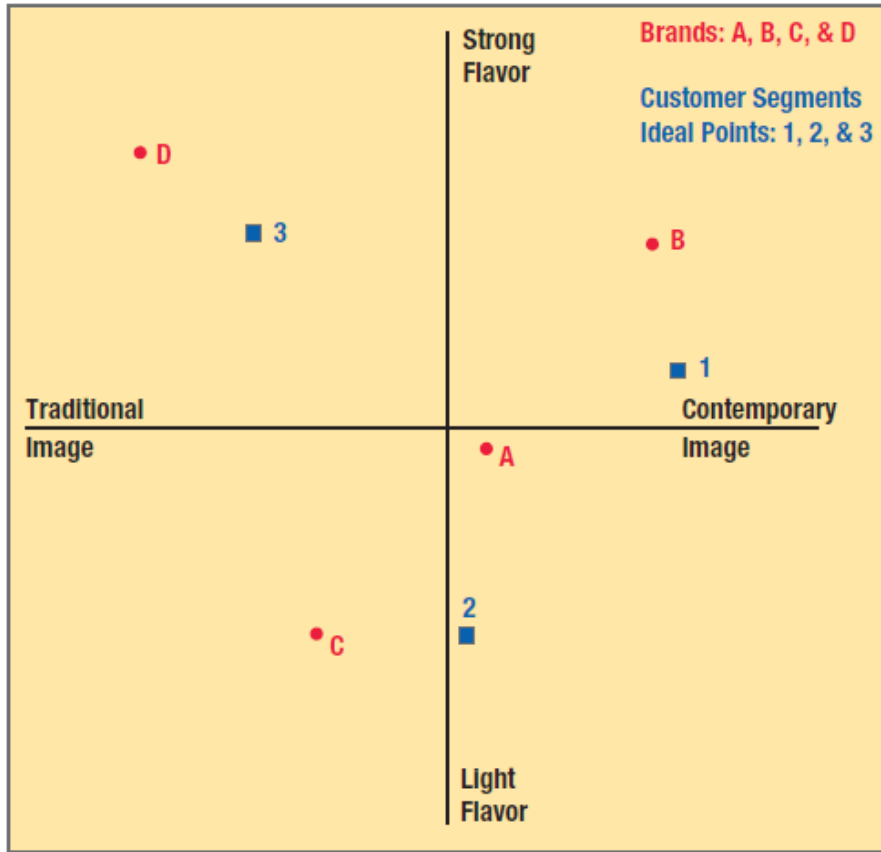
The price for:

- 550ml
- 1.5litres
- 4 litres

**TABLE 14.1** Possible Consumer Reference Prices

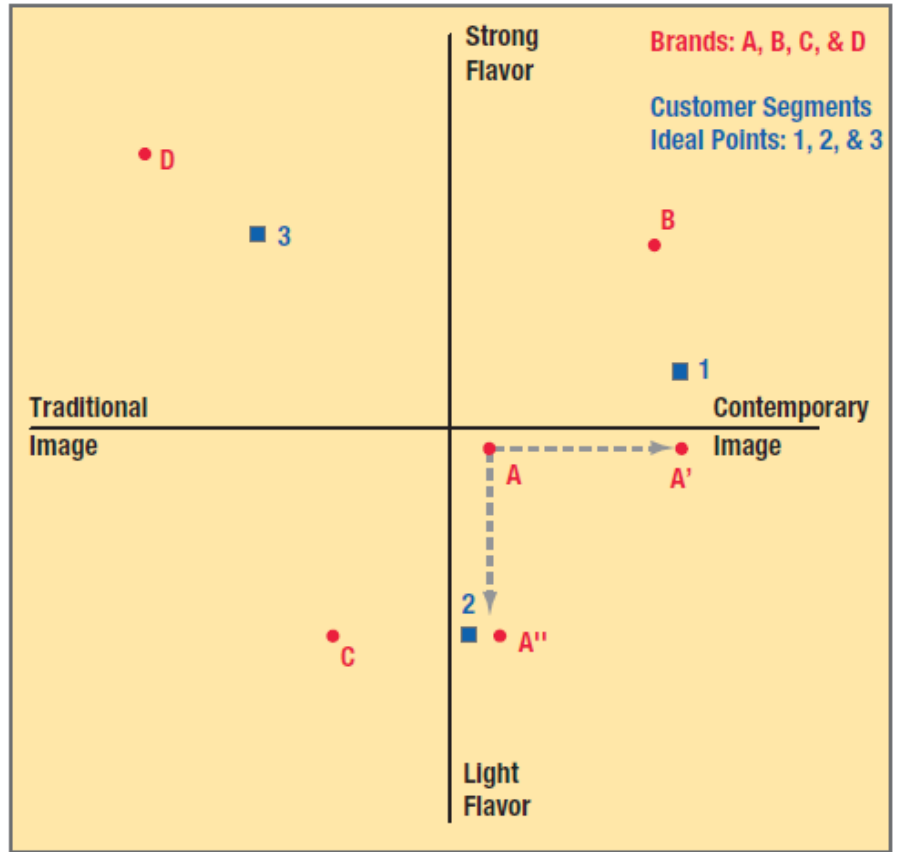
- “Fair Price” (what consumers feel the product should cost)
- Typical Price
- Last Price Paid
- Upper-Bound Price (reservation price or the maximum most consumers would pay)
- Lower-Bound Price (lower threshold price or the minimum most consumers would pay)
- Historical Competitor Prices
- Expected Future Price
- Usual Discounted Price

**Source:** Adapted from Russell S. Winer, *Pricing*, MSI Relevant Knowledge Series (Cambridge, MA: Marketing Science Institute, 2006).



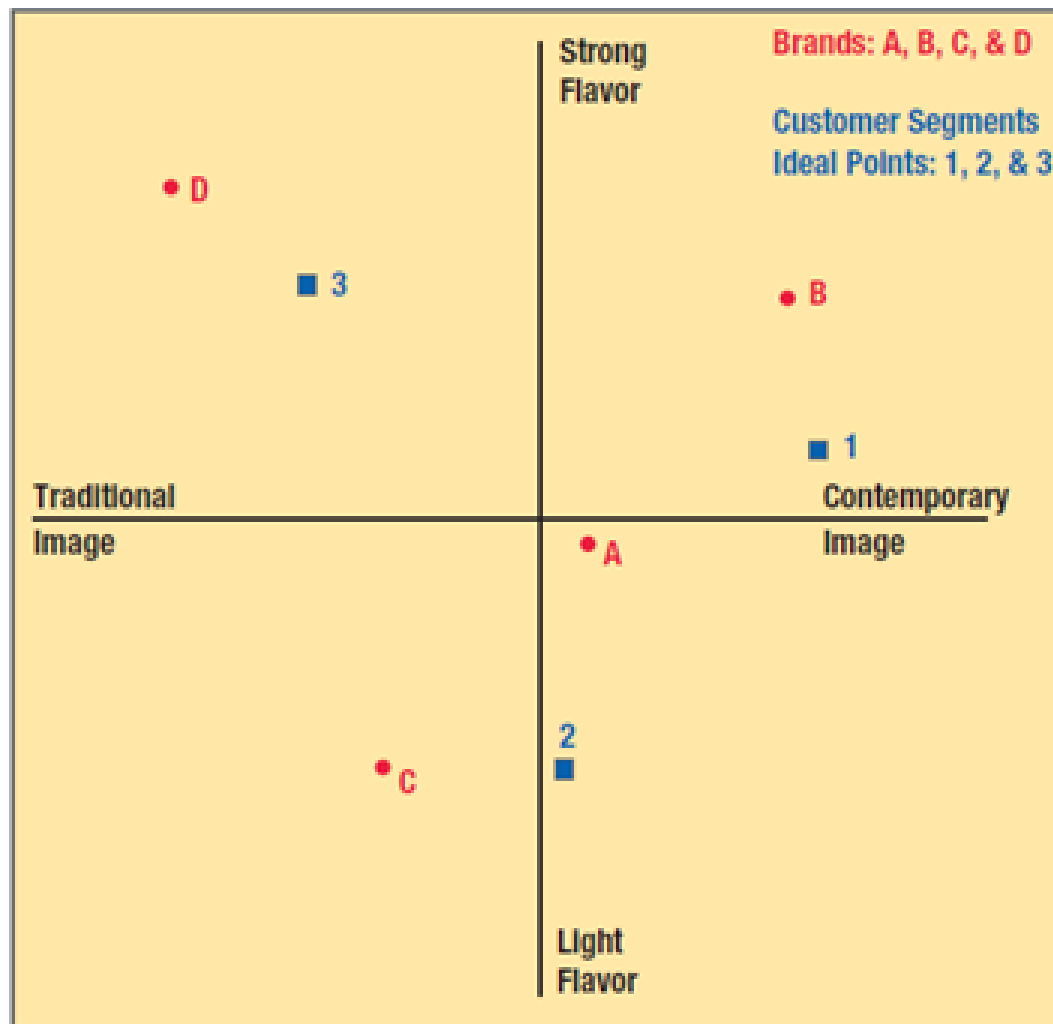
[Fig. 10.1a] ▲

(a) Hypothetical Beverage Perceptual Map: Current Perceptions



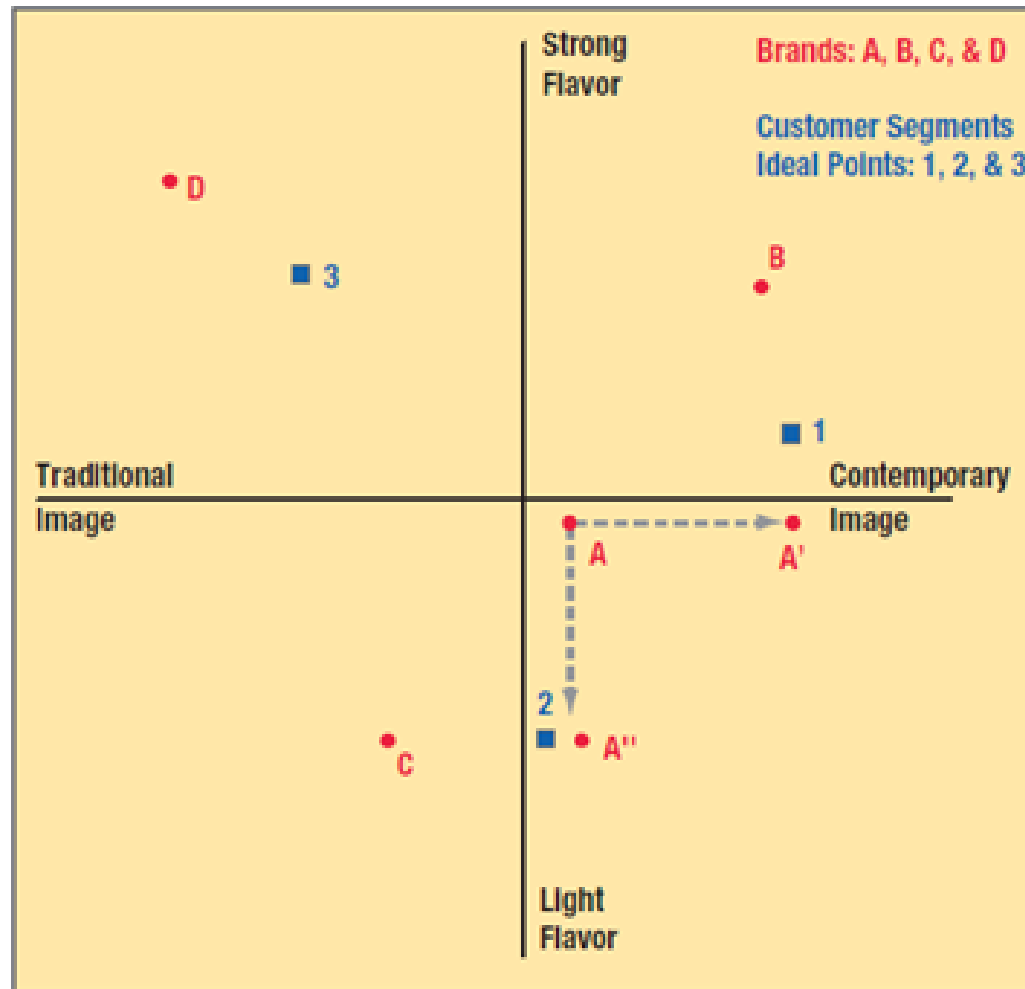
[Fig. 10.1b] ▲

(b) Hypothetical Beverage Perceptual Map: Possible Repositioning for Brand A



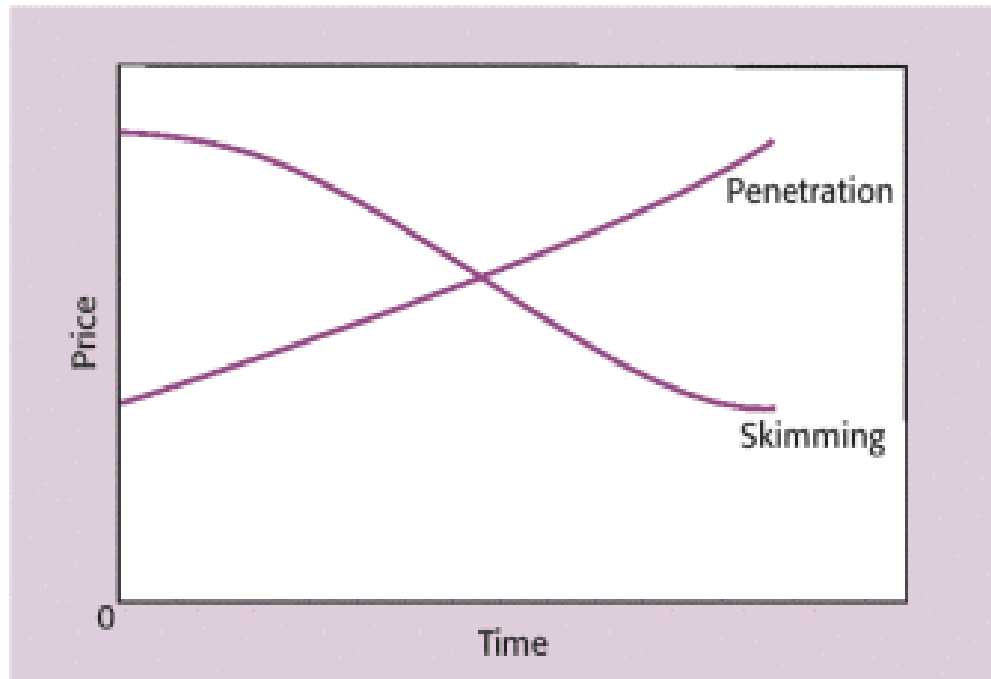
[Fig. 10.1a] ▲

(a) Hypothetical Beverage Perceptual Map: Current Perceptions

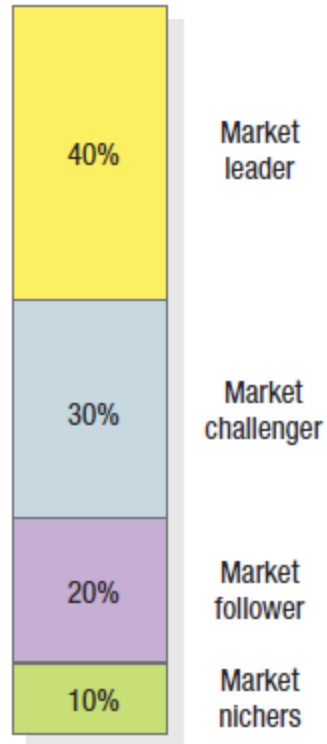


[Fig. 10.1b] ▲

(b) Hypothetical Beverage Perceptual Map: Possible Repositioning for Brand A



**Figure 16.8** Market-skimming and penetration pricing strategies



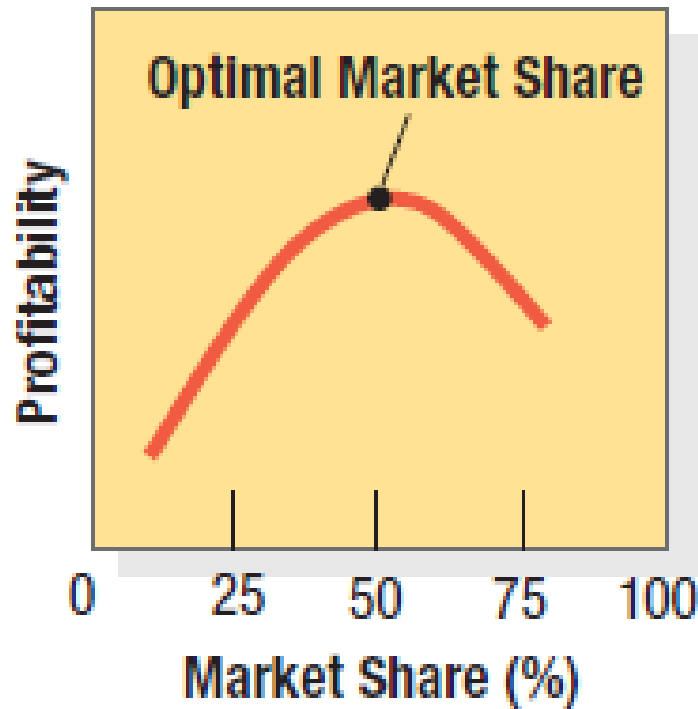
[Fig. 11.1] ▲

## Hypothetical Market Structure



Value of PED	Classification	Explanation
Zero	Perfectly inelastic demand	<ul style="list-style-type: none"> <li>The same amount is demanded, no matter what the price. In reality, there is no product that would have this PED.</li> </ul>
Between 0 and 1	Inelastic demand	<ul style="list-style-type: none"> <li>The percentage change in demand is less than the percentage change in price. If a firm faces this elasticity of demand, it can raise the price, not lose much demand and increase sales revenue. However, this cannot keep happening. As the price continues to rise, demand will become more elastic.</li> </ul>
Unitary	Unit elasticity	<ul style="list-style-type: none"> <li>The percentage change in demand is equal and opposite to the percentage change in price, so any price change will lead to an equal change in demand and the total sales revenue will remain constant. When <math>PED = 1</math>, sales revenue will be maximised.</li> </ul>
Between 1 and infinity ( $\infty$ )	Elastic demand	<ul style="list-style-type: none"> <li>The percentage change in demand is greater than the percentage change in price. If a firm faces this elasticity of demand, then it can lower the price, pick up a lot more demand and increase sales revenue.</li> </ul>
Infinity ( $\infty$ )	Perfectly elastic demand	<ul style="list-style-type: none"> <li>An infinitely large amount is demanded at one price and then demand falls to zero if the price is raised, even by the smallest amount. In reality, there is no product that would have this PED.</li> </ul>

**Table 16.2** The potential range of elasticity and its effects (negative signs are not shown)



|Fig. 11.3| ▲

## The Concept of Optimal Market Share

# APPS

Social media:

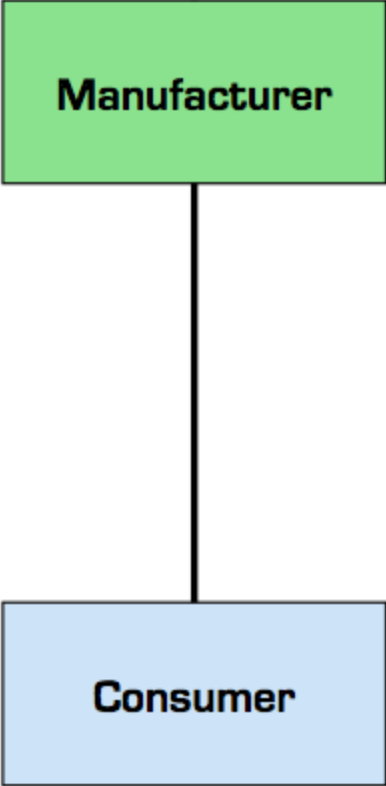
Shift from SMS on phones to WeChat, WhatsApp, KaoKao, LINE

Younger Facebook users don't like the fact that parents now use it. They also see it as less personal

How do they make a revenues and profits?



**Direct Supply Chain**



**Indirect Supply Chains**

