

Product

Product

Definition: Any good or service offered for sale to customers.

Product Portfolio

Definition: The collection/range of all the goods and services offered by a business.



Product Differentiation

Definition: This involves distinguishing a product or service from others. By making a product different or appearing to be different from similar products sold by rivals, a business will hope to attract more customers.

USP [Unique Selling Point]

Definition: What makes a product different from ones sold by competitors. It may involve the lowest price, the best quality, or the first of its kind.

- May help a business to gain a competitive advantage over its rivals.
- Can help to justify why a premium price may be being charged.
- Likely to attract more customers.



Brand

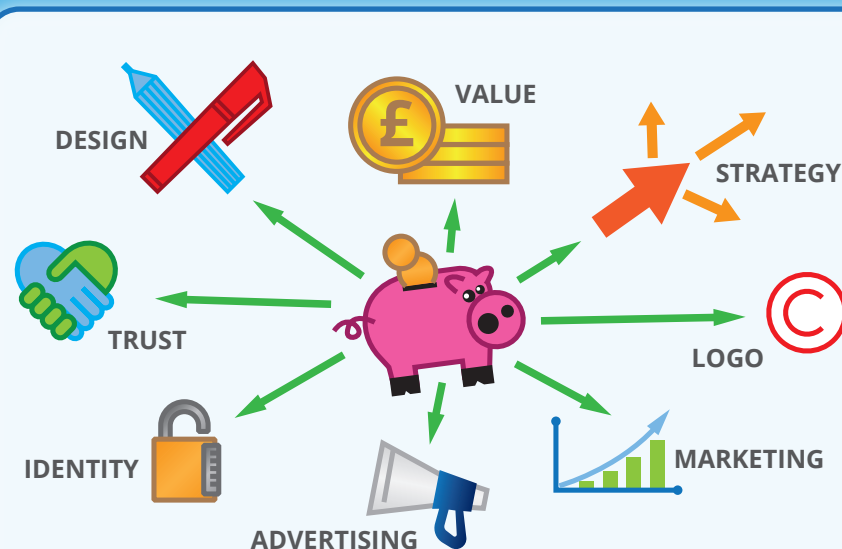
Definition: Unique design, sign, symbol, and/or words used in creating a unique image that identifies a product and differentiates it from its competitors.

Branded products tend to be:

- They are trusted by consumers
- Products usually have a high price / premium price
- Products are unique / differentiated / stand out / recognised
- Customers are loyal to the brand → and repeat purchase

Why do businesses brand their product?

- **It differentiates products from rivals** → unique → rivals cannot use same brand → copyright → associated with business → customers can recognise → ask for brand
- **Used in advertising** → to promote range of products made by the business → goods recognised → product stands out in display → repeat buying → impulse buying is encouraged → so increased sales
- **Brand/customer loyalty** → known image → so continued sales → customers likely to buy products with same brand
- **Enables higher prices** → which customers will be willing to pay → higher profits
- **Global markets more likely** → as business widely known → for quality



Why Sell High Quality Products?

- **High levels of customer satisfaction** / customers will be happy with the products → repeat purchasing
- **Differentiates the goods from rivals** → more competitive
- **Increase sales / market share** → attract customers with better products / retain existing customers
- **Improve image** → good publicity from quality → use in promotion
- **Charge higher prices** → increase sales revenue → bigger margins / increase profit
- **Less complaints / returns** → reduce costs of providing new / replacement products



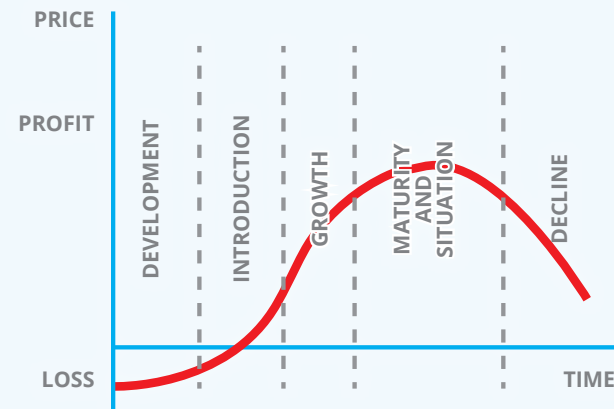
Why Do Businesses Sell A Wide Range Of Products?

- **Spreading risk** → selling more goods will compensate for the products that underperform and reduces risk of failure
- **Attract more custom** → target more customers with variety of products → meet needs and wants of different types of customers → increased market share
- **Competitor advantage/keep up with competitors**
- **Greater revenue** → more customers results in increased sales
- **Greater profit** → greater sales could lead to more profit → reduction in costs → economies of scale due to bulk buying

Product Life Cycle

Definition: The stages a product passes from its earliest development until it is no longer available on the market.

Diagram:



Reasons for a Fall in the Product Life Cycle

- A fall in sales will generally happen with product life cycle → people are buying alternatives
- Same quantity of goods sold → at lower price so value fallen
- Goods available from alternative suppliers → supermarkets etc. → internet
- Recession → loss of jobs → fall in purchasing power → all goods fallen in demand
- Technological change → e.g. downloading
- Products already owned → don't need any more
- Products last longer → don't need to buy them as often

Product Research and Development

- The firm spends money on research and development to create a new product before launching it onto the market.
- The business will be investing heavily in the product but not receiving any revenue from sales.

Product Launch / Introduction

- The products are introduced to the market → there is a lot of potential growth / customers available.
- Costs tend to be high → advertising is essential to make customers aware of the products and services.
- The business is likely to be making no profit → sales revenue unlikely to exceed costs / sales are low.

Product Growth

- The part of the early stage of the product life cycle when sales and profits are rising.
- Consumers become familiar with the product and repeat custom is built up.
- The business is likely to continue to promote the product to help generate brand awareness.
- As sales increase the business will hope to earn enough money to pay back their initial investments.

Product Maturity

- The point in the product life cycle where sales reach their peak and start to level off.
- Competition may become stronger but the business may start to spend less on promotion.
- A business will want to maintain this stage for as long as possible as it is here that sales are at their highest.

Product Saturation

- The point in the product life cycle where the market is full as competitors introduce similar products.
- All potential customers who want the product have already purchased it.
- A business may look for new markets e.g. sell overseas.

Product Decline

- Product sales start to fall and the firm will decide on either an extension strategy or discontinuing the product.

Extension Strategy

Definition: Involves a number of methods businesses might use to prolong the life cycle of their products. These will be related to marketing mix strategies.

Examples include:

- **New feature** → attract new customers → expensive to design
- **Develop new but similar product** → but production costs and promotion costs may be high
- **Change brand name / packaging** → customers may not recognise product, cost of advertising to let customers know of the change
- **New flavour** → can attract new customers → existing customers may not like the new flavour
- **Produce different quality** → appropriate to customers demand / income → in environment for market segment → but may discourage some looking for e.g. less / more expensive goods
- **Market in different places** e.g. the internet, geographically in different areas or countries → but costs of promotion, transport, etc. may impact on prices
- **New promotions** → through competitions / gifts / open events they may attract different customers → but may add to costs and discourage some
- **Adopt new pricing strategies** → may adopt skimming / creaming → customers willing to pay high prices → but may discourage some looking for lower price. May charge lower prices → to attract wider market → but may discourage some customers → could lead to less profits