

# Chapter 6

## Product

# Contents

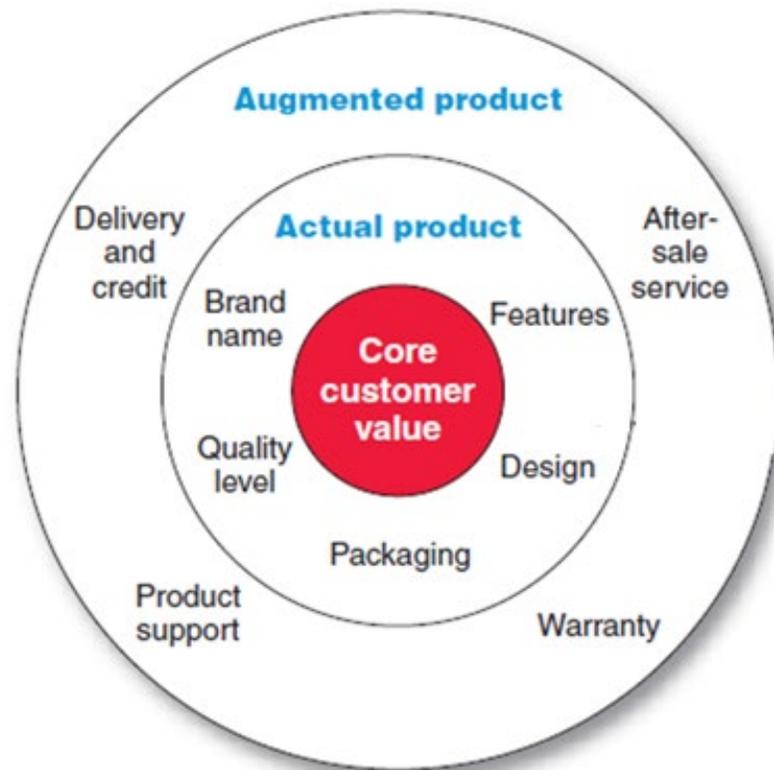
- Definition of Product
- Levels of Product
- Types of Product
- Components of Product
- Branding and Labeling
- Packaging
- Product Life Cycle
- New Product Development

# Definition of Product

- A product is an important element of the marketing mix. A product refers to what producers offer to the market, which may be in the form of goods or services, in order to satisfy customer needs.
- A product means anything that can be offered for sale in the market to satisfy consumer needs. Satisfying consumer needs includes consumer satisfaction with the product in terms of physical aspects (the core product), psychological aspects (beliefs and brand image, etc.), and social aspects (being part of society, etc.) that consumers receive after consumption. A product offered for sale may be tangible or intangible, including goods, services, places, organizations, persons, or ideas.

# Product Levels

- ▶ Product levels refer to the attributes of a product that add value in order to satisfy customer needs according to the level of value expected by customers. One product consists of components that can be divided into five levels.



1. **Core Benefit** refers to the fundamental benefit of a product that consumers receive directly from it. It is the primary benefit that customers seek from the purchase, such as a book or a movie.
2. **Basic Product** refers to the physical characteristics or external appearance of a product that consumers can touch or perceive. It consists of quality level, features, design, packaging, and brand name. For example, a Samsung mobile phone with a compact size, durable structure, and a variety of colors to choose from.
3. **Expected Product** refers to the attributes or conditions that consumers expect to receive in addition to the core benefits of the basic product, or as part of the purchase agreement. Consumers receive several benefits, such as performance, functional benefits, price, and various promotions.

4. **Augmented Product** refers to additional benefits that enhance the potential of the product beyond the core benefits that customers receive from consuming the basic product. The primary focus is on satisfying customer needs, such as providing installation, transportation, insurance, and credit services.

5. **Potential Product** refers to the part of a product that may be changed or developed further to meet customers' future needs. Marketers must create impression and delight for customers by developing new product attributes, features, and benefits. Examples include toothpaste with mouth-freshening ingredients or whitening toothpaste.

# Product Hierarchy

Product hierarchy refers to the classification of products based on the benefits they provide in responding to consumer needs.

1. **Need Family** refers to the basic benefits of a product category, for example, safety and security.
2. **Product Family** refers to the entire group of products that can satisfy consumer needs based on the core benefit of the product. For example, one way to create personal security is through income generation and savings.
3. **Product Class** refers to a group of products within a product family that serve a specific function at each level. For example, income generation and savings require financial methods.

4. **Product Line** refers to a group of products within a product class that are closely related, share similar uses, are sold to the same customer group, use the same distribution structure, and fall within a given price range. For example, life insurance and savings are product lines within financial services.

5. **Product Type** refers to items within a product line that show one or more specific characteristics of the product. For example, life insurance may be divided into various types based on policy duration and the age of the insured, while savings products may be divided into fixed deposits of 3 months, 6 months, or 1 year.

6. **Product Item** refers to a distinct unit within a brand or product line that differs in size, appearance, or other attributes. For example, savings products of the Government Savings Bank may be categorized into education savings, retirement savings, or health savings, etc.

# Types of Products

Products can be classified according to the characteristics of users into consumer goods and industrial goods as follows:

**1. Consumer Goods** Consumer goods are products that consumers purchase for personal use or household consumption and are considered final consumption goods.

**1.1 Convenience Goods** Convenience goods are products that consumers purchase frequently or on impulse, with minimal effort in the buying decision. Consumers tend to choose the most easily accessible option. Examples include soap, toothpaste, laundry detergent, flour, and newspapers.

**1.2 Shopping Goods** Shopping goods are products for which consumers usually compare alternatives before making a purchase decision, such as comparing quality, suitability, price, and design from various sellers. Examples include clothing, shoes, bags, jewelry, furniture, and electrical appliances.

**1.3 Special Goods** Special goods are products with unique characteristics that consumers are willing to make a special effort to purchase. The buying decision depends on brand reputation, superior quality, a good image, and pride of ownership, regardless of price. Examples include Ferrari automobiles and Rolex watches.

**1.4 Unsought Goods** Unsought goods are products that consumers are unaware of or know about but do not normally think of buying because they do not perceive an immediate need. These products are difficult to sell. Examples include air conditioners, vacuum cleaners, microwave ovens, life insurance, and exercise equipment.

**2. Industrial Goods** Industrial goods refer to products purchased for use in production, service provision, or business operations and are usually bought in large quantities. They can be divided into three major groups as follows:

**2.1 Raw Materials and Parts** Raw materials and parts are production factors that form part of finished goods, consisting of raw materials, materials, and component parts.

**2.2 Capital Items** Capital items are goods that contribute to the production process. They are generally large in size, have a long service life, are expensive, and require both buyers and sellers to possess adequate knowledge and expertise. They include installations, accessory equipment, supplies, repair and maintenance materials, and operating supplies.

**3. Services** Services are activities performed to facilitate convenience in production operations. They are aimed at industrial users and can be classified into maintenance services, repair services, and business advisory services, including maintenance services, repair services, and business consulting services.

# Product Mix

The decision on the product mix must consider three levels of the product mix as follows:

**1. Product Width** Product width refers to the number of product lines that a company offers. Most businesses sell more than one product line. For example, Honda divides its product lines into automobiles and motorcycles.

**2. Product Length** Product length refers to the total number of items within the product mix. For example, an automobile company may have two product lines: the first product line has five products and the second product line has seven products, resulting in a total of twelve products.

**3. Product Depth** Product depth refers to the variety of product items within each product line, based on different characteristics such as size, color, and other features of each product.

**4. Product Consistency** Product consistency refers to the degree of relatedness among product lines in terms of product width, length, and depth. For example, an automobile manufacturer may have product lines that use similar distribution channels but target different customer groups according to usage characteristics.

# Product Mix Strategies

Product mix management aims to keep products up to date and generate profits. The main marketing strategies are as follows:

- 1. Expansion of Product Mix** This refers to expanding the product mix by increasing the number of product lines, increasing the number of products within each line, and increasing product depth.
- 2. Product Repositioning** This refers to adjusting the product's position in the market in order to create a favorable image in the eyes of consumers.
- 3. Trading Up / Trading Down** This refers to expanding products within existing product lines while simultaneously repositioning the products.
- 4. Alteration of Existing Product** This refers to improving existing products to make them more modern, such as adjusting the formula, redesigning the product, or changing packaging materials.
- 5. Contraction of Product Mix** This refers to discontinuing certain products within a product line or eliminating entire product lines when those products are outdated and can no longer generate profit.

# Brand

A brand refers to a name, term, design, symbol, or any other identifying feature that distinguishes the goods or services of one seller from those of others. It also includes the overall image of feelings, attitudes, and perceptions—both positive and negative—that the target customers have toward the company's products or services.

## Benefits of Using a Brand

1. Helps customers differentiate products from others.
2. Helps create a unique identity for the product.
3. Serves as an important element in communication and advertising.
4. Builds customer loyalty toward the product.

# Elements of a Brand

There are five important elements:

1. **Brand** refers to a name, mark, symbol, or a combination of these used to identify and differentiate a product from those of each seller.
2. **Brand Name** refers to a part of a brand that is legally protected and gives the seller legal ownership of the product.
3. **Brand Mark** refers to a part of a brand that is legally protected and gives the seller legal ownership of the product.
4. **Patent** refers to a legal right that protects the invention, production, distribution, or sale of a product, granted by law to the individual who invents or creates it.
5. **Slogan** is an advertising phrase that conveys the characteristics or benefits of a product briefly, helping customers remember and serving as a reminder of the product, such as “Yum...that’s the taste.”

# Principles of Brand Building

There are three principles of brand building as follows:

## 1. Attributes

Marketers must create a brand that can clearly communicate what the product represents. For example, Coke makes consumers recognize that it is a soft drink.

## 2. Benefits

The brand must communicate what benefits it provides or what it can do. For example, Coke quenches thirst and provides refreshment.

## 3. Values

The brand must communicate what values it represents. For example, Coke is a beverage for cheerful, confident, and self-expressive people, which reflects and helps connect with the target market.

# Packaging

Packaging refers to the container or wrapping of a product. Packaging has the following important objectives:

1. To contain and protect the product
2. To facilitate ease of use and transportation
3. To serve as a means of communication with consumers
4. To support planning for new product development
5. To assist in market segmentation
6. To create an image for the product and the company
7. To attract consumers' attention

# Types of Packaging

Packaging can be classified according to its purpose into three types as follows:

1. **Primary Packaging** refers to the packaging that directly encloses the product and is in direct contact with it. Its function is to divide the product into units and to store and protect the product from damage.
2. **Secondary Packaging** refers to the packaging that encloses the primary packaging. Its function is to protect the product from damage and to attract consumers' attention.
3. **Shipping Packaging** does not emphasize attractiveness, but focuses on preparing products so that they can be transported conveniently and helps maintain the product in good condition throughout the delivery process until it reaches customers.
4. **Labeling** refers to the detailed information that appears on the packaging.

# New Product Development

A new product refers to a product with a new concept or one that involves certain changes to an existing product, aiming to create greater consumer satisfaction than before, or a product newly introduced to the market.

New products can be classified into three characteristics as follows:

1. **Innovation Product** refers to a completely new product that has never been introduced to the market before, such as innovations in wrinkle-reducing skincare products or humanoid robots that function similarly to real humans.
2. **Modified Product** refers to a new product developed by improving or changing an existing product to enhance consumer satisfaction, such as modifying automobiles to be more fuel-efficient or improving mobile phones to produce clearer sound.
3. **Me-too Product** refers to a new product that imitates the features of other products that use advanced technology or are market leaders. Although it may not be new to the market, it helps create profit opportunities or gain some market share.

## 1. Introduction Stage

This is the initial stage of introducing a new product to the market. It is necessary to study market conditions in order to understand the characteristics of the product, its differences from competitors, and the needs of consumers. The product must be presented to consumers so that they become aware of it, recognize it, and accept it within a short period of time.

## 2. Growth Stage

This is the stage in which the product becomes well known and accepted by the target consumers. Sales and profits increase rapidly. Higher profits attract more competitors to enter the market.

## 3. Maturity Stage

When product sales continue to increase but at a slower rate, while profits from product sales gradually decline, this indicates that the product is entering the maturity stage. Competition remains intense, and firms must focus on maintaining their customer base and market share.

## 4. Decline Stage

This is the stage in which consumers begin to lose interest in the product. This can be observed from declining sales and profits. Competitors gradually withdraw from the market, while new products begin to gain popularity and replace existing products.