



Chapter 30 Product Planning

- **Section 30.1** Product Planning, Mix, and Development
- **Section 30.2** Sustaining Product Sales

Product Planning, Mix, and Development

Key Terms

product
planning

product mix

product line

product item

product width

product depth

product
modification

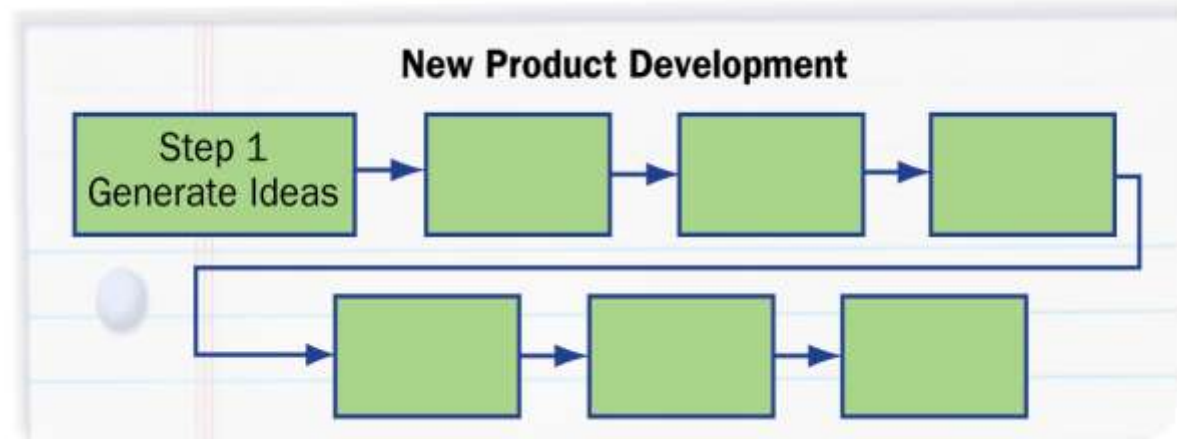
Objectives

- Describe the steps in product planning
- Explain how to develop, maintain, and improve a product mix

Product Planning, Mix, and Development

Graphic Organizer

With a flow chart, represent the seven key steps in product development.



Product Planning

product planning



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

Product planning ◀ involves making decisions about what features should be used in selling a business's products, services, or ideas. These decisions relate to product features and services, such as:

- Packaging, labeling, and branding
- Warranties and support services

Product Mix

product mix

All the different products that a company makes or sells.

Product mix ◀ includes all the different products that a company makes or sells. A retailer's product mix is made up of all of the different products the store sells. The mix must be planned carefully because retailers cannot offer all the products that customers may want.

Product Items and Lines

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.

A **product line** ◀ is a group of closely related products manufactured or sold by a business.

A **product item** ◀ is a specific model, brand, or size of a product within a product line. Retailers generally carry several product items for each product line they sell.

Product Width and Product Depth

product width



The number of different product lines a business manufactures or sells.

product depth



The number of items offered within each product line.

Product width ◀ refers to the number of different product lines a business manufactures or sells.

Product depth ◀ refers to the number of items offered within each product line.

Product Width and Product Depth

To determine its product mix, a business needs to:

- Identify its target market
- Identify its competitors
- Decide on the image it wants to project

Product Mix Strategies

A product mix strategy is a plan for determining which products a business will make or stock. Some businesses will change their lines by modifying products, creating new ones, and/or dropping old ones.

Developing New Products

According to one study, new products (those less than five years old) account for about 35 percent of total sales for major consumer and industrial goods companies.

Developing New Products

New product development generally involves seven key steps:

- Generating ideas, screening ideas, developing a business proposal, developing the product, testing the product with consumers, introducing the product (commercialization), and evaluating customer acceptance

Developing New Products

New product ideas can come from a variety of different sources including:

- Customers
- Competitors
- Channel members
- Employees

Developing New Products

Many companies that manufacture consumer packaged goods use a task force approach to new product development, bringing together employees from different departments to take a concept from the idea stage through the steps of product development.

Developing New Products

During the screening process, ideas for products are evaluated, and they are checked to see if they could potentially conflict with existing products. Screenings can involve concept testing with consumers to find the products that deserve further study.

Developing New Products

A business proposal is developed to evaluate the new product in terms of the:

- Size of the market and potential sales
- Costs and profit potential
- Technological trends
- Overall competitive environment and level of risk

Developing New Products

During product development, the new product idea takes on a physical shape, and marketers develop a marketing strategy. The company makes plans relating to production, packaging, labeling, branding, promotion, and distribution. Technical evaluations are made to see if the product is practical to make.

Developing New Products

The products are also tested to see how they will hold up during normal and not-so-normal use by the consumer. If applicable, goods are also tested for side effects during this stage.

Developing New Products

New products frequently are test-marketed to see whether consumers will accept them. Not every new product needs to be test-marketed. A focus group evaluation can also provide additional input and uncover potential problems before production.

Developing New Products

Marketers may forgo testing because the costs of test marketing, focus groups, or direct marketing tests are too high. Marketers may delay testing because the product isn't ready yet or because they do not want to give competitors information.

Developing New Products

Commercialization is the stage involving introducing a new product to the public. Advertisements should emphasize the product's benefits to consumers. A new or revised distribution network may be needed.

Developing New Products

One way to obtain customer responses to a new product is to study sales information. These reports can help answer key questions such as:

- How often do customers buy the new product?
- When did customers last buy the new product?
- What new products are customers buying?

Steps 1 and 2



GENERATING AND SCREENING IDEAS

Generating involves tracking cultural trends and observing customer behaviors to generate ideas. Screening ideas for new products includes eliminating possibilities until one or two ideas are selected for development and a business proposal is written.

Steps 3, 4, and 5

WRITING A BUSINESS PROPOSAL/ DEVELOPING THE PRODUCT/TESTING THE PRODUCT

A business proposal evaluates the proposed product in terms of size of market, potential sales, costs, profit potential, technology, the competition, and the level of risk involved. During the development stage, a prototype is made for testing.



Step 6

INTRODUCING THE PRODUCT

If customer response is favorable, the product is introduced into the marketplace.



Step 7

EVALUATING CUSTOMER ACCEPTANCE

After the product has been introduced, marketers track customer acceptance.



Developing Existing Products

Companies that have successful product lines often add products to those lines to take advantage of customers' positive attitudes toward the brand name.

One disadvantage of adding new products to a company's product mix is the cost factor.

Developing Existing Products

Adding products or product lines increases costs for:

- Inventory
- Promotion
- Storage
- Distribution

Developing Existing Products

Two ways of developing existing products are line extensions and product modifications.

Developing Existing Products

Line extensions add new product lines, items, or services. Tylenol Flu, Tylenol Cold, and Tylenol Allergy Sinus are line extensions of the original Tylenol product.

A line extension is a different product that appeals to different consumers.

Developing Existing Products

product modification



An alteration in a company's existing product.

A **product modification** ◀ is an alteration in a company's existing product. Modified products may be offered in new and different:

- Varieties and formulations
- Colors and styles
- Features and sizes

Deleting a Product or Product Line

Companies will sometimes decide to stop production of a product or line due to:

- Changes in company objectives
- Replacement with new products
- Lack of profit
- Conflict with other products in the line

Sustaining Product Sales

Key Terms

product life cycle

product positioning

category management

planograms

Objectives

- Identify the four stages of the product life cycle
- Describe product positioning techniques

Factors Involved In Price Planning

Graphic Organizer

Create a chart to record each stage in the product life cycle. List each stage's sales characteristics and marketing strategies.

Stages	Sales Characteristics	Marketing Strategies
Introduction		

The Product Life Cycle

product life cycle

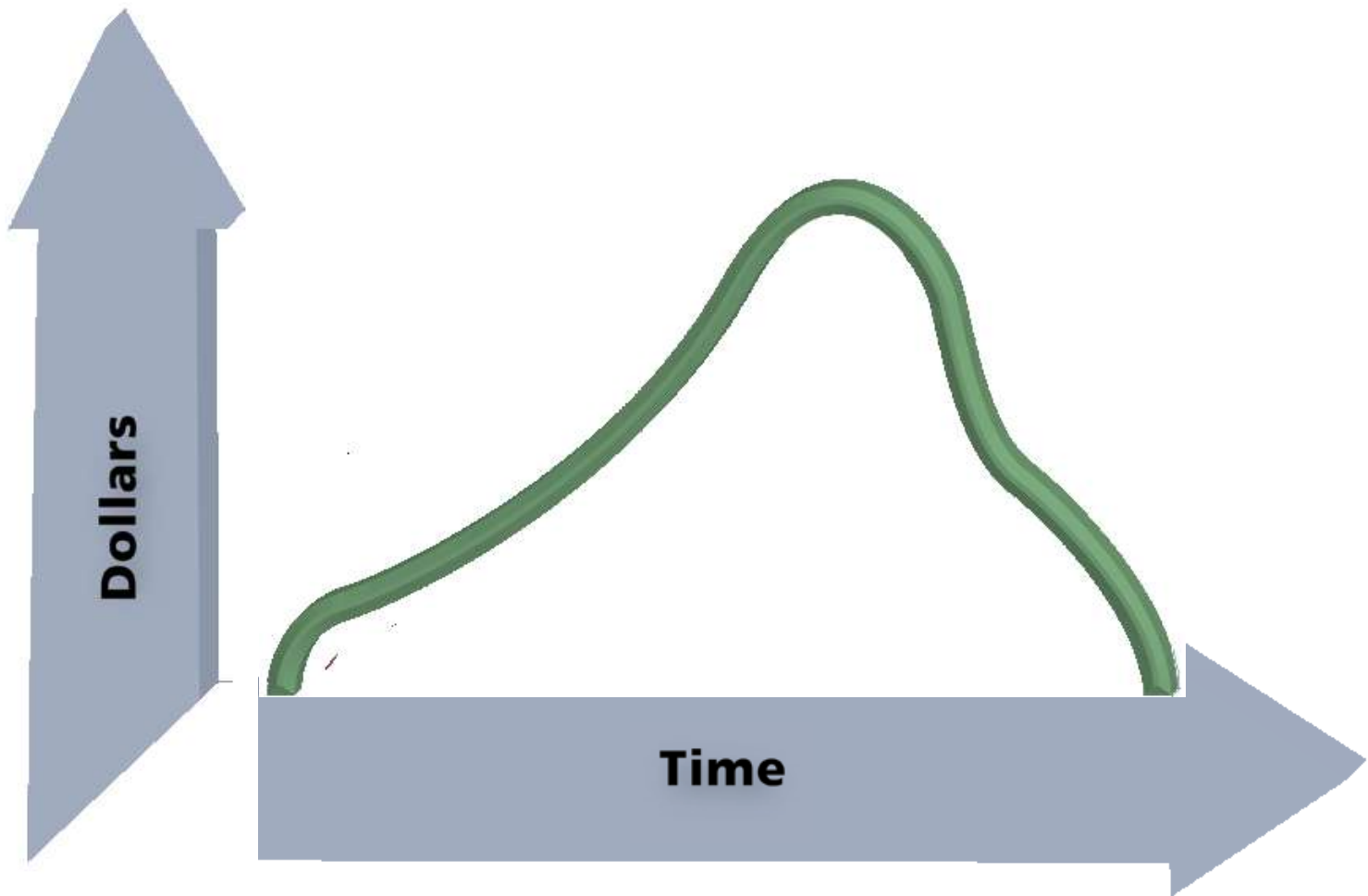


The stages that a product goes through during its life.

A **product life cycle** represents the stages that a product goes through during its life. There are four stages:

- Introduction
- Growth
- Maturity
- Decline

The Product Life Cycle



Managing During the Introduction Stage

The major goal at this first stage is to draw the customer's attention to the new product by increasing product awareness and promotions. The costs of introducing a product are high, so this is usually the least profitable stage of the life cycle.

Managing During the Growth Stage

During this prosperous phase, advertising may focus on consumer satisfaction. To keep its product sales growing, the company may have to introduce new models or modify the product to offer more than the competition.

Managing During the Maturity Stage

During this stage, a company spends more of its marketing dollars fighting off the competition. As advertising expenses climb, the company may have to decide if it can continue to improve the product to gain sales.

Managing During the Decline Stage

Besides dropping the product, the company can use other product mix strategies to gain further sales from a declining product, such as:

- Sell or license the product to risk-taking companies
- Recommit to the product line

Managing During the Decline Stage

- Discount the product
- Regionalize the product to areas where the product sells well
- Modernize or alter the product

Managing During the Decline Stage

Companies spend large amounts of money to develop and promote consumer and industrial products, so they are reluctant to delete products.

Product Positioning

product positioning



The image a product projects that sets it apart from the competition.

The focus of **product positioning** ◀ is the image that a product projects. Its goal is to set the product apart from the competition. Product positioning refers to the efforts a business makes to identify, place, and sell its products in the marketplace.

Product Positioning

To position their products, businesses identify customer needs and determine how their products compare to the competition.

Positioning by Price and Quality

By offering economy lines, mid-priced lines, and luxury lines, companies are able to give each of their products a unique position in the marketplace. Positioning by price and quality stresses high price as a symbol of quality or low price as an indication of value.

Positioning by Features and Benefits

Products are often associated with a feature, attribute, or customer benefit. Companies frequently position products to highlight their unique characteristics. The maker of the Palm Pilot added the Zire, Tungsten, and Treo handheld computers to its product mix.

Positioning in Relation to the Competition

Positioning in relation to the competition is a common strategy when a firm is trying to solidify an advantage over another firm. Sometimes it is better to compete by showing that you are the underdog.

Positioning in Relation to Other Products in a Line

Individual products may be positioned in relation to other products in the same line.

Category Management

category management



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

Category management ◀ is a process that involves managing product categories as individual business units. A category may include a group of product lines with the same target market and distribution channels.

Category Management

The category manager is responsible for all the brands of one product category such as:

- Foods
- Beverages
- Health and beauty products

Category Management

planogram



A computer-developed diagram that shows retailers how and where products within a category should be displayed on a shelf at individual stores.

Manufacturers can customize a product mix within a category on a store-by-store basis.

A **planogram** is a computer-developed diagram that shows retailers how and where products within a category should be displayed on a shelf at individual stores.

FOCUS on KEY POINTS

Section 30.1

- Product planning involves deciding what features are needed to sell a business's products, services, or ideas. A product mix strategy is the plan for how the business determines which products it will make or stock.

continued

FOCUS on KEY POINTS

Section 30.2

- A product life cycle represents the stages that a product goes through during its life (introduction, growth, maturity, and decline). The goal of product positioning is to set the product apart from the competition.



This chapter has helped prepare you to meet the following DECA performance indicators:

- Explain the concept of production mix.
- Identify product to fill customer needs.
- Establish the nature and scope of the product/service management function.
- Orient new employees.