

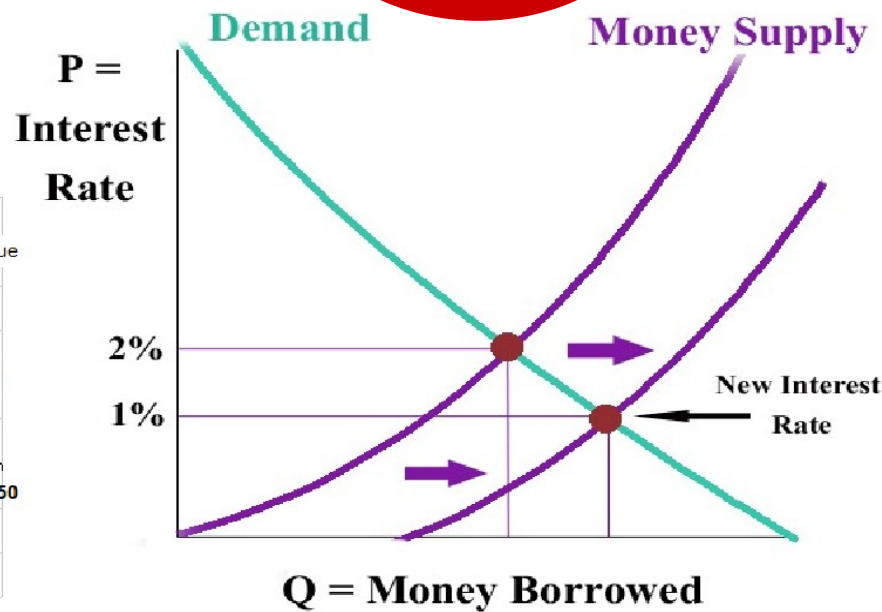
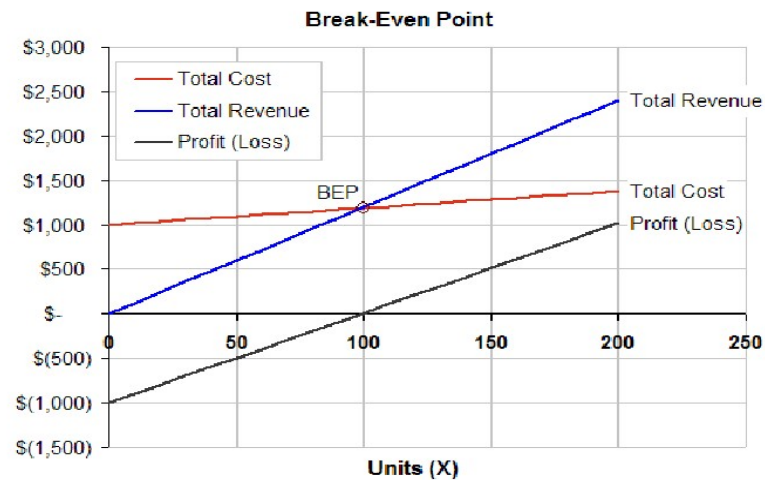


# MERGERS AND ACQUISITIONS

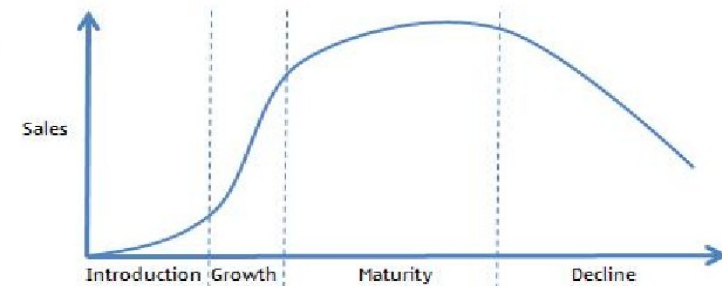


## Lecture #

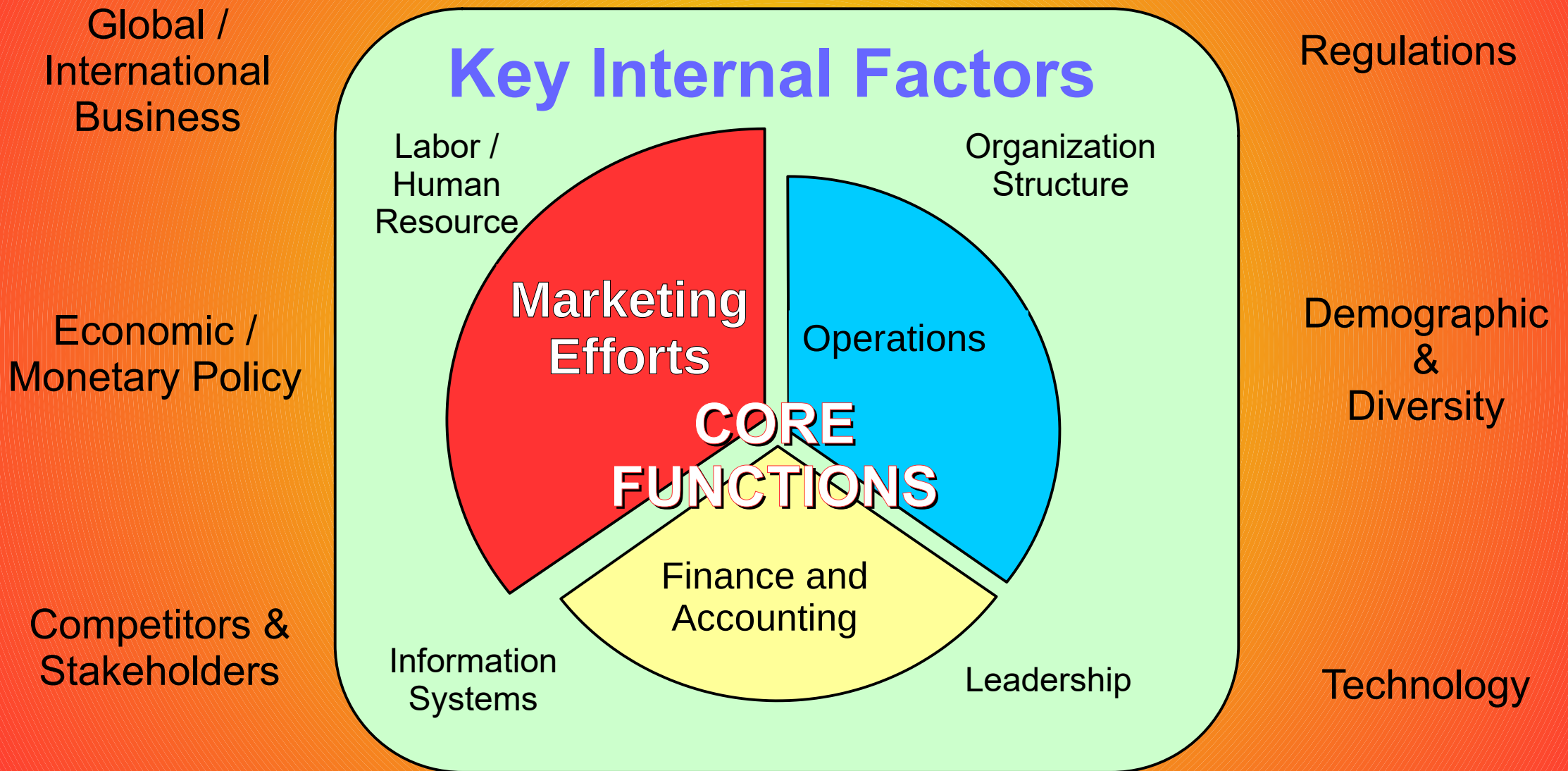
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Product Lifecycle Stages

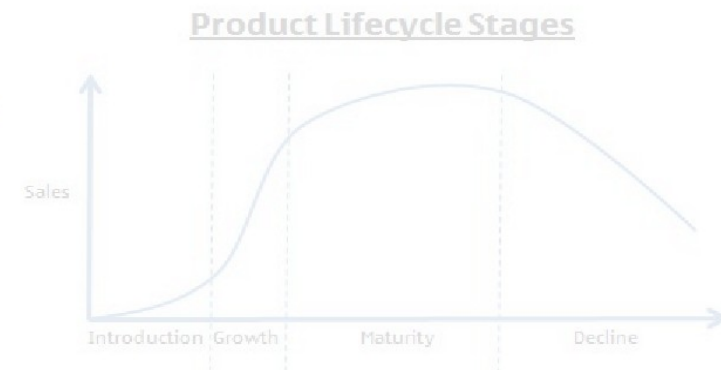
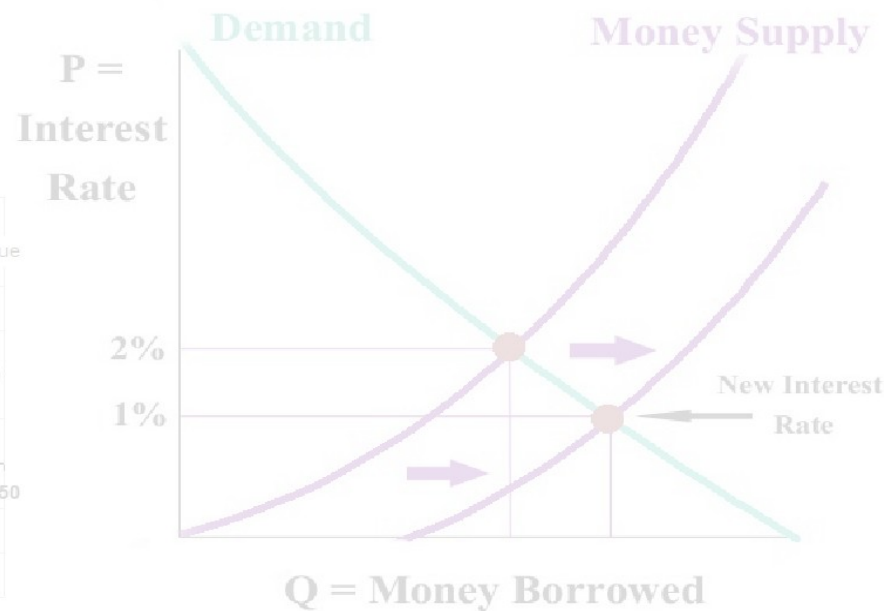
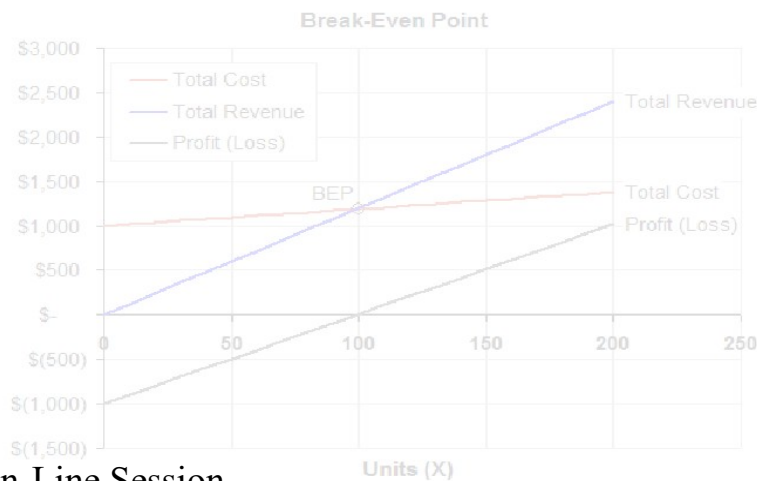


# External / Social Forces



# Introduction to Business

# Marketing: Product and Pricing





# PEPSICO



❖ Not just cola

Snacks, fruit juice, water

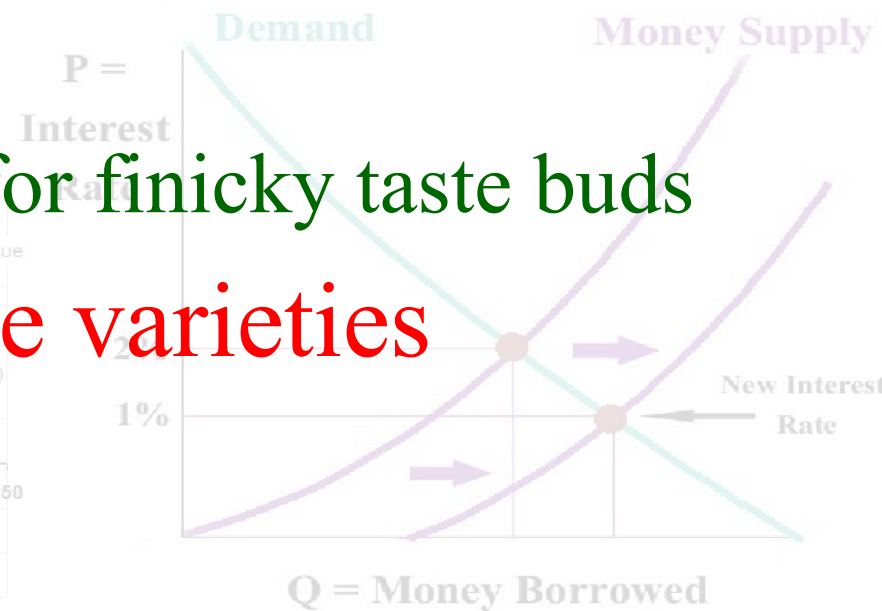
❖ Snacks

Joint promotion with cola

❖ Fruit juices

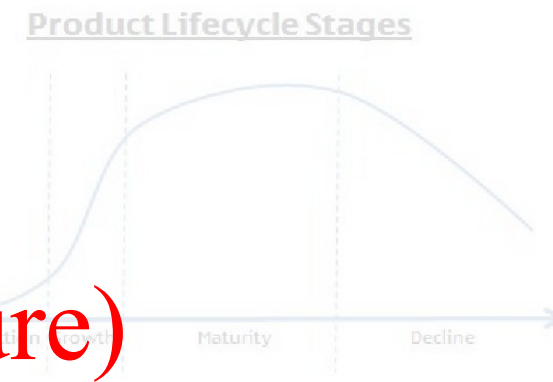
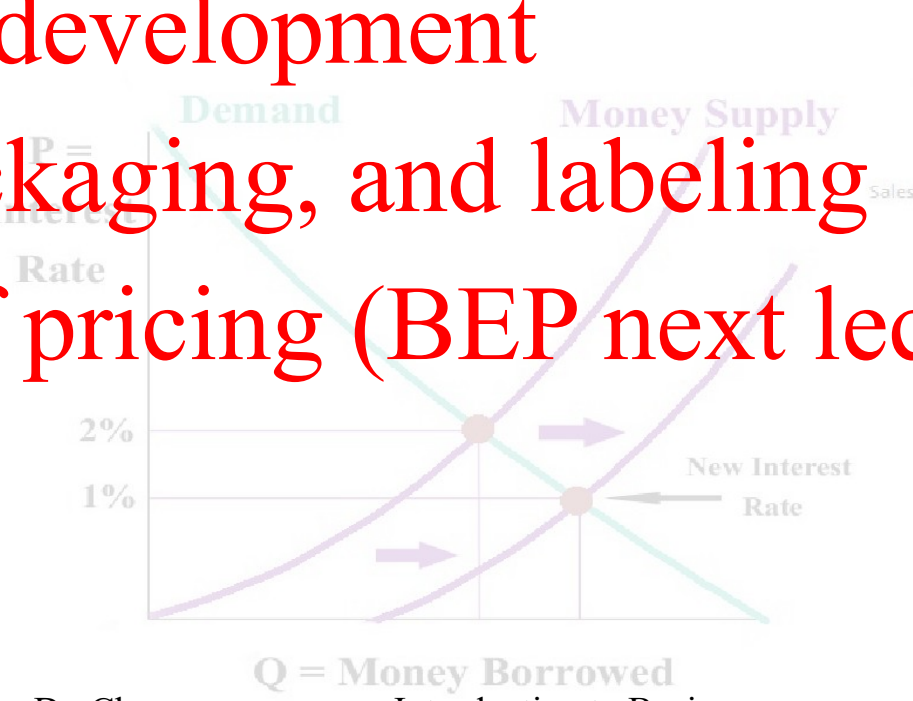
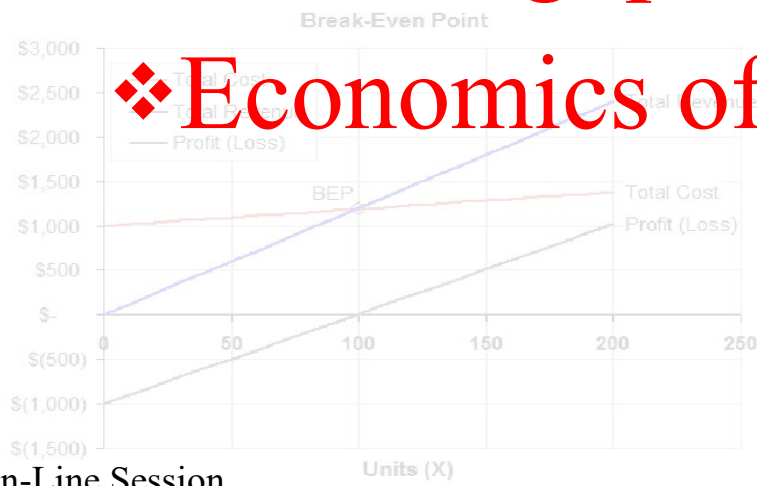
New flavors for finicky taste buds

❖ Size and price varieties



# Learning objectives

- ❖ Classifications of products
- ❖ Effect of product life cycle
- ❖ Product line and product mix
- ❖ New product development
- ❖ Branding, packaging, and labeling
- ❖ Economics of pricing (BEP next lecture)

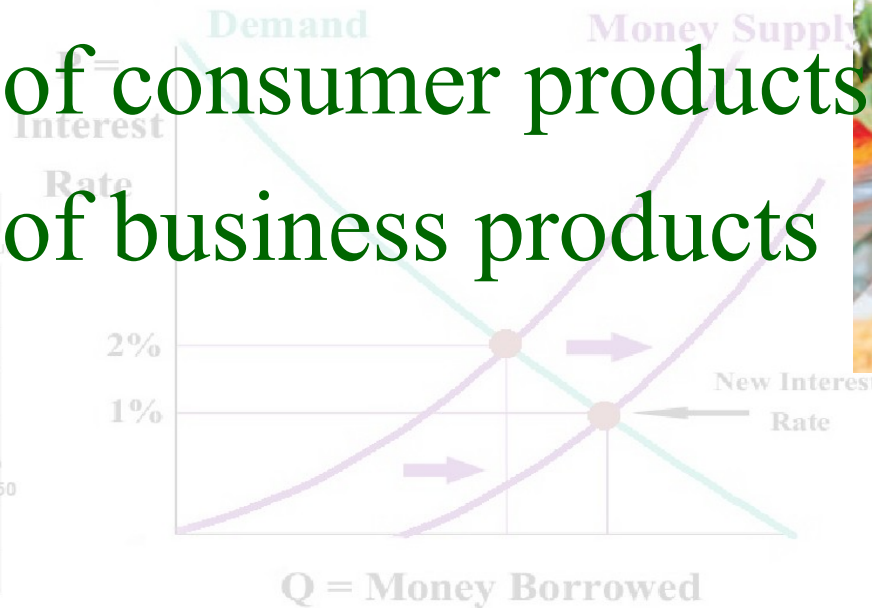
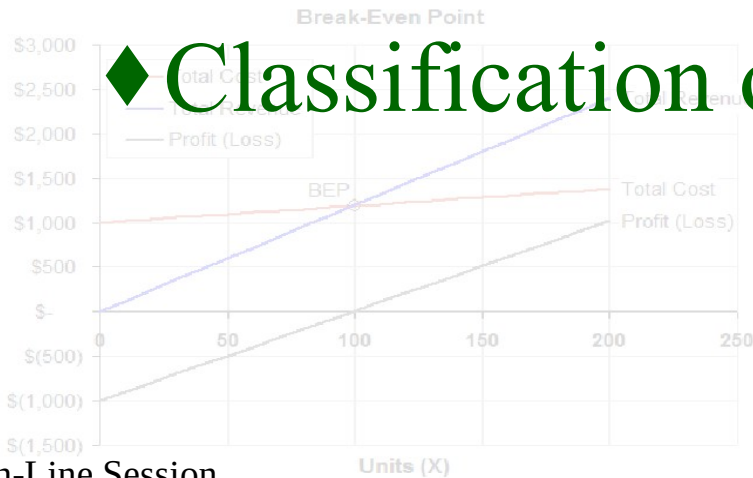


# Classification of products

## ◆ Product

Everything one receives in an exchange, including all tangible and intangible attributes and expected benefits

- ◆ Can be a good, service, or idea
- ◆ Classification of consumer products
- ◆ Classification of business products



# Classification of consumer products

## ➤ Convenience product

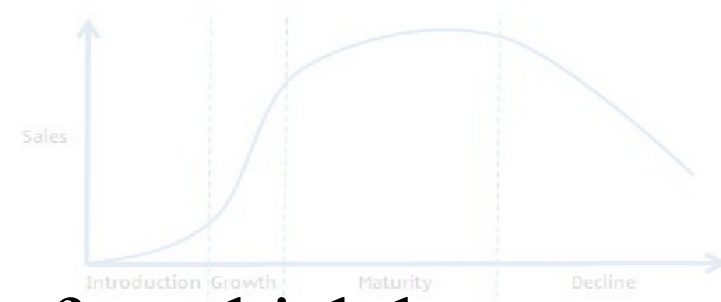
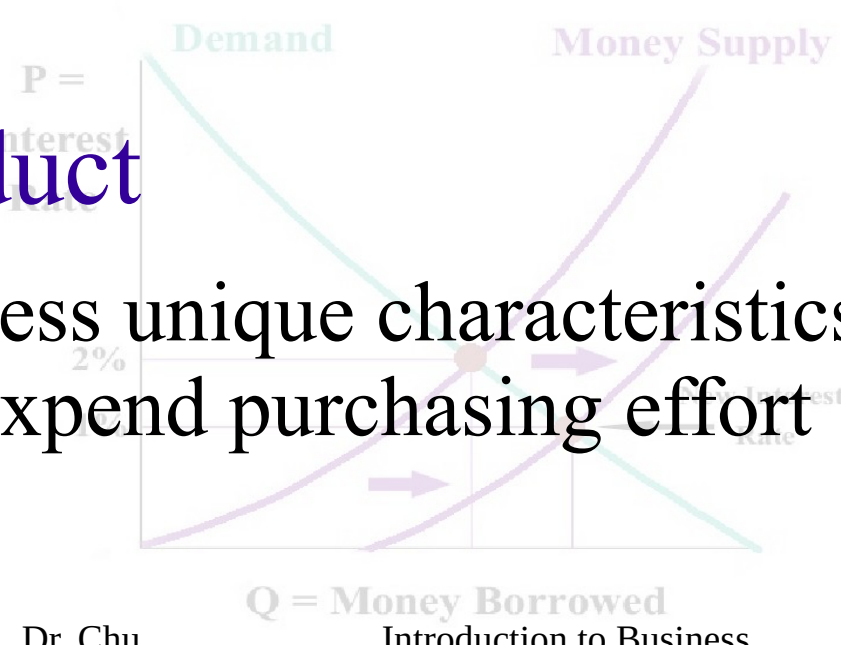
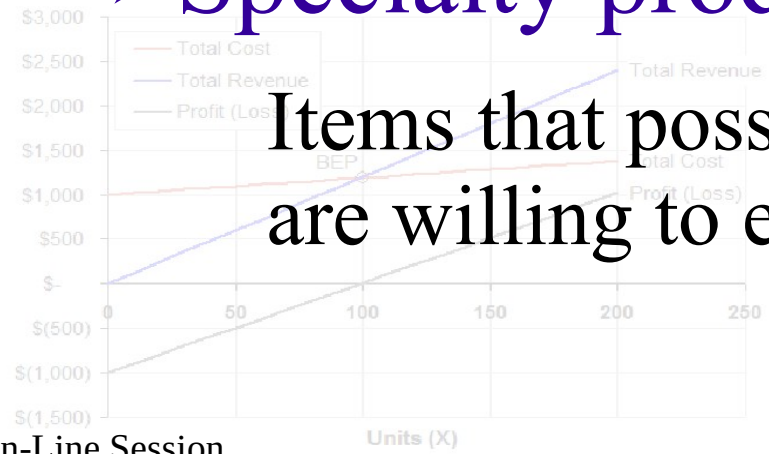
Inexpensive, frequently purchased

## ➤ Shopping product

Item for which buyers expend on planning and making the purchase

## ➤ Specialty product

Items that possess unique characteristics for which buyers are willing to expend purchasing effort



# Classification of business products

## ➤ Raw material:

Basic material that becomes part of a physical product

## ➤ Major equipment

Large tools and machines used for production purposes

## ➤ Accessory equipment

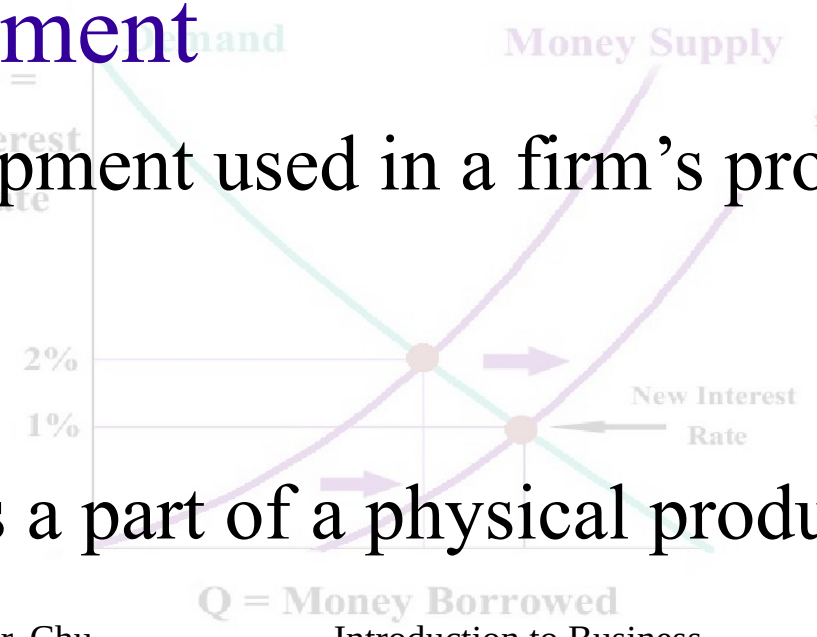
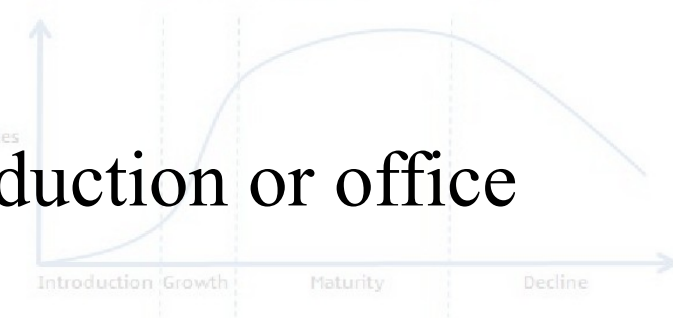
Standardized equipment used in a firm's production or office activities

## ➤ Component part

Item that becomes a part of a physical product

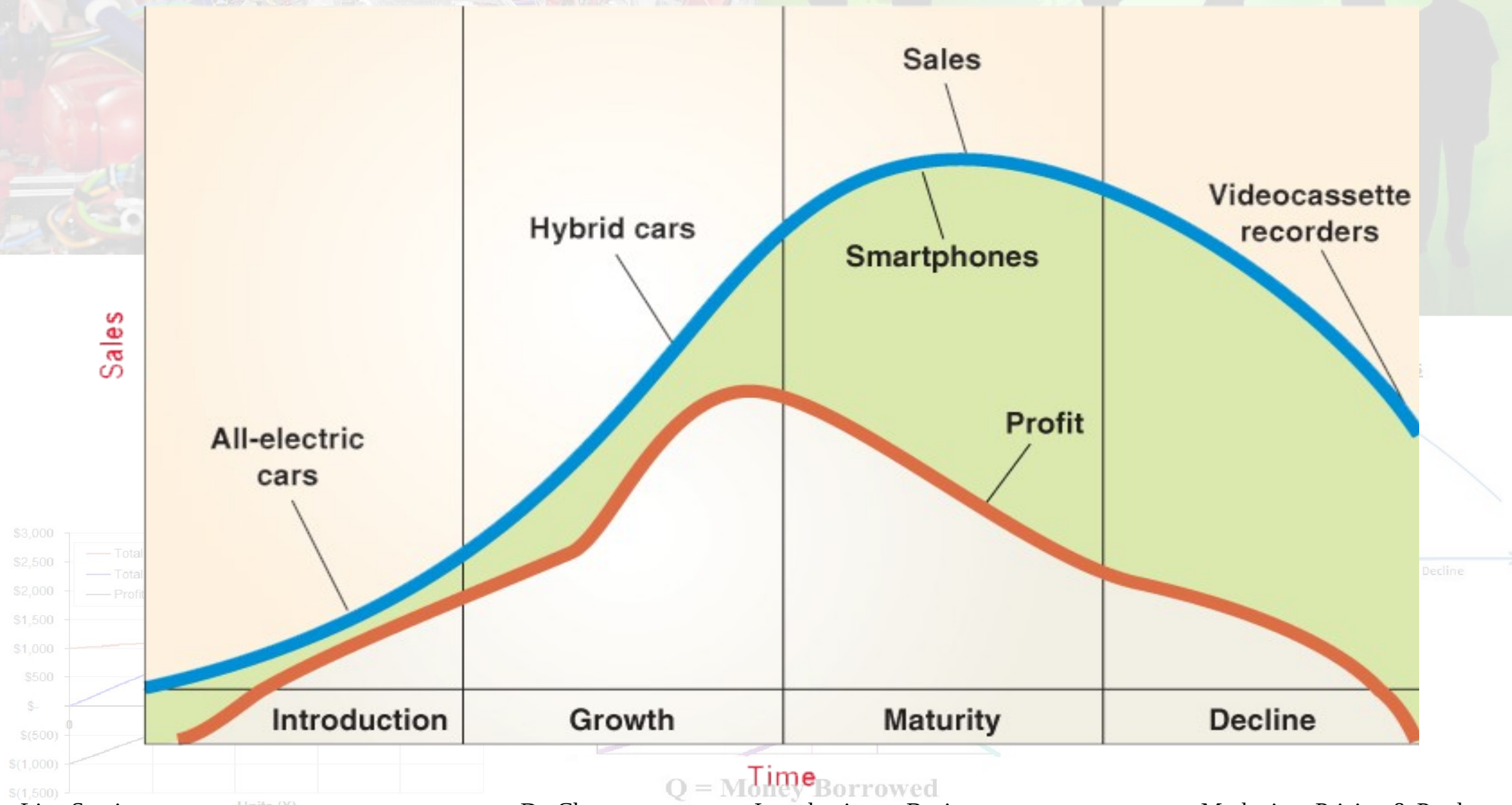


Product Lifecycle Stages





# Effect of product life cycle



# Product Life Cycle

## ➤ Introduction

Product specification not stable. Very low demand. Looking for “First Movers”

## ➤ Growth

Product specification stable. Awareness of the product by the mass consumers. Managing capacity.

## ➤ Mature

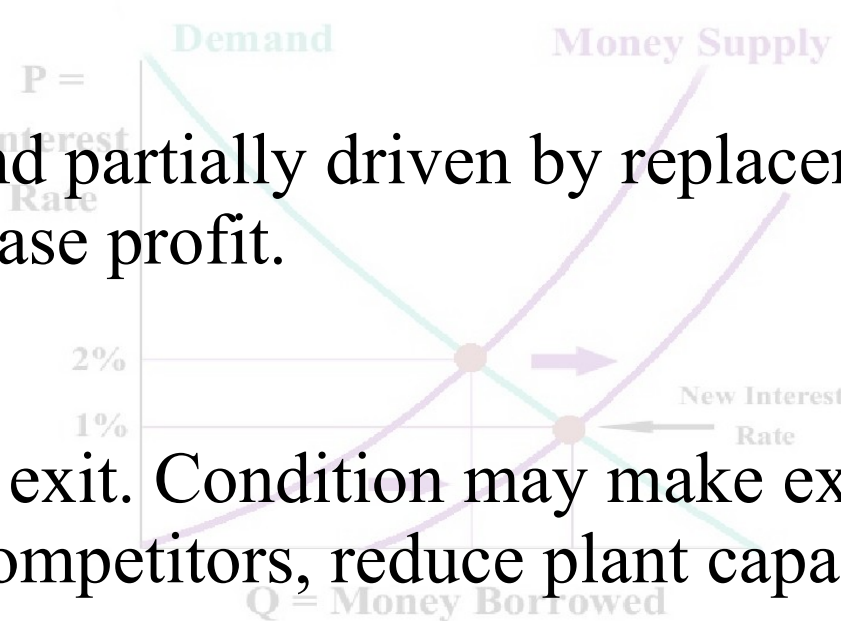
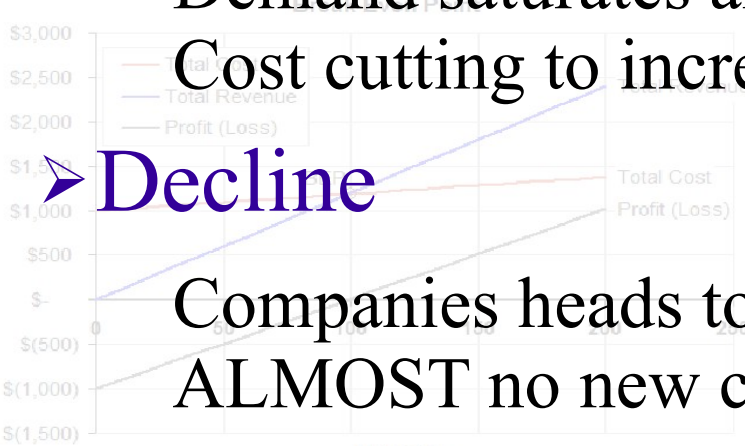
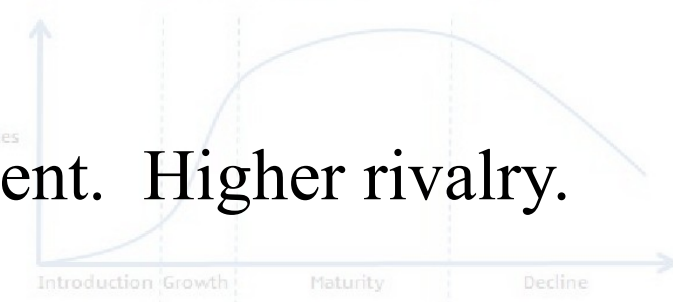
Demand saturates and partially driven by replacement. Higher rivalry. Cost cutting to increase profit.

## ➤ Decline

Companies heads to exit. Condition may make exiting difficult, **ALMOST** no new competitors, reduce plant capacity.



Product Lifecycle Stages



# Role and types of R&D

A set of activities intended to identify new ideas that have the potential to result in new goods and services

□ Basic research

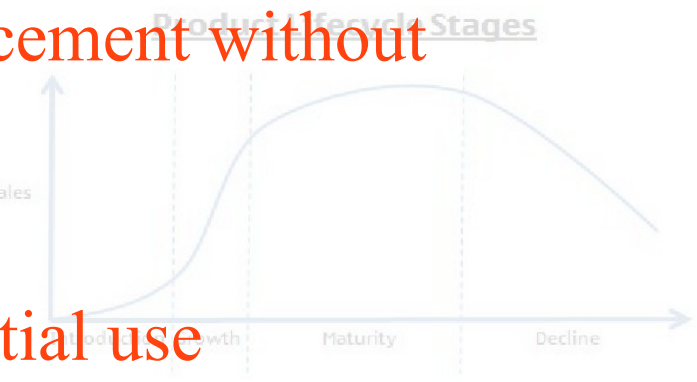
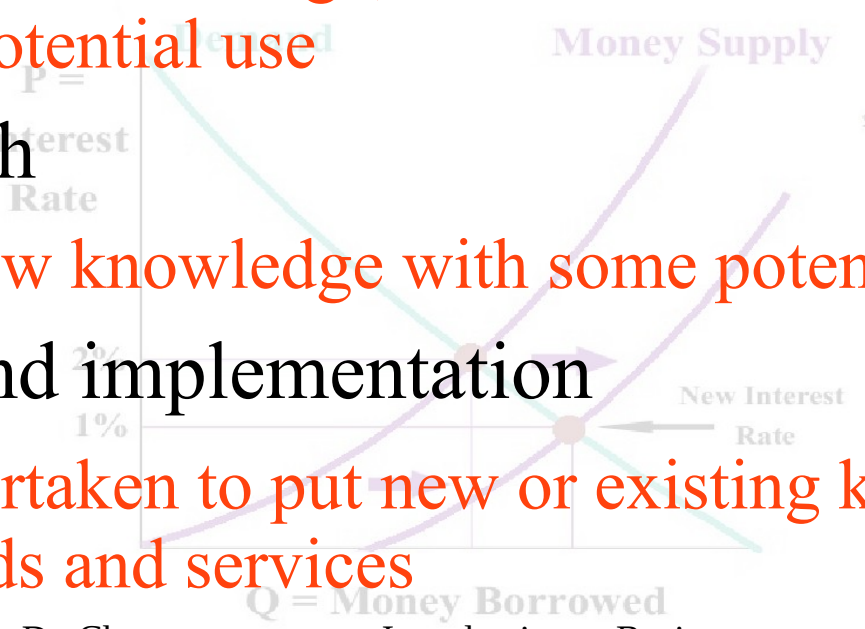
Uncovering new knowledge; scientific advancement without regard for its potential use

□ Applied research

Discovering new knowledge with some potential use

□ Development and implementation

Activities undertaken to put new or existing knowledge to use in producing goods and services



# Changes in products

## ➤ Product refinement

Improving a product's performance characteristics to increase its utility to consumers

## ➤ Product extension

Improving and adding additional performance features that extend the want-satisfying capability of the product and its life cycle in the market

Break-Even Point



© DJA65/SHUTTERSTOCK



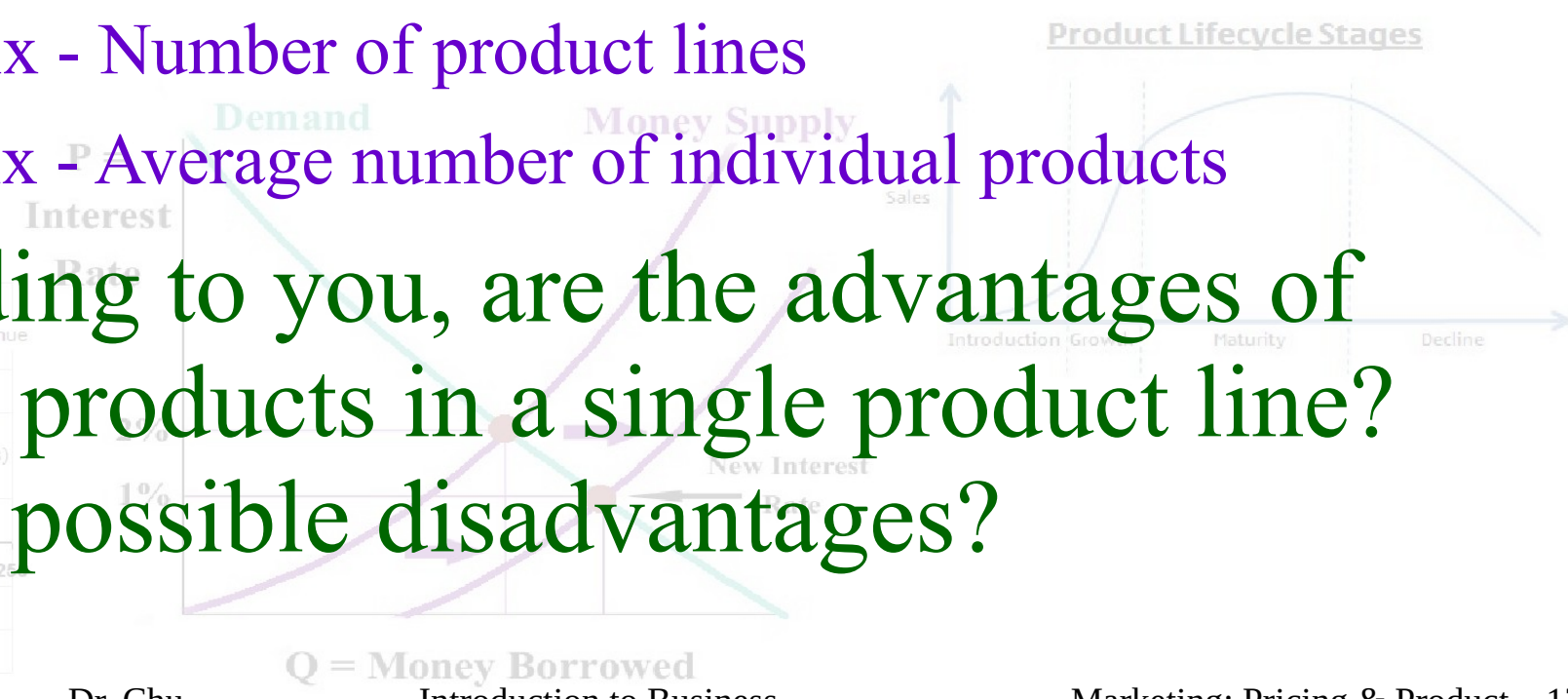
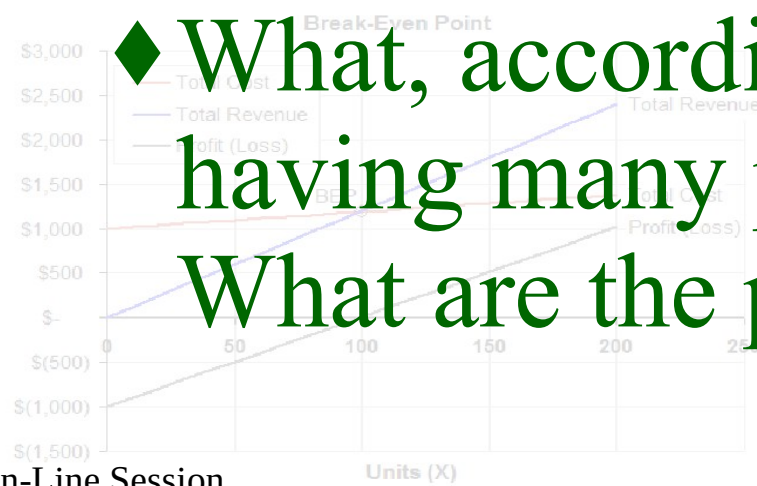
© COBALT88/SHUTTERSTOCK

# Product line and product mix

- ◆ **Product line** A group of products that are physically similar or intended for a similar market.
- ◆ **Product mix** The combination of all product lines offered by a manufacturer or service provider.

- Width of the mix - Number of product lines
- Depth of the mix - Average number of individual products

◆ What, according to you, are the advantages of having many products in a single product line? What are the possible disadvantages?



# Managing the product mix

## Managing existing products

**Product modification**

Changing one or more of a product's characteristics

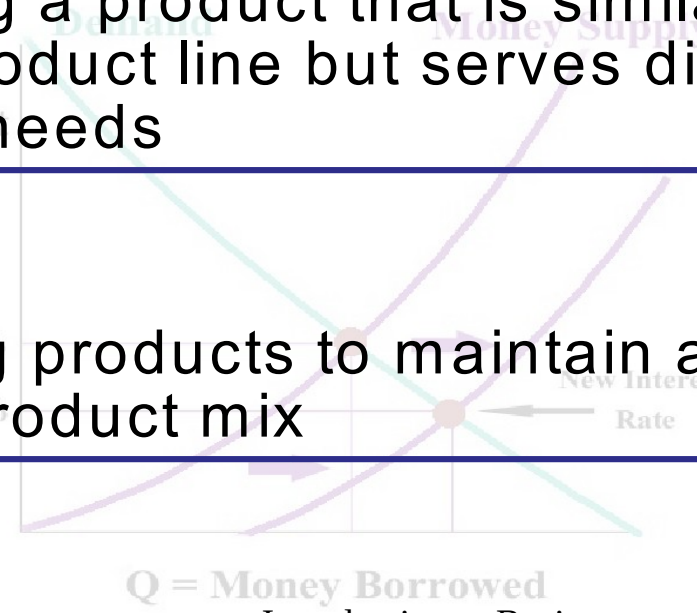
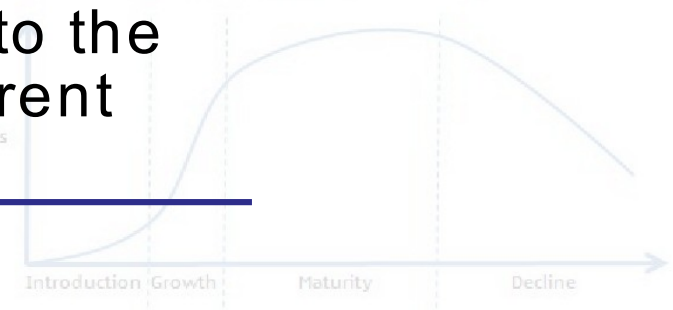
**Line extensions**

Developing a product that is similar to the existing product line but serves different customer needs

**Product deletion**

Eliminating products to maintain an effective product mix

Product Lifecycle Stages



# Managing the product mix

Developing new products

Imitations

Adaptations

Innovations

Product Lifecycle Stages

Decline

➤ Threat of replacements

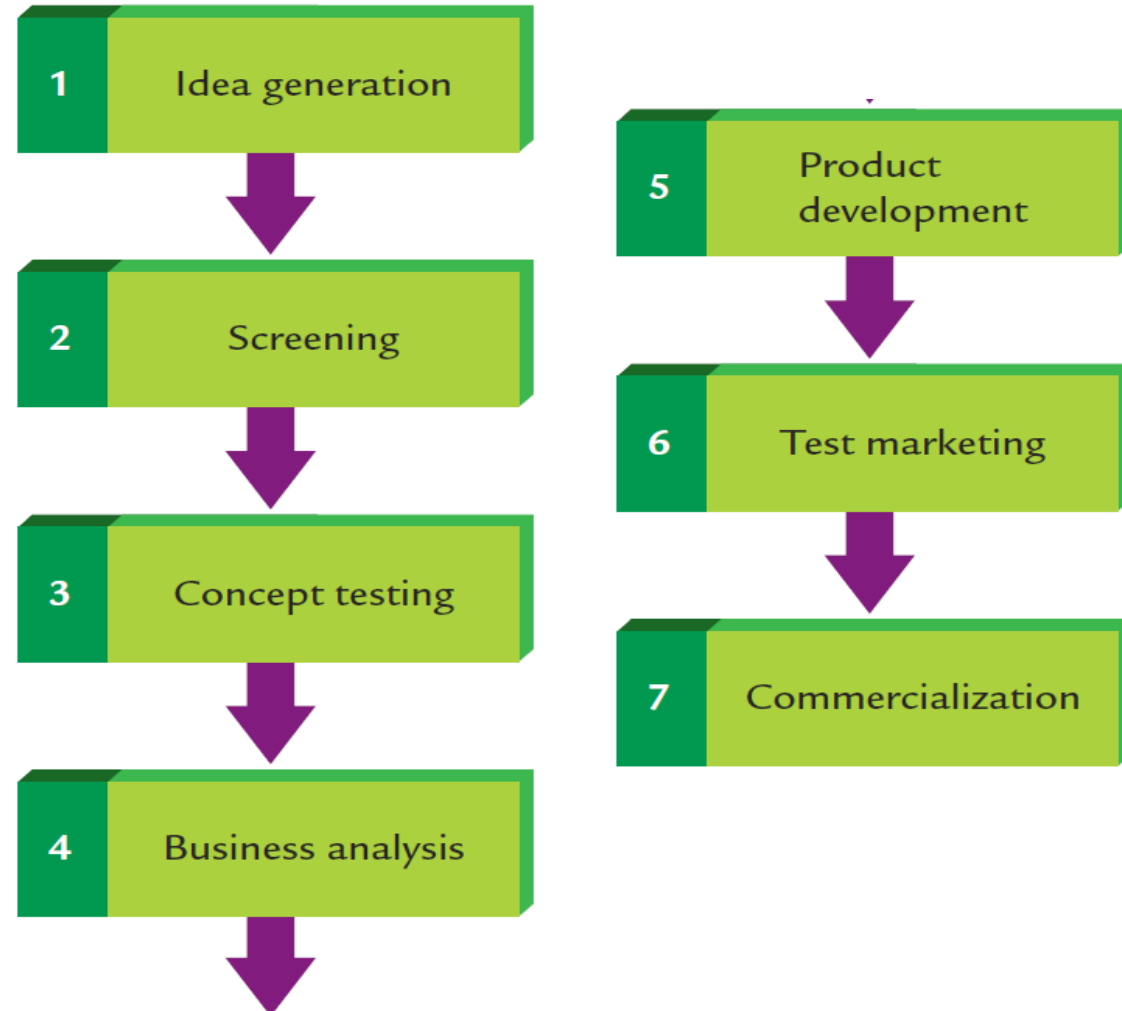




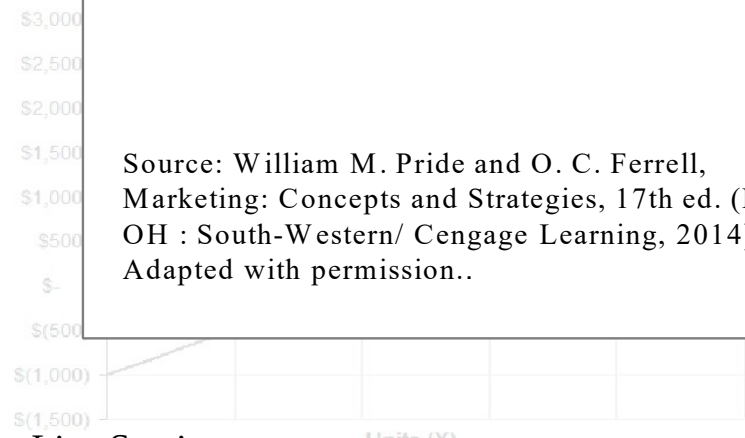


# New product development

Generally, marketers follow these seven steps to develop a new product.



Source: William M. Pride and O. C. Ferrell, Marketing: Concepts and Strategies, 17th ed. (Mason, OH : South-Western/ Cengage Learning, 2014). Adapted with permission..



Q = Money Borrowed

# New product always a success?

## ➤ Implementation

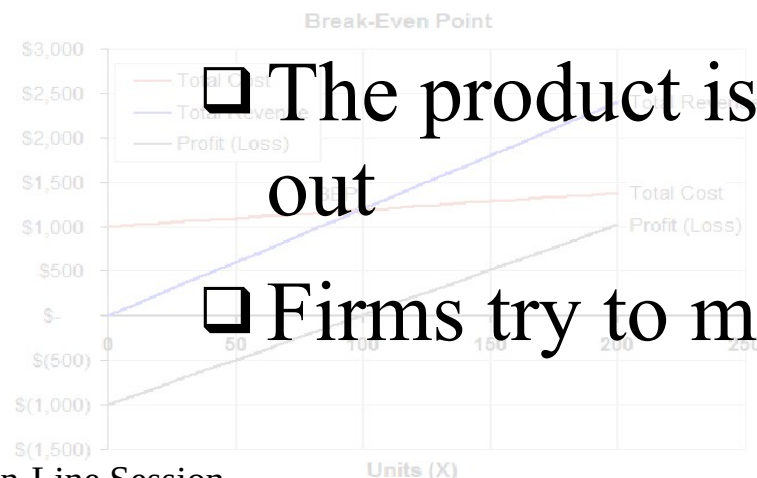
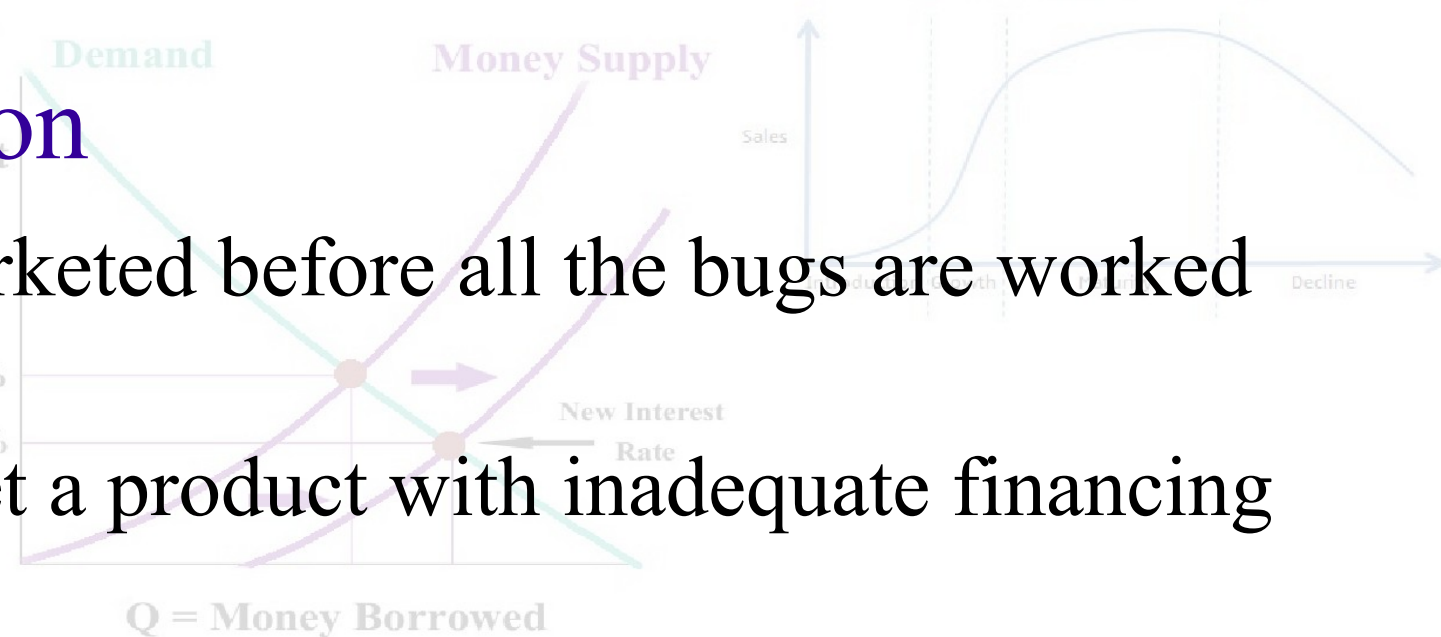
- ❑ The product and its marketing program are not planned and tested completely
- ❑ Firms ignore problems in testing and push ahead anyway to recover costs

## ➤ Commercialization

- ❑ The product is marketed before all the bugs are worked out
- ❑ Firms try to market a product with inadequate financing



Product Lifecycle Stages



# Examples of failed products

**TABLE 13.2** Examples of Product Failures

Company	Product
Gillette	For Oily Hair shampoo
3M	Floptical storage disk
IncrEdibles Breakaway Foods	Push n' Eat
General Mills	Betty Crocker MicroRave Singles
Adams (Pfizer)	Body Smarts nutritional bars
Ford	Edsel
Anheuser-Busch	Bud Dry and Michelob Dry beer
Coca-Cola	New Coke
Heinz	Ketchup Salsa
Noxema	Noxema Skin Fitness

Sources: Robert McMath and Thom Forbes, "What Were They Thinking?," Reed Business Information, 1998; Robert M. McMath, "Copycat Cupcakes Don't Cut It," *American Demographics*, January 1997, 60; Eric Berggren and Thomas Nacher, "Why Good Ideas Go Bust," *Management Review*, February 2000, 32-36.



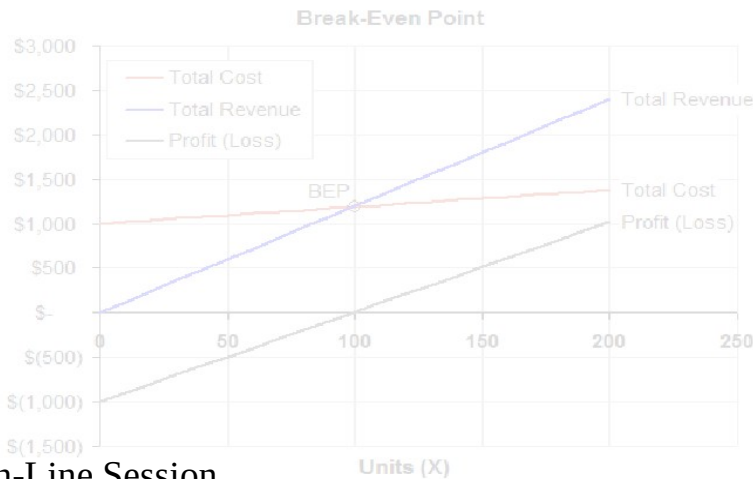
Q = Money Borrowed

# Branding, packaging, labeling

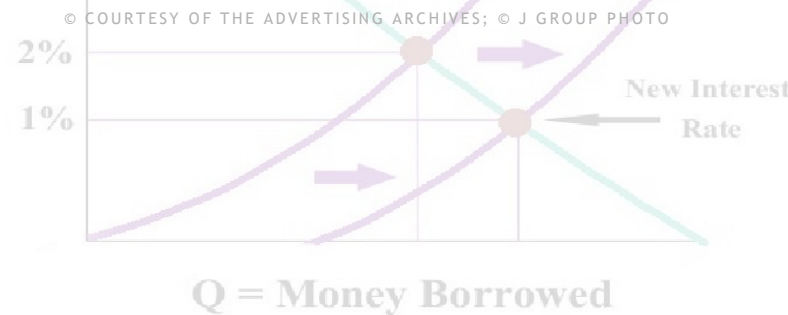
◆ Branding

◆ Packaging

◆ Labeling



Int  
R



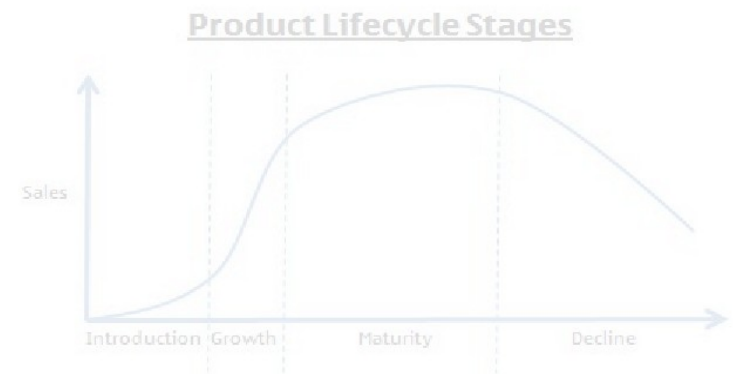
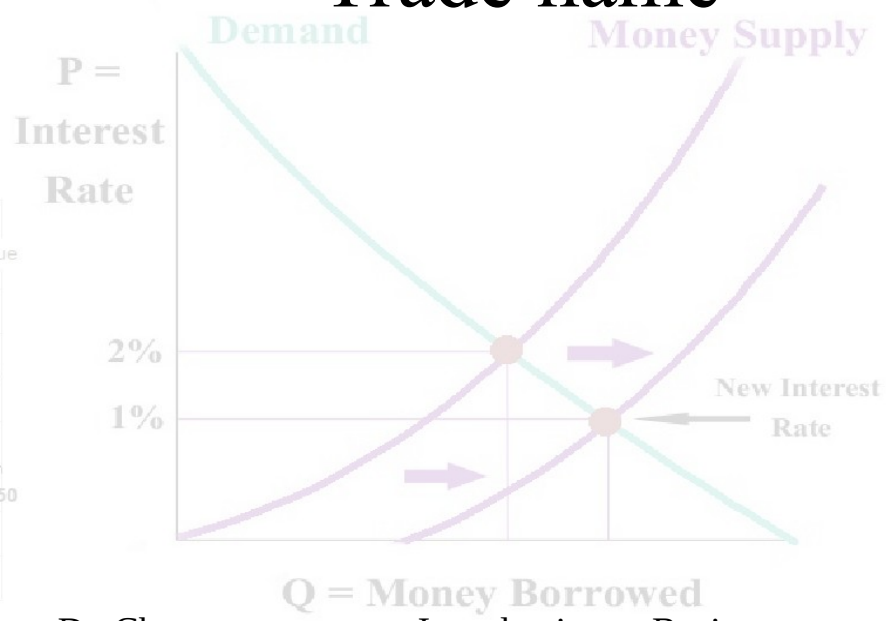
# Branding

➤ A name, term, symbol, design, or any combination of these that identifies a seller's products as distinct from those of other sellers

Brand name  
Trademark

Brand mark  
Trade name

## ➤ Brand



# Packaging

➤ Developing and providing a container with graphics for a product

➤ Functions of packaging

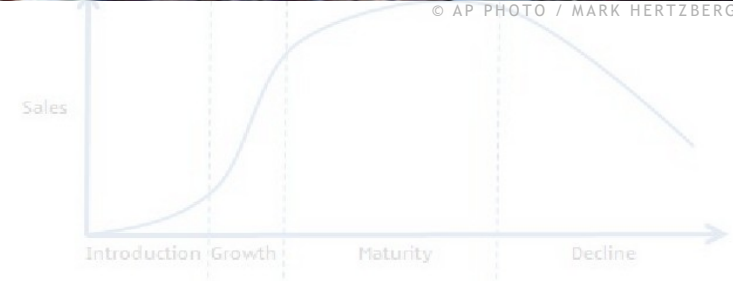
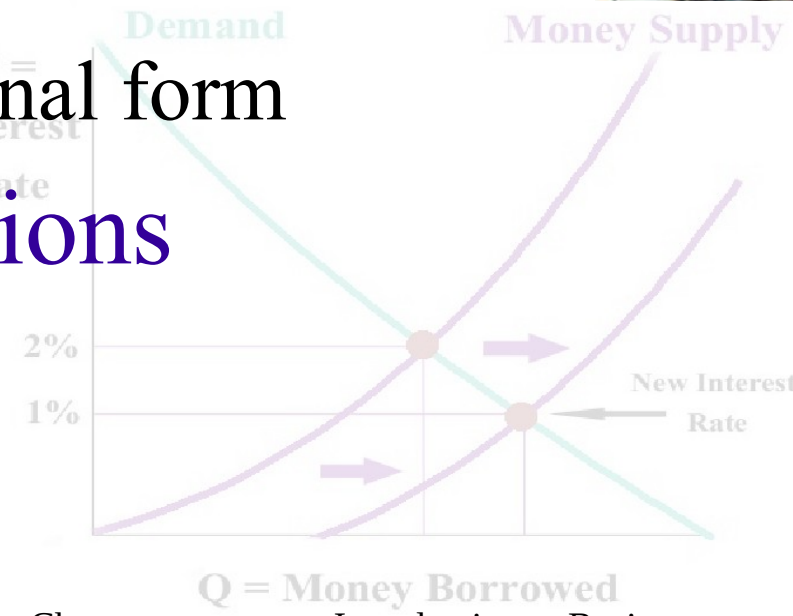
- ❑ Protect the product
- ❑ Maintain its functional form



© AP PHOTO / MARK HERTZBERG

➤ Design considerations

- ❑ Cost
- ❑ Promotional role

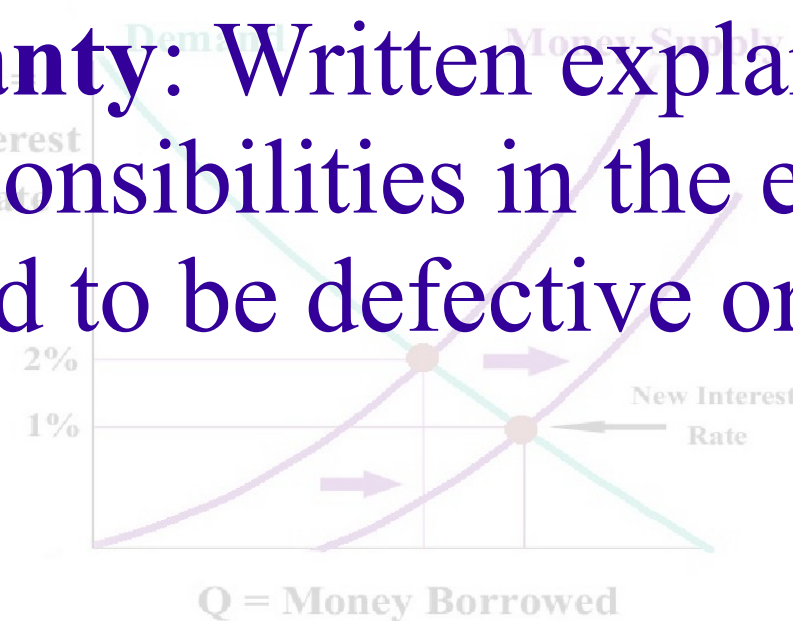
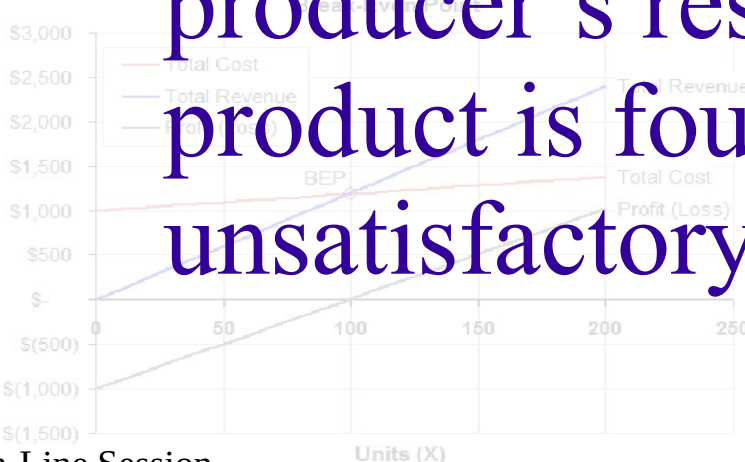
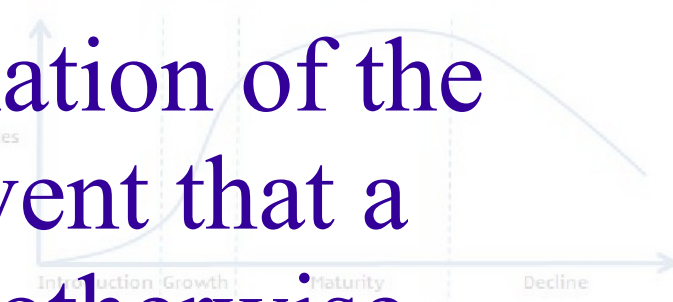


# Labeling

- Presentation of information on a product or its package
- Must include information specified by federal regulations
- **Express warranty:** Written explanation of the producer's responsibilities in the event that a product is found to be defective or otherwise unsatisfactory

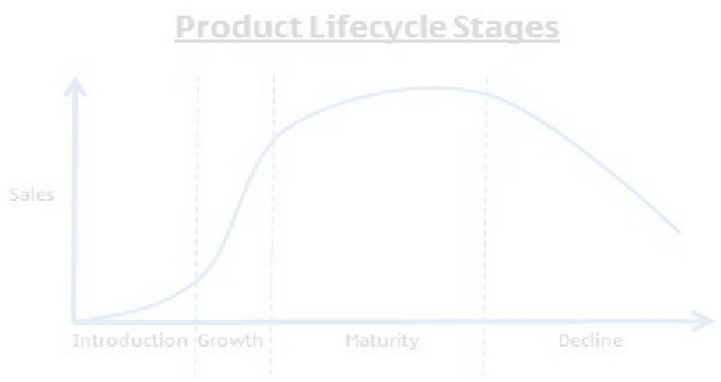
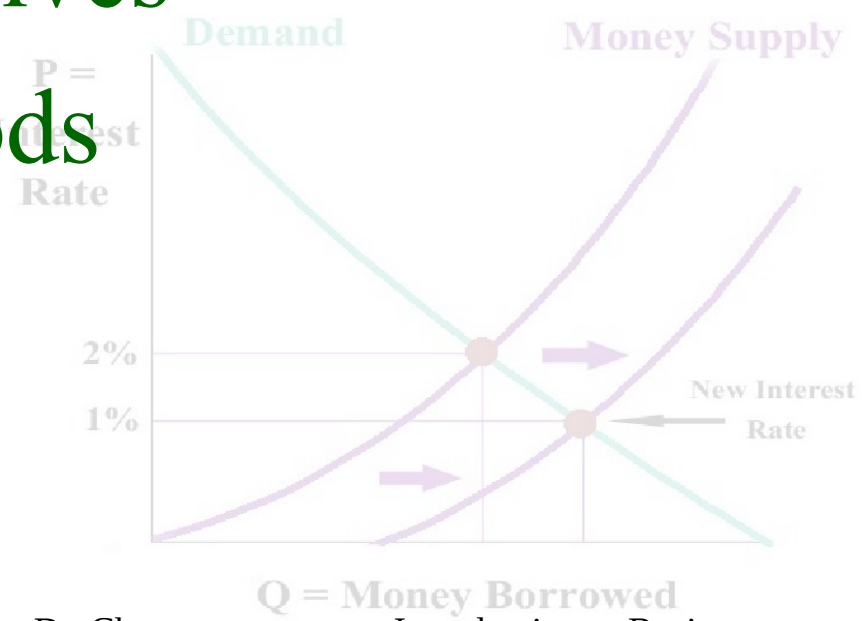
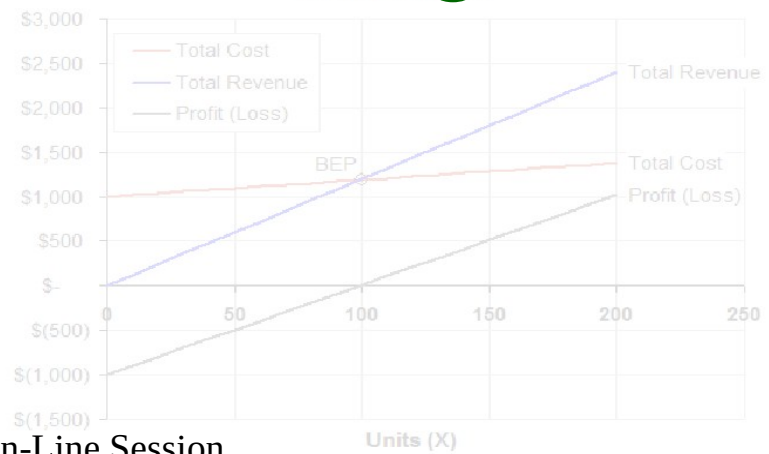


Product Lifecycle Stages



# Economics of pricing

- ◆ Supply and demand
- ◆ Price and non-price competition
- ◆ Perceptions of price
- ◆ Pricing objectives
- ◆ Pricing methods

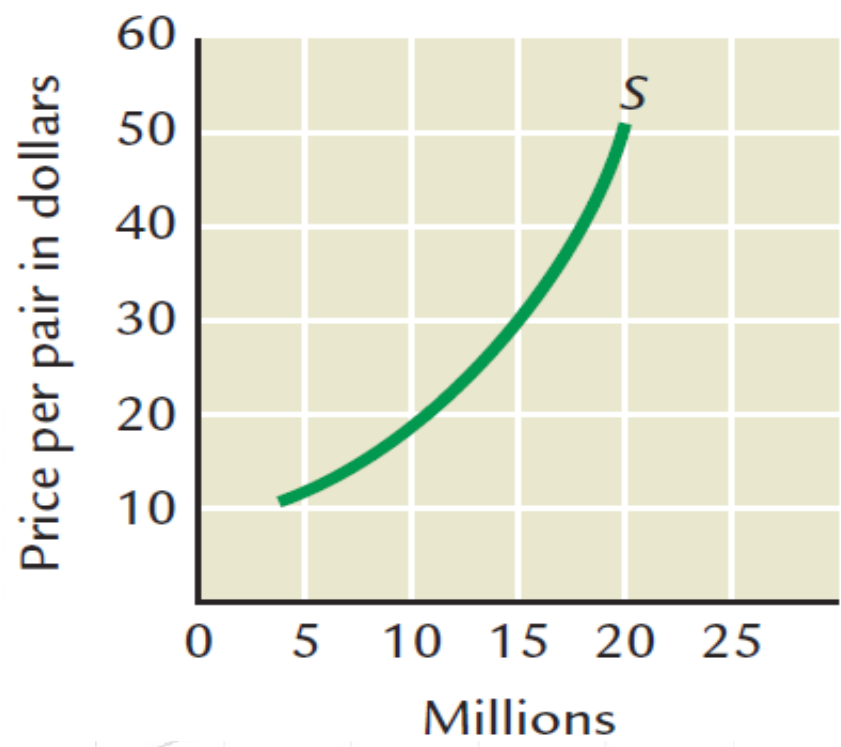




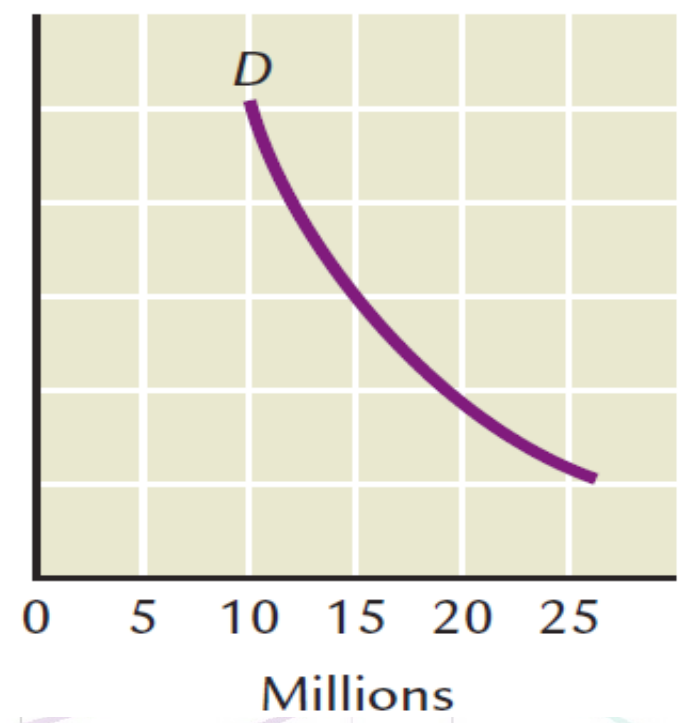
# Supply and demand

**Supply curve (left):** The upward slope means that producers will supply more jeans at higher prices. **Demand curve (center):** The downward slope (to the right) means that buyers will purchase fewer jeans at higher prices. **Supply and demand curves together (right):** Point *E* indicates equilibrium in quantity and price for both sellers and buyers.

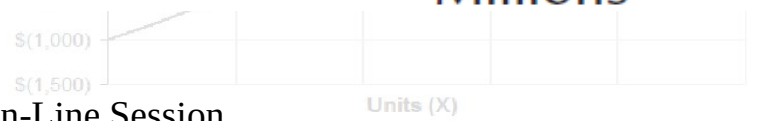
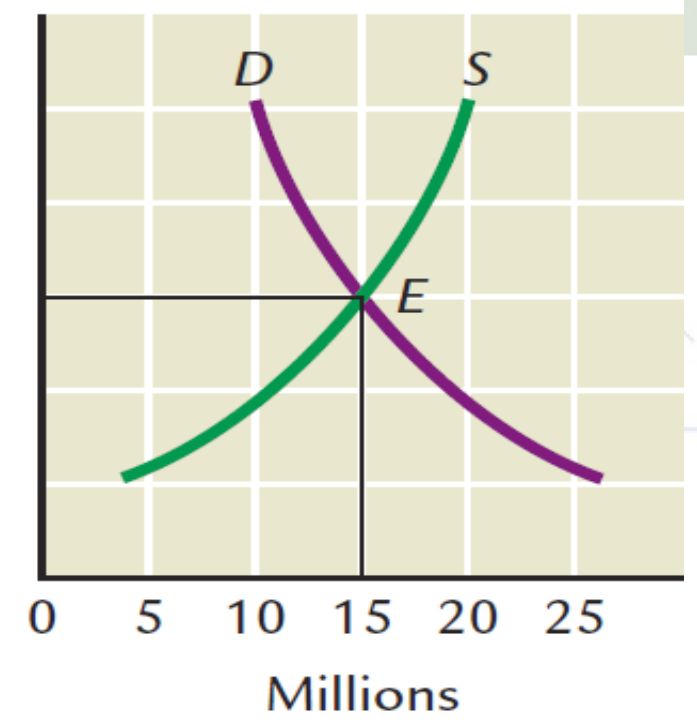
Quantity Supplied



Quantity Demanded



Quantity Supplied/Demanded



Q = Money Borrowed

# Price and non-price competition



## ➤ Price competition

Emphasis on setting a price equal to or lower than competitors' prices

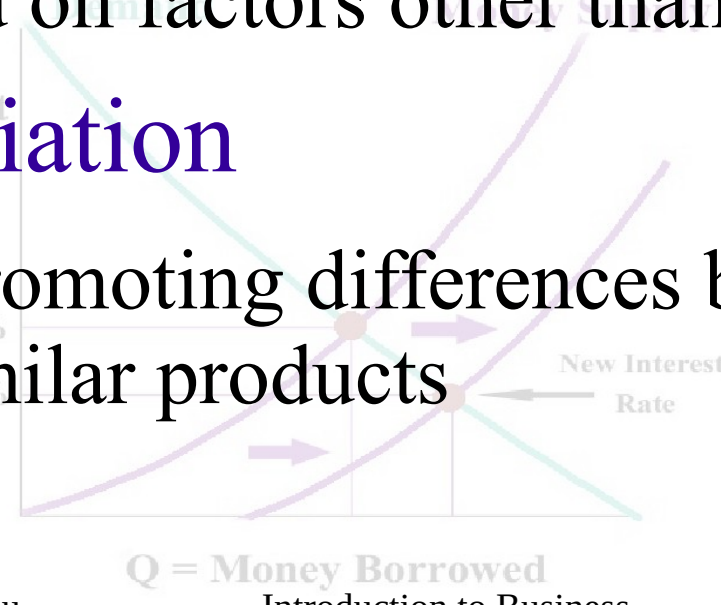
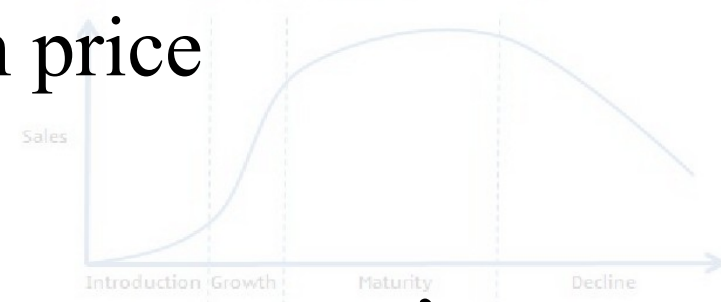
## ➤ Non-price competition

Competition based on factors other than price

## ➤ Product differentiation

Developing and promoting differences between one's product and all similar products

Product Lifecycle Stages



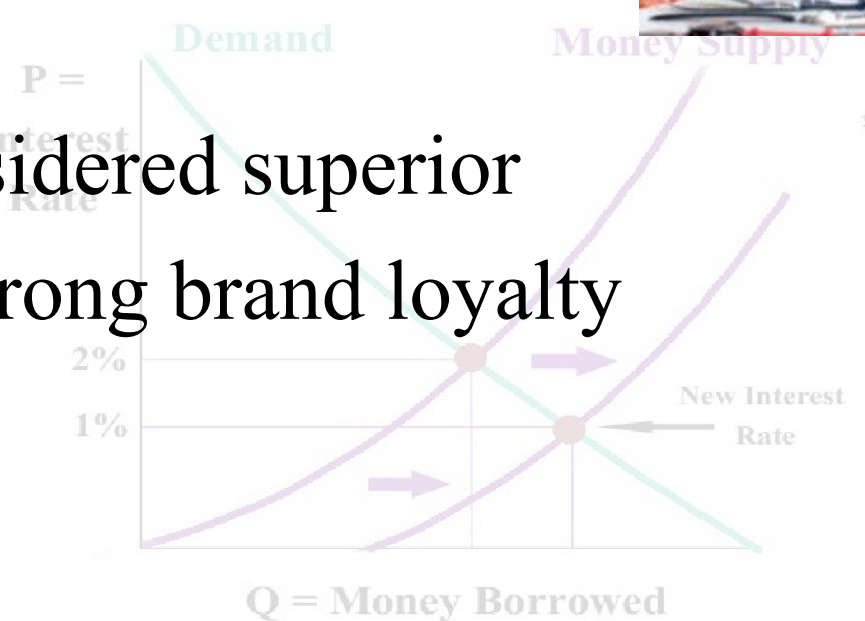
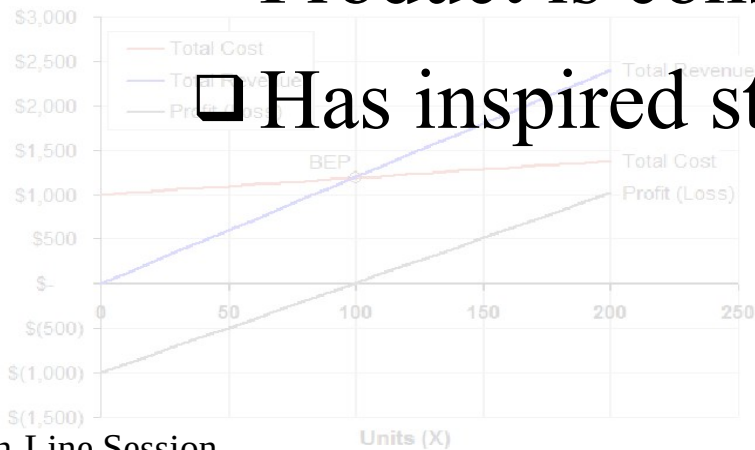
# Perceptions of price

- Buyers accept different prices for different products
- Premium price may be appropriate



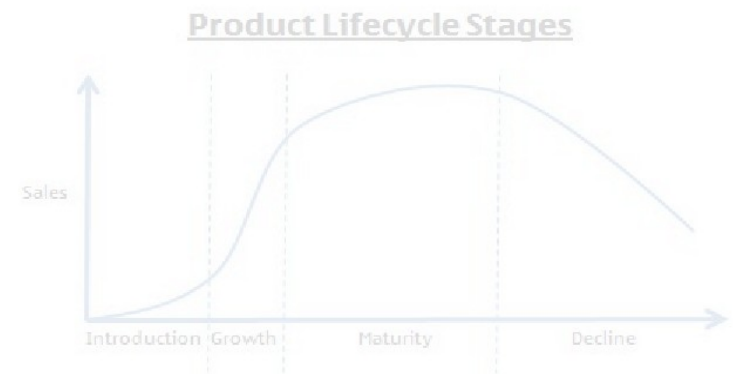
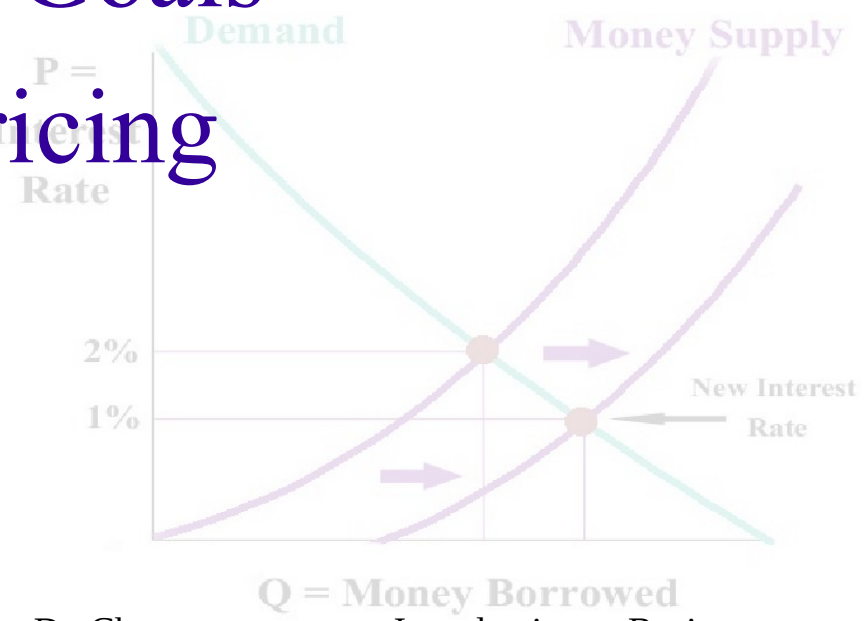
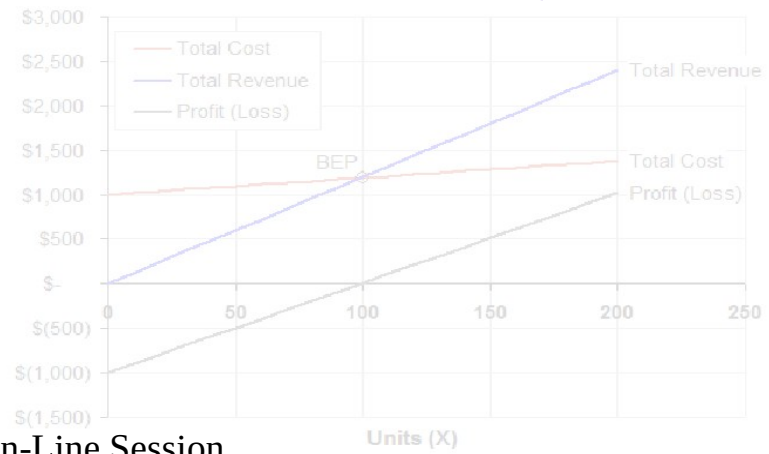
- ❑ Product is considered superior

- ❑ Has inspired strong brand loyalty



# Pricing objectives

- Survival
- Profit maximization
- Target return on investment (ROI)
- Market-Share Goals
- Status-Quo Pricing



# Pricing methods

## ➤ Markup

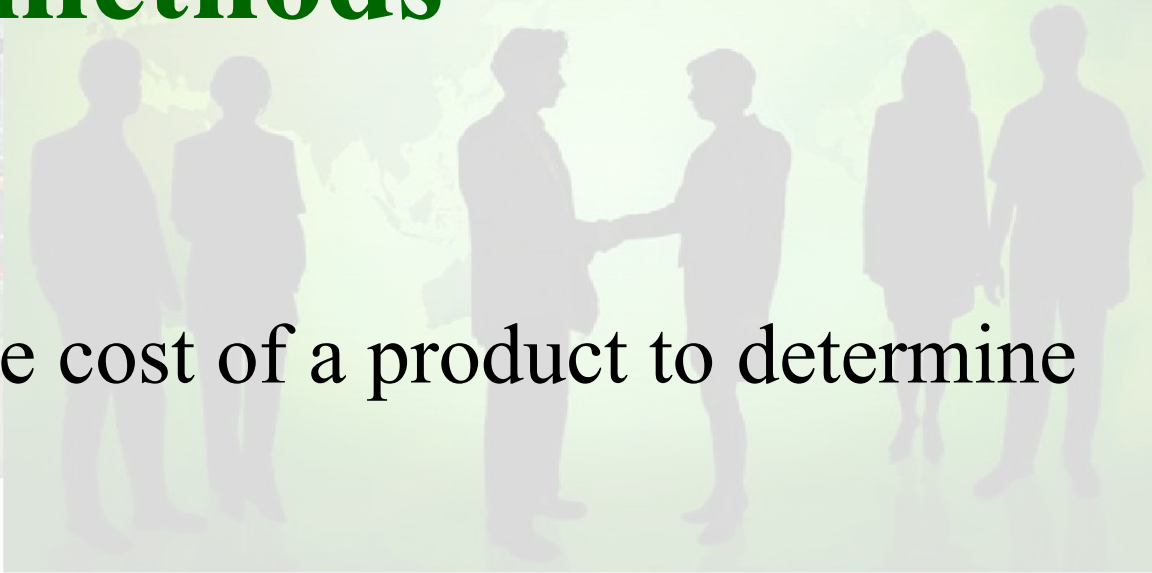
Amount a seller adds to the cost of a product to determine its basic selling price

## ➤ Low then high

Stimulate demand, generate acceptance, then look for profit later

## ➤ High then low

Initially will have monopoly, when competition arrive, lower price to maintain market share



Product Lifecycle Stages

