

Lesson n°03: product policy

Goals

Present the challenges of designing and managing a product. At the end of this lesson, the student will know the issues of product management during its life cycle, packaging design and product innovation in increasingly competitive markets.

Course plan

1. Product definition
2. The product life cycle and range
3. The packaging
4. The brand

1. Definition of the product offer

Let's start by giving a definition of the notion of "product":

"The product is a good or a service offered on the market in such a way as to be noticed, acquired or consumed in order to satisfy a need" (Kotler , Dubois 1997)

Any entity capable of satisfying a need or a desire: an object, a service, an activity, a place, a human being, an idea...

This definition is divided into two parts:

- The first part implies that it can be material goods (food, clothes, a computer, ...) as intangible services (insurance, television programs ...). It can also be a combination of both: a computer sold with a warranty.
- The second part highlights the objective of the product policy: "to satisfy a need or a desire" for the consumer. Indeed, what is important is not what companies think they produce, but what the consumer thinks he is buying, ie the value he attributes to the product.

The service offer has specific features that must be taken into account:

The service is intangible: it cannot be touched, it has no tangible attributes. Its evaluation is therefore very subjective. We are going to highlight the signs demonstrating the quality of service, it is indeed necessary to "make the intangible tangible" through communication.

The service is variable: Two people looking for the same service will never get exactly the same service (for example, it will not be the same hostess in the hotel). The service is therefore difficult to standardize and homogenize within a network.

The service is indivisible: the production, distribution and consumption of the service are simultaneous. The service does not exist without the presence of the customer. It can also be completely adapted to the customer.

The service is perishable: it cannot be stored, it is difficult to produce it in advance.

Classification of products

Products can be distinguished according to their target clientele: industry or consumers? The marketing policy will not be the same, the expectations of companies and consumers being different.

This is the classification of activities used by large service delivery groups, such as banks or software houses.

We can distinguish three levels of the product offer:

The intrinsic product: a sum of functions or benefits for the consumer.

The standard product: this is the product as found on the market. We will highlight a particular function of the product, a particular functional or symbolic benefit.

The global product: this is the standard product plus all the services associated with it in terms of warranty, credit, after-sales service.

2. The product life cycle and range

The theoretical curve

The life cycle curve is a tool for analyzing the sales of a product on a market: we thus follow the evolution of its sales from its introduction on the market until its withdrawal .

Theoretically, the sales of a product follow a bell curve:

In the introductory phase, when the product is launched, sales take off slowly, while the product settles on the market, is distributed in points of sale and becomes known. Profits are therefore often reduced or even negative due to the low level of sales and the importance of promotional and commercial launch expenses.

Then, we observe a phase of growth, where sales accelerate: the virtues of the product begin to make themselves known, the product meets its market, it is increasingly present in stores and visible. The investments pay off, but the first competitors arrive.

The pace of sales then stagnates: it is the maturity of the product, new, more competitive competing products may appear, the competition is getting tougher and tougher. The competition is price driven, and it's the 2 or 3 most competitive competitors that will stay in the market.

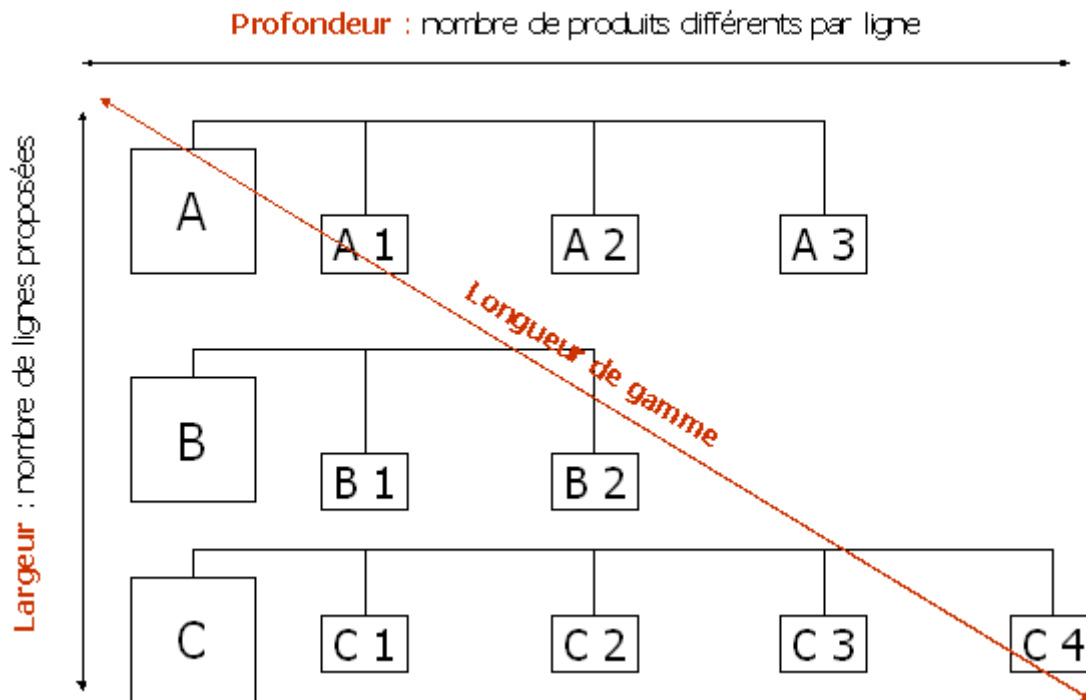
Then the product ages, is replaced by new ones. Its sales decline, until it is withdrawn from the market. Prices are generally falling in order to sell off inventory.

Range

The product range is characterized by 2 elements:

- **Their width:** the number of product lines offered.
- **Their depth:** the number of different products per line.

The range length corresponds to the total number of references in the product range (= width * depth). This is the total number of references marketed by the brand in the range.



Long range vs. short range ?

Offering a long range on the market allows the company to:

To distribute the risks: if a line of products does not work, we can make up for it on the others.

To increase the visibility of the brand on the market which thus covers several market segments.

To better meet the varied expectations of consumers.

Vertical range extension: example of Mercedes

Jacques Vabre extends its range upwards by launching "100% origin" tasting coffees : it extends its price range upwards, and thus reaches a new target of premium coffee lovers, less sensitive to price.

3 Packaging

Packaging plays a crucial role in the consumer's buying process. Indeed, when making their choice, the consumer is very often in contact only with the packaging. It is a medium to be favored which must imperatively stand out in overloaded shelves and with a consumer in a hurry who makes his choice on average in less than 10s! The purpose of this part is to explain to you what questions arise when creating packaging.

The products undergo three levels of packaging:

Primary packaging : this is the material envelope in direct contact with the product, which is also called "packaging".

Secondary packaging : it surrounds the packaging, which is also called "packaging". It has a physical role, it allows products to be grouped into purchasing units and it is an information medium. This is the level of packaging faced by the consumer when making their choice in-store.

Tertiary packaging : it groups the products into delivery units. These are the boxes, the plastic covers that cover the pallet of products.

The packaging primarily fulfills technical functions:

- Containing the product: this is obviously an essential role for liquid or semi-liquid products such as yoghurts... It is necessary to adapt the size of the packaging to the quantities consumed.
- Protect the product from cold, heat, light and shocks. It must make it possible to preserve the quality of the product and to ensure a perfect level of hygiene around the product.
- Facilitate the transport and storage of the product, for the producer and the distributor, but also the use of the product by the consumer.

Example

Contain the product: the marketing manager asks himself the following question: how many cookies inside should we put in a fresh bag? What is the most suitable portion for a child's snack: 2, 3, 4 or 5?

Protect: will glass preserve the taste qualities of my yogurt better than plastic? Cardboard will be stronger than paper for wrapping a chocolate bar.

Facilitate the transport and storage of the product: a handle on the milk bottles allows the consumer to pour milk without spilling it. Square shapes are preferred to round shapes because they are easier to organize on the shelves without wasting space.

1. Packaging marketing functions

In addition to its physical functions, packaging is a medium for the company that allows information about the product to be communicated to the consumer: it is a vector of meaning, of significance. Mainly, it fulfills 4 marketing functions:

- Identify the nature of the product: the identity of the product depends on its nature. It can correspond to a category of products (eg a biscuit) or a universe of consumption (a snack). It stems directly from the positioning strategy.
- Identify the brand: the brand is a strong source of identity for the product and also a source of differentiation; Through the inscriptions, a logo, a name, a color, the brand is highlighted on the packaging and allows the consumer to recognize it and to associate the product with the values that characterize it.
- Communicate the positioning: high-end, low-end, young, healthy, organic, etc. , as many positionings as possible (see lesson 3). The packaging must include all the codes (colors, shapes, character, etc.) that will communicate the chosen positioning to consumers.
- Being a source of innovation: packaging, by virtue of its functionality, can be a very rich source of innovation and differentiation for companies. Many innovations are based exclusively on new packaging (Pom'Potes , compotes in gourds; rice in cooking bags).

2. Packaging elements _

Several elements making up the packaging must be precisely determined:

shape, design , material, the colors, brand, logo, label .

Example

The nature of the product:

yellow : lemon for Bonne Maman biscuits.

on the chocolate market, red: dark chocolate, blue: milk chocolate.

milk market , red: whole milk, blue: semi-skimmed milk, green: skimmed milk.

Packaging trends

Beyond these practices, we can identify four major current trends in packaging:

Practicality and nomadism

The originality of forms

The sensory

Art, nostalgia, ecology and information

4. The brand

At the origin of the brand, there is a product: the first product that will bear the name of the brand. Thus at the start, the advertisement praises the superiority of the new product under an unknown name. But, over time, the new product is imitated and must be replaced by a new, more efficient product, inheriting the reputation and notoriety already acquired by the already existing brand name. Then it is the brand that guarantees the value of the product. The products therefore change, but the brands remain.

1. The main issues of brand management

Why care about brands?

because brands influence the consumption behavior of individuals

because some brands have existed for several decades and are part of French cultural heritage (Guerlain, Suchard, LU, Banania , etc.)

The brand has several ways to exist on the market and to express itself:

Its name: the brand is a name that we will affix to the product. Its choice is strategic insofar as it is determined from a long-term perspective.

Its identity elements: the brand exists on the market through its identity elements that the consumer will recognize and associate with it: its visual identity (its logo), its auditory identity (the sounds, noises associated with it) and its olfactory identity (odors) that it conveys).

His slogan and his signature: they are easily recognizable and identifiable. The coherence between all these identity elements contributes to forging a strong brand identity, which helps establish the brand's positioning on the market.

2. The process of creating a brand name

Brand name creation agencies generate brand evocation territory from:

brainstorming : research by association of ideas, based on the nature of the product, the history of the company and its existing brands, with a team of creatives, generally international.

surveys : focus groups with expert consumers,

software : software that randomly or systematically combines words, syllables, groups of letters.

We draw up the list of possible names, we refine the list internally, we test the possible names with consumers: evocation of the name (what is its meaning, its semantics in the minds of consumers?), approval (to what extent is appreciated?), memorization (does it make an impression, is it easy to remember?, etc.). In the end, there remains a list of 3, 4 to 10 possible names: it is generally the senior executives who decide.

Brand names should have several qualities. The brand name must be:

available : the brand name must be legally sound, that is to say not registered and likely to be registered in all countries that may one day become markets. The adopted mark does not infringe prior rights. It is not possible to register common names. The name, like the graphics, must be lawful (it is not possible to appropriate acronyms such as the red cross emblem, signs contrary to public order or morality, and finally brand names likely to mislead the public - e.g. "like at home" for a brand of jam).

significant (suggest): the brand name must clearly express the benefits of the product or service and define a specific identity, its own personality, an exclusive territory. The brand is an element of the mix which must contribute to positioning the product on the market.

original (stand out): the brand name must be original, unless the objective of the company is to create confusion with a me- too product . The average consumer is solicited daily by several hundred brands. Only the brand that astonishes, that thinks outside the box, that has impact has a chance of being seen and can allow rapid identification. A banal brand sows confusion, has legal drawbacks, makes it difficult to create its own identity.

easy to remember (noticeable): in France and abroad, the brand name must be easy to remember to facilitate the attribution of the communication to the brand. Generally, we choose short names, easy to pronounce but we can also play on the complexity. Indeed, we cannot establish a rule: a name that is long and difficult to pronounce can make it possible to differentiate oneself from the competition and therefore to be easily remembered.

The brand must not confine the product, in a time (what will become of the brand in the short, medium and long term?), in a geographical space (it must take into account cultural specificities) or in a category of products because the company may eventually need to diversify its activity.

3. The role of the brand in consumer behavior - brand image

A consumer is sensitive to brands if, when making his choice, he asks himself the question “what is the brand of this product?”. We also talk about sensitivity to price, to promotions... It's an individual and situational variable: it depends on people and situations. Some people will be more sensitive than others and the same person may be more or less sensitive to brands depending on the purchasing situation in which they find themselves. For example, depending on the type of products or whether it is a purchase for her or to offer.

The image is “a set of brand associations” grouping together functional, symbolic attributes, benefits or attitudes that the consumer associates with the brand.

4. Brand strategies

Product brand:

The company gives each of its products a different brand name. This strategy makes it possible to give a different positioning to each of the products.

Brand – range:

This strategy consists in associating under the same name and the same promise a set of homogeneous products. The same nature of products ensures consistency in the brand strategy. The brand-range sometimes results originally from a brand-product on which, once well established on the market, we practiced range extensions.



Findus: example of a brand-range strategy

Brand – umbrella:

Refers to a brand name under which a heterogeneous set of products is marketed. This is the so-called "Japanese-style" strategy because it is the strategy used by Japanese companies such as Honda (motorcycle, car, lawn mowers), Yamaha (motorcycle, piano, guitar), which differentiates it from the brand-product strategy, American-style strategy, used by American detergents such as Procter and Gamble .



Amora : example of an umbrella brand strategy

Brand – deposit:

The surety mark gives endorsement to a wide and diverse set of products by covering a range of brands. The promise of the mother brand is so well known that it serves as support for other brands whose image is less strong. The surety mark (parent mark) supports the guarantee function; the personalization functions and even the fun function are provided by the daughter brands.



Danone: example of a brand-guarantee strategy

Lu endorses the daughter brands Prince (Prince de LU), Barquettes or Petit Ecolier. Johnson endorses Pliz , Fairy of the house, Wizard , Canard WC. This is also the case of Nestlé or Danone.

Example

Product brand:

The Accor group gives a different name to each of these types of hotel : Sofitel, Novotel, Mercure, Ibis, F1. Procter and Gamble markets detergents under the brand names Ariel (which claims to be the best detergent on the market), Vizir (first liquid detergent), Dash (best value for money), Bonux (the only hand and machine detergent) and on the soap market with Camay (seduction soap), Zest (toning soap) and Monsavon (natural family soap).

Brand – range:

Findus covers all the frozen products marketed by the company, Skip on the detergent market with Skip powder, Skip liquid, Skip tablets.

Brand – umbrella:

Mars (chocolate bars, cereals), Taillefine (water, yoghurts and biscuits) or Amora (condiments, sauces, mustard).

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