

Chapter 7-8

## Product Strategy



DINH Tien Minh (Ph.D.)

### Objectives



- 01 Understanding the meaning of an industrial product.
- 02 Know the factors influencing changes in product strategy.
- 03 Learn product life-cycle theory and its applications.
- 04 Understand steps involved in developing product strategies..
- 05 Learn branding in business market.

# Content

- 01 Definition of an industrial product
- 02 Changes in product strategy
- 03 Industrial product life-cycle and strategies
- 04 Developing product strategies



## 1. Definition of an industrial product

01

### ❖ Definition:

The industrial product is defined not only as a physical entity, but also as a complex set of economic, technical, legal and personal relationship between the buyer and the seller.

*Nguồn: Webster F.E., Jr., Industrial Marketing Strategy, John Wiley & Sons, 2nd edition, p. 106.*



# 1. Definition of an industrial product

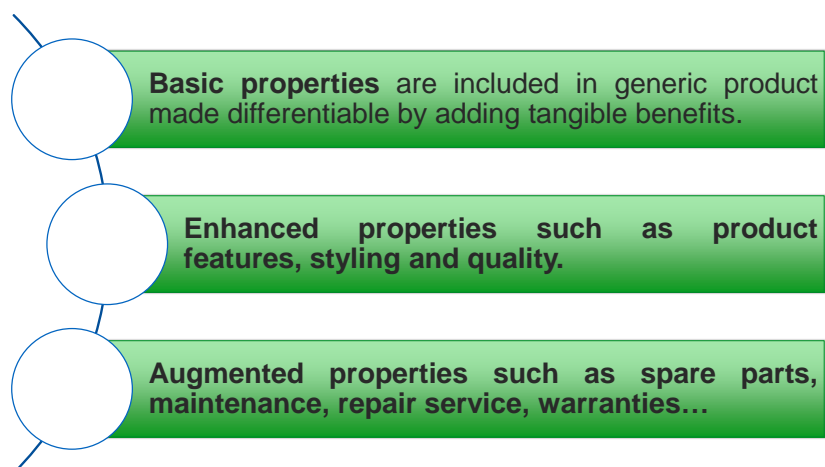
## ❖ Example of an industrial product:

- Product: Moulded Case Circuit Breakers.
- Economical side: Price
- Technical side: Specifications
- Legal side: If the supplier delays delivery.
- Personal relationships between itself and the suppliers.



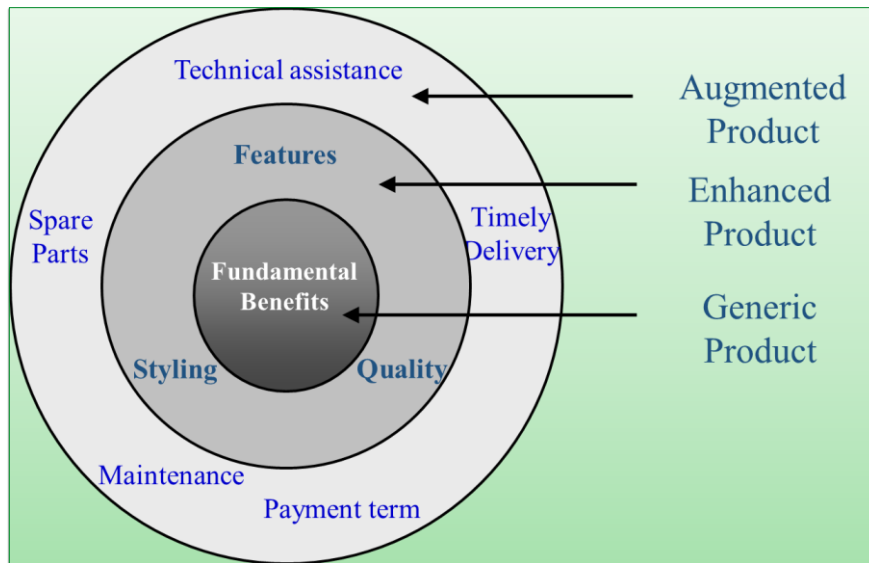
# 1. Definition of an industrial product

## ❖ From the customer's point of view, a product is a combination of:



# 1. Definition of an industrial product

01



# 1. Definition of an industrial product

01

An industrial marketer should be aware of what constitutes a total product package in the mind of prospective customers

(Tangible and Intangible Benefits)

GIVE US AN EXAMPLE?

# 1. Definition of an industrial product

## ❖ Example of an industrial product:

- Product: Diesel Engines.
- **Tangible benefits:** Product quality (less noise, simple or easy operation).
- **Intangible benefits:** Availability of Spare parts, Technical assistance, Training



# 2. Changes in product strategy

The product is variable  
The product strategy is flexible.

**GIVE US SOME REASONS THAT  
MAKE THE PRODUCT  
STRATEGIES CHANGE!**



## 2. Changes in product strategy

02

❖ Factors demanding changes in product strategy:



### Customer's needs:

- Monitor continuously changes of customer's needs and continue to satisfy by making changes in its products.
- **Example:** Increase of cost of land used for storing raw material, the firm's need have changed for vertical stacking from 2m to 6m height in order to save space and money.



### Technology:

- The change of technology can require either the product modification or make existing product obsolete
- **Example:** The jelly filled telecom cables are getting replaced by fiber optic telecom cables.

## 2. Changes in product strategy

02

❖ Factors demanding changes in product strategy:



### Government's policies or laws:

- **Example:** Government issues orders for banning the use of wood for window, door and partition frame and recommends the use of steel and aluminum frames in order to save natural environment.



### Change of PLC:

- In order to maintain growth in sales and profits, the industrial firms decide to drop, or modify, or develop new (substitute) products when existing products reach "maturity" or "decline" stages in PLC.

### 3. Industrial PLC and Strategies

Tell us whatever  
you know about the  
PLC?

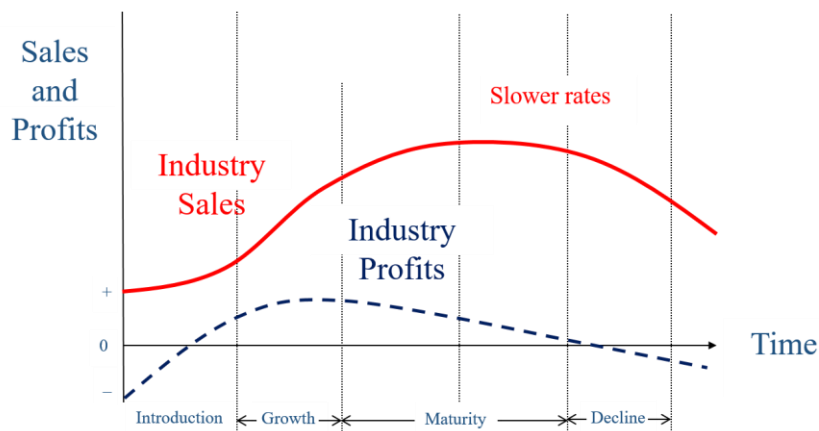


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### 3. Industrial PLC and Strategies

❖ A General Model of the PLC:



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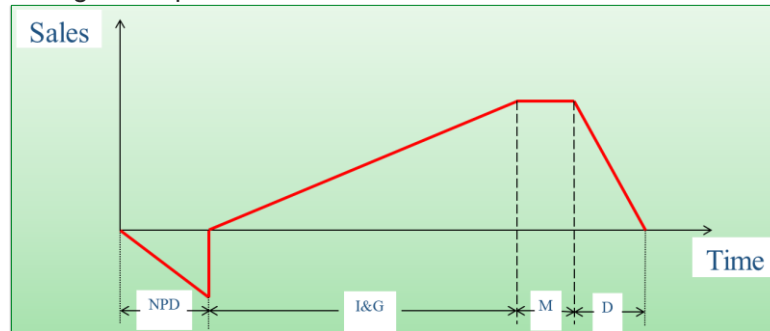
Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p166.



### 3. Industrial PLC and Strategies

03

#### ❖ The PLC for High-tech products:



NPD = New Product Development cost and time are high

I&G = Introduction and Growth period are long

M = Maturity period is very short (rapid change in technology)

D = Decline period



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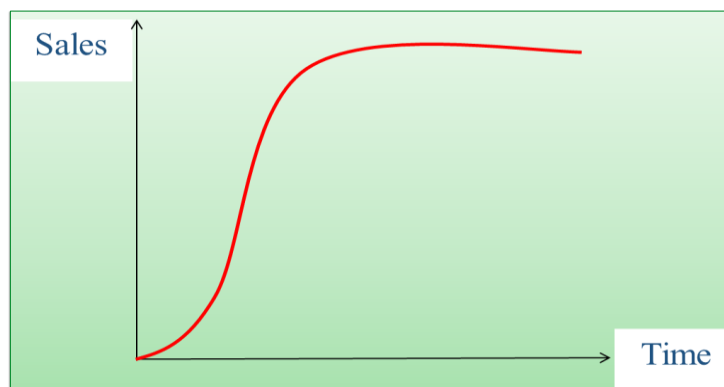
Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p167.



### 3. Industrial PLC and Strategies

03

#### ❖ The PLC for Commodity products:



The demand remains relatively inelastic, especially in monopolistic market.

The sales does not experience a decline due to the absence of competition.



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Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p167.





### 3. Industrial PLC and Strategies

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❖ Three factors affecting to the behavior of the PLC:

Changing the needs of customers.

Changes in technology.

Changing competition.



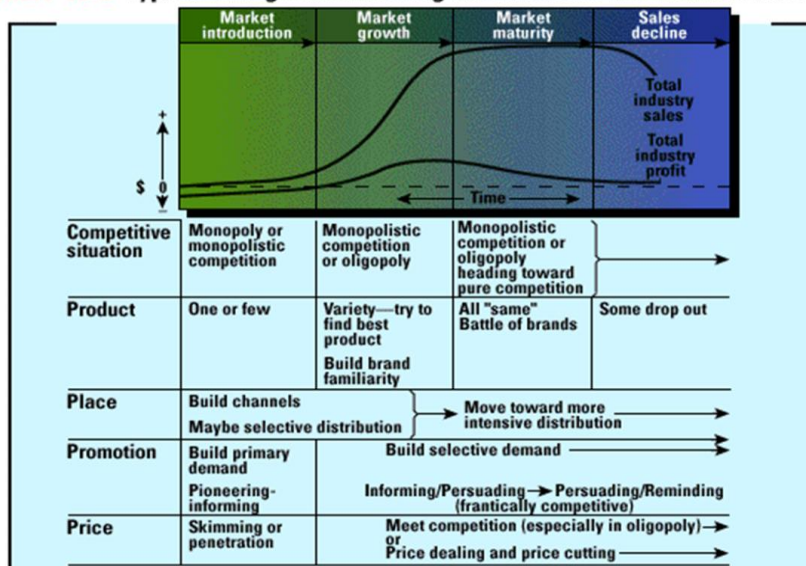
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### 3. Industrial PLC and Strategies

03

**EXHIBIT 10-3 Typical Changes in Marketing Variables over the Product Life Cycle**



## ❖ Application of PLC theory to Marketing strategies

03

### What will we do?

- Improve product design (benefits, features to cover wider segments of the market).
- Improve distribution (stronger availability).
- Reduce the price as increased volume of production (economies of large scale).

Example: In India, with additional feature like camera and increased number of dealers, LCD projector prices were reduced.

### Price competition is more severe, the strategy adopted is to either:

- Withdraw the product from the market.
- Develop a substitute product.
- Reduce marketing and other expenses.

Example: The decline tends to proceed rapidly since new technologies make established products obsolete.



### What should we do?

- Some products get accepted rapidly, the marketing strategy should be evolved to meet intense competition.
- For slowly accepted product, marketing strategy should concentrate on market development efforts.

Example: Hand-held electronic calculators replaced mechanical calculators in a very short time

### What should we think of?

- Enter new market.
- Keep the existing customers satisfied.
- Cut Marketing, production and other costs to maintain profit margins.

## 3. Industrial PLC and Strategies

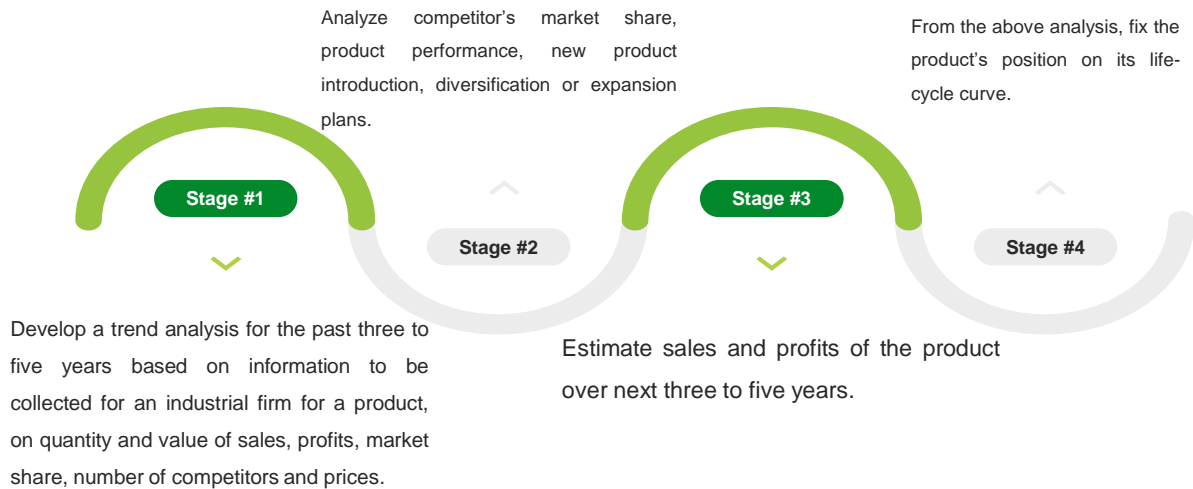
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But how to locate industrial products in their life cycle?



## ❖ Locating Industrial Products in their Life Cycle

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**Example:** Trend of Motobike industry in VN

## 4. Developing Product Strategies

04

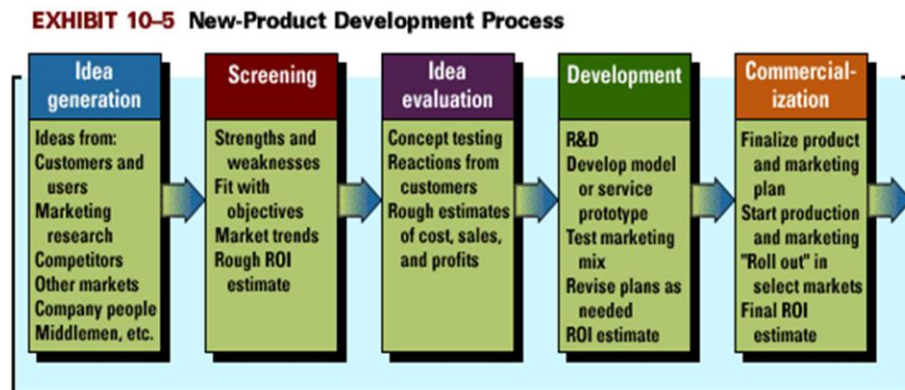
### ❖ What are called new product?

1. Innovative and new to the world.
2. New to the company, but not new to the market.
3. Revisions or improvements to the existing products in the existing markets.
4. Addition to the existing product lines with additional markets.
5. Repositioning existing product to new market segments.

## 4. Developing Product Strategies

04

❖ New product development process?



Adapted from Frank R. Bacon, Jr., and Thomas W. Butler, *Planned Innovation* (Ann Arbor: University of Michigan Institute of Science and Technology, 1980).

## 4. Developing Product Strategies

04

❖ For the existing products, the following steps should be taken:

**Step 1:** Evaluate the performance of all the existing products by using Product Evaluation Matrix (PEM).

## 4. Developing Product Strategies

04

### Product Evaluation Matrix

<div>Company Sales Profitability</div> <div>Industry Sales Market Share</div>		Decline			Stable			Growth		
		Below Target	Target	Above Target	Below Target	Target	Above Target	Below Target	Target	Above Target
Growth	Dominant									
	Marginal									
	Average									
	Dominant									
Stable	Marginal									
	Average									
Decline	Dominant									
	Marginal									



Nguồn: Developed by Yoram Wind and Henry Claycamp – Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p170.



## 4. Developing Product Strategies

04

❖ For the existing products, the following steps should be taken:

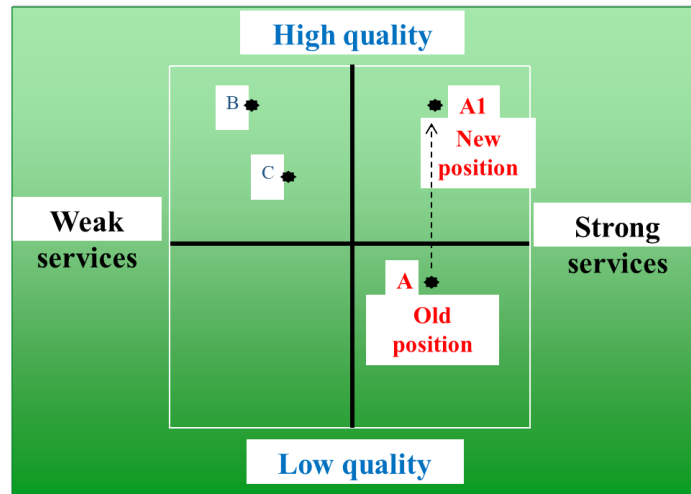
**Step 2:** By using Perceptual Mapping (PM) technique, examine the relative strengths and weaknesses of the company's products in comparison to competitors' products.



## 4. Developing Product Strategies

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### Perceptual Mapping Technique



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Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p171.



## 4. Developing Product Strategies

04

### ❖ Product Elimination:

Dropping the product or product line is one of the most controversial decisions because many stakeholders are threatened by this decision. A firm should therefore consider the following factors:

- Is there a new product to replace the eliminated one?
- Will the consumer relationships be affected?
- Will the sales of other products get affected?
- Will the company's image be affected?
- What will be the possible competitive reactions?



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Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p172.



## 4. Developing Product Strategies

04

❖ For the existing products, the following steps should be taken:

**Step 3:** Based on the above analysis, decide the product strategies:

- Maintain or continue the products and its strategies.
- Modify the product and/or change the mkt strategies.
- Eliminate or drop the product or the product line.
- Add new products or new product lines



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### SO SÁNH NHÂN TỐ CHIẾN LƯỢC SẢN PHẨM GIỮA HÀNG TIÊU DÙNG & HÀNG CÔNG NGHIỆP

Nhân tố	Thị trường tiêu dùng	Thị trường công nghiệp
<b>Tầm quan trọng Sp trong marketing mix</b>	Quan trọng song đôi lúc bị che khuất bởi giá và khuyến mãi	Rất quan trọng, đôi lúc quan trọng hơn nhiều so với các thành phần khác trong Marketing mix.
<b>Nhu cầu</b>	SP được thiết kế để thỏa mãn nhu cầu của người tiêu dùng trực tiếp	SP cần được chú ý đến nhu cầu gián tiếp & nhu cầu liên hợp bên cạnh nhu cầu trực tiếp.
<b>Người mua/ người dùng Sp</b>	Người mua và người dùng thường là một	Người mua và người dùng thường không phải là một, không trong cùng một phòng chức năng.
<b>Các đặc tính Sp</b>	Chung chung, ngay cả với SP lớn	SP thường được thiết kế theo quy cách của KH công nghiệp.
<b>Vòng đời Sp</b>	Thường ngắn do sở thích, thời trang, thay đổi kỳ vọng người tiêu dùng	Thường dài hơn, đặc biệt đối với SP công nghiệp truyền thống, nhưng ngắn hơn SP kỹ thuật cao.
<b>Các hoạt động hỗ trợ Sp</b>	Quan trọng đối với vài SP lớn, nhưng đối với thứ khác thì không	Thường rất quan trọng vì KH công nghiệp đề cập đến sự hỗ trợ trong các đặc trưng mua hàng.
<b>Đóng gói</b>	Vừa để bảo vệ, vừa để chiêu thị	Đóng gói để bảo vệ là chính, rất ít quan tâm đến chiêu thị.

# KẾT THÚC



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