

*Note: This is the text-only version of this week's lecture.*

All media (i.e. videos, flash presentations, and PowerPoints) and learning activities (i.e. assigned readings, assignments, and discussions) are accessible only through the online course.

## **Week 4: Shaping the Market Offerings**

### **Overview**

*Log in to the course to view video and alternative version.*

Click the link below to access a transcript of the video.

[Video Transcript](#)

### Week 4 Learning Activities

The following table summarizes all the learning activities for Week 4. You are required to complete all the activities listed here.



The points for the assignments are included in the table below. Discussion participation makes up 30% of your overall grade. You are welcome to ask your instructor at any time about your performance in the Discussions.

Learning Activity	Description	Due Date	Points
<b>Reading 1</b>	Chapter 9: Setting Product Strategy and Introducing New Offerings  <i>PV Technologies, Inc.: Were They Asleep at the Switch?</i> (HBS 913-505)	Complete by end of Day 1	~
<b>Reading 2</b>	Chapter 10: Designing and Managing Services  Shankar, Venkatesh, Leonard L. Berry, and Thomas Dotzel. (2009). "A Practical Guide to Combining Products + Services." Harvard Business Review 87(11): 94-99.	Complete by end of Day 3	~
<b>Week 4 Article Discussion</b>	<i>A Practical Guide to Combining Products + Services</i>	Post by end of Day 3 Respond by end of Day 4	30
<b>Reading 3</b>	Chapter 11: Developing Pricing Strategies and Programs	Complete by end of Day 4	~
<b>Week 4 Case Report</b>	<i>PV Technologies, Inc.: Were They Asleep at the Switch?</i>	Submit Report through Turnitin by the end of Day 5	30

<b>Week 4 Case Discussion</b>	<i>PV Technologies, Inc.: Were They Asleep at the Switch?</i>	Post by end of Day 6 Respond by end of Day 7	20
<b>Week 4 Assignment 1</b>	Pricing Assignment	Submit by end of Day 7	40
<b>Week 4 Study Quiz</b>	Optional Weekly Quiz	~	~
<b>Final Project Status Report #2</b>	Complete Final Project Status Report #2 (optional) Learn how to set up a marketing plan	Complete by end of Day 7	~
<b>ProctorU Scheduling</b>	Schedule exam time with ProctorU at least 72 hours before the exam.	Day 7	~

All assignments are to be submitted through the **Assignments** area of the course. Similarly, all discussions can be accessed in the **Discussions** area.

## MKTG 6200 Discussion Board

If you have a general question for your classmates, feel free to post it to the Discussion Board and the instructor will post a response.

You can also use this discussion to post your insights with regards to the questions posed by the course. Start your post by introducing the question you will be discussing.

## Lesson 1: Setting Product Strategy and Marketing through the Life Cycle

### Lesson 1 Learning Objectives

After completing this lesson, you should be able to:

- Know what a product is and its components.
- Understand the elements of the consumer-adoption process.
- Understand the eight stages of the new product development process.
- Understand the concepts and stages of the product life cycle.
- Know how to relate a marketing strategy to the different stages of the product life cycle.

### Reading 1 (Complete by end of Day 1)

- **Chapter 9:** Setting Product Strategy and Introducing New Offerings

### Course Pack

- *PV Technologies, Inc.: Were They Asleep at the Switch?* (HBS 913-505)

### Chapter 9 Presentation

PowerPoint slides for this chapter can be found in the presentation below and will be used to discuss the text material. The PowerPoint slides are **not** intended to cover all the materials in the textbook. It is very critical that you read the chapter completely and be familiar with the key issues from the chapter.

Notes explaining the information on the slides are provided in the notes section of each slide. You can also listen to a voiceover narrating the text.

A downloadable copy of the PowerPoint slides used is available below the presentation.

*Log in to the course to view presentation and alternative version.*

[Alternate Version](#)

### The Product-Service Continuum

Scroll over the Product-Service continuum below to view an example of each item in the continuum.

*Log in to the course to access interactive course content and alternative version.*

[Alternate Version](#)

## The Product Line

Let's look at the Cheerios product line, which is a subset of the General Mills breakfast cereals product line, to determine the differences between width, length, and depth. Click on the Cheerios box to see an explanation of the differences.

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## The Product Life Cycle (PLC)

Click on the play button to begin viewing the presentation.

*Log in to the course to view presentation and alternative version.*

Click the link below for the audio transcript for the presentation

[Audio Transcript](#)

## Key Words List #1

**Augmented Product** - A product that includes features that go beyond consumer expectations and differentiates the actual product from its competitors' products.

**Actual Product** - Specifically what the product is, including the brand name, its features, quality, and packaging.

**Beta Testing** - When a firm enlists consumers to use a "yet-to-be introduced" product in order to acquire their feedback.

**Compatibility** - The degree that an innovation is perceived to be consistent with the existing values and past experiences of potential adopters.

**Complexity** - The degree to which an innovation is perceived as difficult to use or to learn to use.

**Concept Development** - Process of developing a product idea into a possible product that the company might offer to the market.

**Concept Testing** - Involves presenting the product concept to appropriate target consumers and getting their reaction. The concepts can be presented symbolically or physically.

**Consistency** - How closely related product lines are to each other in terms of end-use, product requirements, and distribution channels.

**Core Benefit** - The fundamental service or benefit that the customer is really buying. Marketers must see themselves as benefit providers.

**Cost Reductions** - New products that provide similar performance at lower cost.

**Depth of a Product Line** - Refers to how many variants of each product are offered in a product mix.

**Discontinuous Innovation** - Innovations that require a major change in the way a consumer would use a similar product. You can also think of this as when there is no continuity between the new technology and the way the old technology was used. Think of mobile phones: Not only do they allow consumers to use phones on the go, but they also are sold differently than the land-line phone service your parents may have had in their home. In this case, both consumers and marketers had to face discontinuities when mobile phones were introduced to the marketplace.

**Early Adopters** - People who become regular users of a product before the majority of consumers in a market.

**Early Majority** - The third identifiable subgroup within a population that adopts an innovation. They are preceded by early adopters and innovators. The early majority like to await the outcome of the product trial by the two earlier groups, yet are not as slow to adopt it as the next two groups, the late majority and the laggards.

**Idea Generation** - The first step in the new product development process which starts with the search for ideas. New-product ideas can come from interacting with others and from using creativity-generating techniques.

**Idea Screening** - The second step in the new product development process which screens out weaker ideas because product development costs rise substantially with each successive development stage.

**Improvements** - New products that have small incremental changes that improve the existing product.

**Incremental Innovations** - Products with small incremental changes to existing products. These changes may be improvements or new features. For example, many cell phones now come with cameras. The addition of this feature to the cell phone would be considered an incremental innovation.

**Innovators** - Consumers who are first to adopt a new innovation because of their interest in technology and change.

**Laggards** - Customers who are uncomfortable with change and anything new, and hence, are the last to adopt new innovations.

**Late Majority** - The fourth (and largest) group of users to adopt an innovation.

**Length of a Product Line** - Refers to the total number of items in the product mix. Companies seeking high market share and market growth will carry longer lines and companies emphasizing high profitability will carry shorter lines of carefully chosen items.

**Test Marketing** - Introducing a new product to the market under a trial run. In testing consumer products, the company seeks to estimate four variables: trial, first repeat purchase, adoption, and purchase frequency. The company hopes to find all of the variables at high levels.

**Product Mix (or Product Assortment)** - The set of all products and items in a product line that a particular company offers for sale.

**Relative Advantage** - The advantage that a new product has over all other competing products.

**Observability (or Communicability)** - The ease with which the benefits of a new product can be observed by the end-user.

**Repositioning** - Existing products that are targeted to new markets or market segments.

**Service** - Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

**Trialability (or Divisability)** - The ease with which a new product can be tried by the end-user before purchase. Automobiles have high trialability because you can test drive them.

**Width of a Product Line** - Refers to how many different products a company carries.

## Lesson 2: Designing and Managing Services

### Week 4 Article Discussion

**Value: 30 points**

If you have not already done so, read the *A Practical Guide to Combining Products + Services* article provided in your course pack.

As you read the article, keep in mind these questions.

1. Discuss the four rules for effective differentiation.
2. What is your perspective of authors' perspective? Do you agree? What is the major new insight of this article?
3. How would you use these insights to advise your firm or other firms about packaging products and services?

### Instructions

The questions above will be discussed according to the schedule below.

- Post your answers to all three questions in the **Week 4 Case Discussions** area, in the thread titled "A Practical Guide to Combining Products + Services" by the end of **Day 3**.
- Post your response to your classmates' posts by the end of **Day 4**.

### Guidelines

- You will be graded not on the quantity of your posts but the quality.
- You will be marked down if your post is not relevant to the question being discussed. Sometimes it might be appropriate to refer back to a statement made earlier, which is fine as long as you are not unduly rehashing a point that has already been made.
- Remember, we have all read the case, so excessively reciting facts that are given in the case will reflect negatively on your grade.
- Looking at the problem from a strategic point of view will positively reflect on your grade.
- If you believe a diagram you created will help your discussion, feel free to include it in your post.
- Although you do not need to respond to every question, responding to only one question is not sufficient for earning high marks. You must show that you understand the entire problem at hand through your well-thought-out answers.
- Your posts should reflect the cumulative knowledge you have gained from previous chapters.

**To access the Discussion Board, navigate to the link on the next page. You can also access the Discussion Board using the link on the left side of your page.**



## Key Words List #2

**Humanics** - Clues about the service and service quality that come from employees or representatives of the service company.

**Intangibility** - A characteristic that affects the design of marketing programs. Unlike physical products, services typically cannot be seen, tasted, felt, heard, or smelled before they are bought.

**Inseparability** - Services are typically produced and consumed simultaneously, unlike physical goods, which are manufactured, put into inventory, distributed through resellers, and consumed later.

**Mechanics** - Clues about the service and service quality as relayed by sights, smells, tastes, sounds, and textures generated by things instead of by humans.

**Perishability** - Services cannot be stored; perishability is not a problem when demand is steady, but fluctuating demand may cause problems.

**People** - Employees who deliver the service.

**Physical evidence** - Tangible cues or clues that help customers relate to the service. Mascots, equipment, logos, and other tangible items help consumers relate to the service on a more physical level.

**Process** - The steps taken in delivering a service.

**Servicescape** - The atmosphere that is created when receiving the service. Servicescape comprises all the physical, behavioral, and emotional aspects that surround the delivery of a service. It includes both interior and exterior landscapes that create a mood or experience.

**Service Gap** - A disconnect between expectations and the delivered service. There are five gaps.

- Between consumer expectation and management perception
- Between management perception and service-quality specification
- Between service-quality specifications and service delivery
- Between service delivery and external communications
- Between perceived service and expected service

**Variability** - Services depend on who provides them and when and where they are provided; therefore, they are highly variable. Service firms take three steps toward quality control:

1. Recruiting the right service employees and providing them with excellent training.
2. Standardizing the service-performance process throughout the organization.
3. Monitoring customer satisfaction through suggestions.

## Lesson 3: Developing Pricing Strategies

### Lesson 3 Learning Objectives

After completing this lesson, you should be able to:

- Understand the procedures (six steps) in establishing product or service prices.
- Know how situational considerations influence price.
- Know how to calculate break-even, markup on costs, and markup on pricing.
- Know the different product-mix pricing strategies.
- Know the different promotional pricing strategies.
- Recognize and understand the factors considered in making a price change.

### Reading 3 (Complete by end of Day 4)

- **Chapter 11:** Developing Pricing Strategies and Programs

[Guideline to help you with your Priceline.](#)

### Chapter 11 Presentation

PowerPoint slides for this chapter can be found in the presentation below and will be used to discuss the text material. The PowerPoint slides are **not** intended to cover all the materials in the textbook. It is very critical that you read the chapter completely and be familiar with the key issues from the chapter.

Notes explaining the information on the slides are provided in the notes section of each slide. You can also listen to a voiceover narrating the text.

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[Alternate Version](#)

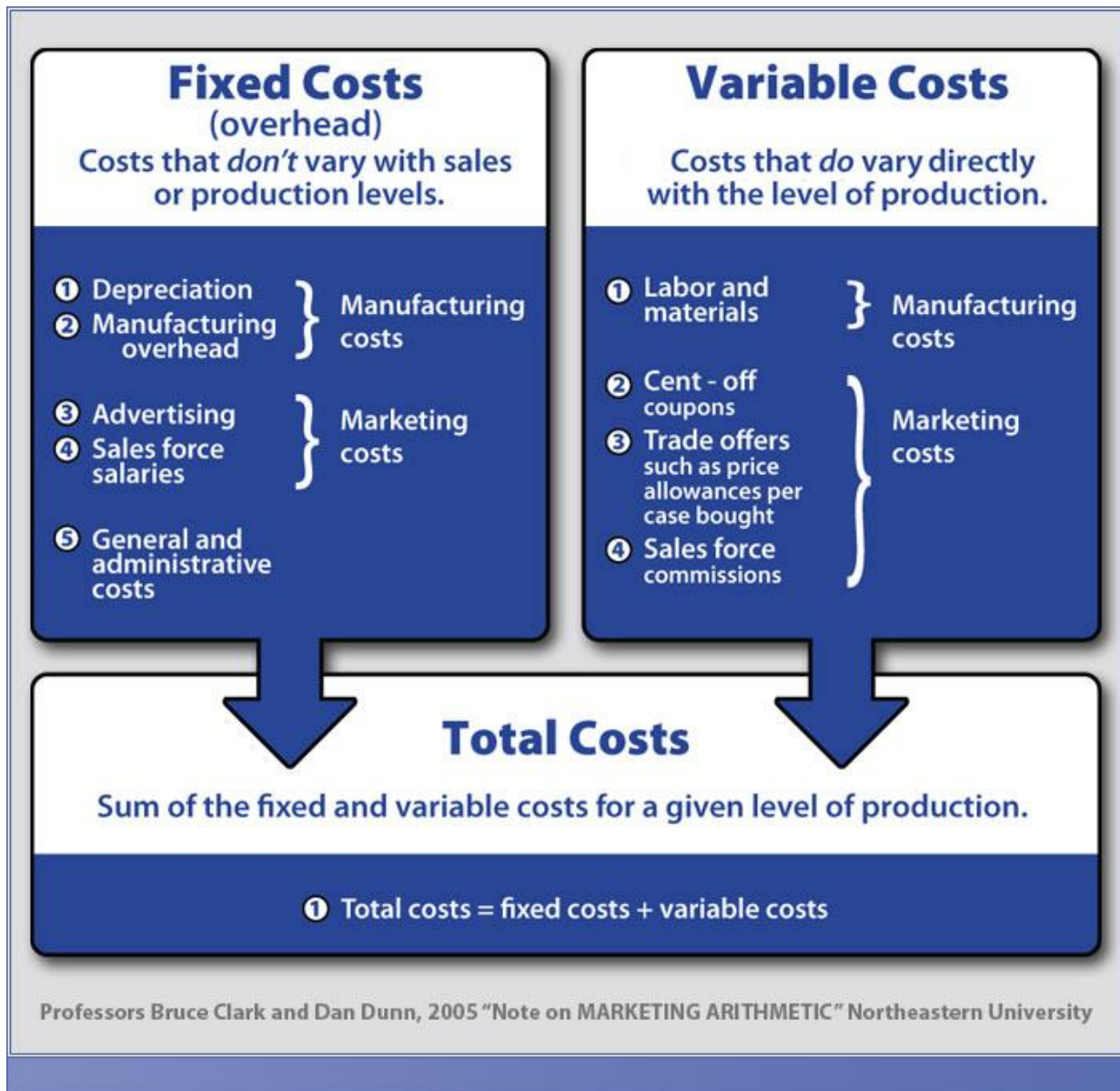
### Pricing Strategies for New Products

Flip the coin by clicking on it to reveal the information on the other side.

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## Fixed and Variable Costs



[Alternate Version](#)

## Break-even Example

The following problem is a break-even example for you to work through.<sup>1</sup> Enter your calculations into the table below. Click on the Solution button when you have completed all of the calculations to view the answers to the problem.

*Log in to the course to access interactive course content and alternative version.*

[Alternate Version](#)

<sup>1</sup>Professors Bruce Clark and Dan Dunn, 2005 "Note on MARKETING ARITHMETIC" Northeastern University

## Week 4 Case Report

If you have not already done so, read the *PV Technologies, Inc.: Were They Asleep at the Switch?* (HBS 913-505) case.

As you read the case, keep in mind these questions:

1. Use life cycle cost analysis to assess how profitable is each of the four alternatives suggested.
2. What other product management considerations should be addressed when planning a new product or service introduction or managing an existing product or service in this marketplace?
3. What will PVT's product team want to say about the new products, particularly the accelerated introduction of the new central inverter and the marketing initiative? R & D? The finance people? The engineers? The public relations people? Sales? Customer service?

### Instructions:

Develop a report using responses for the above questions and submit as a Word document through Turnitin by the end of **Day 5**.

### Instructions for Uploading a File:

Upload your file using the Turnitin drop box located in the Assignments area of the course by the end of Day 5.

## Week 4 Case Discussion

If you have not already done so, read the *PV Technologies, Inc.: Were They Asleep at the Switch?* (HBS 913-505) case.

Build upon the questions raised in the case by answering the following questions in the discussion board.

1. What changes in the micro/macro environment are driving this change?
2. What conclusions can be drawn about the evolution and impending changes in technology, pricing, and buying criteria in this business?

## Instructions

The questions will be discussed according to the schedule below:

- Post your answers to the above questions in the **Week 4 Case Discussions** area, in the thread titled "PV Technologies, Inc." by the end of **Day 6**.
- Post your response to your classmates' posts by the end of **Day 7**.

## Guidelines

- You will be graded not on the quantity of your posts but the quality.
- You will be marked down if your post is not relevant to the question being discussed. Sometimes it might be appropriate to refer back to a statement made earlier, which is fine as long as you are not unduly rehashing a point that has already been made.
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### Test Your Knowledge

The following problem is an example for markup on price. Enter your calculations into the table below. Click on the Solution button when you have completed all of the calculations to view the answers to the problem.

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[Alternate Version](#)

*Log in to the course to access interactive course content and alternative version.*

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### Week 4 Assignment 1: Pricing Assignment (Submit by the end of Day 7)

**Value: 40 points**

In this assignment you will be required to show step-by-step solutions to the questions presented. This assignment is intended for you to demonstrate mastery of concepts to this point.

#### Instructions

- Download the [Week 4: Pricing Assignment](#) Word document.
- Either write your answers in the fields provided or print the file and provide handwritten answers.
- Upload your completed file showing **step-by-step answers** to the questions provided.

#### Instructions for Uploading a File

Upload your file using the Turnitin drop box located in the Assignments area of the course by the end of Day 7.

### Key Words List #3

**Activity-Based Cost Accounting** - Procedures that can quantify the true value to customers of different activities by identifying their actual costs.

**Auction-Type Pricing** - Used to dispose excess inventories or used goods; another is to obtain goods and services at lower prices. This pricing strategy is becoming more popular, especially with the growth of the Internet.

**Break-even Analysis** - Estimating how many units of a product the company would have to sell so that total revenues exactly equal total costs (no profit).

**By-product Pricing** - The production of certain goods — meats, chemicals and so on — often results in by-products, which can be priced according to their value to customers. For example, cows produce manure that can be used for fertilizer. Some farms are beginning to use manure to produce ethanol to power the farm. These by-products sales can be used to reduce the price of the main product.

**Captive-Product Pricing** - Some products require the use of ancillary or complementary products, often referred to as a captive product since the main product cannot be used with the ancillary product. An example is razor blades and non-disposable razors. There is a danger in pricing the captive product too high in the aftermarket.

**Differentiated Pricing** - When companies adjust their basic price to accommodate differences in customers, products, locations, and so on.

**Discounts and Allowances** - Lower prices given to certain customers through early payment discount, volume purchases, and off-season buying.

**Economies of Scale** - The decrease in unit cost as production increases.

**Elastic Demand** - Small price changes will greatly shift product demand.

**Fixed Costs** - Costs which don't change based on the quantity of an item produced.

**Fixed-cost Pricing** - Adding a set markup to the fixed cost of a product in order to determine the price to consumers.

**Gain-and-Risk Sharing Pricing** - Buyers may resist a seller's proposal because of a high perceived level of risk. The seller has the option of offering to absorb part or all of the risk if it fails to deliver the promised value.

**Geographical Pricing** - When a company decides to price its products to different customers in different locations and countries.

**Inelastic Demand** - Small price changes hardly affect product demand.

**Market-Penetration Pricing** - The firm sets the lowest price, assuming the market is price sensitive.

**Market-Skimming Pricing** - Charging a high price early in the introduction of a product because early adopters see the value of the product and are willing to pay the higher prices.

**Markup on Price** - Adding a markup, or profit margin, based on price to obtain final sales price.

**Markup on Cost** - Adding a markup based on cost to obtain final sales price, also called cost-plus pricing.

**Markup Pricing** - Adding a markup either based on cost or based on sales price to determine the final selling price.

**Optional-feature Pricing** - Automakers and other firms offer optional products, features, and services along with their main products; pricing these options is a sticky problem because companies must decide which items to include in the standard price and which to offer as options.

**Perceived-value Pricing** - Made up of several elements: the buyer's image of the product performance, the channel deliverables, warranty quality, customer support, and softer attributes such as the supplier's reputation and trustworthiness; an increasing number of companies base price on customers' perceived value.

**Price Sensitivity** - The demand curve shows the market's probable purchase quantity at alternative prices, summing the reactions of many individuals who have different price sensitivities. Generally customers are most price sensitive to products that cost a lot or are bought frequently.

**Product-Bundling Pricing** - Pure bundling occurs when a firm only offers its products as a bundle. With mixed bundling, a seller offers bundles and individual products.

**Product-mix Pricing** - Many sellers use well-established price points to distinguish the products in their line. The seller's task is to create perceived-quality differences that justify the price differences.

**Promotional Pricing** - Companies use several pricing techniques to stimulate early purchase: loss-leader pricing, special-event pricing, cash rebates, low-interest financing, longer payment terms, warranties and service contracts, and psychological discounting.

**Target costing** - Determining the cost of a product first based on the prevailing price in the marketplace after deducting the desired profit margin.

**Two-part Pricing** - Consists of a fixed fee plus a variable usage fee. For example, long-distance phone calls are added to monthly phone charges.

**Value Pricing** - A method in which a company charges a fairly low price for a high-quality offering.

**Variable Costs** - Costs which vary based on production levels, such as, raw materials to produce the good..



### Status Report #2 (Complete by end of Day 7) (non-graded, optional)

This week's focus for your project should be on completing section 3.0 Marketing Strategy of your marketing plan. The focus of this section is the 4Ps and positioning. If you have any questions as you complete this section, please contact the facilitator for clarifications.

#### Instructions:

- Click on the following link to view the section of the Final Project you need to focus on this week.
- [Status Report 2 Checklist](#)
- Email the completed checklist to your instructor.
- Due by the end of Day 7.

#### Guidelines:

- Written explanation limited to a half-page, single-spaced.
- Reference material properly cited.
- No late submissions accepted.
- Note that although this status report is only half a page, it may be longer in the final report.

### Week 4 Study Quiz (Chapters 9-11)

At the end of each week you have an opportunity to test yourself on your understanding of the key concepts learned during the week. This exercise should also help you to become familiar with type of multiple choice questions you will see in the Exams.



Please note that these quizzes are completely OPTIONAL and you will NOT be graded. These are intended to provide you some practice for your multiple choice questions in the exams.

## Final Exam: Reminder

**Value: 100 Points**

**Due Date: Opens Day 4, Closes end of Day 6**

**Length: 75 minutes**

**Format: 25 multiple-choice questions and 2 essay questions**

## ProctorU

The exam is password protected and can only be unlocked by [ProctorU](#). Please be certain to schedule your exam time at least 72 hours before taking the exam. You will need to know your course's CRN number when registering in order to register for the correct section. The CRN number can be found in the top left corner of Blackboard and is usually a five digit number following the course code.

Also, it is crucial that you check all of the technical requirements for ProctorU prior to the time of your exam and verify that your computer system meets ProctorU Technical Requirements. You can do this by clicking the link below. Here you will also see 'Click Here to Test Your Equipment', click this area so the system can run a check on your computer. There is also a 'Connect to a live person' from this page where you can have further testing done on your system by a live ProctorU representative. This is required to ensure you will be able to complete your exam without issue.

[ProctorU Technical Requirements.](#)

**NOTE:** You must log completely out of Blackboard **before** logging out of the ProctorU system

## Week 4 Summary

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[Transcript](#)