

Product management

Product analysis and portfolio

Lecture 2

Product and product portfolio analysis

- First step in development of new product
- Use of different strategic, marketing and management instruments and tools
- Understand the situation of your products on the market
- Identify your opportunities and threats

Strategic impacts on product decision

- **Market orientation of company** can influence the evaluation of products according to their compatibility with company orientation.
 - B2B business to business
 - B2C
- **Competitive orientation of company** different products have different tasks by achievement of competitive position
 - Market leader
 - Market follower
 - Market ...
- **Activity orientation of company**
 - **Marketing oriented company** – coming from customer and their needs and requirement
 - **Production oriented company** – based on sale of produced goods
 - Commercial oriented company – using market opportunities and challenges as growth roots

Internal aspects for analysis of product portfolio

- **Production aspects**
 - **Own capacities of production** what I produce, I can produce, I might produce and in which amount etc.
 - **Supplier and partner capacity of production** where can my partners, supplier step instead of me into production process.
 - **Reflection of changes in demand and in orders** how adaptable and flexible our production process is.
- **Marketing aspects**
 - **Competitive situation of company and brands** what is our overall competitive position, how are we perceived
 - **Brand perception** are our brands and products recognised, by whom, what are the perceptions behind



Description of core product orientation

- **problem, or need oriented product portfolio** – all activities in product management are aimed to satisfy selected consumer needs or solve consumer problem
 - Company decides they vision will be satisfy need of some group of customer or solve their problem and gives into portfolio product which are able to solve it.
 - Link to problems and needs is important by product portfolio decisions.
 - i.e. At IKEA our vision is to create **a better everyday life** for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home **furnishing products (NOT FURNITURE)** at prices so low that as many people as possible will be able to afford them.



Description of core product orientation

- **Material, or technology oriented product portfolio** – product management aims to find best exploitation for raw material, technology or equipment
 - **Brewing a Better Future.** Heineken is one of the **world's great brewers** operating 140 breweries in more than 70 countries. The company is committed to the responsible marketing and consumption of its more than 200 international premium, regional, local and specialty beers and ciders.
 - The MEGGLE Group. The holding group *MEGGLE AG* , whose headquarters are in Wasserburg, Bavaria, bundles the activities of the different companies within **the milk and whey-processing** business group. This structure embodies flexibility and decisiveness on the one hand and the traditional character of the dairy with its long history of milk-processing on the other.



Description of core product orientation

- **Knowledge and experience oriented product portfolio** – existing knowledge in marketing, distribution and other commercialisation activities build the main decision making factor
 - The mission of the LVMH group is to represent the most **refined qualities of Western "Art de Vivre"** around the world. LVMH must continue to be synonymous with both **elegance and creativity**. Our products, and the cultural values they embody, blend tradition and innovation, and kindle dream and fantasy.
 - From beauty and health to home and beyond, P&G's brands make **every day just a little better for billions of consumers** around the world.



Products Decisions

- Product and Service Classification System?
- The Product Life Cycle stages?
 - Growth/Share?
 - Product Market?

Product and Service Classification System

- Convenience goods - little effort, relatively inexpensive
- Shopping goods - e.g 'white goods', DIY equipment, more expensive, infrequent
- Speciality goods - extensive search e.g Jewellery, gourmet food
- Unsought goods - e.g. double glazing,

- Industrial goods
- Installations - 'speciality' goods of industrial markets - plant and machinery
- Accessories - maintenance and office equipment
- Raw materials
- components
- Business to business e.g. consultants, accountants

Individual Product Decisions

Product attributes

Branding

Packaging & labeling

Product support services

Product Attributes

Marketing's role – represent the "voice of the consumer"

Developing a product or service involves defining the benefits that it will offer such as:

Product quality

Ability of product to perform its functions; includes level (performance quality) & consistency (conformance quality)

Product features

Help to differentiate the product from the competition

Product style & design

Style = appearance
Design = performance / function
(as well as appearance)



ATTRIBUTES

- AN ATTRIBUTE IS A PROPERTY OF A FOOD THAT THE CUSTOMER DESIRES
- MOST CUSTOMERS ARE LOOKING FOR MULTIPLE ATTRIBUTES IN A FOOD PRODUCT
- ATTRIBUTES ARE EXPECTED TO REMAIN CONSTANT THROUGHOUT THE SHELF-LIFE OF THE PRODUCT



Attributes and benefits

- **Features-attributes** are product characteristics such as size, color, horsepower, functionality, design, hours of business, fabric content, etc.
- *Benefits* answer the customer's question: "What's in it for me?" **Benefit** is a product attribute expressed in terms of what the user gets from the product rather than its physical characteristics or features. Benefits are often paired with specific features, but they need not be. They are perceived, not necessarily real.



Specification

- A detailed description of the features and performance characteristics of a product.
- For example, a laptop computer's specification may read as a 90 megahertz Pentium, with 16 megabytes of ram and 720 megabytes of hard disk space, 3.5 hours of battery life, weighing 4.5 pounds, with an active matrix 256 color screen.
- To specify a product we need:
 - attributes and characteristics
 - measurement and measurements units



Basic classification of attributes

- chemical,
- physical,
- biological,
- sociological,
- physiological etc. characteristics

Classification of attributes based on their relation to product core

- product core attributes
 - product functionality
 - Product reliability
 - product usability including ergonomic attributes
 - product maintainability
- product environment attributes
 - product compatibility and portability
 - environmental attributes
 - economical attributes
 - psychological and sociological attributes

Product mix

- **A product mix** is the set of all product lines that an organisation has for sale. A product mix is discussed in relation to its breadth, the total number of product lines the company sells,
- Product Mix - the variety of distinct product lines and items manufactured or distributed by an organisation.

Product Mix characteristics width

- **Width** depends on how many additional product lines are offered.
- The number of different product lines sold by a company is referred to as **width of product mix**
 - P&G: Beauty&Grooming, Health & Well-being, Householdcare
 - Henkel: Laundry&HomeCare, Beauty&PersonalCare, Adhesives-Sealants&SurfaceTreatment
 - Reckitt&Benckiser's 19 Powerbrands are global leaders in high growth categories. These core, high-performing categories are Fabric care, Surface care, Dishwashing, Home care, Health care, Personal care and Food. Click on the category to find out more in the Investors & Media area.

Product Mix characteristics width

- **Product width can be consider in relation to**
 - Strategic business unit (1 SBU = 1 item of width)
 - Category management (1 category =1 item of width)
- **Changes in portfolio related to width**
 - Diversification (plus item)
 - Vertical integration (plus item)
 - Outsourcing and concentration on core business (minus item)
 - Product development (succesful product line can transform to business unit)

Product Mix characteristics width

Product Mix is the Total Set of all Products a Firm Offers for Sale

Laundry & Cleaning Products

Health Care Products

Beauty Products

Width of Product Mix

Product Mix characteristics length

- Length is the number of product in one product line
- Length of product mix is connected to product line use and formation

Product Mix characteristics Product line

- A product line is a group of products belonging to an organisation that are directly related because they function in a similar manner, are sold to the same customer groups or are marketed through the same types of outlets or fall within given price ranges.
- Creation of a product line:
 - Different brand belonging to the same product group (product line shampoo)
 - Different product using the same brand strategy (product line Pantene)

Product Mix characteristics Product line

A Product Line is a Firm's Total Product Offering Designed to Satisfy a Single Need

Dawn

Ivory

Joy

Antibacterial

Special Care

Length of Product Line

Product Mix characteristics Product line

Product Line Length ↑

Result of line extension strategy (costs ↑, evaluate/prune)

Filling

Lengthen within
current range of
quality & price

- + Prestige
- May not be credible
- + Appeals to value-oriented consumers
- Erodes image/positioning
- Cannibalizes

Stretching

Lengthen beyond
current range of
quality & price

Upward

Downward

Product Mix characteristics width

- **Depth is** the number of items in each product line.
- Changes in product width
 - Different sizes of product for different purposes of consumption (0,5; 1;2 litre)
 - Different tastes, flavours colours
 - Different additives and purposes (shampoo for colored, dry, oily hair)

Product Mix characteristics width

- **Consistency** relates to the similarity of the product lines to each other in their appeal to the customer mix.
- **Line vulnerability** refers to the percentage of sales or profits that are derived from only a few products in the line.

Product Line

PRODUCT LINE LENGTH

Short

Long

PRODUCT LINE DEPTH

Shallow

Deep

Few product lines with a few items in each

Many different product lines with a few items in each

Few product lines with several items in each

Many different product lines with several items in each

Contextual factors that may act as moderators on the ability of managers to generate transfer or reciprocity and minimise cannibalisation.

- **Original line characteristics:** Original brand strength (normally operationalised as perceived quality) is very important in determining the success of brand or line extensions. Higher perceived quality in the original line therefore appears to lead to superior transfer benefits.
- **Extension characteristics:** The strength of the extension is important in determining the degree of reciprocity. There are two types of extension where problems might be expected.
 - “trivial extension”; that is, extending a high price or quality brand by launching a very low price or low quality extension.
 - extension where they highlight problems is in attempting to extend a low quality brand over a poor fit. They suggest such an extension will fail because it lacks “credibility”.

Contextual factors that may act as moderators on the ability of managers to generate transfer or reciprocity and minimise cannibalisation.

- **Similarity:** Not only has similarity been found to have a direct impact on extension success, but it also has been found to moderate the effect of brand strength on performance. Since reciprocity is transfer in reverse, it might be expected that the higher the perceived quality of the new product, the greater the benefits of reciprocity. Also, it might be expected that it too is moderated by the perceived similarity between new and existing product lines. Similarity also appears to have an impact on cannibalisation.

Contextual factors that may act as moderators on the ability of managers to generate transfer or reciprocity and minimise cannibalisation.

- **Context:** Other factors have also been found to impact on the degree of transfer and reciprocity achieved in brand and line extensions. These factors represent variables that must be either included, or controlled for, in any study of brand extensions. These include order of entry effects, prior extension activity, portfolio structure and framing through advertising.

Terms related to product line decision –

- **Transfer is**
 - the transfer of consumer attitudes, preferences and knowledge from the original product to the new product.
 - provides the rationale for brand extension.
 - Consumers’ prior knowledge of and attitudes toward brands form the basis of brand equity, and the ability to transfer this brand equity to new product introductions provides a means to influence the equity and create further profits

Terms related to product portfolio

- **Reciprocity** is the transfer of consumer attitudes, preferences and knowledge from the new product to the original product.
- If reciprocity is present, perceptions of the original brand are changed after exposure to the proposed extension.
- In composite brand extensions, there is a beneficial feedback from a new product to the brand being extended

Product portfolio links Complements

- **A complement to one product is any other product that makes the first one more, rather than less, attractive.**
 - i.e. Hardware – software, hot dogs – mustard, cars – car loans, cable television – TV Guide, the Internet – high-capacity digital phone lines
- **Different forms of complementarity among products:**
 - **Need based complementary – one product creates need for other product but need must not be directly satisfied (DVD recorded – DVD disks).**
 - **Demand based complementarity – purchase of one product creates demand to purchase other products (picture camera and memory card, electronic toys and batteries)**
 - **Purchase complementarity created by different incentives to buy products. To be accepted by customer there must be some relation among existing product and additional offered product (washing powder and after shave balsam)**

Product portfolio links Complements

- In new markets, paying attention to complements is a necessity. Without key complements, the market may never take off.
- In established markets, attending to complements has less dramatic but still valuable results.
 - complements most likely exist, but you can make your product more attractive by making the complements better, more plentiful and less expensive.
 - Complements can be content of common communication and advertising strategy, source/goal for product innovation, target for mergers and acquisition, support by goals realization etc.

Product portfolio links Complements

- **Way of rise of complements in portfolio:**
 - As result of vertical strategy integration (components and final product as content of decision).
 - Need or problem oriented portfolio orientation (similar products important to satisfy needs)
 - Product as part of complex solutions (computer and information system offer)
 - Change and development of product function (computer originally substitutes of mobile can be recently considered as complement)

Product portfolio links Competitors

- In case of competitive product demand for one product decreases in this case demand for other product from own portfolio
- How comes to competition of own brands:
 - Through acquisition and merger with competitors and product with similar products (P&G – Wella)
 - Unsuccessful differentiation of product lines,
 - Lost of differentiation source of product line (Wash&Go – first shampoo with conditioning)

Product portfolio links Competitors

- **Cannibalisation** occurs when new product sales are made at the expense of original product sales.
- Cannibalisation does not occur in brand extensions, when the new product is in a different and non-substitutable category from the original, but in line extensions the potential for cannibalisation is present
- **Strategies to avoid cannibalisation:**
 - **Differentiation of product lines**
 - **Elimination of product line (risk of financial losses)**
 - **Use for different purposes (regional brands, in case of diversification etc.)**

Product portfolio links Product differentiation

- **Differentiated product**, similar in their attributes and purpose of use, different in perception of customers and consumers, so their demand influence each other in any sense.
- **Product differentiation**
 - **Vertical differentiation** --- one firm's good is of higher quality than the other firm's good.
 - **Horizontal differentiation** --- the two goods differ in a way that will make some consumers willing to pay more for X's good and some consumers willing to pay more for Y's

Product portfolio links Product differentiation

- Products may be highly unique (specialty products) or virtually indistinguishable from competitors' products (commodity products)– and anything in between.
- Specialty products are not necessarily better than commodity products, but they do require different marketing strategies. A potentially important strategy for specialty products is **differentiation**. A company differentiates its products when it sets them apart from the competitors' products in the minds of customers. Having a thorough understanding of how your product's benefits compare to your competitors' allows you to compete with them through differentiation.

Forms of product differentiation

- **Product Attributes** and Features Differentiation (e.g. Scientific, innovative, ecological, technical, easy-to-use)
- **Product Appearance** Differentiation (local available, regional, global product, traditional, modern, futuristic etc.)

Forms of product differentiation

- **Focus Differentiation** (market segments, young people, children, masculine, feminine products etc.)
- **Product/Service Differentiation** (individual product, product system (Nespresso), service (IT system instead of IT network components)
- **Customer Service Differentiation** (form of distribution – MLM, specialized retailers, FMCG retailing)

unique selling proposition (USP) or unique selling point

- concept first proposed as a theory to explain a pattern in successful advertising campaigns of the early 1940s.
- The USP states that such campaigns made unique propositions to customers that convinced them to switch brands.
- **Theodore Levitt**, a professor at **Harvard Business School**, suggested that, "Differentiation is one of the most important strategic and tactical activities in which companies must constantly engage."
- The term has been used to describe one's "personal brand" in the marketplace. Today, the term is used in other fields or just casually to refer to any aspect of an object that differentiates it from similar objects.

Unique Perceived Benefit (UPB)

- marketing concept that essentially consists of a customer – oriented product offer.
- Unique selling proposition (USP) is largely formulated from the seller's perspective from product features.
- Unique Perceived Benefit (UPB) looks at the need from the customer's viewpoint from product benefits.

Product portfolio links Product differentiation

Different method of differentiation

- Price Differentiation
- Focus Differentiation
- Product/Service Differentiation
- Customer Service Differentiation

Product portfolio links Substitutes

- **Substitutes**, product which satisfy similar needs but in other way. Demand for one product can, but must not negatively influence demand for other product, i.e. coffee and tea, whisky and vodka.
- Substitutes can belong to portfolio of a company:
 - As result of horizontal integration
 - As result of need, problem orientation of portfolio

Product portfolio links Diversified products

- **Diversified product**, which influence each other in sale and production in any form.
- Normally they are result of company historical development and continual search of new opportunities (i.e. Bosch company produces supplements and components for automobile industry as well as electronic equipment for household (drills) and do it yourself product and together with Siemens household appliances as fridge, washing machines etc.)

Reason for changes in product portfolio

- **Autonomous changes of requirement**
- **Changes in fashion and trends**
- **Technological progress**
- **Changes in legal and market limits**
- **Changes in market potential**
- **Faults and problems by product introduction**

Forms of product portfolio adaptation

- **Product innovation**
- **Product variation**, changes in product depth.
- **Product differentiation**, marketing changes in product commercialization connected with changes in product lengths
- **Diversification**, changes in product width with aim increase company independence on existing portfolio and use new opportunity for growth
- **Product elimination**, take of products from the market to avoid higher economic losses

Instruments in Product management

- Strategic tools
- Marketing tools
- Economics and statistics tools
- Quality management tools
- Commodity science and
- Product management tools

Strategic management instruments

- Benefits of instruments
 - easy use without requirement of specific data and without difficult calculation
 - Empirical aspect, possibility use of empathy and experience
 - Universal usage of instruments - not only company level but industry, product line, product brand, product item
- Negatives of instruments
 - Simplicity leads to underrating of preparation
 - They are subjective and can be influenced by subject experience, attitudes and ideas

Strategic management instruments

- SWOT analysis
 - Internal environment analysis - SW
 - External situation analysis - OT
- PEST analysis(political, economic social technological environment)
 - STEEP - environmental
 - SLEPT - legal
 - SLEPTE - legal and ecological
- 5 competitive forces according Porter
 - konkurencia v odvetví, dodávatelia, odberatelia, potenciálni noví konkurenti, substitučné výrobky

SWOT analysis

- Strengths (internal)
- Weaknesses (internal)
- Opportunities (external)
- Threats (external)

Strengths	Weaknesses
Opportunities	Threats

SWOT Analysis

PEST analysis

- Political factors
- Economic factors
- Socio-cultural factors
- Technological factors

You can find analysis with name SLEPT, STEEP for the same purpose using different form of characteristics (L- legal, E-envirnmental etc.)

PEST – Political/legal factors

- Monopolies legislation
- Environmental protection laws
- Taxation policy
- Employment laws
- Government policy
- Legislation
- Others?

PEST – Economic Factors

- Inflation
- Employment
- Disposable income
- Business cycles
- Energy availability and cost
- Others?

PEST - Socio-cultural factors

- Demographics
- Distribution of income
- Social mobility
- Lifestyle changes
- Consumerism
- Levels of education
- Others?

PEST – Technological factors

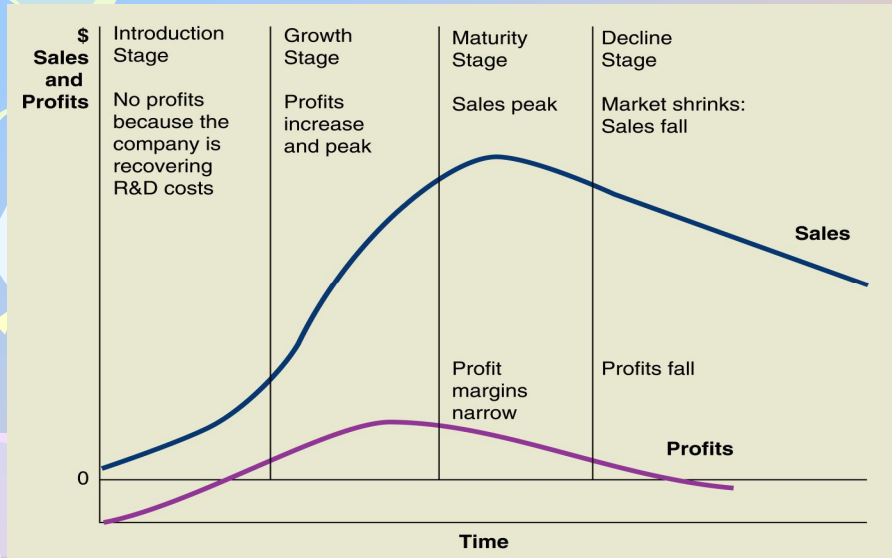
- New discoveries and innovations
- Speed of technology transfer
- Rates of obsolescence
- Internet
- Information technology
- Others?

Five forces analysis



Source: Adapted from
M. E. Porter,
Competitive Strategy,
Free Press, 1980, p. 4.

Product Life Cycle



Introduction Stage of the PLC

Product	Single company produces product
Goals	Get first-time buyers to try the product
Sales	Increase at a steady but slow pace
Profits	Negative
Pricing	High: recover R&D costs; or Low: attract large number of customers
Marketing	Informing customers
Length of Stage	Depends on 1) marketplace acceptance, 2) producer willingness to support product

Growth Stage of the PLC

Sales	Rapid increase in sales
Profits	Increase and peak
Goals	Encourage brand loyalty
Marketing Strategies	Introduction of product variations
Price	Price competition may appear
Advertising	Heavy advertising is used when competitors appear

Maturity Stage of the PLC

Sales	Peak , then level off, even decline
Profits	Margins narrow
Competition	Grows intense
Product	Mostly replacement products
Distribution	Sell through all suitable retailers
Marketing Strategies	Firms alter the marketing mix, try to attract new users

Decline Stage of the PLC

Sales	Declining sales
Profits	Declining profits
Competitors	Large number with no one having the
Product	Should the product be kept?
Marketing Strategies	Keep product, phase out gradually, drop product immediately

Product life cycle use

- Benefits
 - Easy to use
 - Suggestions for changes of product marketing
 - Common sense principle
- Problems and negatives
 - Construction of curve – identification of data and avoidance of business cycle influence
 - Prediction of future development
 - Difference among product, product brand and product type cycle curve

The Boston Matrix (Growth/Share Matrix)

		<u>Market Share</u>	
<u>Market Growth</u>	<u>High</u>	<u>1. Stars</u>	<u>3. Question Mark (Problem Child)</u>
	<u>Low</u>	<u>2. Cash Cows</u>	<u>4. Dogs</u>
		<u>High</u>	<u>Low</u>

BCG matrix use

- Benefits
 - Very easy to use
 - Popular and known in the public
 - Clear overview about situation of product in product portfolio
 - Suggestions for changes of product marketing
 - Common sense principle
- Mixes ABC matrix with competitive strenght

BCG matrix use

- Problems and negatives
 - Criterias setting – What does it mean high market share and market growth?
 - Typical criterias are – higher that market share of the most important competitor and growth over 10% per year.
 - Collection of data about market share and market growth
 - Selection of relevant market
 - Does not look at other competitors

Ansoff's Matrix (Product/Market Matrix)

	<u>Existing Markets</u>	<u>New Markets</u>
<u>Existing Products</u>	<u>Market Penetration</u>	<u>Market Development</u>
<u>New Products</u>	<u>Product Development</u>	<u>Diversification</u>

Ansoff's Matrix (Product/Market Matrix)

	<u>Existing Markets</u>	<u>New Markets</u>
<u>Existing Products</u>	<u>E.g. Realignments of the marketing mix</u>	<u>E.g. Geographical expansion</u>
<u>New Products</u>	<u>Same outlets and sales strategy - new product</u>	<u>Diversification - related or unrelated</u>

Product Mix for Kraft General Foods

<i>Breakfast Food</i>	<i>Baked Goods</i>	<i>Beverages</i>
<ul style="list-style-type: none"> • Alpha-bits • Country Kitchen Syrup • Fruit & Fiber • Grape-nuts • honeycomb • Log Cabin Syrup • Pebbbles • Post 40% Bran 	<ul style="list-style-type: none"> • Entenmann's • Hostess Snacks • Krema Candy • Orowheaat 	<ul style="list-style-type: none"> • Country Time • Crystal Light • Kool-Aid • Tang

Positioning

- “Positioning refers to placing a brand in that part of the market where it will have a favorable reception compared to competing brands”
Subash Jain
- “A product’s position is the place the position occupies in consumers’ minds relative to competing products.”
Philip Kotler

Generic Positioning Strategies

- Our product is unique
 - e.g. *Red Bull* („creator“ of product category), *Coca Cola* (worldwide leading company)
- Our product is different
 - e.g. *New Yorker* shop (attractive fashion for young women), *Sensodyne* (toothpaste for sensitive teeth)
- Our product is similar
 - e.g. Sugar or meal

Approaches to Positioning

- **By different attributes** – function and fashion of clother
- **By benefits** e.g. wide of insurance adn specification of requirements
- **By price/quality**
- **By usage or application** e.g. individual and social consumption
- **By users** – e.g. sex and age
- **By product class** – e.g. number of functions and perception of class
- **By competitors** e.g. wide of operated markets

Product Positioning Using Perceptual & Preference Maps

Marketing managers use a **Mapping** technique to help them visualize the competitive structure of the market before they develop differentiation and positioning strategies

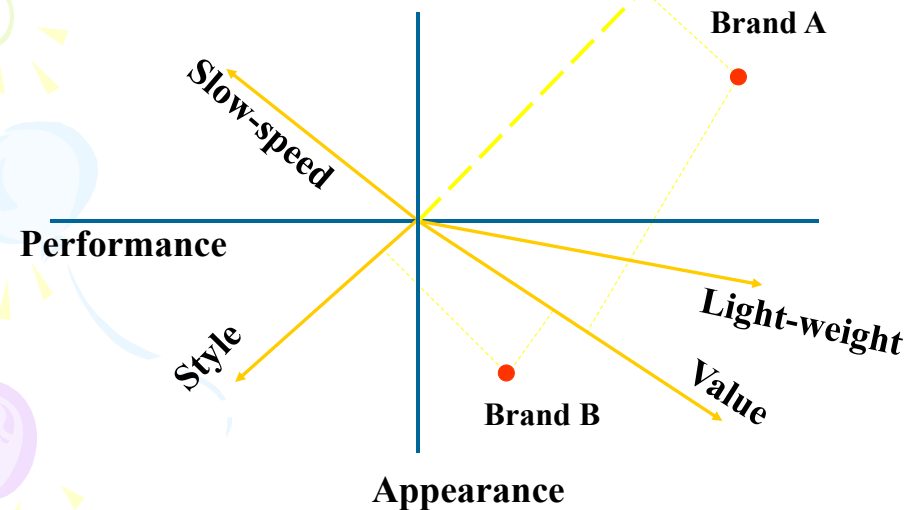
Positioning Statement

For [a target segment], the [concept] is [the primary claim] because [it is the single most important factor].

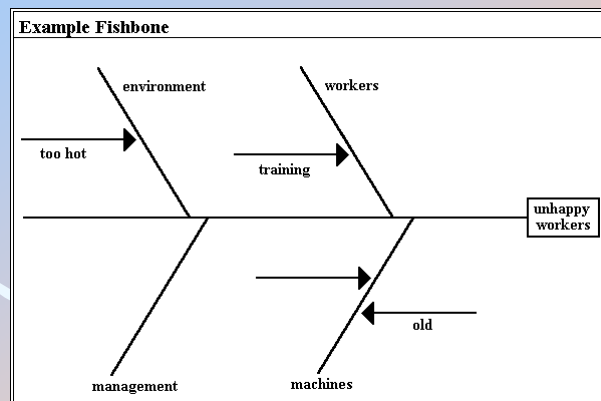
Example:

For *Seng Choon eggs*, the low cholesterol level is the only healthy alternative because it is safe for frequent consumption

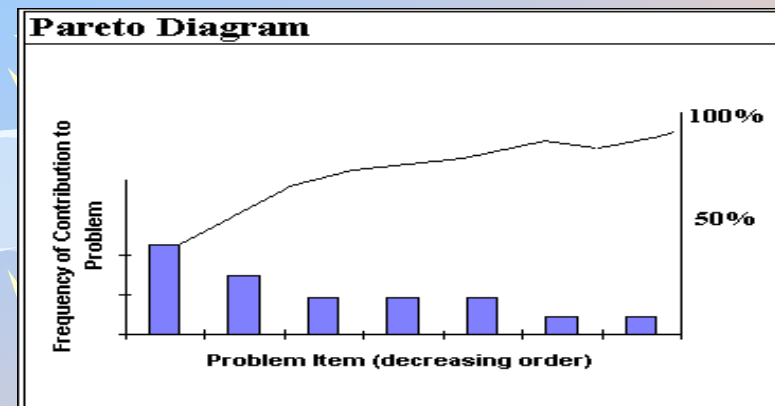
Example of a 2D Perceptual Map for Laptop



Ishikawa Diagramm



Pareto Diagram



Process of Pareto Analysis

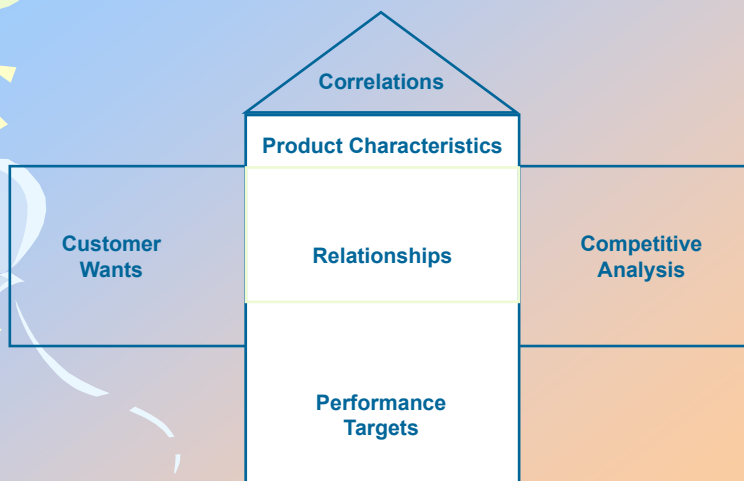
- Constructing a Pareto Chart
- Step 1 - Record the data
- Step 2 - Order the data
- Step 3 - Label the vertical axis
- Step 4 - Label the horizontal axis
- Step 5 - Plot the bars
- Constructing a Pareto Chart
- Step 6 - Add up the counts
- Step 7 - Add a cumulative line
- Step 8 - Add title, legend, and date
- Step 9 - Analyze the diagram

House Of Quality



Structured method converting what the customer wants into how they are to be satisfied throughout the organization

House of Quality



Kano model characteristics

- theory of product development and customer satisfaction
- developed in the 1980s by Professor Noriaki Kano
- It classifies customer preferences into five categories.
- It abandons a strictly linear view of the impact of product/service attribute-performance on customer satisfaction in favour of identifying the particular attributes that have the potential to elicit customer satisfaction/delight and/or dissatisfaction/frustration.

KANO MODEL

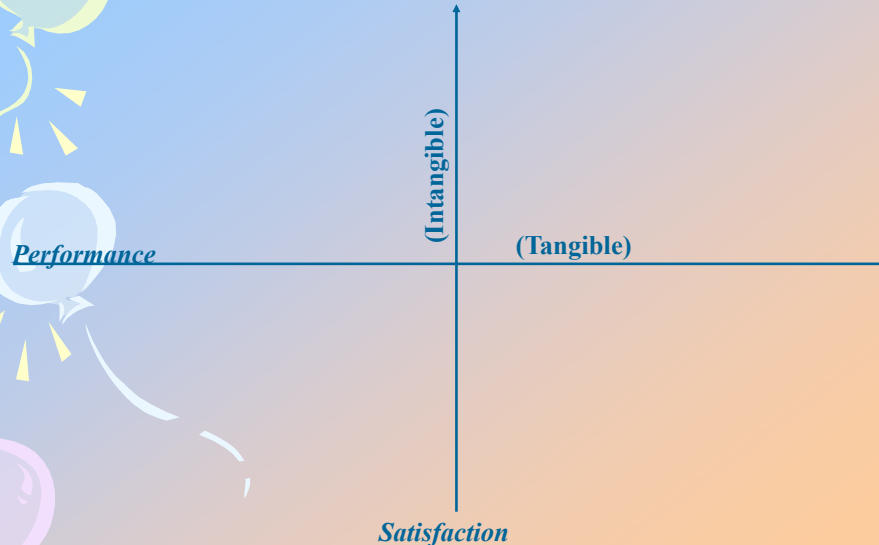
(THREE DIMENSIONS OF CUSTOMER SATISFACTION)

- **EXCITEMENT FEATURES** - greatly increase customer satisfaction
- **PERFORMANCE FEATURES** - mildly increase customer satisfaction
- **BASIC FEATURES** - weakly increase customer satisfaction, but failure to achieve these greatly increases customer dissatisfaction

Determine Customer Needs

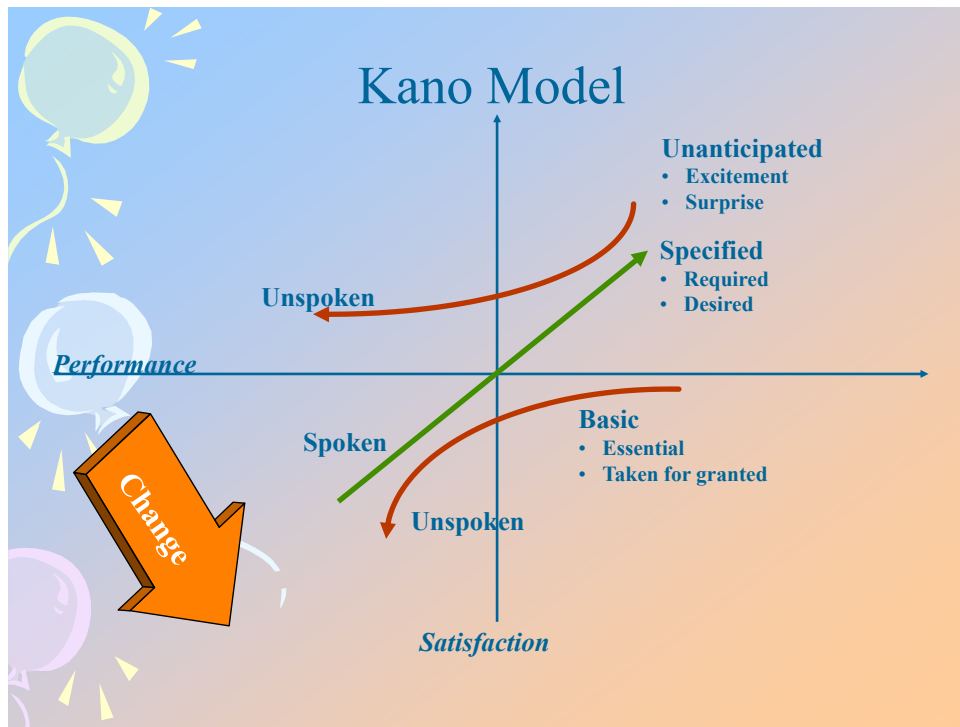
- **What product/service attributes are considered important to your customers?**
- **What does your customer require (must have)?**
- **What does your customer want (would be nice to have)?**
- **Why is it important to determine customer needs?**

Kano Model



Intangible Wants

- **Sense of well-being**
- **Securing attention**
- **Courteous treatment**
- **Prompt services**
- **Pleasant**
- **surrounding**
- **Sense of importance**
- **Dealt with honestly**



Consequences of kano model

- Imitation pushes requirement on the lower level
 - What everybody has is not exciting
 - Low difference in performance move the requirement to become basic
- **Move on the basic requirements line is not efficient**
 - Investments into basic requirements brings no additional customer satisfaction
 - Without defects is not prove of control efficiency (paradox of system scandals)

Consequences of kano model

- **Company can make attempt to change the character of requirement through marketing communication tools**
 - High performance in basic requirements can be communicated as high performance based on evident comparison
 - High performance attributes fulfilment can be made exciting for specific segment (i.e. freaks)
- **Competitiveness on basic and performance level assures not consumer satisfaction and competitive advantage**
 - In case of similar performance by two lower requirements must company invest into marketing communication to create product excitement
 - Perception of product is highly influenced by subjective attributes forming the majority of excitement attributes.

The Means-End Chain

A means-end chain is a knowledge structure that connects consumers' meanings about product attributes, consequences, and values.

The means-end chain provides a more complete understanding of consumers' product knowledge.

Means-End Chains of Product Knowledge

Attributes



Consequences



Values

Means-End Chain Model of Consumer's Product Knowledge

Terminal Values



Instrumental Values



Psychosocial Consequences



Functional Consequences



Abstract Attributes



Concrete Attributes

Value Satisfaction

Instrumental Values

Preferred modes of conduct or
ways of behaving

Terminal Values

Preferred states of being or broad
psychological states

Instrumental Values & Terminal Values

Instrumental Values

Ex. Competence

ambitious (hard-working)

independent (self-reliant)

imaginative (creative)

capable (competent)

courageous

Terminal Values

Ex. Personal
gratification

social recognition

comfortable life

pleasure (enjoyable life)

Sense of accomplishment

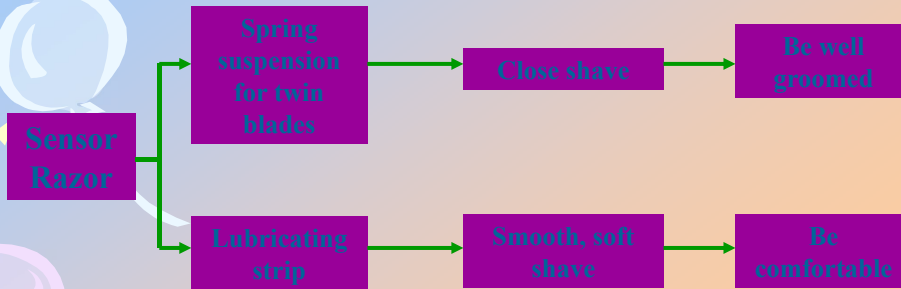
Means-End Chain Example: Gillette Sensor Razor

BRAND

ATTRIBUTES

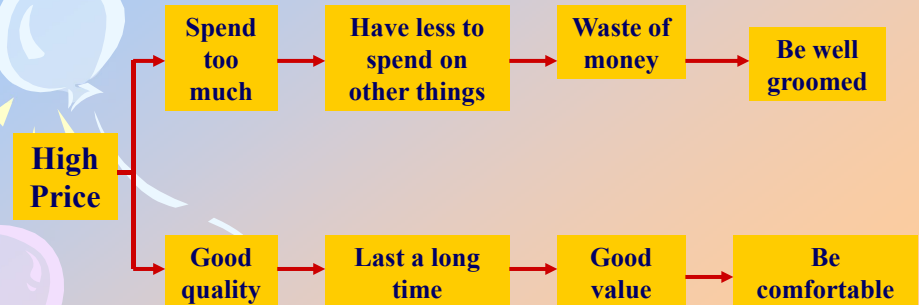
CONSEQUENCES

VALUES



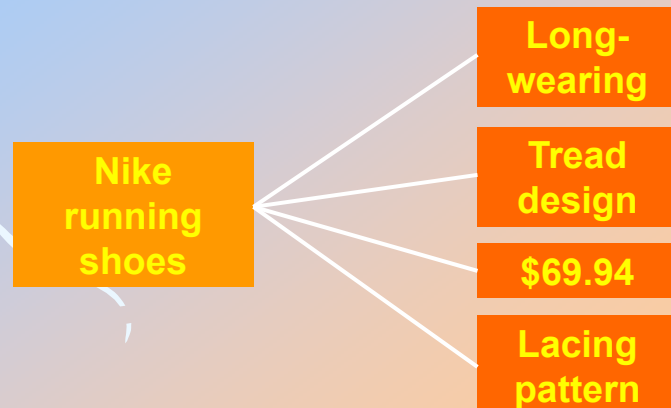
Means-End Chain

Some product attributes can have more than one means-end chain



Types of Product Knowledge

Bundle of Attributes



Types of Product Knowledge

Bundle of Benefits

