

Lecture 5: Products

What is a product?

The American Marketing Association defines a product as:

Anything that can be offered to the market for attention, acquisition or consumption including physical objects, services, personalities, organizations and desires.

Jobber (2004) gives a more succinct definition by saying a product is anything that has the ability to satisfy a customer need.

Components of a product offering

Kotler *et al.* (1999) suggest that a product has three levels (see Figure 6.1). First, the core product addresses the fundamental need the consumer is trying to resolve. Fundamental needs are generic in nature and cover a wide spectrum of issues, such as, transport, data storage or self-esteem. Secondly, the actual product is the specific offering aimed at meeting a need. This includes attributes such as styling, branding, performance features and packaging. Finally there is the augmented product which enhances the actual product by offering additional services and benefits, making the product a more attractive proposition to the consumer. Examples of an augmentation include factors such as after-sales support, maintenance and affordable credit arrangements.

When developing products organizations have to consider each of the three levels described above. Companies must fully understand their core

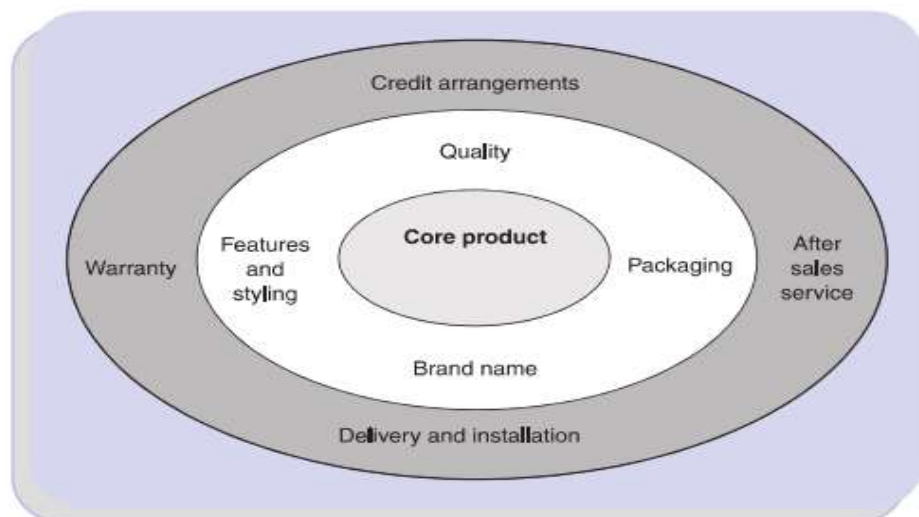


Figure 6.1
Three levels of a product

product(s) and identify what need it is meeting. Organizations must then develop actual and augmented product offerings that are attractive to specific customer groups. Orange plc provides an illustration of this process, as shown in Table 6.1.

One school of thought has argued that in certain markets advances in quality management, manufacturing systems and information technology are leading to a tendency for organizations to develop competitive products that are indistinguishable from one another. Therefore, the only way for organizations to differentiate products is to concentrate on the augmented level by attempting to offer better service and support. Indeed, the augmented level may become such a vital part of the product offering that it is absorbed into the actual product. This has happened in the car industry where the warranty package on a new car is now seen as an integral part of the product offering.

Fundamentally, a product delivers a set of benefits to a customer in order to meet a need. Organizations must strive to understand this process fully and be certain that their product offering best matches not only need but customer expectation.

Table 6.1

Three levels of a product for Orange plc

<i>Core</i>	<i>Actual</i>	<i>Augmented</i>
Communications	Mobile phone network Handset Brand image	Voice mail Insurance against loss Monthly payment plans

Reference:

Drummond, G., & Ensor, J. (2005). *Introduction to Marketing Concepts*. Great Britain: Elsevier Butterworth-Heinemann. PP 107-108

Activity:

- 1- After reading the text, search for another definition of a product. What is a new product? Talk about PLC!
- 2- If you are thinking about delivering an innovative product, give a full description of your idea basing on the three levels of the product mentioned by Kotler on Figure 6.1 and the example in table 6.1
- 3- Check the following words: desires, needs, service, consumer, customer, competitive, warranty, expectation, branding, packaging.