

# Product Planning and Pricing

*Aim: What is product planning? How does pricing play a role when adding new products to existing lines and product mixes?*

# Do Now:

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- Name all the cereals General Mills sells.



General Mills **Whole Grain Guaranteed**

# Cheerios

Love your heart so you can...  
do what you love!

© Serving Suggestion  
Toasted Whole Grain Oat Cereal

Three grams of soluble fiber daily from whole grain oat foods, like Cheerios cereal, in a diet low in saturated fat and cholesterol, may reduce the risk of heart disease. A 30 gram serving of this product has 1g of soluble fiber.

THIS UNIT NOT LABELED FOR INDIVIDUAL SALE.

General Mills **Whole Grain Guaranteed**

Crispy, Sweetened  
**WHOLE WHEAT**  
and **RICE** Cereal

# Cinnamon Toast Crunch

REAL CINNAMON AND SUGAR IN EVERY BITE

THIS UNIT NOT LABELED FOR INDIVIDUAL SALE

General Mills **Whole Grain Guaranteed**

Naturally Flavored

# Honey Nut Cheerios

Can Help Lower  
Cholesterol  
\* & Reduce the Risk  
of Heart Disease\*\*

Sweetened Whole Grain  
Oat Cereal with Real Honey  
and Natural Almond Flavor

\*Three grams of soluble fiber daily from whole grain oat foods, like Honey Nut Cheerios cereal, in a diet low in saturated fat and cholesterol, may reduce the risk of heart disease. Honey Nut Cheerios cereal provides 23 grams per serving.

THIS UNIT IS NOT LABELED FOR INDIVIDUAL SALE

General Mills **Whole Grain Guaranteed**

# Lucky Charms

FROSTED  
TOASTED OAT  
CEREAL WITH  
MARSHMALLOWS

Shooting  
Stars!

THIS UNIT IS NOT LABELED FOR INDIVIDUAL SALE

General Mills **Whole Grain Guaranteed**

# Golden Grahams

Cereal

GOOD SOURCE OF CALCIUM and VITAMIN D

THIS UNIT NOT LABELED FOR INDIVIDUAL SALE.

General Mills **Whole Grain Guaranteed**

# FROSTED Cheerios

ENLARGED TO  
SHOW DETAIL

Frosted Whole Grain Oat & Corn Cereal

THIS UNIT IS NOT LABELED FOR INDIVIDUAL SALE

General Mills **Whole Grain Guaranteed**

Naturally and Artificially  
Flavored Frosted Corn Puffs

Calcium  
Vitamin D

# Cocoa Puffs

great  
chocolatey  
taste!

THIS UNIT IS NOT LABELED FOR INDIVIDUAL SALE

General Mills **Whole Grain Guaranteed**

Naturally and Artificially Fruit  
Flavored Sweetened Corn Puffs

# Trix

Fruitalicious  
Swirls

THIS UNIT IS NOT LABELED FOR INDIVIDUAL SALE

# Product Planning

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- **Product planning** – involves making decisions about what features should be used in selling a business's products services, or ideas.
  - *These decisions relate to:*
    - product features, such as
    - packaging, labeling, and
    - branding as well as
    - services, such as product warranties.



# Product Planning

- Product Mix – includes all the different products that a company makes or sells.
- **Q - What is Nike's product mix?**





# Product Item

- is a specific model, brand, or size of a product within a product line..
- *Q- Name a product item sold at Dick's Sporting Goods?*





# Product Mix- Arm & Hammer



# ***TYLENOL***<sup>®</sup>

# Do Now

- Think of all the varieties of Tylenol.



# Product Planning

- **Product width** – refers to the number of different product lines a business manufactures or sells.
  - How many product lines does Nike sell?
- **Product depth** – refers to the number of items offered within each product line
  - How many types of Jordan's are there?



# Product Mix Strategies

## ◉ Develop New Products

- Boosts sales and market share
- Builds reputation as a innovator and leader
- Can increase profits because prices tend to be higher than older, comparable products



# Product Mix Strategies

Developing a new product involves the following steps:

1. Generating ideas
2. Screening ideas
3. Develop Business Proposal
4. Develop Product
5. Testing product with consumers
6. Introduce the product
7. Evaluate Consumer acceptance



# Product Mix Strategies

Developing a new product involves the following steps:

1. **Generating Ideas** – customers, competitors, employees
2. **Screening Ideas** – ideas are evaluated, matched against company strategy, target markets, competitors



# Product Mix Strategies

## Develop a Business

Proposal – product idea is evaluated in terms of profit potential, size of market, potential sales, costs, technology trends, competitive environment, and level of risk

4. Developing the Product – the new product idea takes on a physical shape, and marketers develop a marketing strategy. The company makes plans relating to production, packaging, labeling, branding, promotion, and distribution.



# Product Mix Strategies

5. Testing the Product with Consumers – new products are frequently test marketed in certain geographical areas to see if they will be accepted.
6. Introducing the Product – aka commercialization. Can be very expensive! Advertising & training.





# Product Mix Strategies

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7. Evaluating Customer Acceptance – Study sales information via scanning equipment and computers. Can answer questions such as:

- *How often do customers buy the new product?*
- *When did customers last buy the new product?*
- *Where are the best customers for our new product?*
- *What new products are customers buying?*

*“Some restaurants are selling as many of 300 of these Impossible sliders a day” – Forbes*

# Product Mix Strategies

- Line extensions – Companies add new items to their product lines to introduce brands to new customers.
  - <http://swiffer.com/en-us/shop-products>
  - (Ex: Swiffer)
- Product modification – an alteration in a company's existing product.
  - (color, style, features, sizes etc.)
  - **Q- What is a recently modified product?**



# Product Mix Strategies

- ◉ Deleting a Product or Product Line
- ◉ Obsolescence – changes in customer interests and technology
- ◉ Loss of Appeal – Customer tastes change
- ◉ Changes in Company Objectives – sometimes a product doesn't match company's current objectives.



*What happened to the  
waterbed?*



# Pricing Considerations

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- Competition based pricing- Selling your products at the same price of competing products.
  - Ex: Coca Cola and Pepsi
- Demand based pricing- Pricing strategy that uses consumer demand for its perceived value
  - Ex: charging more for airfare during peak holidays

# Price Considerations

- **Price Discrimination**- Pricing identical items differently based on the customer.
  - **Ex:** \_\_\_\_\_?
- **Price Gauging**- Seller prices goods at what is not considered fair market value.
  - **Ex: Gas increase after hurricanes/storms**
- **Everyday low pricing**- Pricing Strategy that promises customers low pricing without having to wait for a sale or promotion.

• **Ex:** \_\_\_\_\_?  
*Walmart Target*



# Do Now

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○ Give an example of each:

- High cost item
- Low cost good
- Sale price

## Basic Pricing Concepts

A major factoring in determining the profitability of any product is establishing a base price.

Determinants of Base Price:

- Cost
- Demand
- Competition



## Basic Pricing Concepts:

- a) **Cost-Oriented Pricing**: marketers first calculate the costs of acquiring or making a product and their expenses of doing business; then they add a profit margin figure to these figures to set a price.

Ex.





## Psychological Pricing Strategies:

Pricing techniques that help create an illusion for customers.



- a) **Odd-even Pricing:** A technique that involves setting prices that all end in either odd or even numbers.
- > Odd numbers convey a bargain image.  
Ex. \$.79, \$9.95, \$599
  - > Even numbers convey a quality image.  
Ex. \$10, \$50, \$100



9.99

## Psychological Pricing Strategies cont'd:

- b) **Prestige Pricing**: sets higher-than-average prices to suggest status and high quality to the consumer.

Ex. Rolls-Royce, Bentley automobiles,  
Rolex Watches



## Psychological Pricing Strategies cont'd:

- c) **Multiple Unit Pricing:** Pricing items in multiples suggests a bargain and helps increase sales volume.

Ex. Three for \$1.00 vs selling the same item at \$.34 each.



## Promotional Pricing:

Used in conjunction with sales promotions where prices are reduced for a short period of time.



- a) **Special-Event Pricing**: Items are reduced in price for a short period of time, based on a specific occurrence.

Ex.



## Promotional Pricing cont'd:

### b) **Rebates and Coupons:**

- > Rebates are partial refund provided by the manufacturer to consumers.
- > Coupons allow customers to take reductions at the time of purchase.

## Legal and Ethical Considerations

**a) Price Fixing: when competitors agree on certain price ranges within which they set their own prices.**

*What are other ethical dilemmas that exist when pricing?*

## Summary:

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- What is the difference between product planning and product mix?
- What are three major strategies for developing an effective product mix?

# Product Planning Activity

- ◉ Work in groups of two
- ◉ Select a product line from the given choices. Answer the questions in full sentences regarding your new product.

