Chapter 8

To consolidate your learning, the key points from this chapter are summarized here:

■ Explain the different levels of a proposition.

A proposition encompasses all the tangible and intangible attributes related not only to physical goods, but also to services, ideas, people, places, experiences, and even a mix of these various elements. Anything that can be offered for use and consumption in exchange for money or some other form of value is referred to as a proposition. Unlike products, services are considered to be processes. Propositions encompass three levels: the core proposition, consisting of the real core benefit or service (for example bottled water is thirstquenching); the embodied proposition, consisting of the physical good or delivered service that provides the expected benefit (for example the packaging); and the augmented proposition, consisting of the embodied offering plus all those other factors that are necessary to support the purchase and any post-purchase activities (for example the exclusivity associated with Voss bottled water and its Norwegian heritage).

■ Identify and describe the various types of physical proposition and explain particular concepts relating to the management of products, including the product life cycle.

Consumer and business products are classified in different ways, but both classifications are related to the way in which customers use them. Consumer products are bought to satisfy personal and family needs, and industrial and business products are bought either as a part of the business’s operations or to make other products for resale. To meet the needs of different target markets, most organizations offer a range of products and services, which are grouped together in terms of product lines and product mix. Products are thought to move through a sequential pattern of development, referred to as the product life cycle. It consists of five distinct stages: development; birth; growth; maturity; and decline. Each stage of the cycle represents a different set of market circumstances and customer expectations that need to be met with different strategies.

■ Explain the relationship between product and service offerings, and describe the product–service spectrum.

A service is any act or performance offered by one party to another that is essentially intangible.

Consumption of the service does not result in any transfer of ownership, even though the service process may be attached to a physical product. There is a spectrum of product–service combinations. At one extreme, there are pure products with no services, such as grocery products. At the other end of the spectrum are pure services, for which there is no tangible product support, such as education and dentistry. In between, there is a mixture of product–service arrangements. The product–service spectrum recognizes that many products combine physical goods with a service element.

■ Explore the processes and issues associated with innovating new propositions.

The development of new propositions is complex and high risk, so organizations usually adopt a procedural approach. The procedure consists of several phases that enable progress to be monitored, test trials to be conducted, and the results analysed before there is any commitment to the market. The development of new services follows a similar staged process, whereby additional services are added to a core product until a point is reached at which the service and the core product are integrated into a bundled offering. This is known as servitization.

■ Describe how new propositions are adopted by markets.

The processes of adoption and diffusion explain the way in which individuals adopt new propositions and the rate at which a market adopts an innovation. The process by which individuals accept and use new propositions is referred to as adoption. The different stages in the adoption process are sequential and are characterized by the different factors that are involved at each stage. The rate at which a market adopts an innovation differs according to an individual’s propensity for risk and is referred to as the process of diffusion.