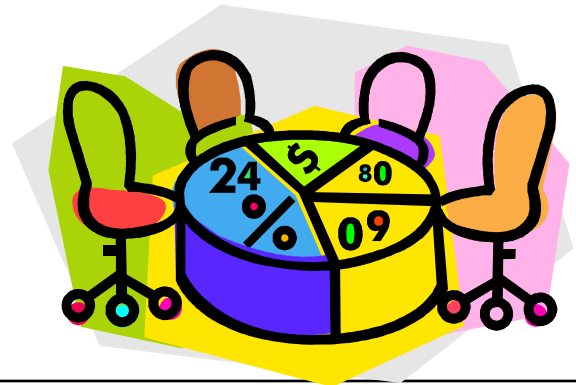


Chapter 5: Product and Price Decisions: Sports

Sports and Entertainment Marketing

Mrs. Deady





Objectives

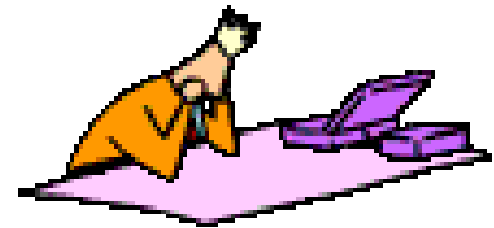
- ❑ Differentiate between a product item and product line
- ❑ Classify products as consumer goods or business goods
- ❑ Explain the 7 steps in developing a new product
- ❑ Identify the stages in a product's life cycle
- ❑ Define price and the role it plays in determining profit
- ❑ Describe the factors that affect pricing decisions
- ❑ Identify pricing strategies

5.1 Product Design Definitions

- ❑ Product Item – specific model or size of a product
- ❑ Consumer Goods – purchased and used by the ultimate consumer for personal use
- ❑ Business Goods – purchased by organizations for use in their organization
- ❑ Point of difference – unique product characteristic or benefit that sets the product apart from a competitor's
- ❑ Focus group – panel of 6 to 10 consumers who discuss their opinions about a product under the guidance of a moderator
- ❑ Commercialization – process involved in producing and marketing a new product
- ❑ Repositioning – changing a product's image in relation to its competitor's image (change any of the 4 Ps)

Steps in New Product Development

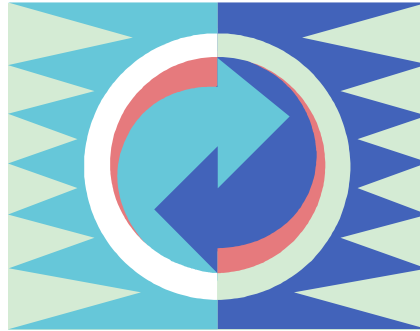
1. SWOT Analysis (strengths, weaknesses, opportunities and threats)
2. Idea Generation
3. Screening and Evaluation
4. Business Analysis
5. Development
6. Test Marketing
7. Commercialization



Product Life Cycle

- The stages that a product goes through during its life in the marketplace:

- Introduction
- Growth
- Maturity
- Decline



- Product Life-Cycle Considerations – not all products fit this cycle, e.g. Gatorade continuing to grow
 - Fads have a very short life-cycle
 - Products that need to have time to educate the consumer will have a longer Introduction stage



Managing the Product Life-Cycle

- ❑ Modify the product – change characteristics, ‘new and improved’
- ❑ Market the product – find new customers or get current customers to use more
- ❑ Reposition the product – change any of the 4 Ps; change the product’s image to attract a new target niche



5.2 Pricing and Strategies Definitions

- Price – value placed on the goods or services
- Prestige Pricing – pricing based on consumer perception
- Odd-even Pricing – price goods with an odd number or an even number to match the product's image: odd-priced suggest a bargain; even suggests expensive items
- Target Pricing – priced according to what the consumer is willing to pay



Definitions, cont'd

- Mark-up – difference between the cost to produce the product and its selling price; must ensure a profit
- Cost-plus pricing – calculating all costs and adding the desired profit
- Non-price competition – quality, service and relationships
- Market Share - % of total sales of all companies that sell the same type of product
- Price lining – selling all goods in a product line at specific price points

Definitions, cont'd

- ❑ Bundle pricing – selling several items as a package for a set price
- ❑ Loss-leader pricing – pricing an item at or below cost to draw customers into the store
- ❑ Yield-management pricing – pricing items to maximize revenue when limited capacity is involved
- ❑ Price Fixing – illegal practice where competitors conspire to set the same prices
- ❑ Predatory pricing – setting a very low price to get rid of the competition; illegal
- ❑ Price discrimination – practice of charging different prices to similar buyers

Pricing Considerations and Strategies

- ❑ Consumer Perception
- ❑ Demand
- ❑ Cost
- ❑ Newness of the Product
- ❑ Competition



Pricing Objectives and Strategies

- Profit Objective – to maintain profit margin, may add a surcharge, reduce unneeded features, or change size of product
- Market Share Objective – may lower price to gain increase in market share
- Special Pricing Strategies
 - Price lining
 - Bundle pricing
 - Loss-leader pricing
 - Yield-management pricing



Price Adjustments and Regulations

□ Discounts and Allowances

- Discounts offered for buying in large quantities or prior to buying season
- Trade discounts to wholesalers and retailers
- Cash discounts for paying invoices early
- Trade-in allowances

□ Regulatory Factors

- Predatory pricing is setting a low price to drive out competition – **ILLEGAL**
- Price discrimination – charging different prices to similar buyers - **ILLEGAL**

