**Grades and Standards**

Goods that have been inspected and graded meet specific industry standards for quality. Businesses that buy graded goods are guaranteed that they are of a certain quality. Graded goods are not necessarily more expensive, able to be stored longer in inventory, or more costly to distribution.

The Food and Drug Administration (FDA) sets standards for the ingredients and the production methods of drugs that are to be sold in this country in order to make sure they are safe and effective for public use. The Food and Drug Administration is not involved in setting prices, promoting products, or controlling the market.

Standards are statements that a business uses as a basis for comparing or judging goods or services. Time standards are specifications that monitor the amount of time it takes to complete specific business activities. In the example, the MNO Company states that it wants orders delivered within 48 hours, which is a specific time standard of allocation of time, for completing a business activity. Quality standards are statements that businesses use to measure the degree of excellence of a product. Cost standards are specifications businesses use to measure how much a product costs. Quantity standards are specifications businesses use to measure the amount of work produced.

Many food products must meet various standards before being distributed for end-user consumption. Sometimes the standards are established in different levels known as grades. Meat, eggs, fruits, and vegetables are subject to grading. Although grading is possible for lawn mowers, athletic footwear, and CD players, these items are not the most likely candidates for the grading process.

Cost standards measure the monetary success of the business. Employees who waste materials or take more time than necessary to perform tasks are adding to the cost of doing business. The increased costs will bring about a decrease in the business's profits. Work standards usually are evaluated as an aspect of employee performance reviews. Time standards monitor the amount of time needed to complete specific business activities. Sales standards are a component of quantity standards.

**Warranties and Guarantees**

This is one of the benefits to the business of offering meaningful warranties and guarantees. The process of determining which warranties or guarantees would be meaningful to customers focuses the business on its customers' needs. Reducing anxiety about purchases is a customer benefit of warranties and guarantees. Feedback from customers is not a benefit of a price guarantee. Providing increased profits for the business is not likely to happen because the company is reducing its profit margin by matching prices.

An express warranty is a warranty that is written or expressed verbally. An oral promise given in advertising or by the salesperson is an express warranty. A full warranty is a warranty which covers the entire product. A limited warranty is a warranty that does not contain the provisions of a full warranty. An implied warranty is an unwritten warranty understood by the consumer and the seller that the product will perform as expected.

The complete stereo system was covered by the warranty, which is, therefore, a full warranty. A full warranty is a promise by the seller to the consumer to repair or replace a product that does not perform as expected. A limited warranty does not have all the provisions of a full warranty but may cover specific parts or certain repairs. A warranty is an ethical business practice intended to protect consumers. Warranties are regulated by government through the Magnuson-Moss Warranty Act, but they are not referred to as government warranties.

A guarantee is a promise made to the consumer that the product's purchase price will be refunded if the product is not satisfactory. Many businesses offer guarantees on their goods and services. For example, a theater might offer a 100% money-back guarantee if customers are not satisfied with their experience. When developing these guarantees, businesses consider what customers think is important. Businesses do not consider what employees are willing to provide when developing service guarantees. Also, it is unwise to put a lot of restrictions on the guarantees because that reduces their effectiveness. Businesses often provide guarantees because they help to reduce complaints.

An express warranty is a written or oral promise that a product will be repaired or replaced if it does not function properly. The warranty for the refrigerator is a written statement, so it is an example of an express warranty. The refrigerator's warranty is limited because it only covers some of the product's components, rather than all of it. A full warranty would cover every part of the product. An implied warranty is not written nor stated orally. Instead, it is simply an understanding that the product will perform as expected.

**Product Life Cycle**

A product in the growth stage of the product life cycle has been accepted by consumers, and sales are increasing. Product production is more efficient at this stage, resulting in lower costs of production. Distribution expands as the market expands. Obsolescence does not begin until the product is in late maturity or decline.

Businesses change their marketing strategies as their products go through the stages of the life cycle. This means that companies need to know where products are in their life cycles in order to use marketing strategies appropriate for each stage. It is not usually possible to prevent imitators from entering the market or to predict the length of a product's life cycle. Finding new uses for the product is a marketing strategy that is used to boost sales for a mature product.

Once established products start to lose market share, businesses often try to develop new uses in order to extend their life cycle. The goal is to persuade customers to continue to buy the products because they have uses other than the original use. Finding new uses is often less costly than allowing a product to decline and then developing a new product to replace it. Selling expense might increase because it will be necessary to explain the new uses to customers. Businesses often develop new uses for established products to increase public awareness rather than monitor public awareness. Businesses do not develop new uses to reinforce a product's features. The business would focus on the benefits of the new way to use the product.

The decline stage is the stage of the product life cycle in which sales and profits fall rapidly. When a product is in the decline stage, a business might discount the products, which often appeals to a different, more price-conscious market segment. The maturity stage is the product life cycle stage in which sales peak and then increase at a slower rate or start to decline. Withdrawal and alteration are not stages of the product life cycle.

When a product first appears in the marketplace, it is in the introductory stage of its life cycle. During the introductory stage, the company uses promotion to stimulate consumer awareness and create an interest in trying the new product. The company would use promotional campaigns to provide information about the product—what it is, how to use it, its benefits, and its attributes. When a product is in the growth stage of its life cycle, sales tend to rise rapidly because consumer awareness has been established. When consumers are aware of the product, more people are buying it, and repeat sales by early users are occurring. A product's sales peak and increase at a slower rate during the maturity stage of the product's life cycle. During the decline stage, sales and profits fall rapidly.

**Factors affecting pricing decisions**

The business is more likely to earn the amount of profit it wants because it has set specific profit goals. Since market conditions are always changing, it is difficult for businesses to predict what prices will be profitable over time. The fact that the business is focused on making money can be a disadvantage if not enough attention is paid to other areas, such as the activities of competitors.

This change would increase costs for the business by forcing it to pay higher wages to entry-level workers. The result might be a raise in prices to cover the added expense. Increased efficiency and a reduction of inventory level would decrease prices. Laying off workers would either stabilize or reduce prices.

When the supply of a product is less than the demand, marketers often increase the selling price. Production costs, competition, and product life cycle are not factors that caused the selling price to increase in this situation.

The current economic conditions have a significant effect on a business's selling prices. If the economy is strong and interest rates are low, a business can charge higher prices because consumers have more money to spend. If the economy is struggling and consumers are out of work and interest rates are high, a business will need to offer lower prices to attract buyers. Marketing objectives, variable costs, and production expenses are internal factors that affect selling price.

Businesses may use selling price to obtain a share of the market, to enlarge the share they already have, or to maintain that share. For example, some new companies set low prices in order to get as much of the market as possible right from the start. They feel that they will benefit over time because the customers who are attracted by the low prices will become regular customers. Because the selling prices are low, the business will not make a large profit or earn a high return on investment. It is illegal for businesses to deliberately set prices so low that they eliminate all competition.

**Channels of distribution**

A producer that wants total control of the channel should use a direct channel. On the other hand, if the producer is willing to give up some control of the channel functions, longer channels can be selected. Insufficient funding, lack of a sales force, and wanting to share the costs of distribution indicate the use of longer channels.

A channel of distribution is the route that a product takes in moving from a producer to a consumer. Ultimate consumers are those who use goods and services for their own needs. Wholesalers, retailers, and sales agents are channel intermediaries that perform specific functions in the movement of goods.

Intermediaries are also called middlemen and include sales agents, wholesalers, and retailers who perform specific functions in the movement of goods from producers to consumers. Direct channels of distribution do not involve intermediaries. All channels of distribution involve producers and either industrial or ultimate consumers.

Retailers are businesses that buy consumer goods or services and sell them to the ultimate consumer. Wal-Mart, Domino's Pizza, and Avis Rent-a-Car all sell directly to consumers. Wholesalers are businesses that buy goods from producers or agents and sell to retailers. Agents assist in the sale and/or promotion of goods and services but do not take title to them. Industrial distributors are intermediaries that buy industrial goods and services and sell them to industrial users.

A producer is the grower, provider, or manufacturer of goods or services. Products originate with producers. The channel ends with an industrial user or ultimate consumer. An intermediary is a channel member operating between the producer and the consumer or industrial user to help in the movement of goods and services.