

MKTG
Principles Of Marketing
Twelfth Edition



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Chapter 10

Product concepts

Learning Outcomes

- 10-1 Define the term *product*
- 10-2 Classify consumer products
- 10-3 Define the terms *product item*, *product line*, and *product mix*
- 10-4 Describe marketing uses of branding
- 10-5 Describe marketing uses of packaging and labelling
- 10-6 Discuss global issues in branding and packing
- 10-7 Describe how and why product warranties are important marketing tools

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Learning Objective 1: What Is a Product?

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Product

- Everything, both favorable and unfavorable, that a person receives in an exchange
 - Tangible goods
 - Services
 - Ideas

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Learning Objective 2: Types of Consumer Products



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Types of Consumer Products

- **Convenience:** Inexpensive items that merit little shopping effort
- **Shopping:** Require comparison shopping
 - More expensive and found in fewer stores
- **Specialty:** Particular items for which consumers search extensively and are reluctant to accept substitutes
- **Unsought:** Products unknown to the potential buyer or known products that the buyer does not actively seek



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Learning Objective 3: Product Items, Lines, and Mixes



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Product Items, Lines, and Mixes

- **Product items:** Specific versions of a product that can be designated as a distinct offering among an organization's products
- **Product lines:** Groups of closely related product items
- **Product mixes:** All products that an organization sells
- **Product mix width** (or breadth): Refers to the number of product lines an organization offers
- **Product line depth:** The number of product items in a product line



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Benefits of Product Lines (1 of 2)

- **Advertising economics:** Product lines provide economies of scale in advertising.
- **Package uniformity:** Packages in the product line may have a common look but continue to maintain their individual identities.
- **Standardized components:** Product lines allow firms to standardize components, thus reducing manufacturing and inventory costs.



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Benefits of Product Lines (2 of 2)

- **Efficient sales and distribution:** A product line enables a full range of choices to customers, which results in better distribution and retail coverage.
- **Equivalent quality:** All products in a line are perceived as having similar quality.



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Adjustments

- Adjustments to product items, lines, and mixes
 - Product modification
 - Product repositioning
 - Product line extension
 - Product line contraction



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Product Modification

- Changing one or more characteristics of a product
- Includes modification in:
 - Quality: Change in a product's dependability or durability
 - Function: Change in a product's versatility, effectiveness, convenience, or safety
 - Style: An aesthetic product change
- **Planned obsolescence:** Practice of modifying products so those that have already been sold become obsolete before they actually need replacement



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Repositioning

- Factors that motivate a firm to reposition an established brand:
 - Changing demographics
 - Declining sales
 - Changes in the social environment



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Product Line Extension

- Adding additional products to an existing product line
- Product lines can be overextended when:
 - Products do not contribute to profits
 - Manufacturing or marketing resources are disproportionately allocated
 - Items in the line are obsolete



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Product Line Contraction

- Benefits:
 - Resources become concentrated on the most important products.
 - Managers do not waste resources trying to improve the sales and profits of poorly performing products.
 - New-product items have a chance of being successful owing to availability of financial and human resources.



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Learning Objective 4: Branding



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Brand

- Name, term, symbol, design, or combination that identifies a seller's products and differentiates them from competitors' products
- **Brand name:** Part of a brand that can be spoken, including letters, words, and numbers
- **Brand mark:** Elements of a brand that cannot be spoken



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Exhibit 10.2 The Power of Brand Equity (1 of 2)

Product category	Dominant brand name
Children's Entertainment	Disney
Laundry detergent	Tide
Tablet computer	Apple
Toothpaste	Crest
Microprocessor	Intel
Soup	Campbell's
Bologna	Oscar Meyer
Ketchup	Heinz
Bleach	Clorox



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Exhibit 10.2 The Power of Brand Equity (2 of 2)

Product category	Dominant brand name
Greeting Cards	Hallmark
Overnight Mail	FedEx
Copiers	Xerox
Gelatin	Jell-O
Ham burgers	McDonald's
Baby lotion	Johnson & Johnson
Tissues	Kleenex
Acetaminophen	Tylenol
Coffee	Starbucks
Information search	Google



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Benefits of Branding

- Benefits when a product line contraction occurs
 - Product identification
 - **Brand equity:** Value of a company or brand name
 - **Global brand:** Brand that obtains at least one-third of its earnings from outside its home country
 - **Brand loyalty:** Consistent preference for one brand over all others
 - Facilitate new-product sales and repeat sales



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Exhibit 10.3 Comparison of Manufacturers and Private Brands from the Resellers Perspective

Key Advantages of Carrying Manufacturers' Brands	Key Advantages of Carrying Private Brands
Heavy advertising to the consumer by manufacturers such as Procter & Gamble helps develop strong consumer loyalties.	A wholesaler or retailer can usually earn higher profits on its own brand. In addition, because the private brand is exclusive, there is less pressure to mark down the price to meet competition.
Well-known manufacturers' brands, such as Kodak and Fisher-Price, can attract new customers and enhance the dealer's (wholesaler's or retailer's) prestige.	A manufacturer can decide to drop a brand or a reseller at any time or even become a direct competitor to its dealers.
Many manufacturers offer rapid delivery, enabling the dealer to carry less inventory.	A private brand ties the customer to the wholesaler or retailer. A person who wants a Die-Hard battery must go to Sears.
If a dealer happens to sell a manufacturer's brand of poor quality, the customer may simply switch brands and remain loyal to the dealer.	Wholesalers and retailers have no control over the intensity of distribution of manufacturers' brands. Walmart store managers don't have to worry about competing with other sellers of Sam's American Choice products or O'Roy dog food. They know that these brands are sold only in Walmart and Sam's Club stores.



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Manufacturers' Brands versus Private Brands

- Sometimes national brand is used as a synonym for manufacturer's brand.
- **Private brand**, known as a private label or store brand, is a brand name owned by a wholesaler or a retailer.
- **Captive brands** carry no evidence of the store's affiliation, are manufactured by a third party, and are sold exclusively at the chains.



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Advantages of Captive Brands

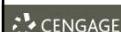
- No evidence of store's affiliation
- Manufactured by a third party
- Sold exclusively at the chains
- Retailer can ask a price similar to that of manufacturers' brands



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Individual Brands versus Family Brands

- **Individual branding**
 - Using different brand names for different products
- **Family branding**
 - Marketing several different products under the same brand name



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Co-branding

- Placing two or more brand names on a product or its package
- Types of co-branding:
 - Ingredient branding: Identifies the brand of a part that makes up the product
 - Cooperative branding: Occurs when two brands receiving equal treatment borrow from each other's brand equity
 - Complementary branding: Suggests usage by advertising and marketing products that are used together



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Trademarks (1 of 2)

- Exclusive rights to use a brand or part of a brand
- **Service mark:** Trademark for a service
- Steps to register a trademark:
 - Intent-to-use application is filed with the U.S. Patent and Trademark Office.
 - Company should have a genuine intention to use the mark.
 - Company should use it within three years of the granting of the application.



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Trademarks (2 of 2)

- Digital Millennium Copyright Act (DMCA) explicitly applies trademark law to the digital world
 - Includes financial penalties for those who:
 - Violate trademarks
 - Register an otherwise trademarked term
- **Generic product name:** Identifies a product by class or type and cannot be trademarked



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Learning Objective 5: Packaging

Functions of Packaging

- **Packaging:** Hold contents together and protect goods as they move through the distribution channel
- Functions:
 - Contains and protects products
 - Promotes products
 - Facilitates storage, use, and convenience of products
 - Facilitates recycling and reduces environmental damage



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Labeling

- **Persuasive labeling**
 - Focuses on a promotional theme or logo
 - Consumer information is secondary
- **Informational labeling**
 - Helps consumers make proper product selections
 - Lowers a consumer's cognitive dissonance after the purchase
- Greenwashing: Attempt to give the impression of environmental friendliness



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Universal Product Codes (UPCs)

- First introduced in 1974
- Series of thick and thin vertical lines (bar codes) readable by computerized optical scanners
 - Represent numbers used to track products
- Help retailers prepare records of customer purchases, control inventories, and track sales



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Learning Objective 6: Global Issues in Branding and Packaging



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Global Issues in Branding

- **One brand name everywhere:** Company markets mainly one product and the brand name does not have negative connotations.
- **Adaptations and modifications:** A one-brand name strategy is not possible when the name cannot
 - be pronounced in the local language;
 - is owned by someone else; or
 - has a negative or vulgar connotation.
- **Different brand names in different markets:** Local brand names are often used when translation or pronunciation problems occur.



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Global Issues in Packaging

- Labeling
- Aesthetics
- Climate considerations



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Learning Objective 7: Product Warranties



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Product Warranties (1 of 2)

- **Warranty:** Confirmation of the quality or performance of a good or service
- **Express warranty:** Written guarantee
- **Implied warranty:** Unwritten guarantee that the good or service is fit for the purpose for which it was sold



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Product Warranties (2 of 2)

- Manufacturer that promises a full warranty must meet certain minimum standards
 - Includes repair of any defects and replacement of the merchandise or a full refund
 - Limited warranty: Any warranty that does not live up to this tough prescription must be “conspicuously” promoted



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Key terms (1 of 4)

- Product
- Convenience product
- Shopping product
- Specialty product
- Unsought product
- Product item
- Product line
- Product mix
- Product mix width
- Product line depth



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Key terms (2 of 4)

- Product modification
- Planned obsolescence
- Product line extension
- Brand
- Brand name
- Brand mark
- Brand equity
- Global brand
- Brand loyalty
- Manufacturer's brand



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Key terms (3 of 4)

- Private brand
- Captive brand
- Individual branding
- Family branding
- Co-branding
- Trademark
- Service mark



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Key terms (4 of 4)

- Generic product name
- Persuasive labeling
- Informational labeling
- Universal product codes (UPCs)
- Warranty
- Express warranty
- Implied warranty