

Product Concepts

MKTG 8

Chapter 10

Lamb, Hair, McDaniel

2014-2015

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Learning Outcomes

- LO¹ Define the term *product*
- LO² Classify consumer products
- LO³ Define the terms *product item*, *product line*, and *product mix*
- LO⁴ Describe marketing uses of branding

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Learning Outcomes

- LO⁵ Describe marketing uses of packaging and labeling
- LO⁶ Discuss global issues in branding and packaging
- LO⁷ Describe how and why product warranties are important marketing tools

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What Is a Product?

Define the term *product*

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What Is a Product?

Everything, both favorable and unfavorable, that a person receives in an exchange.

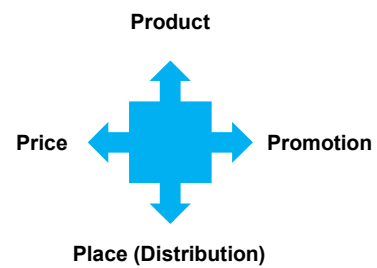
- ◆ Tangible Good
- ◆ Service
- ◆ Idea

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What Is a Product?



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Types of Consumer Products

Classify consumer products

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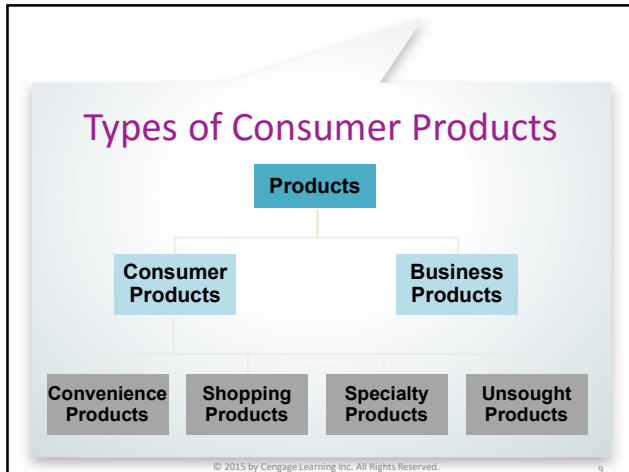
Types of Products

Business Product	A product used to manufacture other goods or services, to facilitate an organization's operations, or to resell to other customers
Consumer Product	A product bought to satisfy an individual's personal wants

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Types of Consumer Products

Convenience Product	A relatively inexpensive item that merits little shopping effort
Shopping Product	A product that requires comparison shopping, because it is usually more expensive and found in fewer stores
Specialty Product	A particular item for which consumers search extensively and are reluctant to accept substitutes
Unsought Product	A product unknown to the potential buyer or a known product that the buyer does not actively seek

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Product Items, Lines, and Mixes

Define the terms *product item*, *product line*, and *product mix*

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Product Items, Lines, and Mixes

Product Item	A specific version of a product that can be designated as a distinct offering among an organization's products.
Product Line	A group of closely-related product items.
Product Mix	All products that an organization sells.

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Exhibit 10.1

Campbell's Product Lines and Product Mix

		Width of the Product Mix				
		Soups	Sauces	Frozen Entrées	Beverages	Biscuits
Depth of the Product Lines DEPTH		Cream of Chicken	Cheddar Cheese	Macaroni and Cheese	Tomato Juice	Amott's
		Cream of Mushroom	Alfredo	Golden Chicken	V-Fusion	Water Cracker
		Vegetable Beef	Italian Tomato	Fricassee	Juices	Butternut Snap
		Chicken Noodle	Hollandaise	Traditional Lasagna	V8 Splash	Chocolate
		Tomato				Ripple
		Bean with Bacon				Spicy Fruit Roll
		Minestrone				Chocolate
		Clam Chowder				Wheaten
		French Onion				
		and more...				

Source: Campbell's Web site:
<http://www.campbellsoup.com>.

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Benefits of Product Lines

Advertising Economies

Package Uniformity

Standardized Components

Efficient Sales and Distribution

Equivalent Quality

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Adjustments

Adjustments to Product Items, Lines, and Mixes

Product Modification

Product Repositioning

Product Line Extension or Contraction

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Types of Product Modifications

Functional Modification

Style Modification

Quality Modification

Planned Obsolescence: The practice of modifying products so those that have already been sold become obsolete before they actually need replacement.

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Repositioning

Why reposition established brands?

Changing Demographics

Declining Sales

Changes in Social Environment

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Product Line Extension

Adding additional products to an existing product line in order to compete more broadly in the industry.

Symptoms of Overextension

- Some products have low sales or cannibalize sales of other items
- Resources are disproportionately allocated to slow-moving products
- Items have become obsolete because of new product entries

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Branding

Describe marketing uses of branding

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Branding

A brand is a name, term, symbol, design, or combination thereof that identifies a seller's products and differentiates them from competitors' products.

Brand Name	That part of a brand that can be spoken, including letters, words, and numbers
Brand Mark	The elements of a brand that cannot be spoken
Brand Equity	The value of company and brand names
Global Brand	A brand where at least a third of the earnings come from outside its home country

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Benefits of Branding

3 main purposes

Product Identification

Repeat Sales

New Product Sales

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Things to know:

- Branding has three main purposes: product identification, repeat sales, and new-product sales. The most important purpose is *product identification*.
- Brand equity - the value of company and brand names.
- Global brand - a brand that obtains at least a third of its earnings from outside its home country, is recognizable outside its home base of customers, and has publicly available marketing and financial data.
- Brand loyalty - a consistent preference for one brand over all others, is quite high in some product categories.

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Branding Strategies



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Branding Strategies

Manufacturers' Brand

The brand name of a manufacturer.

Private Brand

A brand name owned by a wholesaler or a retailer. Also known as a private label or store brand.

Captive

A brand manufactured by a third party for exclusive retailer, without evidence of a that retailer's affiliation.

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Advantages of Manufacturers' Brands

- ◆ Heavy consumer ads by manufacturers
- ◆ Attract new customers
- ◆ Enhance dealer's prestige
- ◆ Rapid delivery, carry less inventory
- ◆ If dealer carries poor quality brand, customer may simply switch brands and remain loyal to dealer

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Trader Joe's—The Brand

- About 80 percent of the items offered at Trader Joe's are private label.
- Trader Joe's offers several sub-brands within the Trader Joe's brand family, such as Trader Ming's for Chinese food and Trader Darwin's for vitamins.
- Trader Joe's purchases directly from the manufacturer and ships directly to its distribution centers, where many of the products are portioned and packaged.



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Advantages of Private Brands

- ◆ Earn higher profits on own brand
- ◆ Less pressure to mark down price
- ◆ Manufacturer can become a direct competitor or drop a brand/reseller
- ◆ Ties customer to wholesaler or retailer
- ◆ Wholesalers and retailers have no control over the intensity of distribution of manufacturers' brands

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Advantages of Captive Brands

- No evidence of store's affiliation
- Manufactured by third party
- Sold exclusively at the chain
- Can ask price similar to manufacturer's brands



White Cloud toilet paper was once a national brand, but is now a Wal-Mart captive brand.

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Individual Brands Versus Family Brands

Individual Brand

Using different brand names for different products.

Family Brand

Marketing several different products under the same brand name.

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Family Brands

Coke



Tabasco



Southern Comfort



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Family Brands

Another example: more diverse form of family branding.

Jack Daniel's family brands
(several products under the same brand)



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Individual Brands

DISCOVER BRANDS FROM



Using the Crest brand for a floor cleaning product (e.g. Swiffer) would not make sense.

P&G brands targeting different segments



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Co-branding

Types of Co-branding

Ingredient Branding

Cooperative Branding

Complementary Branding

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Forms of Co-branding

Ingredient branding identifies the brand of a part that makes up the product.



Oxi Clean is an ingredient in Arm & Hammer laundry detergent

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Forms of Co-branding

Cooperative branding occurs when two brands receive equal treatment.



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Forms of Co-branding

Complementary branding refers to products advertised or marketed together to suggest usage.



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Trademarks

A Trademark is the exclusive right to use a brand. A service mark performs the same function for services.

- Many parts of a brand and associated symbols qualify for trademark protection.
- Trademark right comes from use rather than registration.
- The Digital Millennium Copyright Act (DMCA) explicitly applies trademark law to the digital world.
- Companies that fail to protect their trademarks face the possibility that their product names will become generic. (e.g. Aspirin, thermos, cola, shredded wheat, etc.)

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Packaging

Describe marketing uses of packaging and labeling

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Functions of Packaging

Contain and Protect

Promote

Facilitate Storage, Use, and Convenience

Facilitate Recycling

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Labeling

Persuasive

Informational

- | | |
|-------------------------------------|--------------------------------|
| ▪ Focuses on promotional theme | ▪ Helps make proper selections |
| ▪ Consumer information is secondary | ▪ Lowers cognitive dissonance |

Greenwashing

Attempting to give the impression of environmental friendliness whether or not it is environmentally friendly.

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Universal Product Codes

A series of thick and thin vertical lines (bar codes), readable by computerized optical scanners, that represent numbers used to track products.



- Universal product codes, often called bar codes, were first introduced in 1974.
- UPCs help retailers prepare records of customer purchases, control inventories, and track sales.

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Global Issues in Branding and Packaging

Discuss global issues in branding and packaging

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Global Issues in Branding

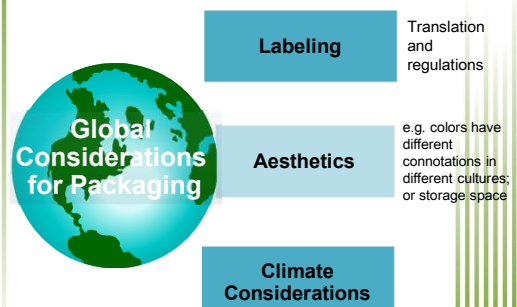


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Global Issues in Packaging



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Product Warranties

Describe how
and why product
warranties are important
marketing tools

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Product Warranties

Warranty	A confirmation of the quality or performance of a good or service.
Express Warranty	A written guarantee.
Implied Warranty	An unwritten guarantee that the good or service is fit for the purpose for which it was sold.

All sales have an implied warranty under the Uniform Commercial Code.

The Magnuson-Moss Warranty-Federal Trade Commission Improvement Act of 1975 helped consumers understand warranties and get action from manufacturers and dealers.

Full Warranty (strict standards) vs. Limited Warranty

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Chapter 10 Video

Zappos

Zappos discusses how the company builds its product offerings and enters into new fields. Zappos also has a limited line of private label offerings that it creates to fill a perceived gap in the market. Choosing the correct products is the starting point for Zappos to offer its great customer service and “deliver happiness.”

[CLICK TO PLAY VIDEO](#)

Beyond
the
Book

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