

Product Concepts

MKTG 8

Chapter 10

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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.

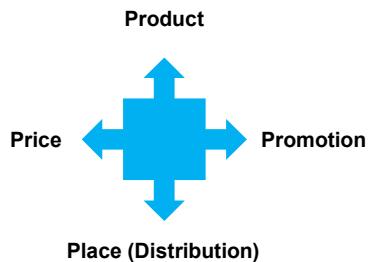
- ◆ Tangible Good
- ◆ Service
- ◆ Idea

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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

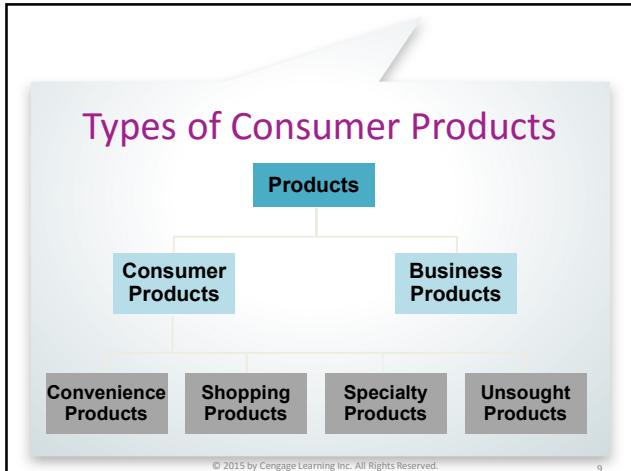
A product used to manufacture other goods or services, to facilitate an organization's operations, or to resell to other customers

Consumer Product

A product bought to satisfy an individual's personal wants

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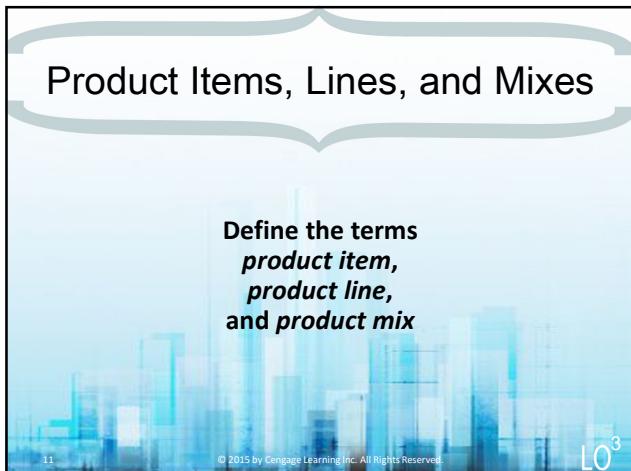
Types of Consumer Products

| | |
|---------------------|---|
| 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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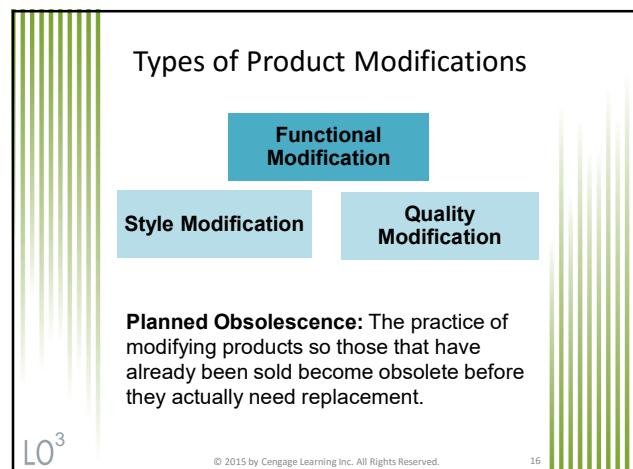
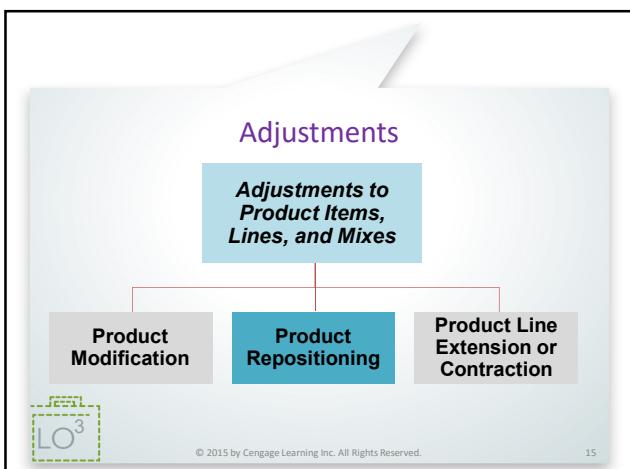
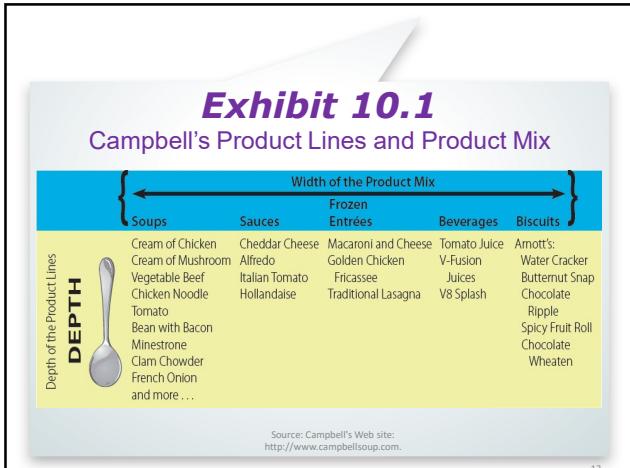
Product Items, Lines, and Mixes

| | |
|--------------|---|
| 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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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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graph TD
    Brand[Brand] --> Manufacturer[Manufacturer's Brand]
    Brand --> Private[Private Brand]
    Manufacturer --> Individual1[Individual Brand]
    Manufacturer --> Family1[Family Brand]
    Manufacturer --> Combination1[Combination]
    Private --> Individual2[Individual Brand]
    Private --> Family2[Family Brand]
    Private --> Combination2[Combination]
    
```

Individual brand - different brands for different products
 Family brand - common names for different products
 Combination - individual branding and family branding.

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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



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



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 34

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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. Asprin, 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

- Focuses on promotional theme
- Consumer information is secondary

Informational

- Helps make proper selections
- 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

Global Options for Branding



- One Brand Name Everywhere** Coke!
- Adaptations & Modifications** What if a brand can't be pronounced in a language?
- Different Brand Names in Different Markets** You can make a brand appear local.

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Global Issues in Packaging

Global Considerations for Packaging



- Labeling** Translation and regulations
- Aesthetics** e.g. colors have different connotations in different cultures; or storage space
- Climate Considerations**

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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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