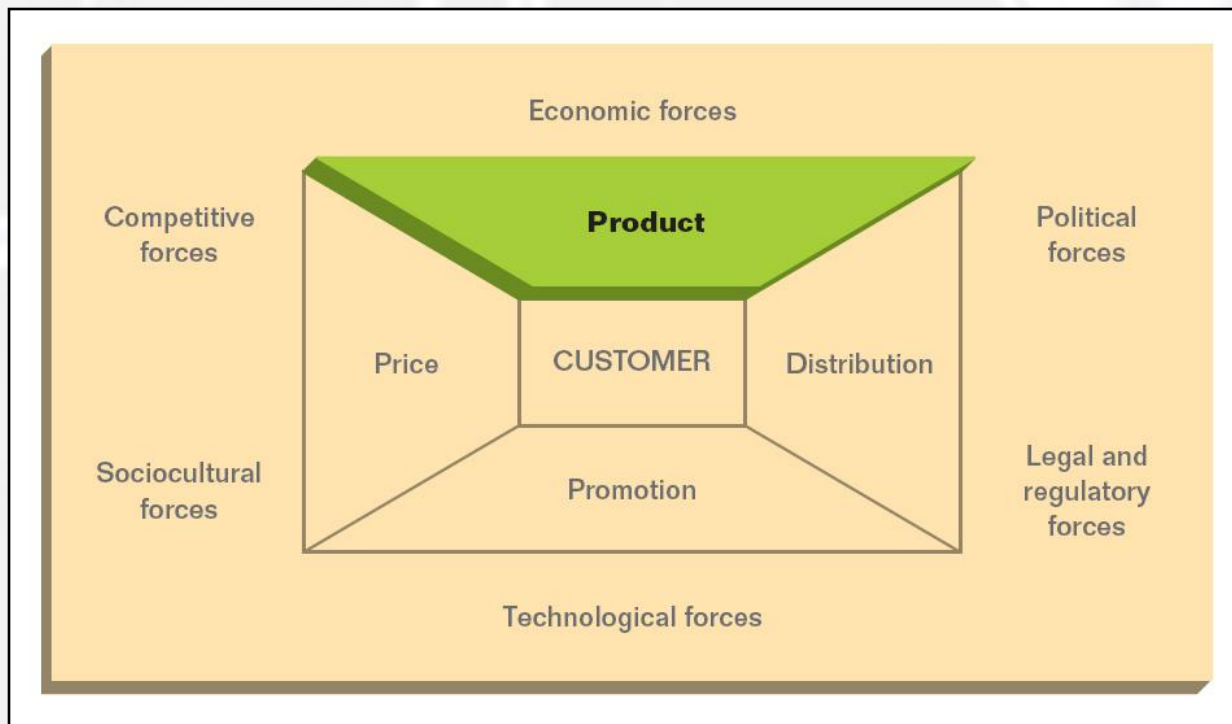


# Part Five

## Product Decisions



# Chapter 11

## Product Concepts

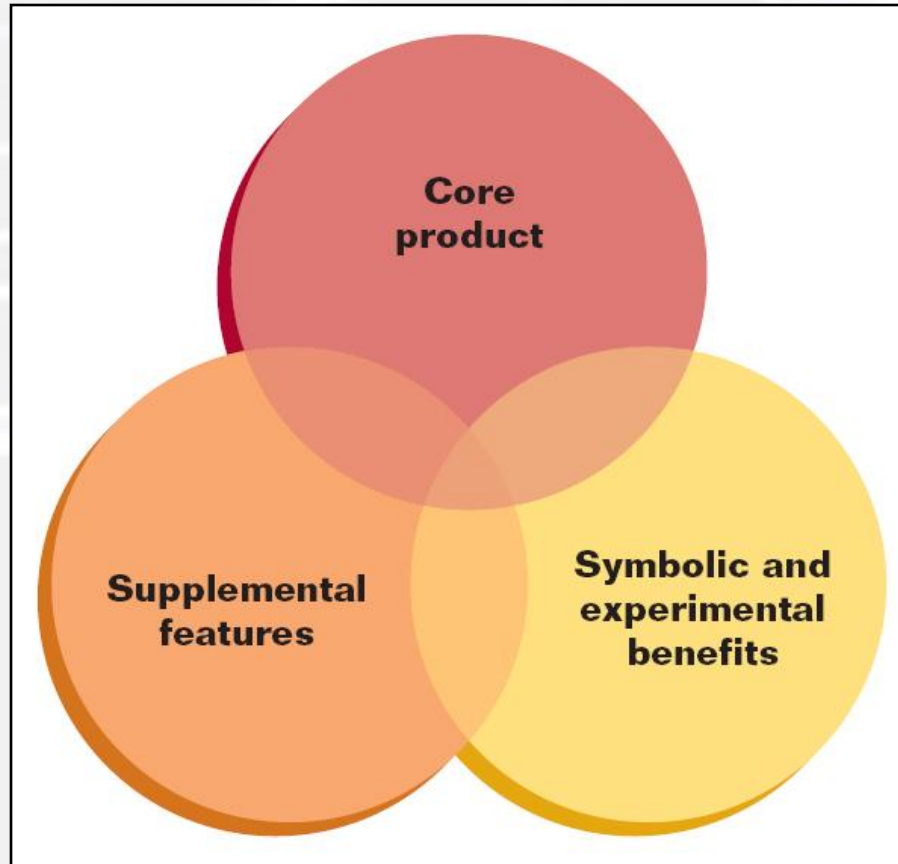
# Objectives

- Understand the concept of a product
- Explain how to classify products
- Examine concepts of product: item, line, and mix and how they are connected
- Understand product life cycle and impact on marketing strategies
- Describe product adoption process
- Understand why products fail/succeed

# What Is A Product?

- Good- Tangible physical entity
- Service- Intangible result of the application of human and mechanical efforts to people or objects
- Idea- Concept, philosophy, image, or issue

# The Total Product



# Product Characteristics

- Fundamental utility
- Supplemental features
  - Installation
  - Delivery
  - Training
  - Financing
- Symbolic meaning

# Classifying Products

- Consumer- products purchased to satisfy personal and family needs
- Business- products brought to use in an organization's operations, to resell, or to make other products



# Convenience Products

Relatively inexpensive, frequently purchased items for which buyers exert only minimal purchasing effort

# Convenience Product Strategy Implications

- Retail outlets
- Low per-unit gross margins
- Little promotion effort
- Packaging important

# Shopping Products

Items for which buyers are willing to expend considerable effort in planning and making purchases

# Shopping Product Marketing Implications

- No brand loyalty
- Fewer retail outlets than convenience
- Lower inventory turnover
- Higher gross margins
- Personal selling
- Channel member cooperation

# Specialty Products

Items with unique characteristics that buyers are willing to expend considerable effort to obtain.

# Specialty Product Marketing Implications

- Limited retail outlets
- Lower inventory turnover
- High gross margins

# Unsought Products

Products purchased to solve a sudden problem, products of which customers are unaware, and products that people do not necessarily think of buying.

# Unsought Products Marketing Implications

Build trust with consumer by:

- Recognizable brand
- Superior performance



# Business Products

- Installations- facilities & nonportable equipment
- Accessory equipment- not part of final product
- Raw materials- natural materials part of product
- Component parts- finished items ready for assembly or need little processing
- Process materials-used in production but not identifiable
- MRO supplies-maintenance, repair, and operating items not part of final product
- Services-intangible products in operations

# Product Line And Product Mix

- Item- specific version of product
- Line- closely related items viewed as a unit
- Mix- total group of products
- Width of mix- number to lines
- Depth of mix- number of different products in line

# Product Width/Depth Of Proctor & Gamble

|       | Laundry detergents      | Toothpastes | Bar soaps        | Deodorants     | Shampoos              | Tissue/Towel |
|-------|-------------------------|-------------|------------------|----------------|-----------------------|--------------|
| Depth | Ivory Snow 1930         | Gleem 1952  | Ivory 1879       | Old Spice 1948 | Pantene 1947          | Charmin 1928 |
|       | Dreft 1933              | Crest 1955  | Camay 1926       | Secret 1956    | Head & Shoulders 1961 | Puffs 1960   |
|       | Tide 1946               |             | Zest 1952        | Sure 1972      | Vidal Sassoon 1974    | Bounty 1965  |
|       | Cheer 1950              |             | Safeguard 1963   |                | Pert Plus 1979        |              |
|       | Bold 1965               |             | Oil of Olay 1993 |                | Ivory 1983            |              |
|       | Gain 1966               |             |                  |                | Infusium 23 1986      |              |
|       | Era 1972                |             |                  |                | Physique 2000         |              |
|       | Febreze Clean Wash 2000 |             |                  |                | Herbal Essence 2001   |              |
|       | Width                   |             |                  |                |                       |              |

# Product Life Cycle

The progression of a product through four stages: introduction, growth, maturity, and decline.

## Windows Product Life Cycle Policy

# Introduction Stage

The initial stage of a product's life cycle; its first appearance in the marketplace when sales start at zero and profits are negative.

# Introductory Stage

- Risk of failure high
- Buyers must be made aware of:
  - Features
  - Uses
  - Advantages
- Sellers lack
  - Resources
  - Technological knowledge
  - Marketing know-how

# Growth Stage

The product life cycle stage when sales rise rapidly and profits reach a peak, then start to decline.

# Growth Stage

- Sales rise rapidly
- Profits peak
- Starts to decline
- Competitors react



# Growth Stage Marketing Strategy

- Encourage brand loyalty- stress brand benefits
- Strengthen market share
- Emphasize product's benefits
- Aggressive pricing
- Analyze production position
- Efficient distribution system
- Promotion costs drop as % of sales

# Maturity Stage

The stage of a product's life cycle when the sales curve peaks and starts to decline, and profits continue to fall.

# Maturity Stage Marketing Strategy

- Intense competition
- Emphasize improvements and differences
- Advertising and dealer-oriented promotion
- Global expansion

# Maturity Stage Objectives

1. Generate Cash Flow
2. Maintain Share of Market
3. Increase Share of Customer

# Managing Products In The Maturity Stage

**table 11.1** SELECTED APPROACHES FOR MANAGING PRODUCTS IN THE MATURITY STAGE

| Approach   | Examples  |
|--|---|
| Develop new product uses   | Knox gelatin used as a plant food<br>Arm & Hammer baking soda marketed as a refrigerator deodorant<br>Cheez Whiz promoted as a microwavable cheese sauce  |
| Increase product usage among current users                               | Multiple packaging used for products in which a larger supply at the point of consumption actually increases consumption (such as for soft drinks or beer)  |
| Increase number of users   | Global markets or small niches in domestic markets pursued  |
| Add product features   | Traditional SUVs slowly replaced by crossover vehicles<br>Satellite radio systems in automobiles  |
| Change package sizes   | Single-serving sizes introduced<br>Travel-size packages of personal-care products introduced  |
| Increase product quality   | Life of light bulbs increased<br>Reliability and durability of U.S.-made automobiles increased  |
| Change nonproduct marketing mix variables—promotion, price, distribution | Focus of Dr Pepper advertisements shifted from teenagers to people ages 18 to 54<br>A package of dishwasher detergent containing one-third more product offered for the same price<br>Computer hardware marketed through mail-order outlets |

# Decline Stage

The stage of a product's life cycle when sales fall rapidly.

# Decline Stage Marketing Strategy

- Eliminate/reposition items
- Cut promotion
- Eliminate marginal distributors
- Plan for phase out
- Approaches
  - Harvesting
  - Divesting

## Nike Product Life Cycle

# Product Adoption Process

The five-stage process of buyer acceptance of a product: awareness, interest, evaluation, trial, and adoption.



# Stages Of Product Adoption Process

1. Awareness
2. Interest
3. Evaluation
4. Trial
5. Adoption

## Diffusion

# Most New Ideas Have Their Skeptics

**table 11.2 MOST NEW IDEAS HAVE THEIR SKEPTICS**

"I think there is a world market for maybe five computers."

—Thomas Watson, chairman of IBM, 1943

"This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us."

—Western Union internal memo, 1876

"The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?"

—David Sarnoff's associates in response to his urgings for investment in the radio in the 1920s

"The concept is interesting and well-formed, but in order to earn better than a 'C,' the idea must be feasible."

—A Yale University management professor in response to Fred Smith's paper proposing reliable overnight delivery service (Smith went on to found Federal Express Corporation)

"Who the hell wants to hear actors talk?"

—H. M. Warner, Warner Brothers, 1927

"A cookie store is a bad idea. Besides, the market research reports say America likes crispy cookies, not soft and chewy cookies like you make."

—Banker's response to Debbie Fields's idea of starting Mrs. Fields' Cookies

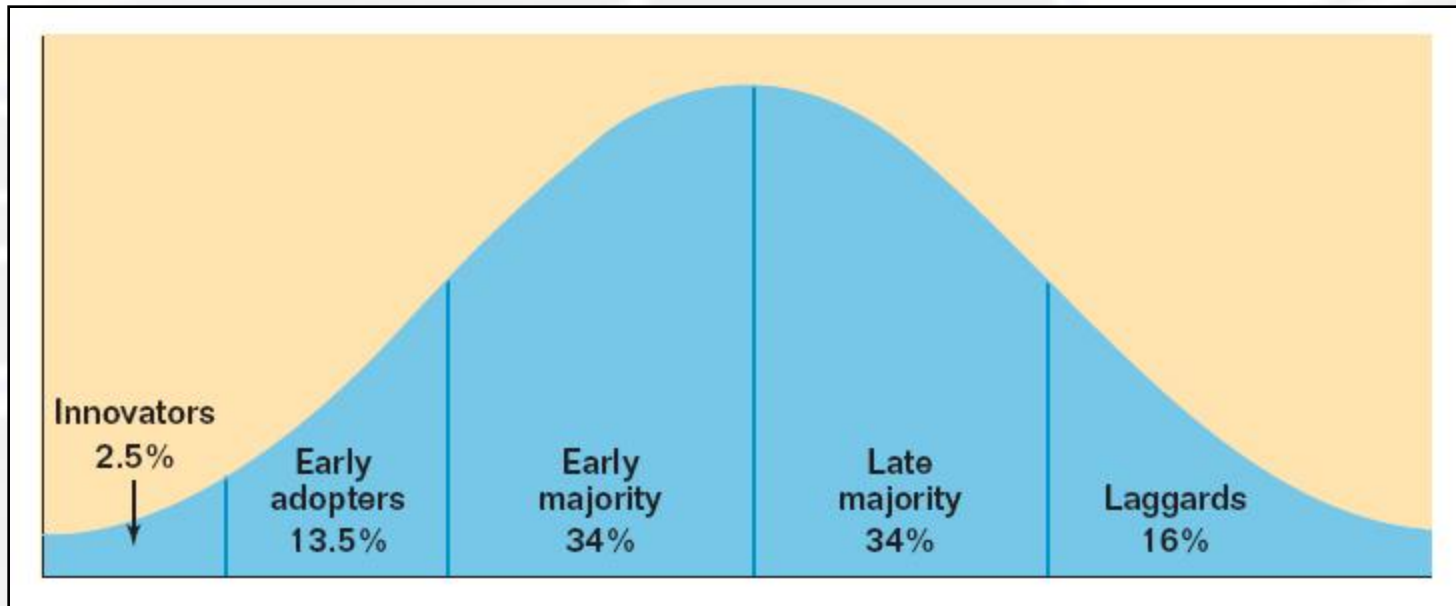
"We don't like their sound, and guitar music is on the way out."

—Decca Recording Company rejecting the Beatles, 1962

# Adopter Categories

- Innovators- first adopters
- Early Adopters- careful choosers
- Early Majority- deliberate and cautious
- Late Majority- skeptics who only adopt when necessary
- Laggards- distrust new products

# Product Adopter Categories



# Why Some Products Fail/Succeed

- Failure to match product to needs
- Failure to send right message
- Technical/design problems
- Poor timing
- Overestimate market
- Ineffective promotion
- Insufficient distribution

# Product Successes And Failures

**table 11.3** PRODUCT SUCCESSES AND FAILURES

| Successes                                       | Failures   |
|---|--|
| Smith Kline Beecham Nicoderm CQ                 | R. J. Reynolds Premier smokeless cigarettes                                |
| Canon Elph digital camera                       | Cadillac Allante luxury cars   |
| Palm PDAs                                       | Apple Lisa personal computer   |
| Coca-Cola Dasani water                          | Heinz Ketch Salsa  |
| Starbucks coffee shops                          | Nestlé Panache coffee  |
| Procter & Gamble Pantene shampoos               | Gillette For Oily Hair shampoo   |
| Tide High Efficiency laundry detergent          | Drel Home Dry Cleaning Kits  |
| Procter & Gamble Swiffer mop and dusting cloths | S. C. Johnson Allercare aerosol spray, carpet powder, and dust mite powder |
| Bacardi Breezers                                | Bud and Michelob Dry Beer  |