



Part Three Product Decisions

10

Product Concepts

Chapter Learning Objectives

- To understand the concept of a product
- To explain how to classify products
- To examine the concepts of product item, product line, and product mix and understand how they are connected
- To understand the product life cycle and its impact on marketing strategies
- To describe the product adoption process
- To understand why some products fail and some succeed

Chapter Outline

- What Is a Product?
- Classifying Products
- Product Line and Product Mix
- Product Life Cycles and Marketing Strategies
- Product Adoption Process
- Why Some Products Fail and Others Succeed

What Is a Product?

- **A Product Defined**

- A good, a service, or an idea received in an exchange
- It can be tangible (a good) or intangible (a service or an idea) or a combination of both.
- It can include functional, social, and psychological utilities or benefits.

- **Why Buyers Purchase a Product**

- To get the benefits and satisfaction that they think the product will provide
- Symbols and cues provided by marketing help consumers make judgments about products.

Classifying Products

- **Consumer Products**

- Products purchased to satisfy personal and family needs



- **Business Products**

- Products bought to use in an organization's operations, to resell, or to make other products (raw materials and components)

Consumer Products

- **Convenience Products**

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

- Characteristics

- **Marketed through many retail outlets**
- **Relatively low per-unit gross margins**
- **Little promotional effort at the retail level**
- **Packaging is important marketing mix element**

Consumer Products (cont'd)

• Shopping Products

- Items for which buyers are willing to expend considerable effort in planning and making purchases
- Characteristics
 - **Expected to last a long time; less frequently purchased**
 - **Do not have brand loyalty appeal**
 - **Require fewer retail outlets**
 - **Inventory turnover is lower**
 - **Gross margins are higher**
 - **More amenable to personal selling**
 - **Supported (servicing and promoting the product) by both the producer and channel members**

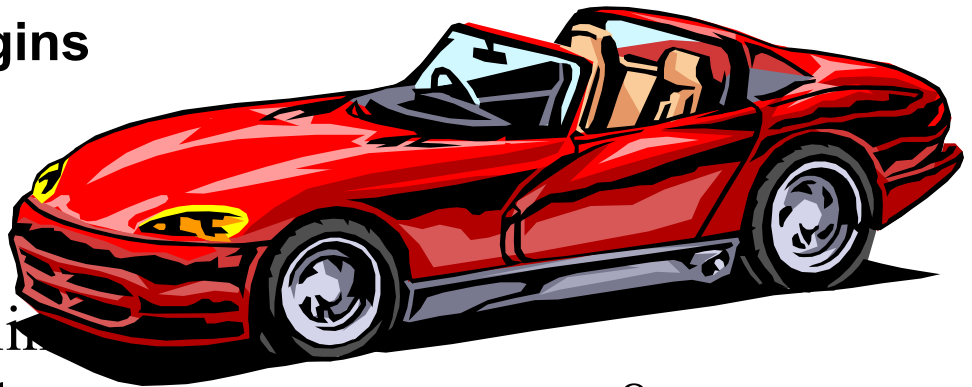
Consumer Products (cont'd)

• Specialty Products

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

– Characteristics

- **Are preselected by the consumer**
- **Have no close substitutes or alternatives**
- **Are available in a limited number of retail outlets**
- **Purchased infrequently and represent a significant and expensive investment**
- **Have high gross margins and low inventory turnover**



Consumer Products (cont'd)

• Unsought Products

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

– Characteristics

- **Speed and problem resolution of the utmost importance**
- **Price and other features not considered**
- **No consideration of substitutes or alternatives**
- **Purchased infrequently**



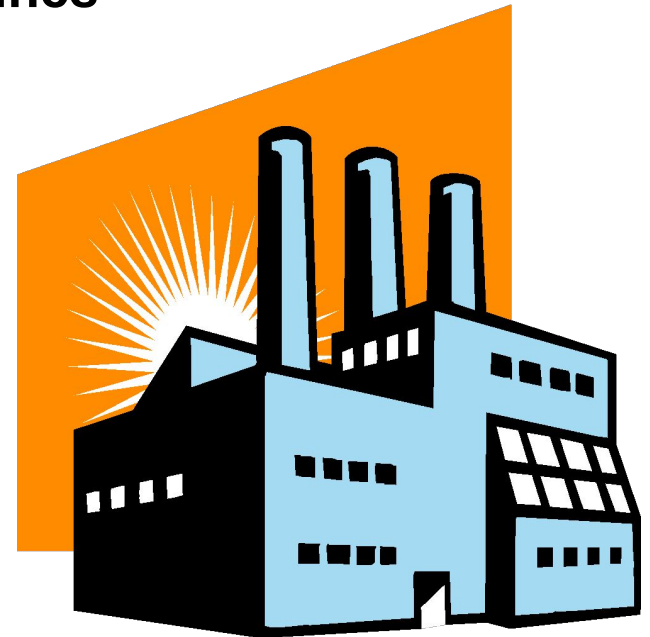
Business Products

- **Installations**

- Facilities and nonportable major equipment
 - **Office buildings, factories and warehouses, production lines, very large machines**

- **Accessory Equipment**

- Equipment used in production or office activities
 - **File cabinets, small motors, calculators, and tools**



Business Products (cont'd)

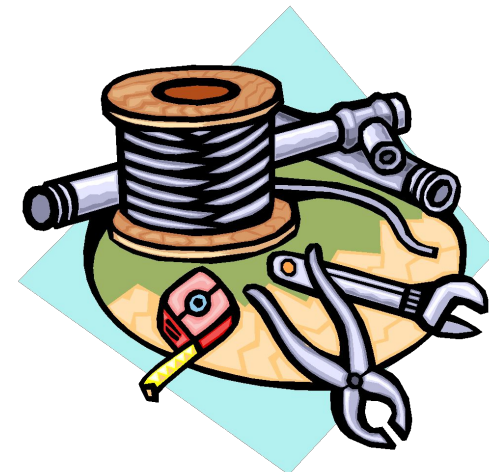
- **Raw Materials**

- Basic natural materials that become part of a physical product such as ores, water, lumber, grains, and eggs

- **Component Parts**

- Items that become part of the physical product

- **Finished items ready for assembly**
 - **Items needing little processing before assembly**
 - **Computer chips, engine blocks, girders, and paints**



Business Products (cont'd)

- **Process Materials**

- Materials that are not readily identifiable when used directly in the production of other products such as screws, knobs, and handles

- **MRO Supplies**

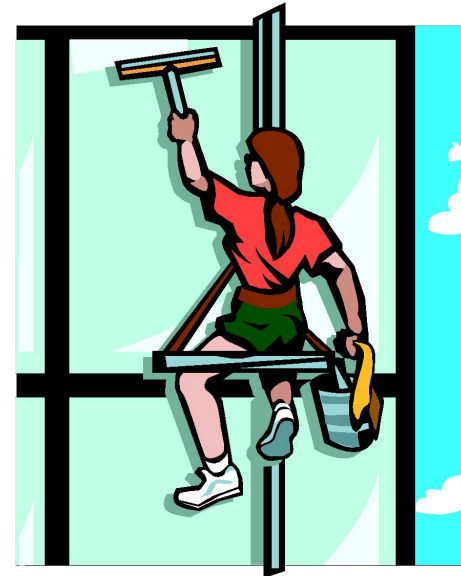
- Maintenance, repair, and operating items that facilitate production and do not become part of the finished product such as cleaners, rubber bands, and staples



Business Products (cont'd)

- **Business Services**

- The intangible products that many organizations use in their operations such as cleaning, legal, consulting, and repair service.



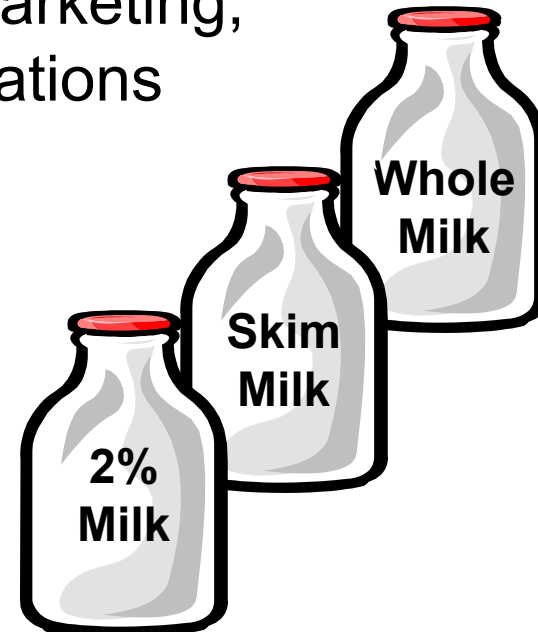
Product Line and Product Mix

- **Product Item**

- A specific version of a product

- **Product Line**

- A group of closely related product items viewed as a unit because of marketing, technical, or end-use considerations



Product Line and Product Mix (cont'd)

- **Product Mix**

- The total group of products that an organization makes available to customers
- Width of product mix
 - **The number of product lines a company offers**
- Depth of product mix
 - **The average number of different products in each product line**

The Concepts of Product Mix Width and Depth Applied to Selected U.S. Proctor & Gamble Products

	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	Kids' Fresh Wipes 1998
	Bold 1965		Oil of Olay 1993		Ivory 1983	
	Gain 1966				Physique 2000	
	Era 1972					
	Febreze Clean Wash 2000					
	Width					

Product Life Cycles and Marketing Strategies

- **Product Life Cycle**

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

MP3s

DVDs

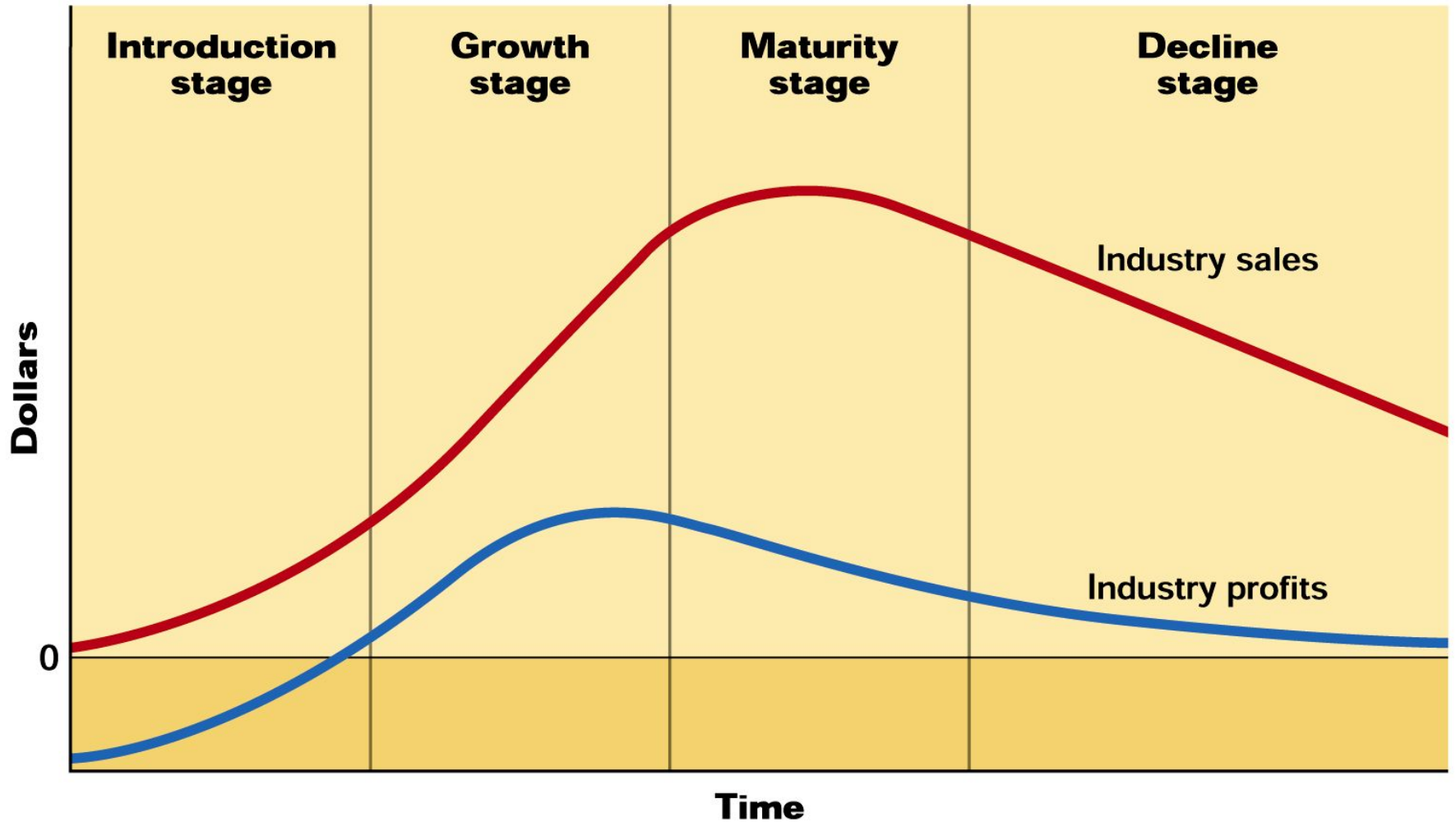
CDs

Cassettes

LP records



The Four Stages of the Product Life Cycle



The Product Life Cycle

- **Introduction**

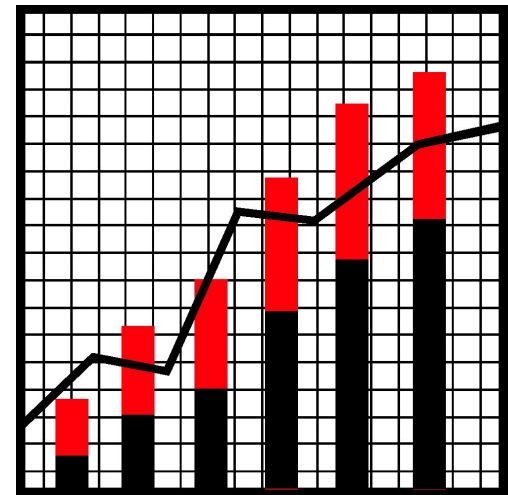
- The initial stage of a product's life cycle—its first appearance in the marketplace—when sales start at zero and profits are negative
- Why new products fail
 - **Lack of resources, knowledge, and marketing skills to successfully launch the product**
 - **High pricing to recoup research and development costs**

The Product Life Cycle (cont'd)

• Growth

– The stage of a product's life cycle when sales rise rapidly and profits reach a peak and then start to decline

- **More competitors enter the market**
- **Product pricing is aggressive**
- **Brand loyalty becomes important**
- **Gaps in market coverage are filled**
- **Promotion expenditures moderate**
- **Production efficiencies lower costs**



The Product Life Cycle (cont'd)

• Maturity

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

- Intense competition
- Emphasis on improvements and differences in competitors' products
- Weaker competitors lose interest and exit the market
- Advertising and dealer-oriented promotions predominate
- Distribution sometimes expands to the global market

– Strategic objectives for maturity stage

- Generate cash flow
- Maintain market share
- Increase share of customer

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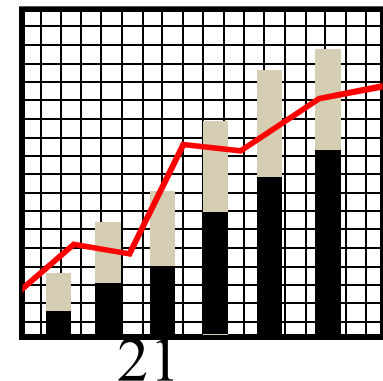


Table 10.1**Selected Approaches for Managing Products in the Maturity Stage**

Approaches	Examples
Develop new product uses	Knox gelatin used as a plant food Arm & Hammer baking soda marketed as a refrigerator deodorant 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	Cell phones that can access the Internet Global positioning systems in automobiles
Change package sizes	Single-serving sizes introduced Travel-size packages of personal care products introduced
Increase product quality	Life of light bulbs increased 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 A package of dishwasher detergent containing one-third more product offered for the same price Computer hardware marketed through mail-order outlets

Product Life Cycle (cont'd)

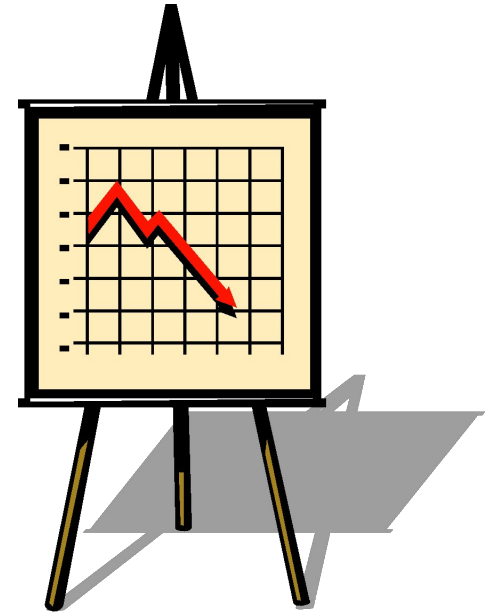
• Decline

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

- Pruning items from the product line
- Cutting promotion expenditures
- Eliminating marginal distributors
- Planning to phase out the product

– Strategic choices

- Harvesting the product's remaining value
- Divesting the product when losses are sustained and a return to profitability is unlikely



Product Adoption Process

- **Production Adoption Process**

- The stages buyers go through in accepting a product

Stage	Buyer's response
Awareness	The buyer becomes aware of the product
Interest	The buyer seeks information and is receptive to learning about the product
Evaluation	The buyer considers the product's benefits and decides whether to try the product
Trial	The buyer examines, tests, or tries the product to determine if it meets his or her needs
Adoption	The buyer purchases the product and can be expected to use it again whenever the need for this general type of product arises

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Table 10.2**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 Corp.)

“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 Co. rejecting the Beatles, 1962

Product Adoption Process (cont'd)

- **Categories of Product Adopters**

- Innovators

- **First adopters of new products**

- Early adopters

- **Careful choosers of new products**

- Early majority

- **Those adopting new products just before the average person**

- Late majority

- **Skeptics who adopt new products when they feel it is necessary**

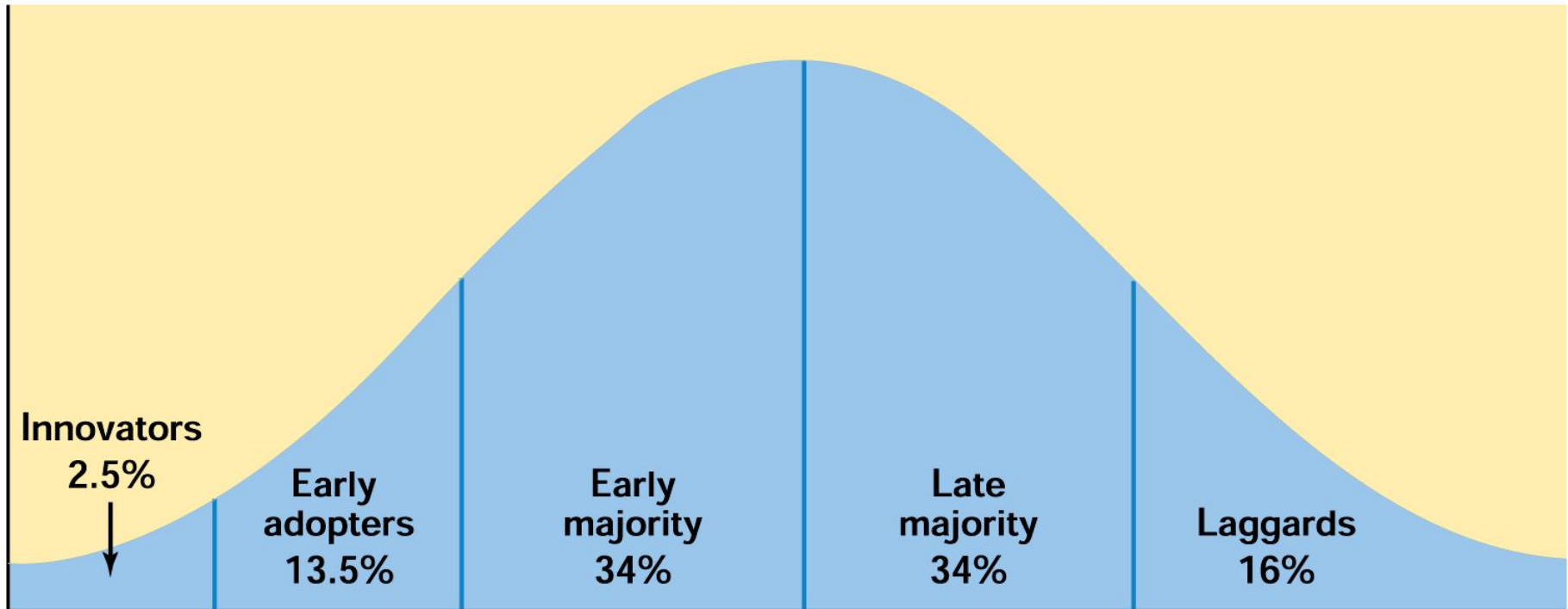
- Laggards

- **The last adopters, who distrust new products**

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Distribution of Product Adopter Categories



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Why Some Products Fail and Others Succeed

• Reasons for Product Failure

- Product's value or features did not match customer needs
- Ineffective or inconsistent branding that failed to convey the right message or image to customers
- Technical or design problems
- Poor market timing
- Overestimation of market size
- Ineffective promotion
- Insufficient distribution



Table 10.3**Product Successes and Failures****Product Successes**

Smith Kline Beecham Nicoderm CQ
Canon Elph digital camera
PalmPilot PDAs
Coca-Cola Dasani water
Starbucks coffee shops
Procter & Gamble Pantene shampoos
Tide High Efficiency laundry detergent
Procter & Gamble Swiffer mop and
dusting cloths
Bacardi Breezers

Product Failures

R.J. Reynolds Premier smokeless cigarettes
Polaroid instant cameras
Apple Lisa personal computer
Coca-Cola New Coke
Nestlé Panache coffee
Gillette For Oily Hair shampoo
Drel Home Dry Cleaning Kits
S.C. Johnson Allercare aerosol spray, carpet
powder, and dust mite powder
Miller Clear Beer

After reviewing this chapter you should:

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- Be able to explain how to classify products.
- Be familiar with the concepts of product item, product line, and product mix and understand how they are related.
- Understand the product life cycle and its impact on marketing strategies.
- Able to describe the product adoption process.
- Understand why some products fail and some succeed.



Chapter 10 Supplemental Slides

Key Terms and Concepts

- The following slides (a listing of terms and concepts) are intended for use at the instructor's discretion.
- To rearrange the slide order or alter the content of the presentation
 - select “Slide Sorter” under View on the main menu.
 - left click on an individual slide to select it; hold and drag the slide to a new position in the slide show.
 - To delete an individual slide, click on the slide to select, and press the Delete key.
 - Select “Normal” under View on the main menu to return to normal view

Important Terms

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Important Terms

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

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

Important Terms

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 - Facilities and nonportable major equipment
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Important Terms

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- The stage of a product's life cycle when sales rise rapidly and profits reach a peak and then start to decline

- **Maturity**

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- **Decline**

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

- **Production Adoption Process**

- The stages buyers go through in accepting a product

Important Terms

- **Production Adoption Process**

- The stages buyers go through in accepting a product: awareness, interest, evaluation, trial, and adoption

Transparency Figure 10D Characteristics of Convenience Shoppers Online

AMERICAN DEMOGRAPHICS GROUPING	CONVENIENCE SHOPPERS	
HARRIS SEGMENT	BRAND LOYALISTS	TIME-SENSITIVE MATERIALISTS
Percent of Total	19%	17%
DEMOGRAPHICS		
● GENDER		
Male	54.1%	62.5%
Female	45.9%	37.5%
● HIGHEST LEVEL OF EDUCATION		
High School or less	22.5%	16.7%
At least some college	60.6%	56.4%
Post-Grad	16.8%	26.9%
● INCOME		
Less than \$25,000	6.8%	4.8%
\$25,001–\$49,999	29.0%	20.4%
\$50,000–\$99,999	38.2%	39.1%
\$100,000 or more	16.7%	19.4%
Decline to answer	9.4%	16.3%
● AGE		
18–29	27.6%	20.0%
30–39	26.6%	26.9%
40–49	23.3%	26.5%
50–64	19.4%	21.6%
65 or older	3.1%	5.0%
● FIRST ACCESSED INTERNET		
Less than a year ago	7.6%	6.6%
1 Year to 3 years ago	28.4%	29.4%
3 Years to 5 years ago	36.8%	39.6%
5 Years ago or more	27.3%	24.6%
● FIRST MADE PURCHASE OVER INTERNET		
Less than a year ago	26.8%	28.0%
1 Year to 3 Years ago	53.5%	49.6%
3 Years to 5 Years ago	16.8%	19.4%
5 Years ago or more	3.0%	3.0%
● USE COUPONS, PROMOTIONAL OFFERS, REBATES ON THE INTERNET		
Always	6.3%	0.8%
Sometimes or often	66.5%	33.2%
Rarely or never	27.3%	65.9%
DEFINING ATTITUDES		
	To begin a search, I type the Web site address of a merchant I knew who sells the product.	Shopping on the internet saves me time.

Source: eBates/Harris Interactive, American Demographics analysis

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Source: American Demographics, Sept. 2001, p. 56. Adapted with permission.

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Transparency Figure 10F

Changing Market for Luxury Automobile Name Plates

