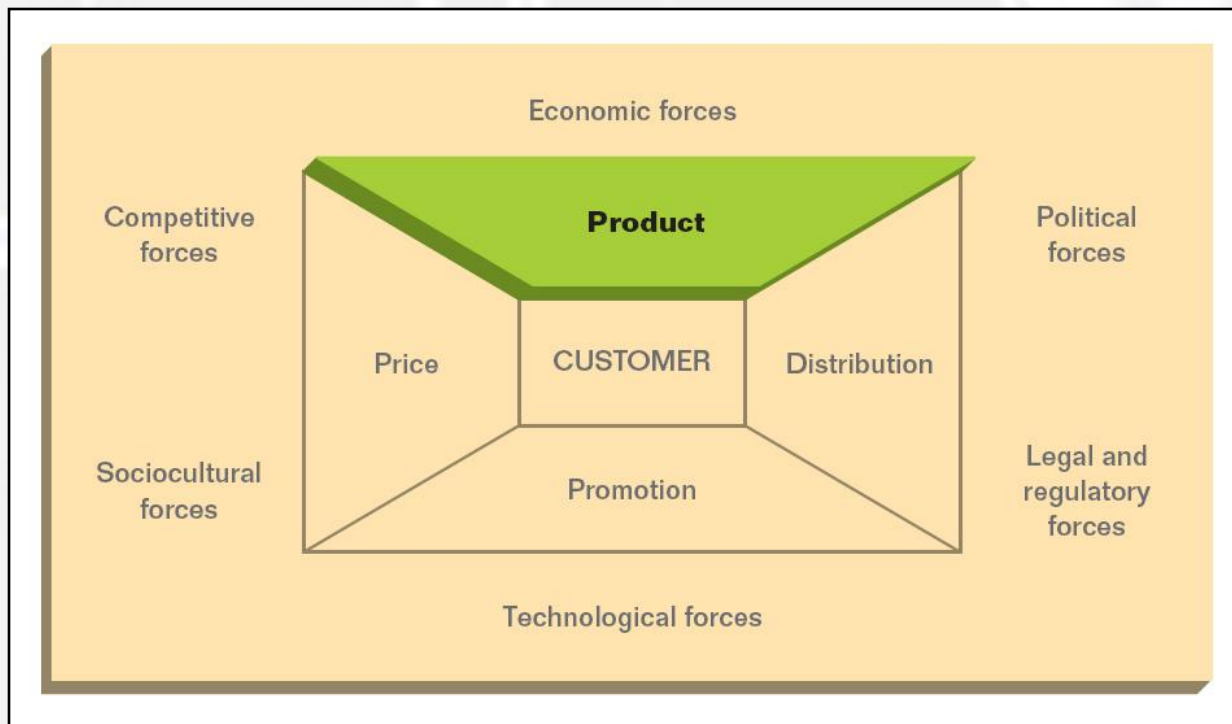


Part Five

Product Decisions



Chapter 11

Product Concepts

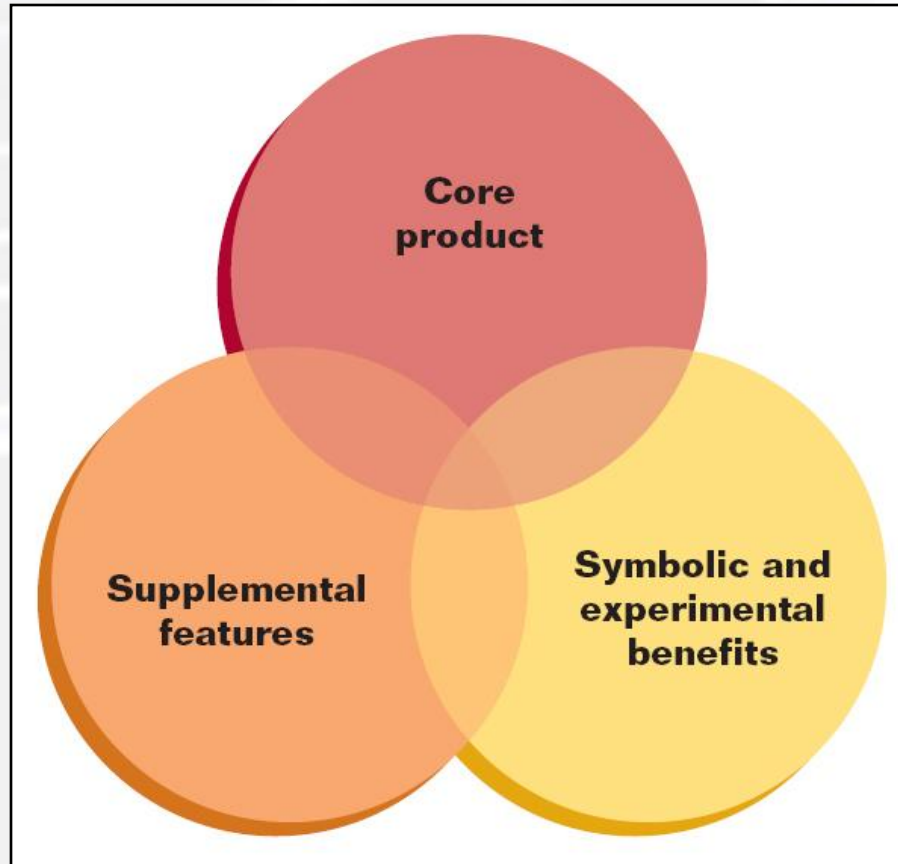
Objectives

- 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 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	Traditional SUVs slowly replaced by crossover vehicles Satellite radio 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

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

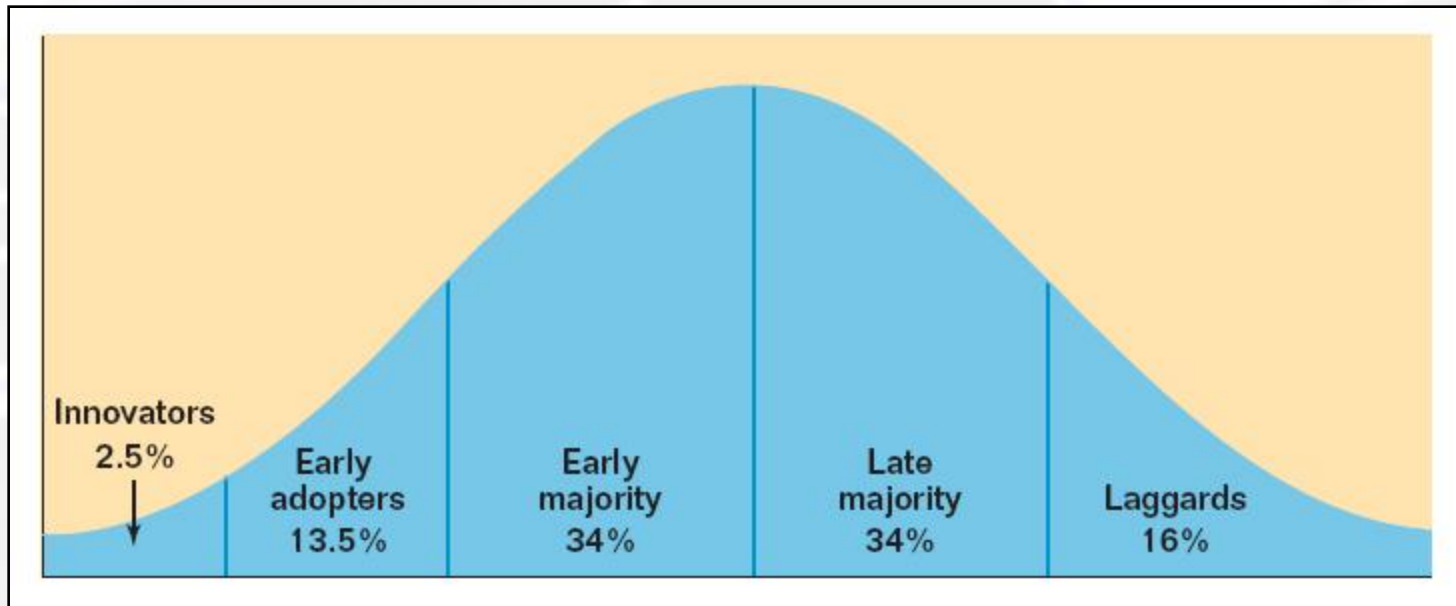
"We don't like their sound, and guitar music is on the way out."

—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