

Reading 1

Extract from Marketing Essentials

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Reading 1

Product Decisions

Developing great new products is not just about great ideas. It's about transforming them into products and services that customers want, that competitors have difficulty in copying and that exploit the strengths of the company.

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Objectives

By the end of this session you will be able to:

- learn how marketers define products
- define product levels
- understand how to classify products
- become familiar with the concepts of product item, product line and product mix
- understand the concept of product life cycle
- understand the types of organisational structure used to manage products
- grasp the importance of the levels of a product in determining a competitive edge

Introduction

The product is defined as everything that is received in an exchange, whether favourable or unfavourable. It's a complexity of tangible and intangible attributes, including functional, social and psychological utilities or benefits. A product can be a physical good, a service, an idea, or any combination of these three. This definition also covers supporting services that go with goods, such as installation, guarantees, product information and promises of repair or maintenance.

The product is a key element of the marketing mix and is central to a company's marketing proposition. Without the 'right' product it is unlikely that marketers will be able to satisfy their customers and persuade them to become repeat buyers. As will be explored in this chapter, there is much more to the product component of the marketing mix than the actual tangible product or the service supplied to a customer.

A successful product will not remain so indefinitely. Marketers must judge when to modify their products, launch new ones and delete-existing perhaps once highly successful-products.

Smelly Fabrics!

Ambrosia, Apple, Bouquet, Coffee, Cola, Eau de Cologne, Fiji, Forest, Lavender, Lemon, Lime, Orange, Peppermint, Pineapple, Pizza, Rose, Strawberry, Tropical Paradise, Vanilla, Wild Flowers, Floral Bouquet, Jasmine and Banana.

What is the connection between these exotic sounding names? Foods? Paint colours? Brand names? No, the connection is that they are all odours! Courtaulds Textiles, part of Sara Lee, has developed an innovative range of Fragrance Fabrics. The 'micro-encapsulated' scent is 'glued' to the fabric via an acrylic polymer and applied in solution to the fabric during its final production process (known as the 'stenter run'). When the fabric is rubbed, the scent 'capsules' are broken, releasing the fragrance. Staggeringly, after over 30 washes at 40°C, the fragrance is still evident.

The Japanese producers of the micro-capsules have carried out extensive skin-sensitivity tests at the Japanese Laboratory for Cutaneous (Skin) Health. Courtaulds Jersey Underwear Ltd has found ways of 'sticking' the fragrance to 150g cotton single jersey and to 150g cotton/Lycra fabrics. The following are the core fragrances in demand.

- Lemon - a refreshing scent, with characteristic uplifting properties, associated with cleansing and the ability to revive the skin.
- Orange - a slightly sweet scent, known for its calming qualities.
- Rose - the 'queen' of essential oils, associated with beauty, femininity and purity, as well as a relaxed state of mind.
- Vanilla - commonly linked with taste, a distinctive smell that is obtained from the pods of a beautiful tropical orchid.
- Lavender - a beautiful scent with endearing qualities, encourages restful sleep and has balancing properties; widely used in perfumery and with an oil base to ease muscular aches and pains.
- Apple and strawberry - fresh and fruity fragrances that are the essence of a sunny summer.
- Forest and wild flowers - mirroring the scents of woodland, two fragrances that combine tranquillity and freshness.

So why the excitement?

Well, in fabric development, innovations tend to be based around texture and durability - for example, the stretchy Lycra phenomenon. New product development has rarely been so innovative in this market, and for Sara Lee Courtaulds the result has been a competitive edge over rivals. The main target market is currently users of sportswear: using this new technology, such clothing emits a pleasant odour when the wearer gets hot and sweaty on the squash court or in the gym.

However, it's not only overheated sports enthusiasts for whom this new product technology has appeal - it can also be used in the creation of 'intelligent' fabrics, which can detect, for example, when a woman is

menstruating, and will then release soothing lavender or rose fragrances.

It is likely that, in the next few years, many clothing applications will make use of these micro-encapsulated scents. The task for fabric manufacturers marketers will be to promote these attributes to the garment makers. Whose marketers will need to entice retailers to stock these new lines and consumers to trial these fragrant products.

Sources: Fragrance Fabrics and Essential Oils and Their 'Well Being' Qualities, Courtaulds Jersey Underwear; Courtaulds Textiles, Nottingham.

Product

Everything, both favourable and unfavourable, tangible and intangible, received in an exchange of an idea, service or good

Products such as the Fragrance Fabrics devised by SaraLee Courtaulds, are among a company's most crucial and visible contacts with buyers. If a company's products do not meet its customers' desires and needs, the company will have to adjust its offering in order to survive. Developing a successful **product** requires knowledge of fundamental marketing and product concepts. Courtaulds' range of Fragrance Fabrics will need to appeal both to garment makers and consumers if it is to achieve long-term success. This chapter starts by introducing and defining the concepts that help clarify what a product is, and looks at how buyers view products. The next section examines the concepts of product mix and product line as an introduction to product planning. The chapter then explores the stages of the product life cycle. Each life-cycle stage generally requires a specific marketing strategy, operates within a certain competitive environment and has its own sales and profit pattern. The final section discusses the elements that make up a product.

What is a Product?

Good

A tangible physical entity

Service

The application of human and mechanical efforts to people or objects in order to provide intangible benefits to customers

Ideas

Concepts, philosophies, images or issues that provide the psychological stimulus to solve problems or adjust to the environment

A **good** is a tangible physical entity, such as a bottle of Pantene shampoo, a loaf of Hovis bread or a Muse CD. A **service**, by contrast, is intangible; it is the result of the application of human and mechanical efforts to people or objects. Examples of services include hairdressing, tennis tuition and medical treatment. (Chapter 10 provides a detailed discussion of services marketing.)

Ideas are concepts, philosophies, images or issues. They provide the psychological stimulus to solve problems. For example, Oxfam provides famine relief and attempts to improve the long term-prospects of people in hunger-stricken countries.

When buyers purchase a product, they are really buying the benefits and satisfaction they think the product will provide. A pair of Predator football boots, for example, is purchased for status and image, not just to protect the feet. Services, in particular, are bought on the basis of promises of satisfaction. Promises, with the images and appearances of symbols, help consumers make judgements about tangible and intangible products. Symbols and cues are often used to make intangible products more tangible to the consumer. MasterCard, for example, uses globes to symbolise the company's financial power and worldwide coverage.

Classifying Products

Consumer products

Items purchased to satisfy personal or family needs

Industrial or business products

Items bought for use in a company's operations or to make other products

Products fall into one of two general categories. **Consumer products** are purchased to satisfy personal and family needs. **Industrial or business products** are bought for use in a company's operations or to make other products. The same item can be both a consumer product and an industrial product. For example, when consumers purchase light bulbs for their homes, they are classified as consumer products. However, when a large company purchases light bulbs to provide lighting in a factory or office the same goods are considered industrial products. Thus the buyer's intent, or the ultimate use of the product, determines whether an item is classified as a consumer or an industrial/business-to-business product. It is common for more people to be involved in buying an industrial product than in a consumer purchase. Chapters 4 and 5 explain the differences in buying and decision-making for consumer and business-to-business products.

It is important to know about product classifications because different classes of product are aimed at particular target markets, and classification affects distribution, promotion and pricing decisions. Furthermore, the types of marketing activity and effort needed - in short, the entire marketing mix differ according to how a product is classified. This section examines the characteristics of consumer and industrial products and explores the marketing activities associated with some of them.

Consumer Products

The most widely accepted approach to classifying consumer products relies on the common characteristics of consumer buying behaviour. It divides products into four categories: convenience, shopping, speciality and unsought products. However, not all buyers behave in the same way when purchasing a specific type of product. Thus a single product can fit into more than one category. To minimise this problem, marketers think in terms of how buyers generally behave when purchasing a specific item. In addition, they recognise that the 'correct' classification can be determined only by considering a particular company's intended target market.

Convenience Products

Convenience products

Inexpensive, frequently purchased and rapidly consumed items that demand only minimal purchasing effort

Relatively inexpensive, frequently purchased and rapidly consumed items on which buyers exert only minimal purchasing effort are called **convenience products**. They range from chocolate, magazines and chewing gum to petrol and soft drinks. The buyer spends little time planning the purchase or comparing available brands or sellers. Even a buyer who prefers a specific brand will readily choose a substitute if the preferred brand is not conveniently available.

Classifying a product as a convenience product has several implications for a company's marketing strategy. A convenience product is normally marketed through many retail outlets. Because sellers experience high inventory turnover, the per unit gross margins can be relatively low. Producers of

convenience products such as PG Tips tea and Domestos bleach expect little promotional effort at the retail level and so must provide their own through advertising, sales promotion and the item's packaging. The package may have an especially important role to play, because many convenience items are available only on a self-service basis at the retail level. The use of on-pack sales promotion and point-of-sale displays are ways to maximise the impact of the package.

Shopping Products

Shopping products

Items chosen more carefully than convenience products; consumers will expend effort in planning and purchasing these items

Items that are chosen more carefully than convenience products are called **shopping products**. They are purchased infrequently and are expected to last a long time. Buyers are willing to expend effort in planning and purchasing these items. They allocate time for comparing stores and brands with respect to prices, credit, product features, qualities, services and perhaps guarantees. Appliances, furniture, bicycles, stereos, jewellery and cameras are examples of shopping products. Even though shopping products are more expensive than convenience products, few buyers of shopping products are particularly brand loyal. If they were, they would be unwilling to shop and compare brands.

Marketers seeking to market shopping products effectively must consider that they require fewer retail outlets than convenience products. Because they are purchased less frequently, inventory (stock) turnover is lower and middlemen (retailers) expect to receive higher gross margins. Although large sums of money may be required to advertise shopping products, an even larger proportion of resources is likely to be used for personal selling. Indeed, the quality of the service may be a factor in the consumer's choice of outlet. Thus a couple that buys a new dishwasher might expect sales personnel in the chosen retail outlet to explain the advantages and features of competing brands. In many cases, the producer and the middlemen also expect some cooperation from one another with respect to providing parts and repair services, and performing promotional activities.

Speciality Products

Speciality products

Items that possess one or more unique characteristic; consumers of speciality products plan their purchase and will expend considerable effort to obtain them

Products that possess one or more unique characteristic and which a significant group of buyers is willing to expend considerable effort to obtain are called **speciality products**. Buyers plan the purchase of a speciality product carefully; they know exactly what they want and will not accept a substitute. An example of a speciality product is a painting by L.S. Lowry or a Cartier watch. When searching for speciality products, buyers do not compare alternatives; they are concerned primarily with finding an outlet that has a pre-selected product available.

The marketing of a speciality product is very distinctive. The exclusivity of the product is accentuated by the fact that speciality products are often distributed through a limited number of retail outlets. Some companies go to considerable lengths to control this aspect of their distribution. Like shopping goods, speciality products are purchased infrequently, causing lower inventory turnover and thus requiring relatively high gross margins.

Unsought products

Unsought Products

Items that are purchased when a sudden problem arises or when aggressive selling is used to obtain a sale that would not otherwise take place.

Products that are purchased when a sudden problem arises or when aggressive selling obtains a sale that otherwise would not take place are called **Unsought products**. The consumer does not usually expect to buy these products regularly. Emergency windscreen replacement services and headstones are examples of unsought products. Life insurance is an example of an unsought product that often needs aggressive personal selling.

Business or Industrial Products

Business products are usually purchased on the basis of a company's goals and objectives. The functional aspects of these products are usually more important than the psychological rewards sometimes associated with consumer products. Business products can be classified into seven categories according to their characteristics and intended uses:

- raw materials
- major equipment
- accessory equipment
- component parts
- process materials
- consumable supplies
- industrial/business services.

Raw Materials

Raw materials

The basic materials that become part of physical products

The basic materials that become part of physical products are **raw materials**. These include minerals, chemicals, agricultural products, and materials from forests and oceans. They are usually bought and sold in relatively large quantities according to grades and specifications.

Major Equipment

Major equipment

Large tools and machines used for production purposes

Large tools and machines used for production purposes, such as cranes and spray painting machinery, are types of **major equipment**. Major equipment is often expensive, may be used in a production process for a considerable length of time and is often custom-made to perform specific functions. For example, Alstom manufactures purpose-built large gears and turbines. Other items are more standardised, performing similar tasks for many types of company. Because major equipment is so expensive, purchase decisions are often long and complex, and may be made by senior management. Marketers of major equipment are frequently called upon to provide a variety of services, including installation, training, repair, maintenance assistance and financing. This may lead to long-term relationships being developed between suppliers of major equipment and their customers.

Accessory Equipment

Accessory equipment
Tools and equipment used in production of office activities that do not become part of the physical product

Equipment that does not become a part of the final physical product, but is used in production or office activities is referred to as **accessory equipment**. Examples include telephone systems, stationery supplies, fractional horsepower motors, and tools. Compared with major equipment; accessory items are usually much cheaper, are purchased less routinely, with less negotiation and are treated as expenditure items rather than capital items because they are not expected to last long. More outlets are required for distributing accessory equipment than for major equipment, but sellers do not have to provide the multitude of services expected of major equipment marketers.

Component Parts

Component parts
Parts that become a part of the physical product and are either finished items ready for assembly or products that need little processing before assembly

Parts that become part of the physical product and are either finished items ready for assembly or products that need little processing before assembly are called **component parts**. Although they become part of a larger product, component parts can often be easily identified and distinguished. Tyres, spark plugs, gears, lighting units, screws and wires are all component parts of a delivery van. Buyers purchase such items according to their own specifications or industry standards. They expect the parts to be of specified quality and delivered on time so that production is not slowed or stopped. Producers that are primarily assemblers, such as most washing machine or lawn mower manufacturers, depend heavily on suppliers of component parts.

Process Materials

Process materials
Materials used directly in the production of other products, but not readily identifiable

Materials that are used directly in the production of other products are called process materials. Unlike component parts, however, **process materials** are not readily identifiable. For example, Reichhold Chemicals markets a treated fibre product: a phenolicresin, sheet-moulding compound used in the production of flight deck instrument panels and aircraft cabin interiors. Although the material is not identifiable in the finished aircraft, it retards burning, smoke and formation of toxic gas when subjected to fire or high temperatures.

Consumable Supplies

Consumable supplies
Supplies that facilitate production and operations but do not become part of the finished product

Supplies that facilitate production and operations but do not become part of the finished product are referred to as **consumable supplies**. Paper, print cartridges, pencils, oils, cleaning agents and paints are in this category. They are purchased by many different types of business. Consumable supplies are purchased routinely and sold through numerous outlets. To ensure that supplies are available when needed, buyers often deal with more than one seller. Consumable supplies can be divided into three subcategories- maintenance, repair and operating (or overhaul) supplies- and are sometimes called **MRO items**.

MRO items
Consumable supplies in the subcategories of maintenance, repair and operating (or overhaul) supplies

Industrial/Business Services

Industrial/Business Services

The intangible products that many organisations use in their operations, including financial, legal, marketing, research, computer programming and operation, caretaking and printing services

These are the intangible products that many organisations use in their operations. They include financial, legal, marketing research, computer programming and operation, caretaking and printing services for business. Some companies decide to provide their own services internally, while others outsource them. This decision depends largely on the costs associated with each alternative and the frequency with which the services are needed.

The Three Levels of Product

The product may appear obvious - a carton of fresh orange juice or a designer handbag but generally the purchaser is buying much more than a drink or a means of carrying personal items. To be motivated to make the purchase, the product must have a perceived or real core benefit or service. This level of product, termed the **core product**, is illustrated in Figure 8.2. The **actual product** is a composite of several factors: the features and capabilities offered, quality and durability, design and product styling, packaging and, often of great importance, the brand name.

In order to make the purchase, the consumer often needs the assistance of sales personnel, there may be delivery and payment credit requirements and, for bulky or very technical products, advice regarding installation. The level of warranty back-up and after-sales support, particularly for innovative, highly technical or high value goods, will be of concern to most consumers. Increasingly, the overall level of customer service constitutes part of the purchase criteria, and in many markets it is deemed integral to the product on offer. These 'support' issues form what is termed the **augmented product** (see figure 8.2).

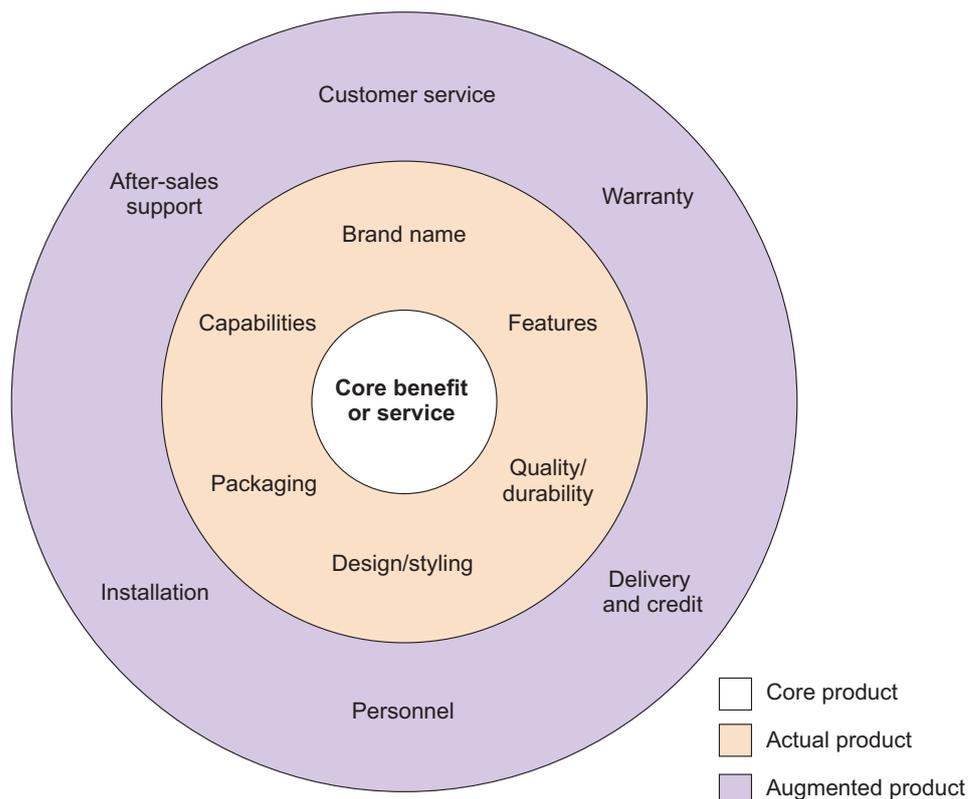


Figure 8.2: The three levels of product: core, actual and augmented

When a £30,000 BMW 3 Series executive car is purchased, the vehicle's performance specification and design may have encouraged the sale. Speed of delivery and credit payment terms may have been essential to the conclusion of the deal. The brand's image, particularly in the case of a car costing £30,000, will also have influenced the sale. Once behind the wheel of the BMW, its new owner will expect reliability and efficient, friendly,

convenient service in the course of maintenance being required. The purchase might have been lost at the outset had the salesperson mishandled the initial enquiry. Repeat servicing business and the subsequent sale of another new car may be ruled out if the owner encounters incompetent, unhelpful service engineers. The core benefit may have been a car to facilitate journeys to work, transport for the family or the acquisition of a recognised status symbol. Customer satisfaction will depend on the product's actual performance and also on service aspects of the augmented product. This example is not unusual. For most consumer or business products and services, the consumer is influenced by the three levels of the product: core, actual and augmented. Marketers need to take this into consideration when developing product offers. Careful consideration of all levels of the product can provide the basis for a competitive edge. Several years ago BP launched an environmentally friendly diesel fuel with 90 per cent reduced emissions. This coincided with increasing environmental awareness among customers and provided a benefit at the augmented product level. Soon all rivals were offering similar clean diesels. This illustrates how organisations must increasingly strive to consider all product levels when developing their offerings.

Many marketers now recognise the important role that personnel play in product exchanges. People are responsible for the design, production, marketing, sale and distribution of products. As will be explained in Chapter 10, personnel are especially important in the sale and delivery of services. Thus, a financial services adviser must have considerable expertise in the sector to give good advice. Similarly, a good-quality haircut can only be delivered by a skilled hairdresser. As consumers, people make decisions and ultimately adopt products for use and consumption. When deciding which products to adopt and use; people now pay considerable attention to the skills, attitudes and motivations of personnel involved in the marketing channel. As explained in Chapter 1, personnel also constitute an essential ingredient of the marketing mix for consumer and business goods.

Product Line and Product Mix

Product item

A specific version of a product that can be designated as a distinct offering among a business's products

Product line

A group of closely related product items that are considered a unit because of marketing, technical or end-use considerations

Product mix

The composite group of products that a company make available to customers

Depth (of product mix)

The number of different products offered in each product line

Marketers must understand the relationships between all their organisation's products if they are to coordinate their marketing. The following concepts describe the relationships between an organisation's products. A **product item** is a specific version of a product that can be designated as a distinct offering among a business's products- for example, Procter & Gamble's Pantene shampoo. A **product line** includes a group of closely related product items that are considered a unit because of marketing, technical or end-use considerations. All the shampoos manufactured by Procter & Gamble constitute one of its product lines. Figure 8.3 illustrates the product line for Hovis. The Marketing Insight box explains how manufacturers of nicotine replacement products are expanding their product line to allow them to capitalise on the opportunities this market provides. To come up with the optimum product line, marketers must understand buyers' goals. Specific items in a product line reflect the desires of different target markets or the different needs of consumers.

A **product mix** is the composite, or total, group of products that a company makes available to customers. For example, all the personal care products, laundry detergent products and other products that Procter & Gamble manufactures constitute its product mix. The **depth** of a product mix is measured by the number of different products offered in each product line. The **width** of a product mix is measured by the number of product lines a company offers. Figure 8.4 shows the width of the product mix and the depth of each product line for selected Procter & Gamble products in the USA. Procter & Gamble is known for using distinctive technology, branding, packaging and consumer advertising to promote individual items in its detergent product line. Tide, Bold and Cheer - all Procter & Gamble detergents - share similar distribution channels - and manufacturing facilities. Yet due to variations in product formula and attributes, each is promoted as distinct, adding depth to the product line.



Figure 8.3: This advertisement for leading bread brand Hovis makes clear that the Hovis line includes more than the familiar Hovis brown loaf. Source: All work created by Star Chamber

Marketing Insight

A New Generation of Nicotine Replacement Products

Nicotine replacement therapy (NRT) fights nicotine dependence and relieves the symptoms of withdrawal in smokers who are trying to give up.

Leading brands include Nicotinell/ NiQuitin CQ and Nicorette. Novartis, the company behind Nicotinell replacement gum and patches, also launched food products designed to help smokers quit the habit. Many consumers are already familiar with the Nicotinell brand. As smoking becomes increasingly socially unacceptable, the company now believes that there are a variety of new product development opportunities for its brand. Novartis launched a nicotine replacement lozenge that when sucked, provides a continual, low-level boost of nicotine for relatively light smokers. Other initiatives include the possible development of nicotine-enhanced food and a detoxification programme for ex-smokers. Supportive counselling services are viewed as a key part of the therapy, and most of the leading players have examined how to offer such services alongside their patches, gums, pills and lozenges.

It is not difficult to understand the attractions of the nicotine replacement therapy market and to appreciate why Novartis is seeking to extend its product offerings. As millions seek to leave their smoking habit behind, the market for nicotine replacement products is growing rapidly.

Indications also show that 1 in 20 of those attempting to 'kick the habit' will use some form of nicotine replacement therapy. Not surprisingly, Novartis is not alone in seeking to develop its product range. Since NRT products were first launched in the UK more than a decade ago, several companies have dominated the market: Novartis, with its Nicotinell patch and gum; Pharmacia & Upjohn (P&U), with its Nicorette gum, inhaler and patches; and Boots, with its own-label patches and gum. Recent developments include Boots inhaler and competing brand Nicorette's launch of its micro-tab, a kind of nicotine pill that, when placed under the tongue, takes half an hour to dissolve.

Perhaps the most aggressive challenge to the market has come from pharmaceutical giant SmithKline Beecham (SKB) which spent £12 million on the UK launch of NiQuitin CQ (CQ stands for 'committed quitters'). SKB claimed this to have been the largest ever over-the-counter launch in the UK.

Clearly the company expected the brand, already the best-seller in the USA, to claim a large slice of the UK market. Company representatives suggested that this was achieved by the unique 'personalised literature pack' included with NiQuitin CQ product. This pack includes a questionnaire for smokers to fill in, detailing the circumstances in which they are most vulnerable to lighting up. Advice is then offered that is tailored to match the answers provided in the questionnaire. According

to Elaine McFarlane, SKB's director of consumer healthcare communications, this represented a unique approach in the NRT market. She explains, 'When these products first launched they were positioned as a magic bullet – "take this and you won't want to smoke". Now with all the noise from the political, health and economic perspectives, you know it doesn't make sense to smoke anymore, and we felt the time was right for a more mature consideration of people's motivation'.

In such a volatile market, future trends are difficult to predict. When NRT products were first launched in the UK in 1993, they were met with considerable consumer excitement. However, following an initial growth in sales, consumer confidence in the capabilities of the products declined. Today, with the products widely available in supermarkets as well as pharmacies and governments throughout the EU considering bans on smoking in public places and other anti-smoking measures, the key players are looking for innovative ways to ensure that their products play a major role in the continued fight against smoking. New product development is likely to be just part of the solution, with manufacturers also seeking a fresh more realistic promotional stance. For Novartis, with its original slogan 'Helps you stop smoking', this involves repositioning the brand to stress its role in harm reduction and Nicotinell's role in supporting the quitter's willpower and resolve to stop smoking, while making the product desirable. The new advertising strapline requires little explanation, accompanying images of a leather clad-attractive female biker: Lose the smoke keep the fire! With smokers over 30 years old as the key target, and the biggest increase in new smokers among those in their early teens and twenties, the market potential is considerable. Time will tell whether Novartis and the other players continue to meet the challenge.

Sources: Novartis Consumer Healthcare, 2004-7; Neil Denny, 'Smokers may be offered nicotine food to help quit', *Marketing*, 28 January 1999, p.1; Sue Beenstock, 'Queuing up to quit', *Marketing*, 28 January 1999, p. 1; www.Nicotinell.com, June 2004 and November, 2007; www.mypharmacy.co.uk/medicines/topics/n/nicotine_replacement_therapy, June 2004; Boots, November, 2007; <http://www.nicotinell.co.uk/football/26> November, 2007.