# CHAPTER 7
# PRODUCTS, SERVICES, AND BRAND

## PREVIEWING THE CONCEPTS – CHAPTER OBJECTIVES

1. Define *product* and describe the major classifications of products and services.
2. Describe the decisions companies make regarding their individual products and services, product lines, and product mixes.
3. Identify the four characteristics that affect the marketing of services and the additional marketing considerations that services require.
4. Discuss branding strategy—the decisions companies make in building and managing their brands.

## CHAPTER OVERVIEW

In this and the next chapter, we'll study how companies develop and manage products and brands. The product is usually the first and most basic marketing consideration.

This chapter begins with a deceptively simple question: *What is a product*? After addressing this question, we look at ways to classify products in consumer and business markets.

Then we discuss the important decisions that marketers make regarding individual products, product lines, and product mixes.

Next, we examine the characteristics and marketing requirements of a special form of product—services.

Finally, we look into the critically important issue of how marketers build and manage brands.

## WHAT IS A PRODUCT?

A **product** is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.

Broadly defined, "products" also include services, events, persons, places, organizations, ideas, or mixes of these.

**Services** are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.

**Products, Services, and Experiences**

A company's *market offering* often includes both tangible goods and services.

At one extreme, the offer may consist of a ***pure tangible good***, such as soap or toothpaste.

At the other extreme are ***pure services***, for which the offer consists primarily of a service.

To differentiate their offers, marketers are creating and managing customer ***experiences*** with their brands or companies.

Product planners need to think about products and services on three levels.

1. *Core customer value* addresses the question: *What is the buyer really buying?*
2. *Actual product*
3. *Augmented products* are built around the core benefit and actual product by offering additional consumer services and benefits.

When developing products, marketers first must identify the ***core customer value*** that consumers seek from the product. They must then design the ***actual*** product and find ways to ***augment*** it in order to create this customer value and the most satisfying customer experience.

**Product and Service Classifications**

***Consumer Products***

**Consumer products** are products and services bought by final consumers for personal consumption.

- **Convenience products** are consumer products and services that customers usually buy frequently, immediately, and with a minimum of comparison and buying effort.
- **Shopping products** are less frequently purchased consumer products and services that customers compare carefully on suitability, quality, price, and style.
- **Specialty products** are consumer products and services with unique characteristics or brand identifications for which a significant group of buyers is willing to make a special purchase effort.
- **Unsought products** are consumer products that the consumer either does not know about or knows about but does not normally think of buying.

***Industrial Products***

**Industrial products** are those purchased for further processing or for use in conducting a business.

The distinction between a consumer product and an industrial product is based on the ***purpose*** for which the product is bought.

There are three groups of industrial products and services:

- ***Materials and parts*** include raw materials and manufactured materials and parts.
- ***Capital items*** are industrial products that aid in the buyer's production or operations, including installations and accessory equipment.
- ***Supplies and services*** include operating supplies and maintenance and repair services.

***Organizations, Persons, Places, and Ideas***
***Organization marketing*** consists of activities undertaken to create, maintain, or change the attitudes and behavior of target consumers toward an organization.

***Person marketing*** consists of activities undertaken to create, maintain, or change attitudes or behavior toward particular people.

***Place marketing*** involves activities undertaken to create, maintain, or change attitudes or behavior toward particular places.

***Social marketing*** is the use of commercial marketing concepts and tools in programs designed to influence individuals' behavior to improve their well-being and that of society. (*social ideas)*

## PRODUCT AND SERVICE DECISIONS

***Product and Service Attributes***
Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes such as ***quality, features,*** and ***style and design*****.**

**Product quality** involves creating customer value and satisfaction.
***Total quality management (TQM)*** is an approach in which all the company's people are involved in constantly improving the quality of products, services, and business processes.

***Product quality*** has two dimensions: **level** and **consistency**.
The quality level means performance quality or the ability of a product to perform its functions. Quality conformance means quality consistency, freedom from defects, and consistency in delivering a targeted level of performance.

**Product features** are a competitive tool for differentiating the company's product from competitors' products.
The company should periodically survey buyers who have used the product and ask these questions: How do you like the product? Which specific features of the product do you like

most? Which features could we add to improve the product?

**Product style and design** is another way to add customer value.
***Style*** describes the appearance of a product. ***Design*** contributes to a product's usefulness as well as to its looks.

***Branding***
A **brand** is a name, term, sign, symbol, or design, or a combination of these, that identifies the maker or seller of a product or service.

Branding helps buyers in many ways.

- Brand names help consumers identify products that might benefit them.
- Brands say something about product quality and consistency.

Branding gives the seller several advantages.

- The brand name becomes the basis on which a whole story can be built about a product.
- The brand name and trademark provide legal protection for unique product features.
- The brand name helps the seller to segment markets.

***Packaging***
**Packaging** involves designing and producing the container or wrapper for a product.

***Labeling***
Labels perform several functions.

- The label ***identifies*** the product or brand.
- The label ***describes*** several things about the product.
- The label ***promotes*** the brand.

Labeling also raises concerns. As a result, several federal and state laws regulate labeling.

The most prominent is the Fair Packaging and Labeling Act of 1966.

Labeling has been affected in recent times by:

- ***unit pricing*** (stating the price per unit of standard measure),
- ***open dating*** (stating the expected shelf life of the product), and
- ***nutritional labeling*** (stating the nutritional values in the product).

***Product Support Services***

The first step is to survey customers periodically to assess the value of current services and to obtain ideas for new ones.

Next, the company can take steps to fix problems and add new services that will both delight customers and yield profits to the company.

**Product Line Decisions**

A **product line** is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

***Product line length*** is the number of items in the product line.

***Product line filling*** involves adding more items within the present range of the line.

***Product line stretching*** occurs when a company lengthens its product line beyond its current range.

Companies located at the upper end of the market can stretch their lines ***downward***.

Companies located at the lower end of the market can stretch their product lines ***upward***.

Companies located in the middle range of the market can stretch their lines in ***both directions***.

**Product Mix Decisions**

**Product mix** (or **product portfolio**) consists of all the product lines and items that a particular seller offers for sale.

A company’s product mix has four dimensions: **width, length, depth,** and **consistency**.

- Product mix ***width*** refers to the number of different product lines the company carries.
- Product mix ***length*** refers to the total number of items the company carries within its product lines.
- Product mix ***depth*** refers to the number of versions offered of each product in the line.
- Product mix ***consistency*** refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

The company can increase its business in four ways.

1. It can add new product lines, widening its product mix.
2. It can lengthen its existing product lines.

3. It can add more versions of each product, deepening its product mix.
4. It can pursue more product line consistency.

## SERVICES MARKETING

Services account for close to 80 percent of U.S. gross domestic product.

Services make up 64 percent of gross world product.

### The Nature and Characteristics of a Service

(1) **Service intangibility** means that services cannot be seen, tasted, felt, heard, or smelled before they are bought.
(2) **Service inseparability** means that services cannot be separated from their providers, whether the providers are people or machines. Because the customer is also present as the service is produced, ***provider-customer interaction*** is a special feature of services marketing.
(3) **Service variability** means that the quality of services depends on who provides them as well as when, where, and how they are provided.
(4) **Service perishability** means that services cannot be stored for later sale or use.

### Marketing Strategies for Service Firms

Just like manufacturing businesses, good service firms use marketing to position themselves strongly in chosen target markets.

#### *The Service-Profit Chain*

In a service business, the customer and front-line service employee *interact* to create the service.

The **service-profit chain** consists of five links:

- *Internal service quality:* superior employee selection and training, a quality work environment, and strong support for those dealing with customers, which results in...
- *Satisfied and productive service employees:* more satisfied, loyal, and hardworking employees, which results in...
- *Greater service value:* more effective and efficient customer value creation and service delivery, which results in...
- *Satisfied and loyal customers:* satisfied customers who remain loyal, make repeat purchases, and refer other customers, which results in...
- *Healthy service profits and growth:* superior service firm performance.

**Internal marketing** means that the service firm must orient and motivate its customer-contact employees and supporting service people to work as a *team* to provide customer satisfaction.

**Interactive marketing** means that service quality depends heavily on the quality of the buyer-seller interaction during the service encounter.

Service companies face three major marketing tasks: They want to increase their ***service differentiation, service quality,*** and ***service productivity*.**

***Managing Service Differentiation***
The *offer* can include innovative features that set one company's offer apart from competitors' offers.

Service companies can differentiate their service *delivery* by having more able and reliable customer-contact people, by developing a superior physical environment in which the service product is delivered, or by designing a superior delivery process.

Service companies can work on differentiating their *images* through symbols and branding.

***Managing Service Quality***
Service quality is harder to define and judge than product quality.

Service quality will always vary, depending on the interactions between employees and customers.

Good ***service recovery*** can turn angry customers into loyal ones.

***Managing Service Productivity***
Service firms are under great pressure to increase service productivity.

- They can train current employees better or hire new ones who will work harder or more skillfully.
- They can increase the quantity of their service by giving up some quality.
- They can harness the power of technology.

## BRANDING STRATEGY: BUILDING STRONG BRANDS

Some analysts see brands as *the* major enduring asset of a company.

**Brand equity** is the differential effect that knowing the brand name has on customer response to the product or its marketing.
Young & Rubicam's Brand Asset Evaluator measures brand strength along four consumer perception dimensions:

1. ***differentiation*** (what makes the brand stand out),
2. ***relevance*** (how consumers feel it meets their needs),
3. ***knowledge*** (how much consumers know about the brand), and
4. ***esteem*** (how highly consumers regard and respect the brand).

***Brand value*** is the process of estimating the total financial value of a brand.
High brand equity provides a company with many competitive advantages.

- High level of consumer brand awareness and loyalty
- More leverage in bargaining with resellers
- Greater ability to launch line and brand extensions
- Defense against fierce price competition
- Basis for building strong and profitable customer relationships

The fundamental asset underlying brand equity is ***customer equity***—the value of the customer relationships that the brand creates.

***Brand Positioning***
Marketers can position brands at any of three levels.

1. They can position the brand on ***product attributes.***
2. They can position the brand with a desirable ***benefit***.
3. They can position the brand on ***beliefs and values.***

***Brand Name Selection***
Desirable qualities for a brand name include the following:

(1) It should suggest something about the product's benefits and qualities.
(2) It should be easy to pronounce, recognize, and remember.
(3) The brand name should be distinctive.
(4) It should be extendable.
(5) The name should translate easily into foreign languages.
(6) It should be capable of registration and legal protection.

***Brand Sponsorship***
A manufacturer has four sponsorship options:

(1) The product may be launched as a ***manufacturer's brand*** (or ***national brand***).
(2) The manufacturer may sell to resellers who give it a ***private brand*** (also called a ***store brand*** or ***distributor brand***).
(3) The manufacturer can market ***licensed brands***.
(4) Two companies can join forces and ***co-brand*** a product

**National Brands versus Store Brands**

National brands (or manufacturers' brands) have long dominated the retail scene. In recent times, an increasing number of retailers and wholesalers have created their own **store brands** (or *private brands*).

Private brands yield on average a 38 percent savings.

Store brands have grown much faster than national brands in recent years.

In the ***battle of the brands*** between national and private brands, retailers have many advantages.

- Retailers often price their store brands lower than comparable national brands.
- Store brands yield higher profit margins for the reseller.
- Store brands give resellers exclusive products that cannot be bought from competitors.

**Licensing**

Name and character licensing has grown rapidly in recent years.

Annual retail sales of licensed products in the United States and Canada have grown from only $4 billion in 1977 to $55 billion in 1987 and more than $252 billion today.

**Co-branding**

**Co-branding** occurs when two established brand names of different companies are used on the same product.

Co-branding offers many advantages.

- The combined brands create broader consumer appeal and greater brand equity.
- Co-branding also allows a company to expand its existing brand into a category it might otherwise have difficulty entering alone.

Co-branding also has limitations.

- Such relationships involve complex legal contracts and licenses.
- Co-branding partners must carefully coordinate their advertising, sales promotion, and other marketing efforts.
- Each partner must trust that the other will take good care of its brand.

***Brand Development***

(1) **Line extensions** occur when a company extends existing brand names to new forms, colors, sizes, ingredients, or flavors of an existing product category.
(2) **Brand extensions** extend a current brand name to new or modified products in a new category.

(3) **Multibrands** introduce additional brands in the same category.
**(4) New brands**

***Megabrand*** strategies involve weeding out weaker brands and focusing marketing dollars only on brands that can achieve the number-one or number-two market share positions in their categories.

**Managing Brands**

Brand position must be continuously communicated to consumers.

The ***brand experience*** involves customers coming to know a brand through a wide range of contacts and touch points.

Companies need to periodically audit their brands' strengths and weaknesses.

**<u>Self-Check Questions</u>**

7-1. What is a service? Can services be differentiated as consumer services and industrial services?

7-2. Compare and contrast the two dimensions of product quality.

7-3. What is a product line? Discuss the various product line decisions marketers make and how a company can expand its product line.

7-4. What is a product mix? Name and describe the four important dimensions of a product mix.