Product and Promotion: Creating and Communicating Value

• What is a product and product classifications?
• What is product differentiation?
• What are the key elements of product planning?
• What is innovation and how does it relate to the product life cycle?
• What is promotion and integrated marketing communication?
• What is the process to developing promotional messages?
• What is the promotional mix and available tools?
Product – anything a company offers to satisfy customer needs and wants
Most services embody these qualities:

- Intangibility
- Inseparability
- Variability
- Perishability
Goods and Services Spectrum

Pure Goods

Bottle of Shampoo
Can of Cola

Financial Consulting
Math Tutoring

Pure Service
Product Layers: Peeling the Onion

- **Core benefit** – satisfies the consumers need
- **The actual product** – the physical good
- **Augmented product** – warranties, free service, instruction manuals, help lines
Consumer Product Categories

Consumer Products – products for personal use or consumption

✓ Convenience Products
✓ Shopping Products
✓ Specialty Products
✓ Unsought Products
Business Product Categories

**Business Products** – are purchased to use directly or indirectly in the production of another product

- Installations
- Accessory Equipment
- Maintenance, Repair, and Operating Products
- Raw Materials
- Component Parts and Processed Materials
- Business Services
A Meaningful Difference:

- Product Quality
- Features & Benefits
- Product Lines & Product Mixes
- Branding
- Packaging
Product Quality

- **Quality Level** – how well a product performs its core functions

- **Product Consistency** – how reliability a product delivers it promised level of quality
Product Features and Benefits

• **Product Features** – specific characteristics of a product

• **Customer Benefit** – the advantage that a customer gains from specific product features
## EXHIBIT 12.4 Product Features and Customer Benefits

<table>
<thead>
<tr>
<th>Product</th>
<th>Product Feature</th>
<th>Customer Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subway sandwiches</td>
<td>Lower fat</td>
<td>Looser pants</td>
</tr>
<tr>
<td>Contact lenses</td>
<td>Different colors</td>
<td>A new-looking you</td>
</tr>
<tr>
<td>High-definition TV</td>
<td>46-inch screen</td>
<td>The party’s at your house</td>
</tr>
<tr>
<td>Hybrid car</td>
<td>Lower gas mileage</td>
<td>More cash for other needs</td>
</tr>
<tr>
<td>Triple latte</td>
<td>Caffeine, caffeine, caffeine</td>
<td>More time to, uh, study</td>
</tr>
</tbody>
</table>
Product Lines and the Product Mix

• **Product Line** – products that are closely related, either in terms of how they work, or the customers they serve

• **Product Mix** – the total number of product lines by a single firm

• **Cannibalization** – a producer offers a new product that takes sales away from its existing product
Amazon’s Product Line and Product Mix

EXHIBIT 12.5 Amazon’s Product Line and Product Mix
Branding

- **Brand** – a product’s identity that sets it apart from other players in the same category

- **Brand Equity** – the extra money that consumers will spend to buy the brand

- **Brand Name** – a catchy, memorable name is a powerful part of strong brand
### EXHIBIT 12.6 BusinessWeek/Interbrand Top Ten Global Brands

<table>
<thead>
<tr>
<th>Brand</th>
<th>Country of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coca-Cola</td>
<td>United States</td>
</tr>
<tr>
<td>IBM</td>
<td>United States</td>
</tr>
<tr>
<td>Microsoft</td>
<td>United States</td>
</tr>
<tr>
<td>GE</td>
<td>United States</td>
</tr>
<tr>
<td>Nokia</td>
<td>Finland</td>
</tr>
<tr>
<td>McDonald's</td>
<td>United States</td>
</tr>
<tr>
<td>Google</td>
<td>United States</td>
</tr>
<tr>
<td>Toyota</td>
<td>Japan</td>
</tr>
<tr>
<td>Intel</td>
<td>United States</td>
</tr>
<tr>
<td>Disney</td>
<td>United States</td>
</tr>
</tbody>
</table>

Line Extensions versus Brand Extensions

- **Line Extensions** – similar products offered under the same brand name

- **Brand Extensions** – a product in a new category under an existing brand name

- **Cobranding** – established brands from different companies join forces to market the same product
Packaging

✓ Protect the Product
✓ Provide Information
✓ Facilitate Storage
✓ Suggest Product Uses
✓ Promote the Brand
✓ Attract Buyer Attention
Discontinuous Innovation – brand new ideas that radically change how people live

Dynamically Continuous Innovation – marked changes to existing products

Continuous Innovation – a slight modification of an existing product
EXHIBIT 12.9 Product Life Cycle for a Typical Product Category

Sales peak in maturity while profits tend to peak in growth

Category Sales

Category Profits

Introduction | Growth | Maturity | Decline

Time (Years)

Sales Volume
**Integrated Marketing Communication** is the coordination of messages through multiple promotional vehicles.

- Coordinate promotional messages
- Create a coherent impression in customer’s mind
- Identify key points of contact between product and target market
The Promotional Mix: Communicating the BIG IDEA

These tools can help communicate the Big Idea to your target market:

- Advertising
- Sales Promotion
- Direct Marketing
- Personal Selling
- Emerging Tools
Emerging Promotional Tools: The Leading Edge

- Product Placement
- Advergaming
- Minimovies
- Buzz Marketing
- Sponsorships
Traditional Promotional Tools: A Marketing Mainstay

• Advertising

• Sales Promotion

• Public Relations

• Personal Selling
Traditional Promotional Tools: Advertising

- Television
  - Broadcast
  - Cable
- Newspapers
- Direct Mail
- Radio
- Yellow Pages
- Magazines
- Outdoor
- Internet
Traditional Promotional Tools: Consumer Promotion

- Premiums
- Promotional Products
- Samples
- Coupons
- Rebates
- Displays
Traditional Promotional Tools: Trade Promotion

- Special Deals
- Allowances
- Trade Shows
- Contests
- Sweepstakes
- Special Events

*Designed to simulate wholesalers and retailers to push specific products.*
Traditional Promotional Tools: Public Relations

- The media looks for newsworthy stories.
- Smart firms push potential news of their company.
- The advantage of PR is that it is usually credible.
- The disadvantage is that marketers don’t control media perceptions.
Today selling means building relationships.

Personal selling is best for:

- High-ticket items
- Complex products
- High volume customers
Personal Selling Process

1. Prospect and Qualify
2. Prepare
3. Present
4. Handle Objections
5. Close Sale
6. Follow-up
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