Basic Concepts in Product Planning

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Chapter 11

Chapter Objectives
To define product planning and differentiate among tangible, augmented, and generic products
To examine the various types of products, product mixes, and product management organization forms from which a firm may select
To discuss product positioning and its usefulness for marketers
To study branding and packaging, and their roles in product planning
To look at the global dimensions of product planning

Product Planning: Devising and Managing Products That Satisfy

- **Product planning** is systematic decision making relating to all aspects of the development and management of a firm’s products, including branding and packaging.
- Each product consists of a **bundle** of attributes, which are features, functions, benefits, and uses.
- Each product is capable of exchange or use, and is usually a mix of tangible and intangible forms.

A Tangible Product

- A **tangible product** is a basic physical entity, service, or idea.
- It has precise specifications and is offered under a given description or model number.
- It denotes color, style, size, weight, durability, quality, and price features.

An Augmented Product

- An **augmented product** includes tangible elements of a product, as well as clusters of image and service features.
- For example, a political candidate may possess appeal or charisma.
- The concepts of image, status, prestige, and value-added qualities are conveyed.

Generic Products: A Customer Perspective

- A **generic product** centers on what the product means to the customer, not the seller.
- Cosmetics sell hope.
- Computers represent solutions.
- Pharmaceuticals represent cures.
- Firms must discover what each product means to the consumer before product planning.
Applying the Generic Product Concept

A. Company-Oriented View of Product Planning

1. Starts with Company
2. Company Describes What a Product Represents
3. Company Develops a Product Based on Its Definition
4. Decreased Likelihood of Satisfying Customers
5. Long-Term Misreading of the Marketplace

B. Consumer-Oriented View of Product Planning

1. Starts with Customer
2. Consumer Describes What a Product Represents
3. Company Develops a Product Based on Consumer Definition
4. Increased Likelihood of Satisfying Customers
5. Long-Term Competitive Edge in the Marketplace

Types of Consumer Products

- **Convenience Goods**: Consumer has knowledge and purchases with a minimum of effort.
- **Shopping Goods**: Consumer has little prior knowledge about product attributes, prices, or alternatives and spends time acquiring information.
- **Specialty Goods**: These are particular brands, stores, and persons to which consumer is loyal. Substitutes are not acceptable.

Types of Industrial Products

- They are goods and services purchased for use in the production of other goods and services.
- **Installations** and **accessory equipment** are capital goods, but are not part of final product.
- **Raw materials**, **component materials**, and fabricated parts are used up in production and become part of final product.
- **Industrial supplies and services** are classified as maintenance and repair, and business advisory.

Variety and Assortment of Products

- **An item** is a specific model.
- A **line** has related items.
- A **mix** comprises all of the firm’s offerings.
- **Width** refers to all of the firm’s lines.
- **Depth** refers to the number of items within each product line.

Product Mix Alternatives

<table>
<thead>
<tr>
<th>Width of Product Mix</th>
<th>Name</th>
<th>Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shallow</td>
<td>Few models in one or a few product lines</td>
<td>Few models in each of several different product lines</td>
</tr>
<tr>
<td>Deep</td>
<td>Many models in one or a few product lines</td>
<td>Many models in each of several different product lines</td>
</tr>
</tbody>
</table>

Product Management Organizational Structures

- **Marketing Manager System**—One executive is responsible for overseeing a wide range of marketing functions.
- **Product manager system**—Middle managers are responsible for planning, coordinating, and monitoring a single product or a small group of products.
- **Product Planning Committee**—It is staffed part-time by high level executives from various functional areas in a firm.
- **New-Product Manager System**—Product managers supervise existing products and new-product managers develop new ones.
- **Venture Team**—It is an independent department in a firm with a broad range of specialists who are involved with developing a specific new product.
The Role of Product Positioning

- **Product positioning** maps out consumer perceptions of product attributes.
- **Ideal points** show the most preferred attributes.
- Firms must constantly monitor the environment to determine change and customer perceptions.

"Ideal" Product Positions of Ice Cream

- **I1—super premium.** The creamiest, richest ice cream (butterfat content of 15 to 18 percent) with the highest price. 9% of U.S. sales.
- **I2—regular.** A creamy rich ice cream (butterfat content of 10 to 12 percent) with average to slightly above average price. 45% of U.S. sales.
- **I3—economy.** An average ice cream (butterfat content of 10 percent) at a below-average price. Private label brands. About 25% of U.S. sales.
- **I4—super premium, reduced or low fat.** A flavorful ice cream with a high price for moderately health-conscious consumers. (butterfat content 5 to 10 percent.) Represents under 5% of U.S. ice cream sales.
- **I5—regular, reduced or low fat.** Good-quality for more health-conscious consumers (butterfat content of less than 8%). 8% of U.S. ice cream.
- **I6—economy, reduced or low fat.** An average ice cream for more health-conscious consumers, (butterfat 4 to 8 percent), below average price. Represents about 8% of U.S. ice cream sales.

Product Positioning of Ice Cream

<table>
<thead>
<tr>
<th>PRICE</th>
<th>RICHNESS (BUTTERFAT CONTENT)</th>
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<tbody>
<tr>
<td>High</td>
<td>Super premium, reduced/low fat</td>
</tr>
<tr>
<td></td>
<td>Regular, reduced/low fat</td>
</tr>
<tr>
<td></td>
<td>Economy, reduced/low fat</td>
</tr>
<tr>
<td>Low</td>
<td></td>
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</tbody>
</table>

Branding Terms

- **Brand** - a name, term, design, symbol, or other feature that identifies the goods and services of a seller.
  - **Brand Name** - a word, letter (number), group of words, or letters (numbers) that can be spoken.
  - **Brand Mark** - a symbol, design, or distinctive coloring or lettering that cannot be spoken.
  - **Trade Character** - a brand mark that is personified.
  - **Trademark** - a brand name, brand mark, or trade character or combination thereof that is given legal protection.

Branding Decisions

1. Selection of corporate symbols
2. Creation of a banding philosophy
3. Selection of brand names
4. Decision on whether or not to seek trademark protection

Mixed-Brand Strategy

- This is a cooperative strategy among channel members to gain market share and improve sales.
- Manufacturers and distributors negotiate agreements with retailers re: co-op advertising; P.O.S. signing, square footage, inventory control, sales training, gift w/purchase, purchase w/purchase, etc.
Battle of the Brands

Occurs when:
- Highly competitive behavior is evident, particularly in the food industry.
- Dominating brands often control entire markets.
- Some groceries demand “slotting” fees to gain access to their store shelves.
- There is a battle for end-aisle space.

The Consumer’s Brand Decision Process

Nonrecognition → Recognition → Preference → Insistence → Dislike → Aversion

Packaging Functions

- Containment and Protection
- New-Product Planning
- Usage
- Communication
- Channel Cooperation
- Segmentation

The Universal Product Code

The UPC (version A) has 12 digits. In this example, the UPC code is for Nestlé Quik chocolate mix:
- Nestlé code = 028000
- Nestlé Quik code = 24210
- Check digit = 7

Chapter Summary

- This chapter defines product planning and differentiates among tangible, augmented, and generic products.
- It examines the various types of products, product mixes, and product management organization forms from which a firm may select.
- It highlights the importance of product positioning.
- It presents branding and packaging, and their roles in product planning.
- It looks at the global dimensions of product planning.