

# Products, Services and Branding

## Introduction

In this unit you will find out about how organizations manage their products and services. This will include learning about how new products are developed and how the existing portfolio of offerings is managed. The particular characteristics of service products will be explained so that you understand the impact that these features have on how services are managed.

## Learning Outcomes

By the end of this unit you should be able to:

- understand what a product is, the various levels which make it up, and different types of products
- Understand how products can be classified, and the nature of the product line and product mix.

## 1 Products, Services and Branding

Marketing was initially developed to aid the sale of products and services. During the 1960s most marketing activity centered around consumers, focusing on the sale of products and services that individuals like you or your families might buy. Before long, the concept of the marketing mix emerged to describe the marketing tools available to organizations. Sometimes referred to as the four Ps of marketing, the toolkit comprises the product, price, promotion and place (marketing channels). A fifth 'P', people, is now often included to reflect the important role which people can play in service delivery. As you will find out later, this is particularly important for organizations involved in supplying services of one sort or another.

Whether they are MP3 players or machine tools, teabags or insurance policies, the products and services which firms sell are at the heart of their marketing activities. Considerable care must be taken by marketers to ensure that they carefully manage the products for which they have responsibility. When new products are developed, a systematic process must be followed to ensure that the offerings are fit for purpose and desirable in the eyes of customers. For example, a manufacturer of ready meals will thoroughly test new recipes before introducing them to the market, just as an insurance company will check that its offerings include all of the features expected by customers.

Managing the overall portfolio of products and services is another area where dedicated attention is needed. This involves knowing when the time is right to introduce a new product, but also making difficult decisions to discontinue offerings which have reached the end of their lives and which are no longer deemed desirable by customers. Although these decisions might not be popular with all customers, they often must be made in the firm's best interest. As a consumer, you will be aware of these kinds of decisions through the changing mix of products on offer in your local supermarket.

In this unit, you will find out about how organizations manage their products and services. This will include learning about how new products are developed and how the existing portfolio of offerings is managed. The particular characteristics of service products will be explained so that you understand the impact that these features have on how services are managed. You will also find out more about brands and the use of branding. The following specific areas are covered in this unit:

- understanding what a product is, the various levels which make it up, and different types of products
- How products can be classified and the nature of the product line and product mix.

## **2 How Products are Defined and Classified**

### **Activity 1 How products are defined and classified**

Allow 15 minutes for the reading in Task A and 35 minutes for Tasks B, C and D.

In the first reading you will learn about definitions and classifications of products. You will also be introduced to the different levels of a product, the product line and the product mix.

#### **Task A**

Read this PDF, an extract from *Marketing Essentials* by Sally Dibb and Lyndon Simkin.

#### **Task B**

Is a roll of carpet in a shop a consumer product or a business product? Defend your answer.

#### **Discussion**

If the roll of carpet is purchased by a consumer to use in their home it will be classified as a consumer product. On the other hand, if the carpet is bought by a business (either to sell on to others, to be used in the manufacture of other goods, or for the business premises) then it is classified as a business product. In practice, large firms are unlikely to visit a carpet shop to purchase their floor coverings, but small businesses may well do so. In your answer you should point out that when a roll of carpet is first produced, it can be regarded as a business product. This is because the customers at this stage will be either very large end-users (businesses) or resellers, such as the carpet shop. Carpet manufacturers are unlikely to deal directly with consumers because of the quantities and order values they are interested in selling.

However, even where large orders are concerned, sales direct to consumers are not totally out of the question. For example, the Airbus A380 aircraft, which costs millions of dollars, is obviously being purchased by airlines, but at least two have been sold to very wealthy individuals for their own personal use.

### **Task C**

Would a music system that sells for \$750 be a convenience product, shopping product or specialty product?

#### **Discussion**

The best place to start with a question like this is to ascertain how these different terms are defined. Once you have located the relevant definitions for convenience, shopping and specialty products, the answer to the question should become clear. You need to think about the key characteristics of the consumer buying process for these types of products, and make a comparison with the buying process for the music system.

Convenience products are relatively cheap, bought frequently and rapidly consumed. Little attention is paid to their price or features, or to alternative offerings. They are typically associated with low levels of involvement from customers. Although customers may have a preferred brand, they will normally be prepared to choose an alternative if their usual brand is not available. Shopping products are bought less frequently. They are associated with higher levels of involvement on the part of customers, who generally engage in information search prior to purchase. Appliances and furniture are listed in Dibb and Simkin as shopping products.

Specialty products have one or more unique characteristic and are so important to customers that they are willing to make a special effort in order to find and buy the product that they are looking for.

The question here asks what type of consumer behavior you would associate with a £500 music system. There are, of course, music systems that are available for a few hundred pounds and those which are sold for thousands. This price seems to fall towards the cheaper end of the scale. For most people this would not be a convenience purchase, but neither would it be a specialty purchase. The latter category is likely to apply to a very high-end brand which makes use of handmade components. Therefore the music system would be classified as a shopping product.

### **Task D**

Why is the augmented product increasingly important when determining a differential advantage?

#### **Discussion**

This question refers to 'The three levels of product' on p. 251 of the Dibb and Simkin reading. The augmented product is defined as '[s]upport aspects of a product, including customer service, warranty, delivery and credit, personnel, installation and after-sales support'.

Product augmentation concerns additional aspects over and above the core benefit or service and the actual product (including branding, features and so on) being offered to customers. Augmenting the product is important when offering the core product alone may not be enough to fully satisfy customers' needs.

For example, computer users need much more than just hardware and software components. They also expect that their machine will be fully functioning, and they will need access to online service and support in case it fails. Another issue to consider is that some products which are designed to address a core benefit may be generic to many manufacturers.

For example, most PC manufacturers use microchips made by Intel. Because the technology is the same, it is more difficult for these manufacturers to differentiate their offerings from each other. Using the augmented product is one solution. Thus some firms will offer customers the opportunity to have their machines set up by an engineer. This may be attractive to customers who are worried that installing a computer might be complicated or problematic.

### **3 Introducing the Project Life Cycle and Describing Product Features**

#### **Activity 2 introducing the project life cycle and describing product features**

Allow 15 minutes for the reading in Task A and 35 minutes for Tasks B and C.

The next reading introduces the concept of product life cycles, considers why some products fail and others succeed, and examines tangible and intangible product characteristics.

#### **Task A**

Read the following section, an extract from Dibb and Simkin, from the section 'Product life cycles' up to the end of the section entitled 'Summary'. After having read the passage, do Tasks B and C.

#### **Task B**

List the tangible and intangible attributes of a spiral notebook. Compare the benefits of the spiral notebook with those of an intangible product such as life insurance.

#### **Discussion**

The tangible characteristics of a spiral notebook are those features that can be touched or seen before purchase. This might include the strength of the metal spiral, the weight of the book, the texture of the cover and the quality of the paper. Of course, if the notebook is heavily wrapped, these elements may not be visible and will therefore become intangible. This is because the customer will be unable at the time of purchase to judge the spiral notebook's features.

Life insurance is similarly intangible because at the point of purchase the customer does not actually know whether the company will pay out when it is supposed to. The customer is buying a 'promise', which may or may not be fulfilled.

#### **Task C**

What is the relationship between the concepts of the product mix and the product life cycle?

## Discussion

The product mix is defined as the 'composite group of products that a company makes available to customers'. The example given in Dibb and Simkin relates to Procter & Gamble's product mix for personal care products and laundry detergents. The product life cycle shows how products go through a cycle that starts off with the introduction of a product, moves to a growth in sales, and progresses through maturity where sales and profits plateau and then reduce, before finally entering a decline stage.

As a product progresses through these stages, there are marketing and financial implications for the organization. For example, the introduction stage is associated with relatively high levels of investment during which time the firm is often making losses. On the other hand, products in the later stages of growth are generally maximizing their profits. As you will probably realize, this process has clear implications for firms. Organizations with all of their products in the introduction stage face a severe drain on their financial resources. Those with all of their products in the growth stage may be enjoying the profits now, but will not have a pipeline of products to replace these offerings when they begin to decline.

You have probably already realized that a good solution is for firms to have a mix of products at different stages of the product life cycle. This allows products needing investment to achieve their future potential to be funded by those which are currently profitable.

## 4 Thinking about the Future for the Volkswagen Golf

### **Activity 3 Thinking about the future for the Volkswagen Golf**

Allow 5 minutes for the reading in Task A and 30 minutes for Task B.

#### **Task A**

Read the following case study from Dibb and Simkin.

#### **Task B**

Several years from now you have secured a job as brand manager for the Golf. Assume that Volkswagen is about to make a decision about whether to launch a new generation of the Golf or replace it with a new model with a new name. Prepare a short report arguing in support of one of these options. You should explore the arguments for and against each option.

This question considers different options for launching a new car model. There are arguments for and against either launching a new product under an existing brand, or using a new brand name. Although the question asks for a report to be prepared, for the purposes of this session a short answer will suffice.

## Discussion

There are many different ways in which you could answer this question. The suggested answer below considers one set of reasons why the company might decide to launch a new model with a new name.

You might decide instead to consider the launch of a new generation of the Golf. Whichever approach you choose, make sure that you think carefully about the relative advantages and disadvantages.

In answering this question you need to consider the circumstances in which it might be appropriate to launch a new model with a new name. In a few years' time it is possible that the Golf will enter the decline stage of its life cycle. This might be precipitated by increasing petrol prices, so that cars with a sporty image and relatively large engines become too expensive to drive.

In such circumstances, it is obvious that changing the styling and making modifications to the existing Golf would not be an acceptable solution. As a result, car manufacturers such as Volkswagen may decide to change their product development priorities to convey values related to energy efficiency and economic use. Volkswagen might decide this could best be achieved by launching new brands whose image can be more easily linked to these values.

## **5 Building a Portfolio of Beer Brands**

### **Activity 4 Building a portfolio of beer brands**

Allow 5 minutes for the reading in Task A and 35 minutes for Task B.

#### **Task A**

Read the following case study from Dibb and Simkin.

#### **Task B**

Then answer the following questions:

- Why was the UK's version of Heineken lager weaker than its counterpart in the rest of Europe? What problems has this product variation caused Heineken?
- Why does Heineken opt for a mix of internationally known brands marketed alongside local beers?
- In what ways is Heineken continually updating its product portfolio and its marketing mix?

#### **Discussion**

The UK's version of Heineken lager is weaker than its counterpart in the rest of Europe because it was introduced in the 1960s when UK drinkers were unused to the lager taste. The weaker variant proved more acceptable to the palates of drinkers at this time. Once this product version had gained popularity, it became risky for Heineken to contemplate a change. The firm did not want to run the risk of alienating its existing customers. However, when British drinkers subsequently developed a taste for stronger lager, perhaps as a result of encountering these drinks while travelling abroad, the firm was able to respond by launching its export strength product. This enables Heineken to bridge the gap between its offerings in the UK and elsewhere in a low-risk way.

The company follows this strategy in order to achieve a 'successful level of distribution' and adequate 'economies of scale'. The former refers to the firm being able to distribute a mix of products that will meet the needs of different segments in each country and reduce the space available to competitors. The reference to economies of scale means that the company must also ensure that its distribution supports the sale of sufficiently large volumes of products to make economic sense. Clearly, achieving both goals is a difficult challenge.

Heineken is continually updating its product portfolio and its marketing mix by taking a share in over 60 brewing companies around the world. The company is also developing new products such as iced beers and non-alcoholic brews.

## **6 Summary**

Looking at products in this unit you have found out about what a product is and the levels which make it up. You have also learned about different ways to classify products. The natures of the product line and product mix have also been explained. In the second of the product units you can delve deeper into the product area, focusing on product management and the analysis of product portfolios.

## **Acknowledgements**

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### **Text**

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