

# UNIT 10

# Product and

In this unit you will find

- Chapter 30  
Product Planning
- Chapter 31  
Branding, Packaging, and Labeling
- Chapter 32  
Extended Product Features

Our passion for tea  
is reflected in every cup.



## ANALYZE THE AD

Celestial Seasonings makes herbal and traditional teas, packaged in distinctive, colorful boxes made of recycled paper. The packaging uses as little paper and materials as possible to save on waste. How does the ad image reflect this company's commitment to the environment?

Our unique pillow tea bags require no strings, tags, staples, individual overwrapping or foil envelopes, saving more than 1,650 tons of waste from entering landfills each year. That's just part of our commitment to taking an active role in making the world a better place—no strings attached.

**CELESTIAL SEASONINGS**  
*Make any moment Celestial.*



[www.celestialseasonings.com](http://www.celestialseasonings.com)

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# Service Management

## Marketing Plan



### PRINT AD IMAGE

A growing number of companies are rethinking packaging for their products. They promote improvements in their ads.



Log on to [glencoe.com](http://glencoe.com) and go to the *Marketing Essentials* OLC. Find the WebQuest for Unit 10. Begin the activity by searching three products that use ecologically conscious packaging.

### UNIT THEMATIC PROJECT PREVIEW

**Marketing Internship** A food supplier wants to create and market healthy low-carb and/or food replacement products. As you read, use this checklist to prepare for the unit project:

- ✓ Make a list of ten low-carb foods or meal replacement products.
- ✓ Find Web sites discussing diet trends and healthy foods.
- ✓ Find three food stores in your community that sell low-carb items and meal replacement foods.

1

### ANALYSIS

SWOT  
Economic  
Socio-Cultural  
Technological  
Competitive

2

### STRATEGY

Promotion  
Place  
Price  
**Product**

3

### IMPLEMENTATION

Organization  
Management  
Staffing

4

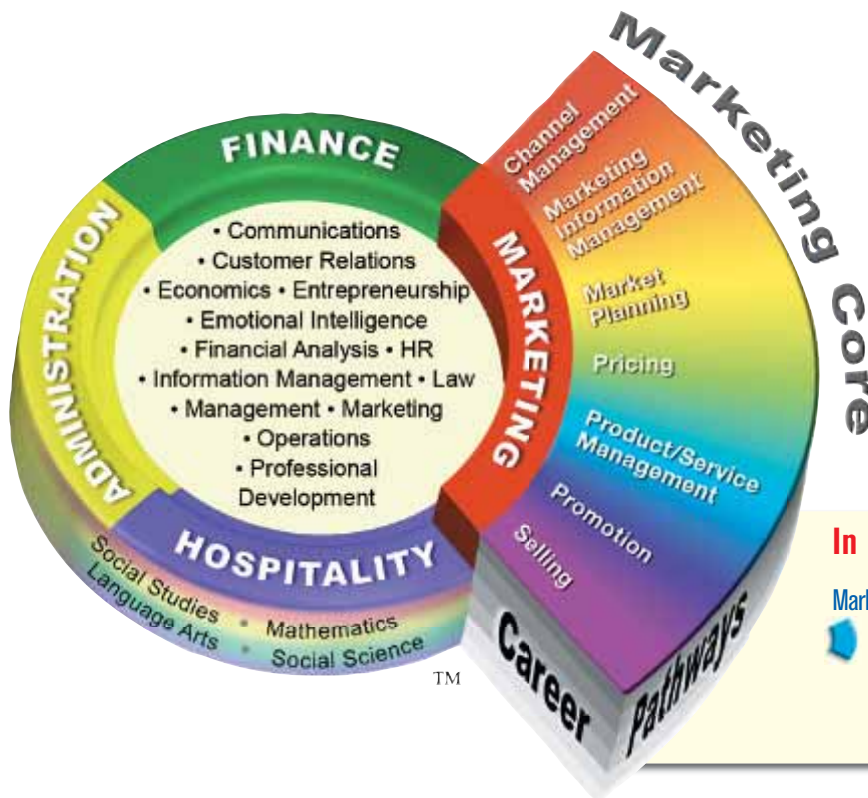
### BUDGET

Cost of Sales  
Cost of Promotion  
Income and Expenses

5

### CONTROL

Evaluation  
Performance Measures  
Performance Analysis



### In this unit

Marketing Core Functions



Product Service Management



# CHAPTER 30

# Product Planning

## Chapter Objectives

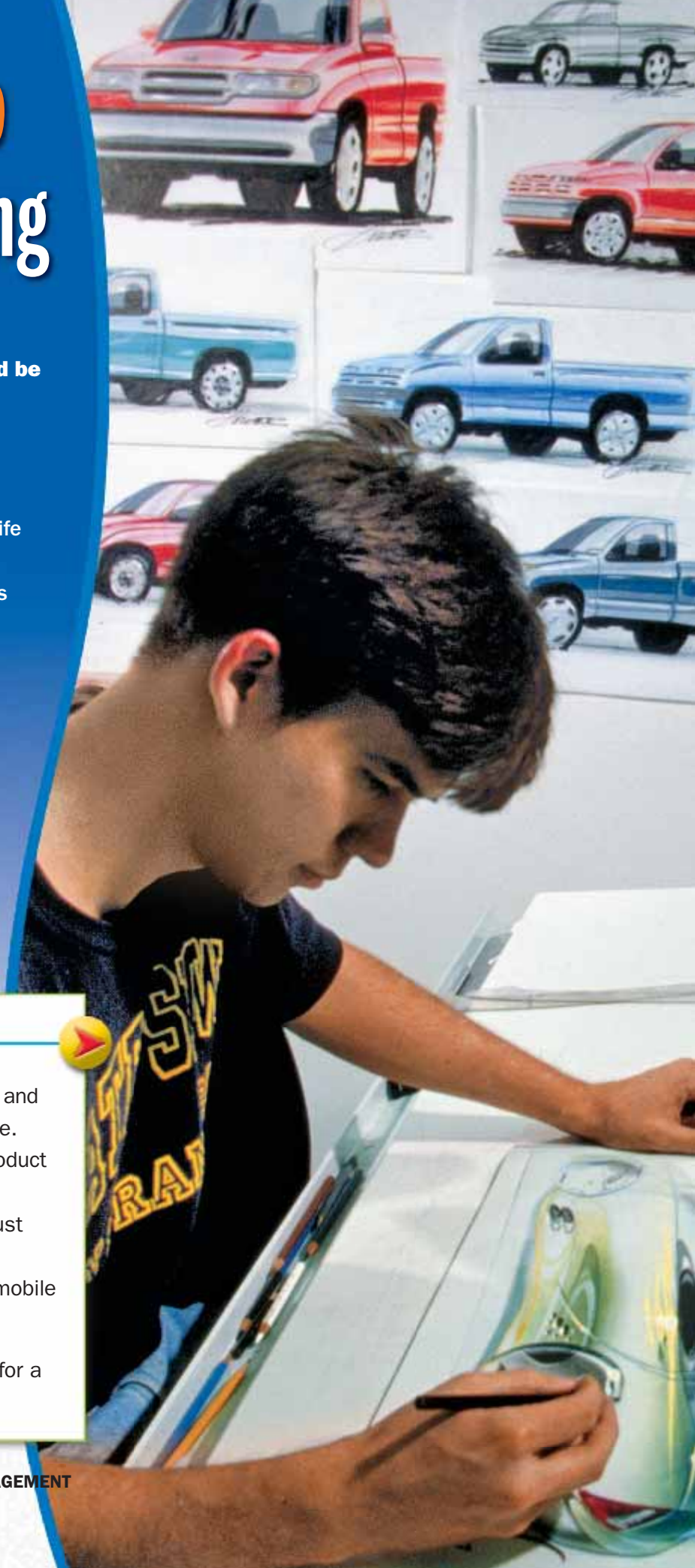
After reading this chapter, you should be able to:

- Describe the steps in product planning
- Explain how to develop, maintain, and improve a product mix
- Identify the four stages of the product life cycle
- Describe product positioning techniques

### EXPLORE THE PHOTO

**Market Talk** Businesses plan, position, and manage products and services they create. This process includes determining the product mix and the product mix strategies. For example, an automobile manufacturer must be aware of current trends and anticipate upcoming ones before sending new automobile designs to the production line.

**Quick Think** What do you think it takes for a new product to be successful?



**DECA Events** These acronyms represent DECA competitive events that involve concepts in this chapter:

<b>AAM</b>	<b>EMDM*</b>	<b>MMS*</b>	<b>SMDM*</b>
<b>ADC*</b>	<b>FMAL</b>	<b>QSRM*</b>	<b>TMDM*</b>
<b>ASM</b>	<b>FMML*</b>	<b>RFSM*</b>	
<b>BMDM*</b>	<b>HLM*</b>	<b>RMS</b>	
<b>BSM</b>	<b>HMDM*</b>	<b>SEM*</b>	

**Performance Indicators** The performance indicators represent key skills and knowledge. Relating them to the concepts explained in this chapter is your key to success in DECA competitive events. Keep this in mind as you read, and write notes when you find material that helps you master a key skill. In these DECA competitive events, you should follow these performance indicators:

- Explain the nature and scope of the product/service management function
- Identify the impact of product life cycles on marketing decisions
- Describe the use of technology in the product/service management function
- Explain business ethics in product/service management
- Explain the concept of product mix
- Describe factors used by marketers to position products/businesses

The events with an asterisk also include:

- Plan product mix
- Determine services to provide customers
- Explain the role of customer service in positioning/image
- Develop strategies to position product/business

Some events include these performance indicators:

**HLM** Explain the concept of product in the hospitality industry

### DECA PREP

**ROLE PLAY** Check your understanding of DECA performance indicators with the DECA activity in this chapter's review. For more information and DECA Prep practice, go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).

# SECTION 30.1

# Product Planning, Mix, and Development

## READING GUIDE

### BEFORE YOU READ

**Predict** Have you found a new consumer product on a recent shopping trip?

### OBJECTIVES

- Describe the steps in product planning
- Explain how to develop, maintain, and improve a product mix

### KEY TERMS

- product planning
- product mix
- product line
- product item
- product width
- product depth
- product modification

### ACADEMIC VOCABULARY

You will find these words in your reading and on your tests. Make sure you know their meanings.

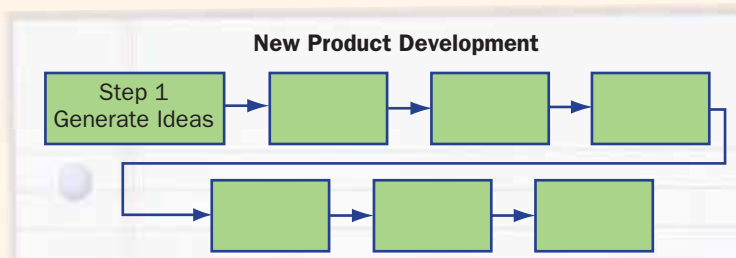
- unique
- compare

### THE MAIN IDEA

Product planning allows a business to design marketing programs that increase sales through making products that customers want.

### GRAPHIC ORGANIZER

Draw this chart to write in the seven key steps in product development.



Go to the OLC through [glencoe.com](http://glencoe.com) for printable graphic organizers, Academic Vocabulary definitions, and more.

### ACADEMIC STANDARDS

#### English Language Arts

NCTE 1 Read texts to acquire new information.

#### English Language Arts

NCTE 3 Apply strategies to interpret texts.

### AS YOU READ

**Analysis** What marketing activities must occur prior to launching a new product?

## Product Planning

A product is anything a person receives in an exchange. A product can be a tangible item (a notebook PC), a service (auto repair), an idea (a plan for a marketing campaign), some other abstract good (an education), or a combination of all of these concepts. A product, therefore, includes its physical features, the seller's reputation, the seller's services, and the way the product is viewed by people. **Product planning** involves making

decisions about what features should be used in selling a business's products, services, or ideas. These decisions relate to product features, such as packaging, labeling, and branding, as well as to services, such as product warranties, that are necessary to support the product. Product planning allows a business to coordinate existing products and features offered to customers, add new products, and delete products that no longer appeal to customers. Product planning requires creativity as well as the ability to interpret current customer needs and forecast new trends.

## Product Mix

**Product mix** includes all the different products that a company makes or sells. A large manufacturer may have a variety of products in different categories. For example, Kraft Foods, the second-largest food and beverage manufacturer in the world, has hundreds of products in five areas: snacks, beverages, cheese, groceries, and convenience meals. Kraft's key brands include Kraft, Kool-Aid, Maxwell House, Nabisco, Oscar Mayer, and Post products.

A retailer's product mix is made up of all of the different products the store sells. Retail stores must plan their product mix carefully because they cannot offer all the products that customers may want.

### Variations in Product Mixes

Have you ever heard of *El Caserio* or *Trakinas*? Both are brands that Kraft sells outside the United States. *El Caserio* is a popular cheese in Spain. *Trakinas* is a cookie sold in Brazil, Thailand, and China. Kraft has a diverse international market and therefore carries different product mixes for different customer needs across the world.

The type and number of products to be carried must be based on the objectives of the business, the image the business wants to project, and the market it is trying to reach. This makes product mixes **unique** to each business. Even similar types of businesses can offer different product mixes.

## Product Items and Lines

A **product line** is a group of closely related products manufactured or sold by a business. Examples include all the car models produced by the Pontiac division of General Motors or all the cereals produced by Kellogg's. Retailers frequently sell more than one product line.

A **product item** is a specific model, brand, or size of a product within a product line. Typically, retailers carry several product items for each product line they sell. A Harley-Davidson motorcycle dealer might carry several Softail models, such as the Night Train, Deuce, or Heritage Softail Classic.

## Product Width and Product Depth

The width and depth of its product offerings define a product mix. **Product width** refers to the number of different product lines a business manufactures or sells. **Product depth** refers to the number of items offered within each product line.

A retailer that sells three brands of jeans—Levi's, Lee, and Guess—has a product width of three. The product depth is the number of sizes, price ranges, colors, fabric type, and styles for each brand.

Product mix strategies vary with the type of business. Red Lobster restaurants, which specialize in seafood dinners, have considerable product depth within a narrow product line (seafood entrées). Other restaurants may offer broader menus that include steak, chicken, pork, and pasta dinners as well as seafood. Their product mix may have greater width but less depth than Red Lobster's.

Both manufacturers and retailers must decide on the width and depth of their product mix. To determine its product mix, a business needs to identify its target market, its competitors, and the image it wants to project. After a target market and an image are identified, a business must determine which product lines and items to manufacture or sell. Businesses must also periodically review whether its existing product lines need to be expanded, modified, decreased, or eliminated.

**HEART RATE: 100 BPM**  
**HEART RATE: 200 BPM**

**HEART RATE: 100 BPM**  
**HEART RATE: 150 BPM**

**Your cat's hardworking heart needs hardworking nutrients.**  
Your cat's heart beats faster than yours, even when she's at rest. To keep her heart strong and powerful, feed her Iams. It provides seven essential nutrients to nourish every beat. That's living in Iams years. Visit [iams.com](http://iams.com) or call 800-525-IAMS.

**Your dog's hardworking heart needs hardworking nutrients.**  
Your dog's heart beats faster than yours, even when he's at rest. To keep his heart strong and powerful, feed him Iams. It provides seven essential nutrients to nourish every beat. That's living in Iams years. Visit [iams.com](http://iams.com) or call 800-525-IAMS.

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• **TARGETING CAT PEOPLE and DOG PEOPLE** Iams offers pet food for both cats and dogs.

**Why does Iams make both varieties of pet food?**

## Product Mix Strategies

A product mix strategy is a plan for determining which products a business will make or stock. Businesses can use different product mix strategies depending on their resources and objectives. Some businesses develop completely new products to add to their existing product lines. Others expand or modify their current product lines. Sometimes businesses drop existing products to allow for new product offerings.

To make these decisions, a business must take an objective look at sales as well as other factors such as current trends. A product that has experienced success in the past may not continue to thrive if it fails to respond to changing consumer wants and needs.

### Developing New Products

Successful new products can add substantially to a company's overall sales and boost

its market share. Often a slight variation of the original or existing product can lead to increased sales.

Procter & Gamble (P&G), the number-one U.S. maker of household products, devotes roughly 15 percent of its research and development budget to developing new products. Innovative P&G products that have created new consumer-goods categories include Febreze odor removers, the Swiffer dry-mop system, and the Dryel home dry-cleaning kit.

According to one study, new products (those less than five years old) account for about 35 percent of total sales for major consumer and industrial goods companies. New products can help a company's image by building the company's reputation among customers as an innovator and leader. In addition, a new product may increase mark-ups and profits to sellers because its price

tends to be 10 to 15 percent higher than that of some older, **comparable** products.

New product development generally involves seven key steps (see **Figure 30.1**):

1. Generating ideas
2. Screening ideas
3. Developing a business proposal
4. Developing the product
5. Testing the product with consumers
6. Introducing the product (commercialization)
7. Evaluating customer acceptance

### Generating Ideas

New product ideas come from a variety of sources, including customers, competitors, channel members, and company employees. Current and existing customers are frequently involved in focus groups or idea sessions designed to generate new product concepts in as many categories as possible. Creativity is essential for new product development.

Many companies that manufacture consumer packaged goods use a task force approach to new product development. With this approach, employees from different departments, such as marketing, sales, manufacturing, finance, and research and development, take a new concept from the idea stage through the seven steps of product development. Companies that manufacture and sell industrial products often establish venture teams that are independent of any particular department. Venture teams normally develop new products that are not part of the company's existing business.

### Screening Ideas

During the screening process, ideas for products are evaluated. They are matched against the company's overall strategy, which defines customers, target markets, competitors, and existing competitive strengths.

During the screening process, marketers evaluate new ideas for potential conflicts with existing products.

A screening might involve concept testing with consumers. Consumers would be asked

to identify attributes they liked and disliked about the new concept and to indicate how willing they would be to buy such a product. The purpose of the screening stage is to find the products that deserve further study. A large number of products are rejected in the screening stage, making it an important preliminary step.

### Developing a Business Proposal

A product idea that makes it through the screening process is evaluated in terms of its profit potential. A business proposal is developed to evaluate the new product in terms of the size of the market, potential sales, costs, profit potential, technological trends, overall competitive environment, and level of risk. During this stage, production requirements must be considered. How long will it take to create and introduce the new product? Can it be produced efficiently and at a competitive price? The business plans a program to study the feasibility of making and marketing the new product.

### Developing the Product

During product development, the new product idea takes on a physical shape, and marketers develop a marketing strategy. The company makes plans relating to production, packaging, labeling, branding, promotion, and distribution.

During this phase of product development, technical evaluations are made to see whether the company can produce the new product and whether it is practical to do so. The Ben & Jerry's ice cream company had difficulties when it first developed Cherry Garcia ice cream. The original idea was to add whole chocolate-coated cherries to the ice cream. But the whole cherries were too large to go through the production machinery, which caused the chocolate to break off the cherries. After numerous tests, the company finally added the cherries and the chocolate separately.

In addition to detecting difficulties with product production, tests are conducted on products to see how they will hold up



Figure 30.1

# The Steps in New Product Development

(c) Mark Richards/PhotoEdit, (b) Jeff Greenberg/AGE Fotostock

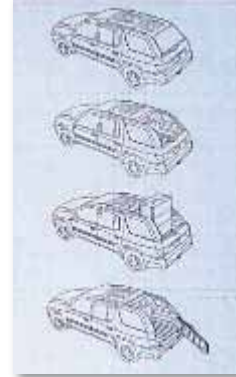
• **Getting an Idea Into a Consumer's Hands** Developing new products involves several key steps.

*How does an idea lead to a product?*

## Steps 1 and 2

### GENERATING AND SCREENING IDEAS

Generating ideas involves tracking cultural trends and observing customer behaviors. Screening ideas for new products includes eliminating possibilities until one or two ideas are selected for development and a business proposal is written.



## Steps 3, 4, and 5

### WRITING A BUSINESS PROPOSAL/ DEVELOPING THE PRODUCT/ TESTING THE PRODUCT

A business proposal evaluates the proposed product in terms of size of market, potential sales, costs, profit potential, technology, the competition, and the level of risk involved. During the development stage, a prototype is made for testing.

## Step 6

### INTRODUCING THE PRODUCT

If customer response is favorable, the product is introduced into the marketplace.



## Step 7

### EVALUATING CUSTOMER ACCEPTANCE

After the product has been introduced, marketers track customer acceptance.

### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a project on the process of new product development.

during normal and not-so-normal use by the consumer. A new product may be tested for durability in the lab by machines that will reproduce the actions or motions that the product will undergo during use. Technical problems should be detected at this stage so that they can be corrected before full-scale production begins.

The government requires extensive testing in various stages for some products, such as prescription drugs and genetically engineered food products. These tests end with testing on human beings to determine side effects and problems with the product's safety. Getting final approval from the government for use by the general public can take years.

### Testing the Product With Consumers

New products frequently are test-marketed in certain geographic areas to see whether consumers will accept them. Larger companies establish research and development departments that work with marketing staff, marketing research staff, and outside research companies to develop and test new products.

Not every new product needs to be test-marketed. A focus group evaluation during development can provide additional input into final product design, uncovering potential problems before production.

In some cases, the costs of test marketing, focus group evaluations, or direct marketing tests to sample households may be too high. Marketers may forgo testing of other products because they do not yet have a product to be evaluated. Sometimes a company delays test marketing because it does not want to give competitors information that might help them get a competing product on the market.

### Introducing the Product

This stage is also called commercialization. Introducing a new product can be expensive. For example, to convince adults to use Crest Whitening Expressions toothpaste in cinnamon, citrus, and herbal mint flavors, Procter & Gamble spent about \$80 million on a marketing campaign.

## A MATTER OF ETHICS

Suppose you are developing a new low-sugar doughnut. The new doughnut is designed to attract dieters and diabetics. A regular, glazed doughnut has 10 grams of sugar and 200 calories. More than half of the calories come from 12 grams of fat.

Fast-food makers are introducing lower-calorie products because of changing diet trends. In addition, consumers have filed lawsuits in which they claim that their health has been adversely affected by foods that are high in fat and sugar.

### Lawmakers Weigh In

In 2004, the U.S. House of Representatives passed legislation that would ban lawsuits seeking damages because fast food caused weight gain or health problems resulting from obesity. Proponents of the so-called cheeseburger bill argue that such lawsuits are frivolous and ignore personal responsibility for healthy eating. Opponents of the bill argue that the fast-food industry should not be given federal protection from such lawsuits.

### THINKING ETHICALLY

**Do you think that companies should be immune from lawsuits over their food content?**

### @ Online Action!

**Go to the *Marketing Essentials OLC* through [glencoe.com](http://glencoe.com) to find an activity about ethics and product development.**

New products must be advertised to introduce their benefits to consumers. A new or revised distribution network may be needed. The company may need to develop training programs for its sales force. To pay these costs,

the company must get its new products into the market as quickly as possible.

### Evaluating Customer Acceptance

The purpose of this step is to evaluate customer acceptance of the product and the marketing strategies used to introduce the product.

One way to obtain customer responses is to study sales information. Scanning equipment and computer systems can be used to compile large amounts of sales and market data on existing and new products. From this information, customized reports can be prepared. These reports help answer key questions such as:

- How often do customers buy the new product?
- When did customers last buy the new product?
- Where are the best customers for our new product?
- What new products are customers buying?

### Developing Existing Products

Companies constantly review their product mix to see if they can further expand their product lines or modify existing products. They do this in order to build on an already established image, to appeal to new markets, and to increase sales and profits. Companies that have successful product lines often add products to those lines in order to take advantage of customers' positive attitudes toward the brand name.

One disadvantage of adding new products to a company's product mix is the cost factor. Adding products or product lines increases inventory, promotion, storage, and distribution costs. New products also may take sales away from existing products and may require additional training for sales representatives who sell the products. Finally, when a brand or corporate name is placed on a new product and the product proves to be unpopular, poorly made, or harmful, all products with the corporate name suffer.

Two ways of developing existing products are line extensions and product modifications.

### Line Extensions

Companies can expand product offerings by adding new product lines, items, or services, which may or may not be related to current products. To illustrate this strategy, think of all the varieties of Tylenol, such as Tylenol Flu, Tylenol Cold, and Tylenol Allergy Sinus. These products also come in a variety of forms, such as tablets, caplets, and gel caps. Each of these products is a line extension of the original Tylenol product.

A line extension is intended to be a different product that appeals to somewhat different needs of consumers. In essence, the company wants to provide a wider range of choices to increase product depth within a line. Line extensions are easy to market because customers are already familiar with the original product on which the extension is based.

### Product Modifications

A **product modification** is an alteration in a company's existing product. Modified products may be offered in new and different varieties, formulations, colors, styles, features, or sizes. Product modifications are a relatively quick and easy way to add new products to a company's product line.

When modifying a product, the old product often is phased out. Packaging may be modified to appeal to consumers and attract them to the new product.

### Deleting a Product or Product Line

Sometimes companies decide that they will no longer produce or sell a particular product or, even a whole product line. There can be many reasons for this move.

### Obsolescence

Changes in customer interests and technology have caused many products to be dropped. For example, older models of desktop computers have been dropped because newer models are faster and less expensive to produce.

### Loss of Appeal

As consumer tastes change, companies drop products that no longer appeal to the old tastes. These products may have some lasting loyalties that generate revenue, but the manufacturers must decide whether these benefits are really worth the expense of keeping the item in their product mixes.

### Changes in Company Objectives

Sometimes a product does not match a company's current objectives. In 1993, Sears sold one of its subsidiaries, Coldwell Banker real estate company, for this reason. For several years, Sears had lost market share to other retailers. The company sold some unrelated businesses to focus on its retail objectives.

### Replacement With New Products

To encourage retailers to cover costs of putting a new product onto limited shelf space,

manufacturers pay slotting fees. Slotting fees for cereal and paper goods often reach \$50,000 or more. According to a Federal Trade Commission study in 2003, a nationwide product launch might cost \$2 million in slotting fees alone. Slotting fees help the retailer balance the costs associated with accepting a new product. A retailer must mark down eliminated products and pay for software, labor, and materials to change price labels and enter a new product into the inventory.

### Lack of Profit

Product developers may drop products when sales reach such a low level that the return on sales does not meet company objectives.

### Conflict With Other Products in the Line

Sometimes products take business away from other products in the same product line. Increased sales of one product can cause decreased sales of another product.

## 30.1 AFTER YOU READ

### Key Terms and Concepts

1. Why is product planning important to a business?
2. What is the difference between product planning and product mix?
3. What are three strategies for developing an effective product mix?

### Academic Skills

#### Math

4. According to Productscan Online, a new product database, there were 33,677 new product introductions in 2003, compared to 21,986 in 1993. By what percentage did new product introductions increase during that decade?

#### English Language Arts/Writing

5. Perform an Internet search or visit your school or local library to obtain information about slotting fees. Write a one- to two-page paper on the advantages and disadvantages of slotting fees from a manufacturer's and retailer's perspective.

### CONCEPT Problem Solving:

**Percent Increase** A percent is a ratio that compares values to 100. Percents represent parts of a whole. When determining the percentage of an increase in values, such as sales, first determine the nominal increase by subtracting. Convert that to a decimal number by division.

1. To solve this problem, subtract the number of products introduced in 1993 from the number of products introduced in 2003 to determine the nominal difference.
2. Divide the number of products introduced in 1993 by the nominal difference to determine the decimal equivalent of the percentage increase.
3. Multiply the decimal number by 100, moving the decimal point two places to the left, for percent increase.



For help, go to the Math Appendix located at the back of this book.

### @ Online Action!

Check your answers at the Marketing Essentials OLC through [glencoe.com](http://glencoe.com).



# SECTION 30.2

## Sustaining Product Sales

### READING GUIDE

#### BEFORE YOU READ

**Predict** How do marketing strategies differ for a new product and for an established one?

#### OBJECTIVES

- Identify the four stages of the production life cycle
- Describe product positioning techniques

#### KEY TERMS

- product life cycle
- product positioning
- category management
- planograms

#### ACADEMIC VOCABULARY

You will find these words in your reading and on your tests. Make sure you know their meanings.

- aware
- guarantee

#### THE MAIN IDEA

Products go through different stages of growth and decline. Various marketing strategies are used to sustain product sales over time.

#### GRAPHIC ORGANIZER

Draw this chart to record each stage in the product life cycle and to list sales characteristics and marketing strategies for each stage.

Stages	Sales Characteristics	Marketing Strategies
Introduction		



Go to the OLC through [glencoe.com](http://glencoe.com) for printable graphic organizers, Academic Vocabulary definitions, and more.

#### ACADEMIC STANDARDS

##### English Language Arts

NCTE 1 Read texts to acquire new information.

##### Science

NSTA Content Standard E Understandings about science and technology

#### AS YOU READ

**Connect** Think of why you purchase certain products or services.

### The Product Life Cycle

A **product life cycle** represents the stages that a product goes through during its life. There are four basic stages of the product life cycle: introduction, growth, maturity, and decline (see **Figure 30.2**). As each stage in the product life cycle is reached, marketers must adjust their product mix and their marketing strategies to ensure continued sales.

## Managing During the Introduction Stage

When the product is introduced to the market, the company focuses its efforts on promotion and production. The major goal is to draw the customer's attention to the new product. The company works to build its sales by increasing product **awareness**. Special promotions may get the customer to try the new product. The costs of introducing a product are high. Therefore, this is usually the least profitable stage of the life cycle.

## Managing During the Growth Stage

During the growth phase of the product life cycle, the product is enjoying success as shown by increasing sales and profits. Much

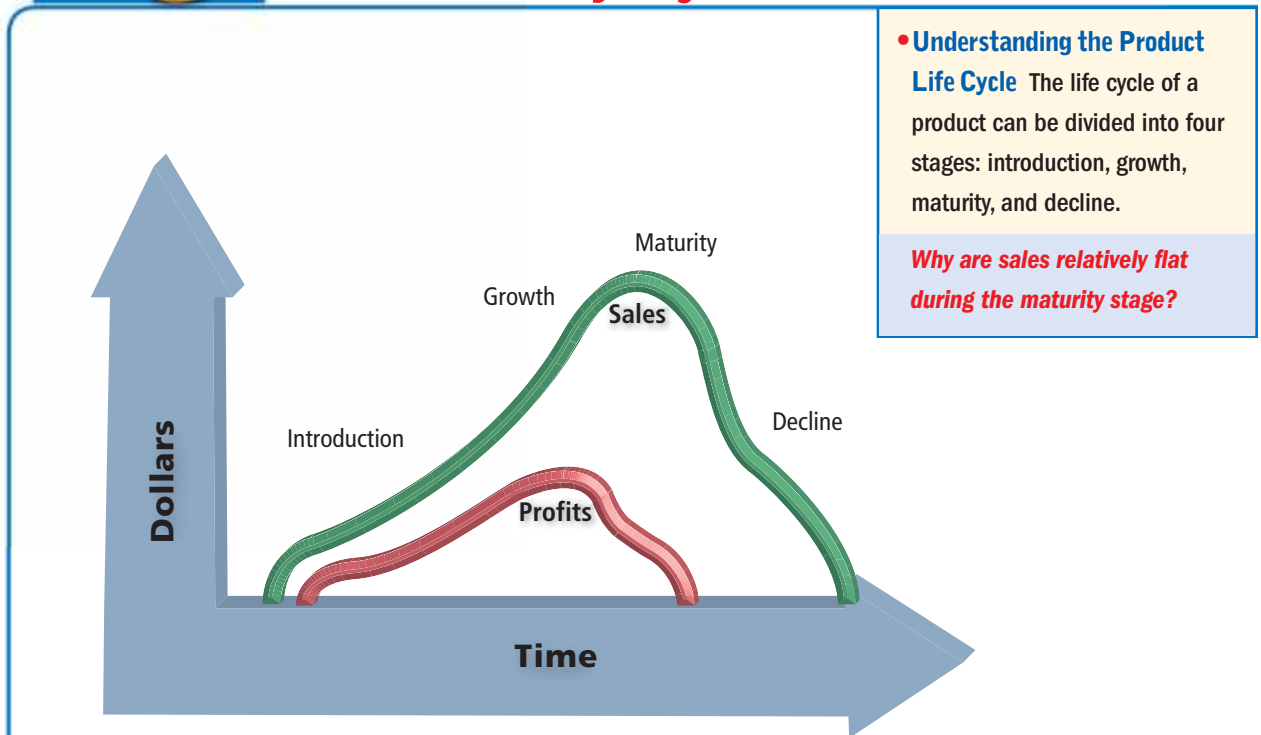
of the target market knows about and buys the product. Advertising may now focus on consumer satisfaction, rather than on the benefits of new products. By this time, the competition is aware of the success of the product and is likely to offer new products in order to compete. To keep its product sales growing, the company may introduce new models or modify the existing product to offer more than is offered by the competition.

## Managing During the Maturity Stage

A product reaches the maturity stage when its sales level off or actually slow down. The product may have more competition now, or most of the target market consumers may already own the product.

Figure 30.2

## The Product Life Cycle



### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a project on the product life cycle.

# Case Study

## Snowboarding Without Snow

Winter snowboarding has grown in popularity. From 1997 to 2002, the number of snowboarders doubled to 5.6 million, according to the National Sporting Goods Association. A new product now allows snowboarders to do urban snowboarding after the snow melts. No bindings, boots, or warm clothing is required.

The new boards have a long, hourglass shape, center wheels, and wide-set wheels to simulate a snowboarding ride. The boards are designed to allow riders to slalom down steep streets better than they can with skateboards.

### A New Product for an Existing Market

In 1996, Steen Strand designed a prototype of the new board as a project for his master's degree in design at Stanford University. Strand's Freebord X-80 gives the sensation of snowboarding because it has the ability to rotate 360 degrees while on descent. The Freebord X-80 offers two swiveling wheels that sit near the nose and tail of the board. Weight is displaced from the center of the board to the wheels, which spins the board in circles as well as turns it sharply uphill to control speed.

Freebords were so hot in Asia that a Taiwanese company developed its own version of the board.



## THINK STRATEGICALLY

Compare Freebords X-80s to skateboards in the product life cycle. What marketing strategies would you use for the Freebord X-80?

### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find an activity about product development.

During this stage, a company spends more of its marketing dollars fighting off the competition. As advertising expenses climb, the company may have to decide whether it can continue to improve the product to gain additional sales.

## Managing During the Decline Stage

During the decline stage, sales fall. Profits may reach the point where they are smaller than the costs. Management will need to decide how long it will continue to support

the product. Besides dropping the product, the company can use other product mix strategies to try to gain further sales from a declining or failing product. These strategies include selling or licensing the product, recommitting to the product line, discounting the product, regionalizing the product, and modernizing or altering the product.

### Sell or License the Product

Many companies sell or license their poorly performing products to risk-taking companies. Risk-taking companies try to rejuvenate

the product by changing the product's image or introducing it to a new market.

### Recommit to the Product Line

Some companies decide that a declining product has other possible uses that can help improve sales.

Even with recommitment and advertising of new product uses, there is no **guarantee** that a product will continue to have enough sales. Eventually, it may need to be discontinued.

### Discount the Product

Many declining product lines can be saved from deletion by discounting them to compete with cheaper store or private brands.

### Regionalize the Product

Sometimes companies decide to sell declining products only in the geographical areas where there is strong customer loyalty. The Nabisco Food Group markets its My-T-Fine desserts only in northeastern states where it still has a significant customer base. By marketing its product only in that area, the company avoids the cost of national advertising and distribution.

### Modernize or Alter the Product Offering

Some products can be altered or modernized to avoid deletion. Products can be completely redesigned, packaged differently, or reformulated. Tide laundry detergent—available in powder form in a box—was redesigned as New Tide. The product was also introduced in liquid form and repackaged in a plastic bottle.

Companies spend large amounts of money to develop and promote consumer and industrial products. As a result, they are reluctant to delete products without trying one of the above strategies. When products must be dropped, a company needs to plan the move carefully to avoid disappointing customers and damaging the company's overall image.

## Product Positioning

The focus of product positioning is the image that a product projects. The goal is to set the product apart from the competition.

**Product positioning** refers to the efforts a business makes to identify, place, and sell its products in the marketplace. To position products, businesses identify customer needs and determine how their products compare to the competition. Many strategies are used to position products.



**Recall** What is the goal of product positioning?

## Positioning by Price and Quality

Companies position their products in a product line on the basis of price and quality. A company may offer an economy line, a mid-priced line, and a luxury line. Positioning by price and quality stresses high price as a symbol of quality or low price as an indication of value.

The Ford Motor Company deliberately positions its Focus as an economical compact car while still emphasizing quality. It positions its Mustang as a high-performance car. Promotional efforts are aimed at creating price and quality images for these products. This strategy enables Ford to give each of its products a unique position in the marketplace.

## Positioning by Features and Benefits

Products are associated with a feature, attribute, or customer benefit. OT, a line of personal care products for boys ages 9 to 16, was introduced in 2004. Research had indicated that preteen and teenage boys were dissatisfied with choices available in personal care products. The product line includes shampoo, deodorant, body wash, hair gel, and pomade with rugged names such as Pit Defense and Body Slam. Procter & Gamble, under a licensing agreement with OT Overtime LLC, promoted the products with bold product names, formulas, and colors to match the intensity of overtime play in sports.

## Positioning in Relation to the Competition

Some businesses position their products to compete directly with the products of



# MARKET TECH

## DVR Benefits at a Low Cost

A digital video recorder, or DVR, is a neat way to watch TV. With a DVR system, you can pause or rewind live TV and can record any program for viewing later without complicated programming and the need to keep blank tapes handy.

But buying a DVR can be costly. What if your budget is limited?

### A Cheaper Alternative

If you have a plain old Windows PC, you can turn it into a DVR by using a product from SnapStream Media, a small company from Houston. SnapStream's Beyond TV 3 includes DVR software for Windows and the necessary hardware—an external TV tuner from Hauppauge Computer Works that plugs into the computer with a simple USB cable. This package is sold on the SnapStream.com Web site. No service fee is charged.

Because this bundled product is really two products that are only loosely integrated, there are multiple installation processes—one for the Hauppauge tuner, one for the most recent tuner hardware updates, and a third installation for Beyond TV 3 software.

## THINK LIKE A MARKETER

**What potential problems can you foresee with bundled products that try to replicate more expensive products at a lower cost? Do you think that this product will be successful?**

### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find an activity about technology and product development.

other companies. Positioning in relation to the competition is a common strategy when a firm is trying to solidify an advantage over another firm.

It is not always a good idea to compete head-to-head with the industry leader. It might be better to compete as the underdog. Southwest Airlines does a good job of doing that by telling potential customers that the airline is the low-fare alternative to most of the full-service airlines.

## Positioning in Relation to Other Products in a Line

Individual products may be positioned in relation to other products in the same line. Starting with the original Palm Pilot fit-in-your-pocket organizer, the company has introduced other handheld products that not only organize information but have added features. For example, the Zire handheld will play MP3s, show photos, and play video clips. The Tungsten handheld allows the user to use e-mail and surf the Web, and the Treo line has all these features plus a phone.

## Category Management

Many manufacturers and retailers are adopting a process for marketing and selling their products known as category management. **Category management** is a process that involves managing product categories as individual business units. A category may include a group of product lines with the same target market and distribution channels. The process is designed to put manufacturers and retailers in closer touch with customer needs.

The category manager is responsible for all the brands for one generic product category, such as foods, beverages, or health and beauty products. The category manager is responsible for the profits or losses of the product mix and product lines in the category. The position evolved out of the position of product manager. The difference between the two job titles is that a category manager is responsible for a generic category and has more

interaction with other managers from finance, production, and research and development. A product manager handles a particular product and has more direct interaction with the company's sales force.

The manufacturer can customize a product mix within a category according to customer preference on a store-by-store basis. Using scanned data on product sales and other market data, manufacturers assist retailers with their product mix. In examining product mix, a manufacturer determines which of its products a particular retailer does not carry. It also identifies products that would have strong sales potential for both the retailer and the manufacturer. This analysis helps the manufacturer to recommend an optimum

product mix by projecting sales volume and profits for a retailer. The manufacturer then suggests adding or deleting certain items to its product mix. If the category manager feels that one product is decreasing sales of other products in the same category, this one product may be discontinued.

Another way manufacturers can help retailers is through **planograms**. A planogram is a computer-developed diagram that shows retailers how and where products within a category should be displayed on a shelf at individual stores. This maximizes a product's potential. Placement can also be used to highlight other products that can be used in conjunction with a product. Manufacturers can even customize planograms for specific types of stores. Each store can stock more products that appeal to people in its trading area and fewer products with limited appeal.

## 30.2 AFTER YOU READ

### Key Terms and Concepts

1. What are the focus and goal of product positioning?
2. List four strategies used to position products in the marketplace.
3. What is category management?

### Academic Skills

#### Math

4. The Dryers Company has two declining products and is considering deleting one. Product A costs \$65 per unit to produce and sells for \$110. The storage, distribution, and promotion costs average \$4.30 per unit. Last year, 19,500 units were sold. Product B costs \$38 to produce and sells for \$72. Its storage, distribution, and promotion costs average \$7.50 per unit. Last year, 56,000 units were sold. Which product is less profitable and should be deleted?

### Social Studies/History

5. Perform an Internet search or visit a school or local library to investigate the history of a popular consumer product. Write a one-page report on when and where it was introduced, how it is used, and who manufactures it today.

**CONCEPT** **Number and Operations: Computing Profit** When solving problems that involve calculating the profit, make a list of all the costs involved. Subtracting the total costs of the product from the total sales equals the profit of the product.

1. To solve this problem, determine the dollar amount in sales by multiplying the retail price by the number of products sold for both products.
2. Determine the total cost of each product by adding the production and distribution costs per item and multiplying by the total number of products sold.
3. Subtract the total costs from the total sales to determine the profit of each product.
4. Compare the two products' profits to determine which is more profitable.

**Math** For help, go to the Math Appendix located at the back of this book.

### @ Online Action!

Check your answers at the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).



# CAREERS IN MARKETING



**MACK HANAN**  
**PRINCIPAL**  
**GREENSTREAM.COM LLC**

## ? What do you do at work?

I specialize in the creation and take-to-market implementation of fast-growth business models, both for mature businesses of Fortune 500 corporations, and for start-up and early stage companies. I specialize in companies that deal with high-tech or cutting-edge technologies in one way or another.

## ? What skills are most important to you?

It is important to have a strong market sense, as well as an up-to-date understanding of technology. I also have to stay informed on the interplay between social trends and government policy compliance. Strategic creativity is important, as are the ability to lead the adoption of change and people skills as a team leader.

## ? What is your key to success?

I am a zealous advocate of creative strategies, and I work hard to ensure their effective application. It is important to always remain dedicated to my client's objectives. Also, I understand that my compensation is based solely on the performance of my work. In other words, the old adage that the customer is king is still true. So is the rule that good, expert work will be rewarded.

## Aptitudes, Abilities, and Skills

Strong understanding of technology as it applies to your chosen industry

## Academics and Education

**Courses** business, marketing

**Degrees** BA, MBA

## Career Path

High-level consultants might begin their careers as employees of a firm, helping apply technology to business and marketing needs. The path of such a career is largely determined by interests, passion, and aptitude.

## Career Outlook

Growth to increase faster than average for the next ten years

Source: *Occupational Outlook Handbook*



## THINKING CRITICALLY

Why is continuing education crucial in most careers?

## @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a career-related activity.

# CHAPTER 30 REVIEW

## FOCUS on KEY POINTS

### SECTION 30.1

- Product planning involves deciding what features are needed to sell a business's products, services, or ideas. A product mix strategy is the plan for how the business determines which products it will make or stock. Businesses can use different product mix strategies depending on their resources and their objectives.

### SECTION 30.2

- A product life cycle represents the stages that a product goes through during its life (introduction, growth, maturity, and decline). The goal of product positioning is to set the product apart from the competition. Category management is a process that involves managing product categories as individual business units.

## REVIEW VOCABULARY

1. On a sheet of paper, use each of these key terms and academic vocabulary words in a written sentence.

#### Key Terms

- product planning (p. 634)
- product mix (p. 635)
- product line (p. 635)
- product item (p. 635)
- product width (p. 635)
- product depth (p. 635)
- product modification (p. 640)
- product life cycle (p. 642)
- product positioning (p. 645)
- category management (p. 646)
- planograms (p. 647)

#### Academic Vocabulary

- unique (p. 635)
- compare (p. 637)
- aware (p. 643)
- guarantee (p. 645)

## REVIEW FACTS and IDEAS

2. What is the difference between a product item and a product line? (30.1)
3. Compare and contrast product depth and product width. (30.1)
4. What types of criteria are used to screen new product ideas? (30.1)
5. Explain how marketers evaluate customer acceptance of a new product. (30.1)
6. What are four reasons for expanding a product line? (30.1)
7. What strategies might a business use during a product's growth stage? (30.2)
8. What strategies might a business use during a product's maturity stage? (30.2)
9. List the strategies that a company can use during a product's decline stage. (30.2)
10. Explain the concept of product positioning. (30.2)
11. How does the process of category management help manufacturers and retailers? (30.2)

# CHAPTER 30 REVIEW

## BUILD REAL-WORLD SKILLS

### 12. Workplace Skills

**Human Relations** You are the manager of a large grocery store that has recently remodeled. An exasperated customer confronts you because he cannot find a product. He complains that the new organization of products makes no sense. What might you do to pacify the customer and encourage him to continue shopping at the store?

### 13. Technology Applications

**Technology and Car Features** Investigate how technological improvements have impacted cars in the past five years. Using a word processing program, prepare a written report of 150 to 200 words about one technological development and its effect on the kinds of features offered in today's cars.

## BUILD ACADEMIC SKILLS

### 14. Math Practice

**Slotting Fees** Retailers sometimes charge manufacturers slotting fees for helping to introduce merchandise. Assume that a small retail chain charges \$5,000 per store for a new brand of hot dogs, while a mass market merchandiser charges \$20,000 per store for the same product. To how many stores could you sell your brand of hot dogs if your company has a slotting allowance budget of \$90,000 and must include at least two mass market stores?

**CONCEPT** **Problem Solving: Calculating Fees** Calculating fees is done by multiplying the dollar amount of fees by the number of stores that will be charged a fee.

**Math** For help, go to the Math Appendix located at the back of this book.

### 15. English Language Arts

**Product Lines** Choose a company that makes a product you have purchased. Research that company to determine how many different products or product lines they offer. Write a paragraph describing all the products this company produces and why it offers the different product lines.

## DEVELOP CRITICAL THINKING

### 16. Investigating New Product Development

Perform an Internet search for a sports-related product that is being introduced. Write a one-page report on the product, its intended users, and your rationale for believing that the product will or will not be successful.

## APPLY CONCEPTS

### 17. Identifying Product Mix

Explore a Web site for a car manufacturer, such as Ford, General Motors, DaimlerChrysler, Honda, Toyota, or another one of your choice. Identify the product mix offered by the car manufacturer.

**Activity** Write an outline detailing one product line and the primary market for each product in that product line.

## NET SAVVY

### 18. Product Line Extensions

Find a food product manufacturer's Web site (Campbell's Soup, J. M. Smucker, Dean Foods, Kellogg's, Hershey Foods, General Mills, H. J. Heinz, Kraft, Del Monte) to obtain five examples of product line extensions. Use presentation software to give an oral report on the name of the original product and the line extensions for the product.

1. ○○○○○  
2. ○○○○○  
3. ○○○○○  
4. ○○○○○  
5. ○○○○○

- Directions** Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

What is the profit of 420 products that cost \$1.30 to produce and sell for \$2?

- A \$290.00
- B \$294.70
- C \$294.00
- D \$250.30

- Directions** Choose either True or False as the answer. Write the letter for the answer on a separate piece of paper.

Product width refers to the number of items offered in within a product line.

- T
- F

### Test-Taking Tip

Read and consider all of the answer choices before you choose the one that best responds to the question. Examine each answer choice and think about how each differs from the others.

THE



## CONNECTION

### Role Play

#### Accessories Store Assistant Manager

**Situation** Assume the role of assistant manager of a store that sells sunglasses and a limited line of related accessory items. The store carries eight lines of sunglasses from well-known designers. The accessory lines the store carries are sunglasses, cleaners, and small repair kits. You are training a new employee (judge) about store operations and merchandise. The new employee (judge) asks why the store's product lines are so limited.

**Activity** You are to explain to the new employee (judge) about product width and product depth and how those two concepts relate to your store and its merchandise.

**Evaluation** You will be evaluated on how well you meet the following performance indicators:

- Explain the concept of product mix.
- Identify product to fill customer needs.
- Establish merchandise standards.
- Explain the nature and scope of the product/service management function.
- Orient new employees.



### @ Online Action!

For more information and DECA Prep practice, go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).