Chapter 12: Product and Promotion: Creating and Communicating Value (pp. 186-0)

LEARNING OBJECTIVES

After studying this chapter, you will be able to…

LO1 Explain “product” and identify product classifications

LO2 Describe product differentiation and the key elements of product planning
LO3 Discuss innovation and the product life cycle

LO4 Analyze and explain promotion and integrated marketing communications

LO5 Discuss development of the promotional message

LO6 Discuss the promotional mix and the various promotional tools

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Product and promotional strategy are the two most visible elements of the promotional mix: what benefits are you offering consumers, and how are you communicating those benefits? This chapter covers product and promotional strategies separately, but as you read, keep in mind that effective marketers carefully interweave all the elements of the marketing mix—including distribution and pricing strategies—to create a coherent whole that's even stronger than the sum of the parts.

**LO1 Product: It's Probably More Than You Thought**

When most people hear the term “product,” they immediately think of the material things that we buy and use and consume every day: for example, an Android cell phone or a pair of 7 jeans. But from a marketing standpoint, product means much more. A *product* can be anything that a company offers to satisfy consumer needs and wants; the possibilities include not only physical goods but also services and ideas. A car wash, laser eye surgery, and a cooking lesson all qualify as products.

When you buy a product, you also “buy” all of the attributes associated with the product. These encompass a broad range of qualities, such as the brand name, the image, the packaging, the reputation, and the guarantee. From a consumer standpoint, these attributes (or the lack of these attributes) are part of the product purchase, even if they don't add to its value. As a marketer, it's worth your while to carefully consider each element of your product to ensure that you're maximizing value without sacrificing profitability. With the introduction of the translucent, multicolored iMac computers in 1998, Apple established its reputation for creating value through product design—an attribute that other PC manufacturers completely overlooked as they churned out their inventories of boring, beige boxes. Over the years, Apple has continued to polish its reputation by introducing sleek, elegantly designed products such as its iPad tablet computers and its iPhones.

— Orvel Ray Wilson, Consultant
Services: A Product by Any Other Name…

If a “product” includes anything that satisfies consumer needs, services clearly fit the bill. But services have some obvious differences from tangible goods. You often cannot see, hear, smell, taste, or touch a service, and you can virtually never “own” it. After a haircut, for example, you might possess great-looking hair, but you don’t own the haircutting experience (at least not literally). Most services embody these qualities:

- **Intangibility:** You typically cannot see, smell, taste, or touch a service before you buy it. Clearly, this creates a lot of uncertainty. Will the purchase really be worthwhile? Smart marketers mitigate the uncertainty by giving clues that suggest value. For example, the Formosa Café, a funky, old-time Hollywood bar and restaurant, plasters the walls with signed pictures of movie stars, providing “evidence” of its movie biz credentials.

- **Inseparability:** Try as you might, you simply can’t separate the buyer of a service from the person who renders it. Delivery requires interaction between the buyer and the provider, and the customer directly contributes to the quality of the service. Consider a trip to the doctor. If you accurately describe your symptoms, you’re likely to get a correct diagnosis. But if you simply say, “I just don’t feel normal,” the outcome will likely be different.

- **Variability:** This one ties closely to inseparability. A talented masseuse would probably help you relax, whereas a mediocre one might actually create tension. And even the talented masseuse might give better service at the end of the day than at the beginning, or worse service on the day she breaks up with her boyfriend. Variability also applies to the difference among providers. A massage at a top-notch spa is likely to be better than a massage at your local gym.

- **Perishability:** Marketers cannot store services for delivery at peak periods. A restaurant, for instance, only has so many seats; they can’t (reasonably) tell their 8 p.m. dinner customers to come back the next day at 5 p.m. Similarly, major tourist destinations, such as Las Vegas, can’t store an inventory of room service deliveries or performances of Cirque du Soleil. This creates obvious cost issues: is it worthwhile to prepare for a peak crowd but lose money when it's slow? The answer depends on the economics of your business.

Goods Versus Services: A Mixed Bag

Identifying whether a product is a good or a service can pose a considerable challenge, since many products contain elements of both. A meal at your local Italian restaurant obviously includes tangible goods: You definitely own that calzone. But someone else took your order, brought it to the table, and (perhaps most importantly) did the dishes! Service was clearly a crucial part of the package.

A goods and services spectrum can provide a valuable tool for analyzing the relationship between the two. (See Exhibit 12.1.) At one extreme, pure goods don’t include any services. Examples include a bottle of shampoo or a package of pasta. At the other extreme, pure services don’t include any goods. Examples include financial consulting or math tutoring. Other products—such as a meal at Pizza Hut—fall somewhere between the poles.

Product Layers: Peeling the Onion

When customers buy products, they actually purchase more than just the good or service itself. They buy a complete product package that includes a core benefit, the actual product, and product augmentations. Understanding these layers is valuable, since the most successful products delight consumers at each one of them.

Core Benefit

At the most fundamental level, consumers buy a core benefit that satisfies their needs. When you go to a concert, the core benefit is entertainment. When you buy a motorcycle, the core benefit is transportation. And when you go to the gym, the core benefit is fitness. Most products also provide secondary benefits that help distinguish them from other goods and services that meet the same customer needs. A secondary benefit of a motorcycle might include the thrill of the ride.

Actual Product
This *actual product* layer, of course, is the product itself: the physical good or the delivered service that provides the core benefit. A U2 concert is the actual “service” that provides a live music experience. A Kawasaki Ninja is the actual product that provides a thrilling ride. Sports Club LA is the actual gym that provides fitness. Identifying the actual product is sometimes tough when the product is a service. For example, the core benefit of personal training might be weight loss, but the actual product may be some very fit person haranguing you to do ten more sit-ups. Keep in mind that the actual product includes all of the attributes that make it unique, such as the brand name, the features, and the packaging.

**Augmented Product**

Most marketers wrap their actual products in additional goods and services, called the *augmented product*, that sharpen their competitive edge. Augmentations come in a range of different forms, such as warranties, free service, and customer help lines. A U2 concert might give fans a chance to win backstage passes. The Kawasaki Ninja usually comes with a two-year warranty and free dealer prep. And Sports Club LA offers valet parking, overnight laundry service, and delicious smoothies.

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12.1 **Goods and Services Spectrum** © Cengage Learning 2013

**Product Classification: It's a Bird, It's a Plane…**

Products fall into two broad categories—consumer products and business products—depending on the reason for the purchase. *Consumer products* are purchased for personal use or consumption, while *business products* are purchased to use either directly or indirectly in the production of another product. The bag of chips that you buy to eat is a consumer product, while the bag of chips that a Subway owner buys to sell is a business product.

**Consumer Product Categories**

Marketers further divide consumer products into several different subcategories, as shown below. Understanding the characteristics of the subcategories can help marketers develop better strategies.

- **Convenience products** are the inexpensive goods and services that consumers buy frequently with limited consideration and analysis. Distribution tends to be widespread, with promotion by the producers. Examples include staples such as milk and toothpaste, impulse items such as candy bars and magazines, and emergency products such as headache tablets and plumbing services.
- **Shopping products** are the more expensive products that consumers buy less frequently. Typically, as consumers shop, they search for the best value and learn more about features and benefits through the shopping process. Distribution is widespread but more selective than for convenience products. Both producers and retailers tend to promote shopping products. Examples include computers, appliances, and maid services.
• *Specialty products* are those much more expensive products that consumers seldom purchase. Most people perceive specialty products as being so important that they are unwilling to accept substitutes. Because of this, distribution tends to be highly selective. (Consumers are willing to go far out of their way for the “right” brand.) Both producers and retailers are apt to promote specialty products, but to a highly targeted audience. Some specialty product examples are Lamborghini sports cars, Tiffany jewelry, and Rolex watches.

• *Unsought products* are the goods and services that hold little interest (or even negative interest) for consumers. Price and distribution vary wildly, but promotion tends to be aggressive to drum up consumer interest. Home warranties, prepaid legal services, and blood donations are some examples.

### Business Product Categories

Marketers also divide business products into subcategories. Here, too, understanding the subcategories can lead to better marketing strategies.

- **Installations** are large capital purchases designed for a long productive life. The marketing of installations emphasizes personal selling and customization. Examples include industrial robots, new buildings, and railroad cars.

- **Accessory equipment** includes smaller, movable capital purchases, designed for a shorter productive life than installations. Marketing focuses on personal selling but includes less customization than installations. Examples include personal computers, copy machines, and furniture.

- **The maintenance, repair, and operating products** category consists of small-ticket items that businesses consume on an ongoing basis, but don't become part of the final product. Marketing tactics emphasize efficiency. Examples include brooms, nails, and lubricants.

- **Raw materials** include the farm and natural products used in producing other products. Marketing emphasizes price and service rather than product differentiation. Examples include cotton, turkeys, and oil.

- **Component parts and processed materials** include finished (or partially finished) products used in producing other products. Marketing emphasizes product quality as well as price and service. Examples include batteries for cars and aluminum ingots for soda cans.

- **Business services** are those services that businesses purchase to facilitate operations. Marketing focuses on quality and relationships; the role of price can vary. Examples include payroll services, marketing research, and legal services.

### LO2 Product Differentiation and Planning: A Meaningful Difference

While some products have succeeded with little or no forethought, you'll dramatically boost your chance of a hit with careful planning. *Product differentiation* should be a key consideration. Winning products must embody a real or
perceived difference versus the glut of goods and services that compete in virtually every corner of the market. But different alone isn't enough; different from, and better than, the competition are both critical in order to create the shortest path to success. A quick look at some high-profile product failures illustrates the point.

- **Nehru suits**: In the 1960s, fashion experts predicted that Nehru suits—with their oddly tailored collars—would be a major hit. Few were disappointed when that trend fizzled.
- **Clear Beer**: In the 1990s, several companies introduced clear beers, reflecting an ill-fated obsession with clear products, including shampoo, soap, and the short-lived, clear Crystal Pepsi.
- **Funky French Fries**: In 2002, Ore-Ida introduced Funky Fries. The flavors included cinnamon-sugar, chocolate, and “radical blue.” Not surprisingly, they were off the market in less than a year.

**Product Quality**

Product quality relates directly to product value, which comes from understanding your customer. Peter Drucker, a noted business thinker, writer, and educator, declared:

> Quality in a product or service is not what the supplier puts in. It's what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs a lot of money… this is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality.

In other words, a high-quality product does a great job meeting customer needs. Siemens, a huge electronics conglomerate, embodies this thinking in its approach to quality: “Quality is when our customers come back and our products don’t.”

<table>
<thead>
<tr>
<th>EXHIBIT 12.2 Product Quality Indicators</th>
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<tbody>
<tr>
<td><strong>PRODUCT CATEGORY</strong></td>
</tr>
<tr>
<td>INTERNET SEARCH ENGINES</td>
</tr>
<tr>
<td>STYLISH BLUE JEANS</td>
</tr>
<tr>
<td>TV EDITING EQUIPMENT</td>
</tr>
<tr>
<td>ROLLER COASTERS</td>
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<tr>
<td>CHAIN SAWS</td>
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</tbody>
</table>

**EXHIBIT 12.2 Product Quality Indicators** © Cengage Learning 2013

But the specific definition of quality—and the attributes that indicate quality—changes across product categories. Here are a few examples:

Regardless of product category, the two key aspects of quality are level and consistency. **Quality level** refers to how well a product performs its core functions. You might think that smart companies deliver the highest possible level of performance, but this is seldom profitable, or even desirable. For instance, only a tiny group of consumers would pay for a speed boat to go 200 mph, when 80 mph offers a sufficient thrill (at least for most of us!). The right level of product performance is the level that meets the needs of your consumers, and those needs include price. Decisions about quality level must also consider the competition. The goal is to outperform the other players in your category while maintaining profitability.

The second dimension of quality is **product consistency**. How consistently does your product actually deliver the promised level of quality? With a positive relationship between price and performance, consistent delivery can offer a competitive edge at almost any quality level.

Honda offers an excellent example. When most people consider the Accord, the Civic, and the CRV, all Honda-owned models, quality quickly comes to mind. And all three dominate their markets. But clearly, the quality **levels** (and price) are different for each. The Accord serves the upper, more conservative end of the market; the Civic tends to appeal
to younger, hipper, more budget-minded consumers; the CRV tends to appeal to middle-of-the-road shoppers seeking a reliable, small SUV. In short, Honda succeeds at delivering product consistency at several markedly different quality levels.

Features and Benefits

Product features are the characteristics of the product you offer. If a product is well designed, each feature corresponds to a meaningful customer benefit. The marketer's challenge is to design a package of features that offers the highest level of value for an acceptable price. And the equation must also account for profitability goals.

One winning formula may be to offer at least some low-cost features that correspond to high-value benefits. Creating an “open kitchen” restaurant, for instance, has limited impact on costs, but gives patrons an exciting, up-close view of the drama and hustle of professional food preparation. Exhibit 12.3 lists some other examples of product features and their corresponding customer benefits.

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EXHIBIT 12.3 Product Features and Customer Benefits

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Quality is remembered long after the price is forgotten.

— GUCCI FAMILY

SLOGAN

Product Lines and the Product Mix

Some companies focus all of their efforts on one product, but most offer a number of different products to enhance their revenue and profits. A product line is a group of products that are closely related to each other, in terms of either how they work or the customers they serve. Amazon's first product line was books. To meet the needs of as many book lovers as possible, Amazon carries well over a million different titles in its product line. A product mix is the total number of product lines and individual items sold by a single firm. Amazon's product mix includes a wide range of product lines, from books, to electronics, to toys (to name just a few!).

Decisions regarding how many items to include in each product line and in the overall product mix can have a huge impact on a firm's profits. With too few items in each line, the company may be leaving money on the table. With too many items, the company may be spending unnecessarily to support its weakest links.

One reason that firms add new product lines is to reach completely new customers. Gap, for instance, added Old Navy to reach younger, lower-income customers, and Banana Republic to reach older, higher-income customers. Each line includes a range of different products designed to meet the needs of their specific customers. But one risk of adding new lines—especially lower-priced lines—is cannibalization, which happens when a new entry “eats” the sales of an existing line.
This is especially dangerous when the new products are lower-priced than the current ones. You could see the problem, for instance, if a $20 blue jean purchase from Old Navy replaces a $50 blue jean purchase from Gap; the company has lost more than half its revenue on the sale. Like other companies with multiple lines, Gap carefully monitors the cannibalization issue and works to differentiate its lines as fully as possible.

### Branding

At the most basic level, a *brand* is a product's identity that sets it apart from other players in the same category. Typically, brands represent the combination of elements such as product name, symbol, design, reputation, and image. But today's most powerful emerging brands go far beyond the sum of their attributes. They project a compelling group identity that creates brand fanatics: loyal customers who advocate for the brand better than any advertising a marketer could buy. The overall value of a brand to an organization—the extra money that consumers will spend to buy that brand—is called *brand equity*.

Since 2001, *BusinessWeek* and Interbrand, a leading brand consultancy, have teamed up to publish a ranking of the 100 Best Global Brands by dollar value. The top ten brands are listed in Exhibit 12.4, but you can find the complete list at Interbrand's website.

### EXHIBIT 12.4 Business Week/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>GOOGLE</td>
<td>United States</td>
</tr>
<tr>
<td>GE</td>
<td>United States</td>
</tr>
<tr>
<td>MCDONALD'S</td>
<td>United States</td>
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<tr>
<td>INTEL</td>
<td>United States</td>
</tr>
<tr>
<td>NOKIA</td>
<td>Finland</td>
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<tr>
<td>DISNEY</td>
<td>United States</td>
</tr>
<tr>
<td>HP</td>
<td>United States</td>
</tr>
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</table>

Source: *BusinessWeek* “100 Best Global Brands,”

### Brand Name

A catchy, memorable name is among the most powerful elements of your brand. While the right name will never save a
bad business, it can launch a good business to new heights. But finding the right name can be tough. According to the respected Brighter Naming consulting group, the following characteristics can help:

1. Short, sweet, and easy to pronounce and spell: Examples include Dell, Gap, Dove, Tide, and Kool-Aid.
2. Unique within the industry: Think Apple, Monster, jetBlue, and Victoria's Secret.
3. Good alliteration, especially for long names: The words should roll off your tongue. Some examples are Coca-Cola, BlackBerry, and Minute Maid.¹

Brand names typically fall into four categories, as described in Exhibit 12.5.

**Line Extensions versus Brand Extensions**

As companies grow, marketers look for opportunities to grow their businesses. *Line extensions* are similar products offered under the same brand name. Possibilities include new flavors, sizes, colors, ingredients, and forms. One example is Coca-Cola, which offers versions with lemon, lime, vanilla; with caffeine, without caffeine, with sugar, and without sugar. The marketing challenge is to ensure that line extensions steal market share from competitors rather than from the core brand.

### Exhibit 12.5 Brand Name Categories

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DESCRIPTION</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOCATION-BASED</td>
<td>Refers to either the area served or the place of origin</td>
<td>Southwest Airlines, Bank of America, Best Western Hotels</td>
</tr>
<tr>
<td>FOUNDER'S NAME</td>
<td>Can include first name, last name, or both</td>
<td>McDonald's, Suzy's Sub Sandwiches, Ford, Disney, Hewlett-Packard</td>
</tr>
<tr>
<td>DESCRIPTIVE OR FUNCTIONAL</td>
<td>Describes what the product is or how it works</td>
<td>eBay, U.S. News and World Report, Weight Watchers, Krispy Kreme</td>
</tr>
<tr>
<td>EVOCATIVE</td>
<td>Communicates an engaging image that resonates with consumers</td>
<td>Yahoo!, Craftsman, Virgin, Intel, Lunchables, Cosmopolitan, Starbucks</td>
</tr>
</tbody>
</table>

*Brand extensions*, on the other hand, involve launching a product in a new category under an existing brand name. The Bic brand, for instance, is quite elastic, stretching nicely to include diverse products such as pens, glue, cigarette lighters, and disposable razors. The Virgin brand demonstrates similar elasticity, covering more than 350 companies that range from airlines, to cell phones, to soft drinks, to cars. But the concept of brand extension becomes most clear (and most entertaining) through examining brand extension failures. Examples include Bic perfume, Budweiser Dry, and Harley-Davidson Cologne.²

**Licensing**

Some companies opt to license their brands from other businesses. *Licensing* means purchasing—often for a substantial fee—the right to use another company's brand name or symbol. The benefits, of course, are instant name recognition, an established reputation, and a proven track record. On a worldwide basis, the best-known licensing arrangements are probably character names, which range from Bart Simpson to Sponge Bob and appear on everything from cereal, to toys, to underwear. Many movie producers also do high-profile licensing, turning out truck-loads of merchandise that features movie properties such as Harry Potter and *Twilight*.

Another fast-growing area is the licensing of corporate names. Coca-Cola, for instance, claims to have more than 300 licensees who sell over a billion dollars of licensed merchandise each year. The potential benefits for Coca-Cola are clear: more promotion, increased exposure, and enhanced image. But the risk is significant. If licensed products are of poor quality or overpriced, the consumer backlash hits the core brand rather than the producer of the licensed product.

**Cobranding**

*Cobranding* is when established brands from different companies join forces to market the same product. This cooperative approach has a long history but is currently enjoying a new popularity. Examples include:
Ford Explorer markets an Eddie Bauer model.
Kohl's markets Vera Wang's fashions under the name Simply Vera.
Kmart markets Martha Stewart housewares.

Cobranding can offer huge advantages to both partners, by leveraging their strengths to enter new markets and gain more exposure. Through the Kohl's-Wang agreement, Vera Wang gained exposure to a mass audience (and their shopping dollars), while Kohl's bolstered its image by gaining exclusive rights to trendy fashions. But cobranding can be risky. If one partner makes a major goof (think Martha Stewart), the fallout can damage the reputation of the other partner as well.

**National Brands Versus Store Brands**

*National brands*, also called *manufacturers' brands*, are brands that the producer owns and markets. Many are well-known and widely available, such as Pantene shampoo, Tide detergent, and 7-Up. Although most retailers carry lots of national brands, an increasing number have opted to also carry their own versions of the same products, called *store brands*, or *private label*. Deep discounters, such as Walmart and Costco, have had particular success with their private-label brands (e.g., Sam's Choice and Kirkland). *Private labels* play a growing role in grocery stores as well. In the United States, about one out of four grocery purchases is private label, and the numbers are even higher in Europe—hitting half of all grocery sales in a number of markets. As the global recession deepened in 2008 and 2009, private-label sales increased by more than 7%. But by 2011, as the economic recovery gained traction, fewer consumers traded down to private-label options. The growing influence and increasing quality of low-end private-label brands increase the pressure on national brands to continually innovate while holding down prices.  

At the upper end of the market—especially in the clothing business—key retailers specialize in private brands to create and protect a consistent, upscale image. Examples include Neiman Marcus, Cold-water Creek, and Saks Fifth Avenue. Private-label clothing accounts for more than 40% of all U.S. apparel sales.

**Packaging**
Great packaging does more than just hold the product. It can protect the product, provide information, facilitate storage, suggest product uses, promote the product brand, and attract buyer attention. Great packaging is especially important in the crowded world of grocery stores and mass merchandisers. In the average supermarket, the typical shopper passes about 300 items per minute and makes anywhere from 20% to 70% of purchases on sheer impulse. In this environment, your package must call out to your target customers and differentiate your product from all others.

**oops! What were they thinking?: Oops! If You Drive a Yugo, Maybe You Will Go and Maybe You Won't Go…**

The tiny Yugo hatchback hit the U.S. market with great fanfare in the summer of 1985. Billed as the cheapest new car in the United States, the Yugoslavian import captured the imagination of the consumer market. Eager buyers stormed the dealerships before the first cars were off the boat. The price was an unimaginably low $3,990.

But low price wasn't enough. As buyers began to actually drive their cars, they uncovered flaw after flaw, including major issues such as premature engine failure and poor dealer service. Reviewers described the Yugo as more of a toy than a car. Not surprisingly, sales plummeted, leading to bankruptcy in 1989.

The short life of the Yugo was long enough to establish its place as a cultural icon of cheap. Countless disillusioned owners competed to coin the best description of their Yugo. Sample comments from the CarTalk website (which featured the Yugo as the worst car of the millennium):

“The Yugo’s first stop after the showroom was the service department; ‘Fill’er up and replace the engine!’”

“At least it had heated rear windows—so your hands would stay warm while you pushed”

But despite its problems (or perhaps because of them!) the Yugo also spawned a remarkable artistic effort. A professor at the NYC School of Visual Arts challenged his students several years ago to turn discarded Yugos into something
useful. The results, displayed for a time in New York City's Union Station, included a toaster, a Port-o-Potty, a confessional, a diner, and a submarine.\(^5\)

the others lined up beside it. Yet, in attracting consumer attention, a good package cannot sacrifice the basics such as protecting the product.\(^6\)

Bottom line: great packaging stems from consumer needs, but it usually includes at least a smidge of creative brilliance. Examples include yogurt in a pouch that doesn't need a spoon, soup-to-go that can be microwaved in the can, and single-serving baby carrot packets that moms can toss into kids' lunches.

**LO3 Innovation and the Product Life Cycle: Nuts, Bolts, and a Spark of Brilliance**

For a business to thrive long term, effective new product development is vital. And the process works only if it happens quickly. As technological advances hit the market at breakneck speed, current products are becoming obsolete faster than ever before. The need for speed compounds as hungry competitors crowd every niche of the market. But the rush is risky, since new product development costs can be in the millions, and the success rate is less than a third. Marketers who succeed in this challenging arena devote painstaking effort to understanding their customers, but they also nurture the creativity they need to generate new ideas. An example of how this can work: The 3M Corporation—makers of Post-it notes and Scotch Tape—introduces about 500 new products per year by pushing its employees to “relentlessly ask, ‘What if?’” 3M also encourages workers to spend 15% of their work time (paid work time!) on projects of personal interest.\(^7\)

**Types of Innovation**

Clearly, the first personal computer represented a higher degree of newness than the first personal computer with a color screen. And the computer with a color screen represented a higher degree of newness than the first low-cost knockoff. Levels of innovation fall along a spectrum, as shown in Exhibit 12.6.

**Discontinuous Innovation**

*Discontinuous innovations* are brand-new ideas that radically change how people live. Examples include the first car, the first television, and the first computer. These dramatic innovations require extensive customer learning, which should guide the marketing process.
Dynamically Continuous Innovation

Dynamically continuous innovations are characterized by marked changes to existing products. Examples include cell phones, MP3 players, and digital cameras. These types of innovations require a moderate level of consumer learning in exchange for significant benefits.

Continuous Innovation

A slight modification of an existing product is called a continuous innovation. Examples include new sizes, flavors, shapes, packaging, and design. The goal of continuous innovation is to distinguish a product from the competition. The goal of a knockoff is simply to copy a competitor and offer a lower price.

The New Product Development Process

An efficient, focused development process will boost your chances of new product success. The standard model includes six stages:
Each stage requires management to “green light” ideas before moving forward, to ensure that the company doesn't waste resources on marginal concepts.

- **Idea Generation**: Some experts estimate that it takes 50 ideas for each new product that makes it to market, so you should definitely cast a wide net. Ideas can come from almost anywhere, including customer research, customer complaints, salespeople, engineers, suppliers, and competitors.

- **Idea Screening**: The purpose of this stage is to weed out ideas that don't fit with the company's objectives and ideas that would clearly be too expensive to develop. The Walt Disney Company, for instance, would certainly eliminate the idea of a XXX cable channel because it just doesn't fit their mission.

- **Analysis**: The purpose of the analysis stage is to estimate costs and forecast sales for each idea to get a sense of the potential profit and of how the product might fit within the company's resources. Each idea must meet rigorous standards to remain a contender.

- **Development**: The development process leads to detailed descriptions of each concept with specific product features. New product teams sometimes also make prototypes, or samples, that consumers can actually test. The results help fully refine the concept.

- **Testing**: This stage involves the formal process of soliciting feedback from consumers by testing the product concept. Do they like the features? Are the benefits meaningful? What price makes sense? Some companies also test-market their products or sell them in a limited area to evaluate the consumer response.

- **Commercialization**: This stage entails introducing the product to the general market. Two key success factors are gaining distribution and launching promotion. But a product that tested well doesn't always mean instant success. The VW Beetle, for example, sold only 330 cars during its first year in the United States, but it later became a hit.

**New Product Adoption and Diffusion**

In order to become a commercial success, new products must spread throughout a market after they are introduced. That process is called *diffusion*. But diffusion clearly happens at different speeds, depending on the individual consumer and on the product itself.
Product Adoption Categories

Some consumers like to try new things; others seem terrified of change. These attitudes clearly affect the rate at which individual people are willing to adopt (or begin buying and using) new products. The first adopters, about 2.5% of the total, are adventurous risk takers. The laggards, about 16% of the total, sometimes adopt products so late that earlier adopters have already moved to the next new thing. The rest of the population falls somewhere in between. Keep in mind that individuals tend to adopt new products at different rates. For instance, we probably all know someone who is an innovator in technology but a laggard in fashion, or vice-versa.

Product Diffusion Rates

Some new products diffuse into the population much more quickly than others. For example, Apple iPods and Segway Human Transporters appeared on the market around the same time; iPods have become a pop culture icon, while Segways remain on the fringe. What accounts for the difference? Researchers have identified five product characteristics that affect the rate of adoption and diffusion. The

Wacky Labels

As product lawsuits take on a life of their own, manufacturers are responding with warning labels that seem increasingly wacky. To call attention to this trend, a Michigan anti-lawsuit group called M-LAW sponsors the annual Wacky Warning Label Contest. Top finishers over the past few years have included the following gems:

- A toilet brush tag that says “Do not use for personal hygiene.”
- A bag of livestock castration rings warns, “For animal use only.”
- A “drive’n talk” speakerphone labeled, “Never operate your speakerphone while driving.”
- A Bluetooth headset that warns, “Use of a headset that covers both ears will impair your ability to hear other sounds.”
- A disappearing ink marker that cautions “The Vanishing Fabric Marker should not be used as a writing instrument for signing checks or any legal documents.”

more characteristics a product has, the faster it will diffuse into the population.

- **Observability:** How visible is the product to other potential consumers? Some product categories are easier to observe than others. If you adopt a new kind of car, the whole neighborhood will know, plus anyone else who sees you on the streets and highways.
- **Trialability:** How easily can potential consumers sample the new product? Trial can be a powerful way to create new consumers, which is why many markets fill their aisles with sample tables during popular shopping hours. Other examples of trial-boosting strategies include test-driving cars, sampling music, and testing new fragrances.
• **Complexity:** Can potential consumers easily understand what your product is and how it works? If your product confuses people—or if they find it hard to explain to others—adoption rates will slow. For example, many people who test-ride Segway Human Transporters love the experience, but they have trouble explaining to others how it works or why it beats other transportation options.

• **Compatibility:** How consistent is your product with the existing way of doing things? Cordless phones, for example, caught on almost instantly, since they were completely consistent with people's prior experiences—only better!

• **Relative Advantage:** How much better are the benefits of your new product compared to existing products? When gas prices climb, for example, the benefits of a hybrid car take on a much higher value relative to standard cars. As a result, demand skyrockets.

**The Product Life Cycle: Maximizing Results over Time**

When marketers introduce a new product, they hope it will last forever, generating sales and profits for years to come. But they also realize that all products go through a **product life cycle**—a pattern of sales and profits that typically changes over time. The life cycle can be dramatically different across individual products and product categories, and predicting the exact shape and length of the life cycle is virtually impossible. But most product categories do move through the four distinct stages shown in Exhibit 12.7.

**EXHIBIT 12.7 Product Life Cycle for a Typical Product Category © Cengage Learning 2013**

- **Introduction:** This is a time of low sales and nonexistent profits as companies invest in raising awareness about the product and the product category. Some categories, such as the microwave, languish in this phase for years, while other categories, such as computer memory sticks, zoom through this phase. And some categories never get beyond introduction. (Think clear beers.)

- **Growth:** During the growth period, sales continue to rise, although profits usually peak. Typically, competitors begin to notice emerging categories in the growth phase. They enter the market—often with new variations of existing products—which further fuels the growth. Portable MP3 players are...
currently in the growth phase, and a number of competitors are challenging Apple's hold on the market.

- **Maturity:** During maturity, sales usually peak. Profits continue to decline as competition intensifies. Once a market is mature, the only way to gain more users is to steal them from competitors, rather than to bring new users into the category. Weaker players begin to drop out of the category. Gasoline-powered cars and network TV are in maturity in the United States.

- **Decline:** During this period, sales and profits begin to decline, sometimes quite rapidly. The reasons usually relate to either technological change or change in consumer needs. For instance, the introduction of word processing pushed typewriters into decline, and a change in consumer taste and habits pushed hot cereal into decline. Competitors continue to drop out of the category.

Familiarity with the product life cycle helps marketers plan effective strategies for existing products and identify profitable categories for new products. Exhibit 12.8 summarizes typical marketing strategies and offers examples for each phase.

Individual products also have life cycles that usually follow the category growth pattern but sometimes vary dramatically. Clearly, it's in the marketer's best interest to extend the profitable run of an individual brand as long as possible. There are

<table>
<thead>
<tr>
<th>PHASE</th>
<th>EXAMPLES</th>
<th>SALES/PROFITS</th>
<th>KEY MARKETING STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Virtual reality games, fuel cell technology</td>
<td>Low sales, low profits</td>
<td>Build awareness, trial, and distribution</td>
</tr>
<tr>
<td>Growth</td>
<td>Hybrid cars, flat-screen TVs, electronic book readers, Internet gambling</td>
<td>Rapidly increasing sales and profits</td>
<td>Reinforce brand positioning, often through heavy advertising</td>
</tr>
<tr>
<td>Maturity</td>
<td>Airlines, DVD players, personal computers, online stock trading, energy drinks</td>
<td>Flat sales and declining profits</td>
<td>Target competitors, while defending franchise with new product features, competitive advertising, promotion, and price cuts</td>
</tr>
<tr>
<td>Decline</td>
<td>Pagers, videocassettes</td>
<td>Declining sales and profits</td>
<td>Reduce spending and consider terminating the product</td>
</tr>
</tbody>
</table>

**EXHIBIT 12.8 The Product Life Cycle and Marketing Strategies** © Cengage Learning 2013

several ways to make this happen: finding new uses for the product, changing the product, and changing the marketing mix. For example, *American Idol* renewed interested in their franchise by introducing new celebrity judges.

**LO4 Promotion: Influencing Consumer Decisions**

*Promotion* is the power to influence consumers—to remind them, to inform them, to persuade them. The best promotion goes one step further, building powerful consumer bonds that draw your customers back to your product again and again. But don't forget that great promotion only works with a great product. Bill Bernbach, an ad industry legend, captures this concept by noting that “A great ad campaign will make a bad product fail faster. It will get more people to know it's bad.”

Marketers can directly control most promotional tools. From TV advertising to telephone sales, the marketer creates the message and communicates it directly to the target audience. But, ironically, marketers cannot directly control the most powerful promotional tools: publicity, such as a comment on *The View*, or a review in *Consumer Reports*, and word-of-mouth such as a recommendation from a close friend or even a casual acquaintance. Marketers can only influence these areas through creative promotional strategies.

**Promotion in Chaos: Danger or Opportunity?**

Not coincidentally, the Chinese symbol for crisis resembles the symbols for danger and opportunity—a perfect description of promotion in today's market. The pace of change is staggering. Technology has empowered consumers to choose how and when they interact with media, and they are grabbing control with dizzying speed. Cable-based on-
demand video continues to soar, and digital movie downloads are poised for explosive growth. In 2010, Internet users spent an average of 32 hours per week surfing the Web, compared to about 30 hours per week watching TV. Meanwhile, more passive forms of entertainment, such as network television, are slowly losing their audience. And those people who do still watch TV are gleefully changing the schedules and zapping the ads with TiVo or similar devices. As media splinters across an array of entertainment options, usage patterns have changed as well: tech-savvy viewers are more prone to consume media in on-the-fly snacks rather than sit-down meals. Rising consumer power and the breakneck pace of technology have created a growing need—and a stunning opportunity—for marketers to zero in on the right customers, at the right time, with the right message.\(^9\)

**Integrated Marketing Communication: Consistency and Focus**

How many marketing messages have you gotten in the past 24 hours? Did you flip on the TV or radio? Surf the Web? Notice a billboard? Glance at the logo on a T-shirt or cap? Chat with a friend about some product he likes? Marketing exposure quickly snowballs: the typical consumer receives about 3,000 advertising messages each day. Some of those messages are hard to avoid as marketers find new, increasingly creative ways to promote their products to a captive audience. The venues include elevators, taxicabs, golf carts, and other surprising settings.\(^{10}\) Given the confounding level of clutter, smart companies use integrated marketing communication to coordinate their messages through every promotional vehicle—including their advertising, website, and salespeople—creating a coherent impression in the minds of their customers. Why bother coordinating all of these elements? The answer is clear. Consumers don't think about the specific source of the communication; instead, they combine—or integrate—the messages from all the sources to form a unified impression about your product. If the messages are out of sync or confusing, busy consumers won't bother to crack the code. They'll simply move on to the next best option.

Can you really control every message that every consumer sees or hears about your product? It's not likely. But if you accurately identify the key points of contact between your product and your target market, you can focus on those areas with remarkable effectiveness. For instance, the most common points of contact for McDonald's are probably advertising and the in-store experience. From upbeat commercials, to smiling employees, to brightly striped uniforms, McDonald's spends millions of dollars to support its core message of fast, tasty food in a clean, friendly environment—heavily concentrated in the areas that are key to its brand.
Other companies are likely to encounter the bulk of their customers through different channels. You'd probably learn about Dell computers, for example, through either its website or word-of-mouth. Dell has invested heavily in both areas. The company maintains an innovative, user-friendly website that allows even novice users to create customized systems. And Dell delivers award-winning customer service and technical support, which gets its customers to recommend its products to family and friends.

**Coordinating the Communication**

Even after you've identified the key points of contact, coordinating the messages remains a challenge. In many companies, completely different teams develop the different promotional areas. Salespeople and brand managers often have separate agendas, even when the same executive manages both departments. Frequently, disconnected outside agencies handle advertising, Web development, and sales promotion programs. Coordinating the messages will happen only with solid teamwork, which must begin at the top of the organization.

Information also plays a crucial role. To coordinate marketing messages, everyone who creates and manages them must have free access to knowledge about the customer, the product, the competition, the market, and the strategy of the organization. Some of this information, such as strategic goals, will come from the top down, but a fair amount, such as information about the customer, should come from the bottom up. Information must also flow laterally, across departments and agencies. The marketing research department, for instance, might have critical information about product performance, which might help the Web management agency create a feature page that might respond to competitive threats identified by the sales force. When all parties have access to the same data, they are much more likely to remain on the same page.

**LO5 A Meaningful Message: Finding the Big Idea**

Your promotional message begins with understanding how your product is different from and better than the competition. But your *positioning statement* —a brief statement that articulates how you want your target market to envision your product relative to the competition—seldom translates directly into the promotional message. Instead, it marks the beginning of the creative development process, often spearheaded by ad agency creative professionals. When it works, the creative development process yields a *big idea* —a meaningful, believable, and distinctive concept that cuts through the clutter. Big ideas are typically based on either a rational or an emotional premise. Here are a few examples from the last decade:

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Engineering:</td>
<td>BMW: “The ultimate driving machine.”</td>
<td></td>
</tr>
<tr>
<td>Ingredients:</td>
<td>Subway: “Eat Fresh”</td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>EMOTIONAL:</th>
<th>Sex:</th>
<th>Axe: “Bom Chicka Wah Wah”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humor:</td>
<td>Virgin Atlantic: “More experience than our name suggests”</td>
<td></td>
</tr>
<tr>
<td>Happiness:</td>
<td>Coca Cola: “Open Happiness”</td>
<td></td>
</tr>
</tbody>
</table>

© Cengage Learning 2013

Not surprisingly, funny ads are a consumer favorite, although humor can be risky. For a record ten years in a row, from 1998 through 2008, Budweiser—known for using humor effectively—nabbed the top spot in *USA Today's* annual Ad Meter consumer ranking of Super Bowl ads. But in 2009, a very funny “Free Doritos” ad—created by talented amateurs in an online contest sponsored by Frito-Lay—knocked Budweiser off its pedestal. Budweiser regained the top spot in 2011, sharing the honor with Doritos, which, once again, took the top prize with a hilarious customer-created ad.11

The best big ideas have entrenched themselves in popular culture, spawning both imitators and parodies. A small sampling includes:
P. 199

An International Perspective

Some big ideas translate well across cultures. The Marlboro Man now promotes rugged individualism across the globe. But other big ideas don’t travel as smoothly. DeBeers tried running ads in Japan using their proven strategy in the West: fabulously dressed women smiling and kissing their husbands who have just given them glittering diamonds. The ads failed in Japan because a Japanese woman would be more likely to shed a few tears and feign anger that her husband would spend so much money. The revised DeBeers campaign featured a hardworking husband and wife in their tiny apartment. Receiving a diamond, the wife chides her extravagant husband: “Oh, you stupid!” The campaign was a wild success. Taking a big idea to a foreign market can mean big money and a powerful brand, but careful research should still be your first step.12

LO6 The Promotional Mix: Communicating the BIG IDEA

Once you’ve nailed your message, you need to communicate the big idea to your target market. The traditional communication tools—or promotional channels—include advertising, sales promotion, direct marketing, and personal selling. But more recently, a number of new tools have emerged, ranging from advergaming to Internet minimovies. The combination of communication tools that you choose to promote your product is called your “promotional mix.”

Emerging Promotional Tools: The Leading Edge

In the last decade, the promotional landscape has changed dramatically. Consumer expectations and empowerment have skyrocketed. Consumer tolerance for impersonal corporate communication has fallen. And digital technology has surged forward at breakneck speed. As a result, new promotional tools have emerged, and previously minor tools have burst into the mainstream. This section covers several leading-edge promotional tactics, but keep in mind that other tools—such as mobile phone promotion, social media marketing (e.g., Facebook) and widget-based marketing—are growing explosively, too.

Internet Advertising

Internet advertising has been highly visible for more than a decade. But the industry has moved far beyond simple banner ads and annoying pop-up ads. The highest growth areas include paid search advertising, search engine optimization, and online video advertising.

Paid search advertising includes both sponsored links on Google that relate to the topic you’ve searched and targeted Google text ads on a number of different websites—both of which are at the heart of Google’s outsized financial success. Industry expert eMarketer estimates that paid search advertising, including both Google and other similar services, surpassed $12 billion in 2010 and may surpass $18 billion by 2014. Paid search seems to be an especially attractive tactic during tough economic times, since it offers high accountability—marketers can tell exactly how well their limited advertising dollars are working.13

Search engine optimization (SEO) also demonstrated strong growth as the economy weakened. SEO involves taking specific steps to ensure that your website appears high on the list when customers look for your product or service via an Internet search engine such as Google or Yahoo!. Typically, the higher a firm appears, the more traffic that site will receive from potential customers. Predictions from eMarketer suggest that U.S. spending on search-engine marketing will nearly double from $12.2 billion in 2008 to $23.4 billion by 2013.14
Online video advertising represents another high-growth area. This includes the increasingly popular “pre-roll” ads, the 15- to 30-second spots that viewers often sit through before watching an online video on YouTube, Hulu, or many other sites. Online video advertising more than tripled in the first half of 2008 (although the base was minuscule compared to search advertising). According to eMarketer estimates, the growth will increase—even in the face of the global recession—from $1.42 billion in 2010 to $5.71 billion in 2014, representing an extraordinary increase.\(^{15}\)

### Social Media

Clearly, social media – including Facebook, Twitter, Blogger, Tumblr, Foursquare, and many others – is not a fad, but rather, a paradigm shift in how successful businesses market themselves. According to advertising heavyweight Alex Bogusky, “You can't buy attention anymore. Having a huge budget doesn't mean anything in social media… The old media paradigm was PAY to play. Now you get back what you authentically put in.” And the evidence is building that social media offers a truly impressive return on investment, especially compared to traditional media. A few examples compiled by social media expert Erik Qualman underscore the potential return on investment:

- Our head of social media is the customer.
  — MCDONALD’S

- Wetpaint/Altimeter Study found companies that are both deeply and widely engaged in social media significantly surpass their peers in both revenues and profits. The study also found the company sales with the highest levels of social media activity grew on average by +18%, while those companies with the least amount of social activity saw their sales decline −6%.

- BlendTec increased its sales 5x by running the often humorous “Will It Blend” videos on YouTube, blending everything from an iPhone to a sneaker.

- Dell sold $3,000,000 worth of computers on Twitter.

- Ford Motor Company gave away 100 Fiestas to influential bloggers, resulting in 37% of Generation Y learning of the Ford Fiesta before it was launched in the United States.

- Software company Genius.com reports that 24% of its social media leads convert to sales opportunities.

- Web host provider Moonfruit more than recouped its $15,000 social media investment as its website traffic soared +300% while sales increased +20%.

Looking ahead, smart marketers of both large and small businesses are investing their limited resources in social marketing, and reaping an unprecedented return, forging the future of marketing promotion.\(^{16}\)

### Product Placement

**Product placement** — the paid integration of branded products into movies and TV — exploded into big-screen prominence in 1982, when Reese's Pieces played a highly visible role in Steven Spielberg's blockbuster film *E.T.* Reese's Pieces sales shot up 65% (a major embarrassment for the marketers of MandMs, who had passed on the opportunity). Over the years, product placement in movies has moved rapidly into the limelight. A few notable examples are:


- **You've Got Mail** (1998): AOL scored big in this Tom Hanks-Meg Ryan romance that etched the AOL signature mail call onto the national consciousness.

- James Bond: This longstanding movie icon hawked so many products in recent movies (e.g., Omega watches, Heineken beer, and British Airways) that it triggered a backlash from annoyed moviegoers and critics.\(^{17}\)

Overall, Apple takes top honors in the movie product placement sweepstakes. In 2010, Apple products appeared in 30% of all films that were number one in the U.S. box office. That performance actually represents a decline from 2008, when Apple products appeared in 50% of all number one films. The decline happened because other electronics firms stepped up their product placement efforts in response to

P. 200
them with Sony VAIO products wherever possible.¹⁸

In an interesting combination of promotional tactics, product placement and online video have begun to merge. In 2010, Lady Gaga's, YouTube smash hit video Telephone featured no fewer than ten product placements. Some of the placements, for instance, Miracle Whip, were paid, while others, such as Virgin Mobile and Polaroid, were extensions of existing partnerships with Gaga. Given its efficacy in reaching younger consumers this approach seems sure to grow in the future.

Product placement on TV has catapulted into the mainstream in response to the growing prominence of digital video recorders (DVRs) such as TiVo. Nielsen estimates that 35.7% of U.S. households had at least one DVR in 2010, 39.7% in 2011, up from fewer than 10% in 2005. DVRs allow consumers not only to watch on their own schedule, but also to zap ads. Worried marketers see product placement as a chance to “TiVo-proof” their messages by integrating them into the programming. Media experts anticipate that product placement will soar from a $3.6 billion business in 2009 to a $6.1 billion market by 2014.¹⁹

Product placement works best for marketers if the product seamlessly integrates into the show as a player rather than simply a prop. For instance, it's hard to miss Coke in American Idol. The judges are seldom without their Coca-Cola-emblazoned cups, and the contestants sit on a Coca-Cola couch in a Coca-Cola room as they wait to hear their fate. The price tag for this exposure—including commercial time and online content—is about $35 million. Media buyers often negotiate product placement deals as part of a package that includes

**Raising your F-Factor**

For years, the implications of getting an F have been anything but positive. But in today's social media world, smart brands are doing everything they can to raise their F-Factor. F is for friends, fans, followers, who influence purchasing decisions in more sophisticated ways. A few examples, cited by Trendwatching website:
• The daily deal site Groupon has used referrals from friends to drive sales of over 40 million deals in the two and a half years since its email launch
• Incipio Technologies, a gadget accessory retailer, found that referrals from Facebook had a conversion rate double the average
• Juicy Couture found that their product purchase conversion rate increased by 160% after installing social sharing features

According to Trendingwatching, there are several different ways that the F-Factor can work:

1. F-Discovery: Consumers rely on their social networks to discover new products and services. An increasing number of sites allow consumers to compile sets of merchandise that they “like” and share them with their friends.
2. F-Rated: A growing number of social network sites automatically serve up ratings, recommendations, and reviews from friends next to products that they are researching.
3. F-Feedback: Consumers ask their friends and followers to improve and validate their buying decisions. Product recommendations from family (63%) and friends (31%) are the most trusted. However 81% of U.S. consumers now go online to do additional research, with 55% looking for user reviews, and 10% soliciting advice from their social networks. However amongst people aged 25-34, this figure rises to 23%. 90% of people trust the recommendations of their Facebook friends.
4. F-Together: Shopping is becoming increasingly social, even when consumers and their peers are not physically together. 83% of consumers say they tell friends if they get a good deal. In April 2011, Facebook announced that every time a user posts about buying a ticket from Ticketmaster, the company estimates they receive an extra $5.30.
5. F-Me: Consumers’ social networks are literally turned into products and services. A couple of examples: 1) Twournal enables users of Twitter to transform their tweets and pictures into a real-life published journal. In addition to creating their own ‘books’, users can also buy and sell publications from other users and 2) CrowdedInk offers an app that allows users to generate mugs filled with pictures of their Facebook friends or Twitter followers.

As the F-Factor gains momentum, customer satisfaction becomes more important than ever. Only brands that consistently deliver on their promises will fully capitalize on the benefits that the F-factor can offer.20

regular ads, which reinforce the product that appeared in the program (unless, of course, the ads are zapped).21

Whether in TV or movies, product placement offers marketers huge sales potential in a credible environment, which may account for its huge growth rate. But product placement is risky—if your show is a dud, your placement is worthless. And the cost is high and growing, which only increases the financial risk. The benefits of product placement are tough to measure as well, especially for existing brands. But in the end, the only measure that really counts is consumer acceptance, which may disappear if product placement intrudes too much on the entertainment value of movies and TV.

Advergaming

Interactive games have exploded into pop culture, with about 72% of U.S. consumers playing some kind of videogame. Not surprisingly, marketers have followed closely behind, developing a new promotional channel: advergaming. Market analysts expect that spending in the advergame industry, which surpassed a billion dollars in 2007, will surpass $1.9 billion by 2011.22

According to Massive, an advertising network that specializes in video games, advergaming works for marketers. Gamers exposed to embedded ads show a 64% increase in brand familiarity, a 37% increase in brand rating, and a 41% increase in purchase consideration; furthermore, rather than despising the ads, 55% of gamers said they “look cool.” But Massive isn’t the only game in town. In early 2007, Google purchased AdScape, a nimble video game advertising company, and independent agency Double Fusion also provides fierce competition. Despite the strong research results, analysts anticipate that advergaming will move in a new direction over the next few years, with deals that link...
brands with tangible rewards for players. Dr. Pepper, for instance, seeded 500 million bottles and fountain drink cups in 2010

with special codes that allowed gamers to download content such as virtual weapons for EA game. This approach still leaves room for purely promotional in-games ads to support the out-of-game campaigns. Given the effectiveness of advergaming and the explosive growth, gamers may soon see a cyberworld filled with as much promotion as the real world.23

Buzz Marketing

A recent study defined “buzz” as the transfer of information from someone who is in the know to someone who isn't. Buzz is essentially word-of-mouth, which now influences two-thirds of all consumer product purchases. And it makes sense. In a world that's increasingly complex, people turn to people they know and trust to help sort the garbage from the good stuff. Other popular terms for buzz marketing are “guerrilla marketing” and “viral marketing”

Not surprisingly, marketers have actively pursued buzz for their brands, especially with the rising cost and diminishing effectiveness of more traditional media channels. Innovative buzz campaigns are typically custom-designed to meet their objectives, and they often cost significantly less than more traditional approaches. Here are some notable examples:

- **Whopper Sacrifice**: Burger King has been among the most successful buzz marketers, using the Internet to develop quirky and creative campaigns that have quickly gone viral. In late 2009, Burger King invited customers to download their Whopper Sacrifice Facebook application and use it to drop ten Facebook friends in exchange for a free Angry Whopper coupon worth $3.69. The application then bluntly notified each friend that he or she had been dumped in exchange for about $0.37 worth of burger. Consumers responded in droves, apparently thankful for the excuse to purge their friend lists. Burger King terminated the campaign when Facebook requested that they terminate the “de-friending” notification. But Burger King could still loudly proclaim “Your love for the Whopper sandwich proved to be stronger than 233,906 friendships”

- **Tremor**: Procter and Gamble, known for its traditional marketing, has mobilized buzz marketing on an unprecedented scale. Its Tremor marketing group, launched in 2001, recruited about 200,000 sociable kids, ages 13 to 19, to talk up products to their peers. These teens talk for free—or if not for free, for the chance to influence companies and get the early inside scoop on new products. In addition to P&G brands, Tremorites have worked on heavy-hitters such as Sony Electronics, DreamWorks SKG, and Coca-Cola. The results have been impressive. A dairy foods firm, for instance, introduced a new chocolate malt milk in Phoenix and Tucson with the same marketing mix and the same spending level. One exception: they
used Tremor teens in Phoenix. After six months, sales in Phoenix were 18% higher than in Tucson. That kind of success tells its own story.²⁴

**Sponsorships**

Sponsorships certainly aren’t new, but they are among the fastest-growing categories of promotional spending, hitting nearly $17.2 billion in 2010, and forecast to grow faster than other advertising and promotional spending over the next decade. Sponsorships provide a deep association between a marketer and a partner (usually a cultural or sporting event). Even though sponsors can’t usually provide more than simply their logo or slogan, consumers tend to view them in a positive light, since they are clearly connected to events that matter to the target audience. The best sponsorship investments, of course, occur when the target audience for the marketer completely overlaps the target audience for the event. The high level of integration between the sponsors and events can provide millions of dollars in valuable media coverage, justifying the hefty price.²⁵

**Traditional Promotional Tools: A Marketing Mainstay**

Although new tools are gaining prominence, traditional promotional tools—advertising, sales promotion, public relations, and personal selling—remain powerful. In fact, many marketers use the new tools in conjunction with the traditional to create a balanced, far-reaching promotional mix.

**Advertising**

The formal definition of advertising is paid, nonpersonal communication, designed to influence a

> Doing business without advertising is like winking at a girl in the dark. You know what you are doing, but nobody else does.
> — STUART HENDERSON BRITT, PSYCHOLOGIST AND MARKETING EXPERT

**Dealing with** unwanted mail not only wastes our time-eight months over the average lifespan—but also bears environmental costs, killing about 100 million trees each year, with 44% of junk mail ending up—unopened—in landfills.

—Time Magazine

target audience with regard to a product, service, organization, or idea. Most major brands use advertising not only to drive sales, but also to build their reputation, especially with a broad target market. Television (network broadcasts and cable combined) remains the number-one advertising media, with magazines and newspapers following. As mass media prices increase and audiences fragment, fringe media is roaring toward the mainstream.

But measurement is tough, since alternative media tactics are buried in other categories, including magazines, outdoor, and Internet. The overall media spending patterns for 2009 are shown in Exhibit 12.9. As you review the table, note that Internet spending does not include search advertising or online video advertising, which are typically tracked separately. Also note that overall media spending has dropped significantly in response to the recession.

Each type of media offers advantages and drawbacks, as summarized in Exhibit 12.10. Your goal as a marketer should be to determine which media options reach your target

<table>
<thead>
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<th>EXHIBIT 12.9 2010 Measured Media Spending (billions)</th>
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<tbody>
<tr>
<td><strong>MEASURED MEDIA</strong></td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>BROADCAST TV</td>
</tr>
<tr>
<td>CABLE TV</td>
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<tr>
<td>SPOT TV</td>
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</table>
EXHIBIT 12.9 2010 Measured Media Spending (billions) Top 100 Outlays Plunge 10% but Defying Spend Trend Can Pay Off, by Bradley Johnson and Matthew Carmichael, Advertising Age, June 21, 2010, Vol. 81 Issue 25, pp. 1—24, 10p, * Internet figures are based on display advertising. They do not include paid search or broadband video advertising.

<table>
<thead>
<tr>
<th>MAJOR MEDIA</th>
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<th>DISADVANTAGES</th>
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<td>SYNDICATED TV</td>
<td>$4,200</td>
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<tr>
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<td>MAGAZINES</td>
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<td>INTERNET*</td>
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</tr>
<tr>
<td>TOTAL</td>
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<td>100%</td>
</tr>
</tbody>
</table>

Source: Top 100 Outlays Plunge 10% but Defying Spend Trend Can Pay Off, by Bradley Johnson and Matthew Carmichael, Advertising Age, June 21, 2010, Vol. 81 Issue 25, pp. 1—24, 10p, * Internet figures are based on display advertising. They do not include paid search or broadband video advertising.

EXHIBIT 12.10 Major Media Categories

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<thead>
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<th>MAJOR MEDIA</th>
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<th>DISADVANTAGES</th>
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</thead>
<tbody>
<tr>
<td>BROADCAST TV</td>
<td>Mass audience: Season finales for top-rated shows garnered up to 20 million viewers in 2008. High impact: TV lends itself to vivid, complex messages that use sight, sound, and motion.</td>
<td>Disappearing viewers: The 20 million viewers for top-rated shows in 2008 are dwarfed by the 1983 record of 105 million viewers for the finale of M<em>A</em>S*H. Jaded viewers: Consumers who aren't zapping ads with TiVo are prone to simply tuning them out. High cost: A 30-second ad during Super Bowl 2009 cost a record $3 million, and a typical primetime ad cost $200,000 to $400,000, depending on the show.</td>
</tr>
<tr>
<td>CABLE TV</td>
<td>Targeted programming: Cable helps advertisers target highly specialized markets (Zhong Tian Channel, anyone?). Efficient: The cost per contact is relatively low, especially for local buys. High impact: Cable offers the same sight, sound, and motion benefits as broadcast.</td>
<td>DVRs: As with broadcast TV, many viewers simply aren't watching ads. Uneven quality: Many cable ads are worse than mediocre, providing a seedy setting for quality products.</td>
</tr>
<tr>
<td>NEWSPAPERS</td>
<td>Localized: Advertisers can tailor their messages to meet local needs. Flexible: Turnaround time for placing and pulling ads is very short. Consumer acceptance: Readers expect, and even seek, newspaper ads.</td>
<td>Short life span: Readers quickly discard their papers. Clutter: It takes two or three hours to read the average metro paper from cover to cover. Almost no one does it. Quality: Even top-notch color newsprint leaves a lot to be desired.</td>
</tr>
<tr>
<td>DIRECT MAIL</td>
<td>Highly targeted: Direct mail can reach very specific markets. International opportunity: Less jaded foreign customers respond well to direct mail. Email option: Opt-in email can lower direct mail costs.</td>
<td>Wastes resources: Direct mail uses a staggering amount of paper. And most recipients don't even read it before they toss it. High cost: Cost per contact can be high, although advertisers can limit the size of the campaign. Spam: Unsolicited email ads have undermined consumer tolerance for all email ads.</td>
</tr>
</tbody>
</table>
Highly targeted: In L.A., for example, the dial ranges from Vietnamese talk radio, to urban dance music, each station with dramatically different listeners.

Low cost: Advertisers can control the cost by limiting the size of the buy.

Very flexible: Changing the message is quick and easy.

Low impact: Radio relies only on listening.

Jaded listeners: Many of us flip stations when the ads begin.

Highly targeted: From Cosmo to Computerworld, magazines reach very specialized markets.

Quality: Glossy print sends a high-quality message.

Long life: Magazines tend to stick around homes and offices.

High cost: A full-page, four-color ad in People can cost more than $300,000.

Inflexible: Advertisers must submit artwork months before publication.

High visibility: Billboards and building sides are hard to miss.

Repeat exposure: Popular locations garner daily viewers.

Breakthrough ideas: Innovative approaches include cars and buses "wrapped" in ads, video billboards, and blimps.

Simplistic messages: More than an image and a few words will get lost.

Visual pollution: Many consumers object to outdoor ads.

Limited targeting: It's hard to ensure that the right people see your ad.

24/7 global coverage: Offers a remarkable level of exposure.

Highly targeted: Search engines are especially strong at delivering the right ad to the right person at the right time.

Interactive: Internet ads can empower consumers.

Intrusive: The annoyance factor from tough-to-close pop-ups alienates consumers, infuriating many.

Limited readership: Web surfers simply ignore the vast majority of ads.

###EXHIBIT 12.10 Major Media Categories © Cengage Learning 2013

Sales Promotion

Sales promotion stimulates immediate sales activity through specific short-term programs aimed at either consumers or distributors. Traditionally, sales promotion has been subordinate to other promotional tools, but spending has accelerated in the past decade. Sales promotion falls into two categories: consumer and trade.

Consumer promotion is designed to generate immediate sales. Consumer promotion tools include premiums, promotional products, samples, coupons, rebates, and displays.

- **Premiums** are items that consumers receive free of charge—or for a lower than normal cost—in return for making a purchase. Upscale cosmetics companies use the gift-with-purchase approach on a regular basis. Successful premiums create a sense of urgency—“Buy me now!”—while building the value of the brand.

- **Promotional** products are also essentially gifts to consumers of merchandise that advertise a brand name. Or pizza delivery places give away refrigerator magnets with their logo and phone number. Promotional products work best when the merchandise relates to the brand, and it’s so useful or fun that consumers will opt to keep it around.

- **Samples** reduce the risk of purchasing something new by allowing consumers to try a product before committing their cash. Starbucks, invited customers into local stores to sample its new flavored VIA coffees in late 2010. Sampling also drives immediate purchases. At one time or another, most of us have probably bought food we didn’t need after tasting a delicious morsel in the supermarket aisle. Costco and Trader Joe’s do
especially well with this angle on sampling.

- **Coupons** offer immediate price reductions to consumers. Instant coupons require even less effort, since they are attached to the package right there in the store. The goal is to entice consumers to try new products. But the downside is huge. Marketers who depend on coupons encourage consumers to focus on price rather than value, which makes it harder to differentiate brands and build loyalty. In categories with frequent coupons (such as soap and cereal), too many consumers wait for the coupon in order to buy. They end up getting great deals, but marketers pay the price in reduced profits.

- **Rebates**, common in the car industry and the electronics business, entice consumers with cash-back offers. This is a powerful tactic for higher-priced items, since rebates offer an appealing purchase motivator. And rebates provide an incentive for marketers as well: breakage. Most people who buy a product because of the rebate don't actually follow through and do the paperwork to get the money (some estimates suggest that breakage rates are as high as 90 to 95%). This means that marketers can offer hefty discounts without actually coughing up the cash, so it isn't surprising that rebates are a popular promotional tool!

- **Displays** generate purchases in-store. Most experts agree that consumers make a hefty chunk of their purchase decisions as they shop, which means that displays can play a crucial role in sales success. Marketers of consumer products often give prefabricated display materials to grocery stores and mass merchandisers to encourage promotion.

**Trade Promotion** is designed to stimulate wholesalers and retailers to push specific products more aggressively. Special deals and allowances are the most common form of trade promotion, especially for consumer products. The idea is that if you give your distributors a temporary price cut, they will pass the savings on to consumers via a short-term “special.”

Trade shows are another popular form of trade promotion. Usually organized by industry trade associations, trade shows give exhibitors a chance to display and promote their products to their distributors. They typically attract hundreds of exhibitors and thousands of attendees. Trade
shows are especially common in rapidly changing industries such as toys and consumer electronics. Every year the
Consumer Electronics Association hosts “The world's largest annual trade show for consumer electronics!” in Las
Vegas.

Other forms of trade promotion include contests, sweepstakes, and special events for distributors. A soda company
might sponsor a contest to see which grocery store can build the most creative summer display for its soda brands. Or
a cable TV programmer might take a group of system managers to Key West to “learn more about their programming”
(really an excuse for a great party that makes the system managers more open to the programmer's pitch).

**Public Relations**

In the broadest sense, **public relations (or PR)** involves the ongoing effort to create positive relationships with all of
a firm's different “publics,” including customers, employees, suppliers, the community, the general public, and the
government. But in a more focused sense, PR aims to generate positive **publicity**, or unpaid stories in the media that
create a favorable impression about a company or its products. The endgame, of course, is to boost demand.

For the most part, the media covers companies or products that they perceive as newsworthy. To get coverage, smart
firms continually scan their own companies for potential news—a hot product or a major corporate achievement—and
present that news to the media. But finding news on a regular basis can be tough. To fill the gaps, innovative PR
people sometimes simply create “news.” PR guru Bill Stoller offers some interesting ideas for how to invent stories that
will grab media attention:

- **Launch a Hall of Fame**: Induct some luminaries from your industry, create a simple website, and send your
  press release to the media. Repeat each year, building your reputation along the way.
- **Make a List**: The best, the worst, the top ten, the bottom ten—the media loves lists, and the possible topics are
  endless! Just make sure that your list is relevant to your business.
- **Create a Petition**: The Web makes this tactic easy. Harness a growing trend or identify a need in your industry,
  and launch your petition. The more signatures you get, the better your chances for publicity.

The biggest advantage of publicity is that it is usually credible. Think about it: Are you more likely to buy a product
featured on the news or a product featured in a 30-second ad? Are you more likely to read a book reviewed by *The New
York Times* or featured on a billboard? Publicity is credible because most people believe that information presented by
the media is based on legitimate opinions and facts rather than on the drive to make money. And it also helps that
publicity is close to free (excluding any fees for a PR firm).

But publicity has a major downside: the marketer has no control over how the media presents the company or its
products. For example, in an effort to protect customers from a growing tide of solicitors in front of its stores, Target
banned Salvation Army bell ringers in front of all its stores in 2004. The press cried foul, focusing not on the service to
consumers, but rather on the disrespect to a venerable charity. Target's archrival Walmart, spotting an opportunity for
itself at Target's expense, announced that it would match customer donations to the Salvation Army at all of its
locations.

**Personal Selling**

**Personal selling** —the world's oldest form of promotion—is person-to-person presentation of products to potential
buyers. But successful selling typically begins long before the actual presentation and ends long afterward. In today's
competitive environment, selling means building relationships on a long-term basis.

Creating and maintaining a quality sales force are expensive. Experts estimate that each business-to-business sales call
costs nearly $400. So why are more than 10% of Americans
Individual sales calls can be very expensive, but highly effective. Andy Sacks/Stone/Getty Images

Because nothing works better than personal selling for high-ticket items, complex products, and high-volume customers. In some companies, the sales team works directly with customers; in other firms, the sales force works with distributors who buy large volumes of products for resale.

Salespeople fall along a spectrum that ranges from order takers who simply process sales to order seekers who use creative selling to persuade customers. Most department stores hire order takers who stand behind the counter and ring up sales. But Nordstrom hires creative order seekers who actively garner sales by offering extra services such as tasteful accessory recommendations for a clothing shopper.

A separate category of salespeople focuses on missionary selling, which means promoting goodwill for a company by providing information and assistance to customers. The pharmaceutical industry hires a small army of missionary salespeople who call on doctors to explain and promote its products, even though the actual sales move through pharmacies.

The sales process typically follows six key stages. Keep in mind that well before the process begins, effective salespeople seek a complete understanding of their products, their industry, and their competition. A high level of knowledge permeates the entire selling process.

1. **Prospect and Qualify**: Prospecting means identifying potential customers. Qualifying means choosing those who are most likely to buy your product. Choosing the right prospects makes salespeople more efficient, since it helps them focus their limited time in areas that will yield results. Companies find prospects in a number of different ways, from trade shows, to direct mail, to cold calling. In a retail environment, everyone who walks in the door is a prospect, so salespeople either ask questions or look for visual cues to qualify customers.
2. **Prepare:** Before making a sales call, research is critical, especially in a business-to-business environment. What are your prospect's wants and needs? What are his or her current product lines? Who are the key competitors? What are the biggest internal and external challenges? How much time is your prospect willing to give you? The answers to these questions will help you customize your presentation for maximum effectiveness.

3. **Present:** You've probably heard that you don't get a second chance to make a good first impression, and that's especially true in sales. With so many options and so little time, buyers often look for reasons to eliminate choices; a weak first impression provides an easy reason to eliminate you. Your presentation itself should match the features of your product to the benefits that your customer seeks (a chance to use all that preparation). Testimonials, letters of praise from satisfied current customers, can push forward the sale by reducing risk for your prospect. A demonstration can be the clincher. When test driving cars, a demonstration is a no-brainer. But in other categories, technology can help demonstrate products that are too big to move.

4. **Handle Objections:** The key to success here is to view objections as opportunities rather than criticism. Objections give you a chance to learn more about the needs of your prospects and to elaborate on the benefits of your product. You should definitely anticipate as many objections as possible and prepare responses. One response may be connecting prospects with others in your company who can better handle their concerns. This approach offers the additional benefit of deepening ties between your prospect and your company.

**Too Much of a Good Thing**

Months after Kentucky Fried Chicken changed its name to KFC, consumers remembered that the “F” stands for “Fried.” So KFC grilled chicken was a bit of a “disconnect” for many consumers. But undaunted, KFC pushed ahead with an Oprah Winfrey promotion, offering two free pieces of grilled chicken, two sides, and a biscuit to anyone who downloaded a coupon within a two-day period. But the offer went awry when KFC failed to execute effectively. KFC claimed that it prepared for a huge response, but it failed to account for consumers photocopying the coupon, and the response—magnified by Twitter—utterly swamped its stores. As a result of the overwhelming response, KFC canceled the promotion, forcing disappointed consumers to go back to KFC, fill out a form, and wait for another coupon to arrive in the mail to award them with a free Pepsi in lieu of their free chicken meal. Although the promotional concept certainly generated a lot of consumer buzz, it ultimately did more harm than good, since the fast-foodier was ultimately unable to deliver.28

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5. **Close Sale:** Closing the sale—or asking the prospect to buy—is at the heart of the selling process. The close should flow naturally from the prior steps, but often it doesn’t—sealing the deal can be surprisingly tough. One approach may be a trial close: “Would you like the 15-inch screen or the 17-inch screen?” If your prospect is still reluctant to buy, you may want to offer another alternative, or a special financial incentive. Even if the prospect doesn't actually make the purchase, remember that he or she may be willing in the future, so keep the door open.

6. **Follow-up:** The sales process doesn’t end when the customer pays. The quality of service and support plays a crucial role in future sales from the same customer, and getting those sales is much easier than finding brand new prospects. Great relationships with current customers also lead to testimonials and referrals that build momentum for long-term sales success.

Two personal selling trends are gathering momentum in a number of organizations: consultative selling and team selling. **Consultative selling** involves shifting the focus from the products to the customers. On a day-to-day basis, the practice involves a deep understanding of customer needs. Through lots and lots of active listening, consultative salespeople offer practical solutions to customer problems—solutions that use their products. While consultative selling generates powerful customer loyalty, it involves a significant—and expensive—time investment from the sales force.

**Team selling** tends to be especially effective for large, complex accounts. The approach includes a group of specialists from key functional areas of the company—not just sales, but also engineering, finance, customer service, and others. The goal is to uncover opportunities and respond to needs that would be beyond the capacity of a single salesperson. In these situations, a key part of the salesperson’s role is to connect and coordinate the right network of contacts.

### Choosing the Right Promotional Mix: Not Just a Science

There are no fail-safe rules for choosing the right combination of promotional tools. The mix varies dramatically among various industries, but also within specific industry segments. The best approach may simply be to consider the following questions in developing the mix that works best for your products.

- **Product Characteristics:** How can you best communicate the features of your product? Is it simple or complex? Is it high-priced or inexpensive? A specialized, high-priced item, for example, might require an investment in personal selling, whereas a simple, low-cost product might lend itself to billboard advertising.

- **Product Life Cycle:** Where does your product stand in its life cycle? Are you developing awareness? Are you generating desire? What about driving purchases? And building loyalty? The answers will clearly affect your promotional focus. For instance, if you're developing awareness, you might focus more on advertising, but if you're aiming to drive immediate sales, you'll probably emphasize sales promotion.

- **Target Audience:** How big is your target audience? Where do they live and work? A small target audience—especially if it's geographically dispersed—would lend itself to personal selling or direct mail. A sizable target audience might suggest advertising as an effective way to reach large numbers. Audience expectations should also play a role in your promotional mix decisions.

- **Push Versus Pull:** Does your industry emphasize push or pull strategies? A push strategy involves motivating distributors to “push” your product to the final consumers, usually through heavy trade promotion and personal selling. A pull strategy involves creating demand from your final consumers so that they “pull” your products through the distribution channels. Many successful brands use a combination of push and pull strategies to achieve their goals. PandG recently launched a consumer marketing campaign for Crest toothpaste featuring an “Irresistibility IQ” quiz for club-goers, but it also promotes heavily to dentists, hoping that those dentists will recommend Crest to their patients.

- **Competitive Environment:** How are your key competitors handling their promotional strategies? Would it make more sense for you to follow their lead or to forge your own promotional path? If all your competitors offer coupons, for instance, your customers may expect you to offer them as well. Or if the environment is cluttered, you might want to focus on emerging promotional approaches such as advergaming.

- **Budget:** What are your promotional goals? How much money will it take to achieve them? (Answering this question is tough, but it's clearly important.) How much are your competitors spending in each area of the mix? And how much money do you have for promotion? Even though available budget shouldn't drive the promotional mix, it plays a crucial role, especially for smaller businesses.
The Big Picture

The possibilities in both product development and promotional strategy have rapidly multiplied in the last few years alone. But companies can't deliver on the potential without well-oiled teamwork throughout the organization. For instance, the operations group must focus on quality, the accounting group must focus on cost, and the finance group must focus on funding—but from a big picture standpoint, all groups must work toward the same overarching goal: maximizing customer value. Promotion also requires coordination within the organization and among the outside suppliers who provide promotional services. Finally, the best ideas for both product and promotion can come from any department. Marketers who stay ahead of the curve will only sharpen their competitive edge in the decade to come.

Careers in Product and Promotion

Product development decisions are often the bailiwick of the most senior managers who may work quite closely with
engineering departments to bring their product development visions to life. The senior management team at Apple is famous for meticulously (some say relentlessly) guiding Apple's blockbuster product development process. In this scenario, a key role of marketers, whose titles may be product manager or brand manager is typically to provide input and feedback from consumers and distributors.

Jobs in promotion are highly varied. Most medium and large firms use a sales force, but in small organizations, everyone typically participates in sales to varying degrees, helping to land clients and keep them happy. Marketing promotion is handled both within companies and within agencies that specialize in everything from website development to advertising. Given the growing role of the Internet in marketing promotion, creativity and technological savvy are critical success factors.

What else?

RIP and REVIEW CARDS IN THE BACK and visit www.cengagebrain.com!

Product and Promotion: Creating and Communicating Value: Rip and Review 12

LO1 Explain “product” and identify product classifications

A product can be anything that a company offers to satisfy consumer needs and wants; the possibilities include not only physical goods, but also services and ideas. A product also includes all the attributes that consumers associate with it, such as name, image, and guarantees. Goods and services fall along a spectrum from pure goods to pure services. Most products fall somewhere between the two ends, incorporating elements of both goods and services. Products typically encompass three layers: the core benefit, the actual physical good or delivered service, and the augmented product. Customers buy consumer products for personal consumption, and business products to contribute to the production of other products.

LO2 Describe product differentiation and the key elements of product planning

Product differentiation means making your product different from—and better than—the competition. Product planning offers the opportunity to achieve differentiation through elements, such as better quality, better features and benefits, and a stronger brand. These elements are the foundation of an effective product strategy.

<table>
<thead>
<tr>
<th>PRODUCT QUALITY INDICATORS</th>
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<tbody>
<tr>
<td>PRODUCT CATEGORY</td>
</tr>
<tr>
<td>Internet search engines</td>
</tr>
<tr>
<td>Stylish blue jeans</td>
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<tr>
<td>TV editing equipment</td>
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</table>

LO3 Discuss innovation and the product life cycle

Innovation can range from small modifications of existing products to brand-new products that change how people live. Either way, for a business to thrive over the long term, effective new product development is vital. The new product development process is meant to streamline product development. The six steps include idea generation, idea screening, analysis, development, testing, and commercialization. After introduction, successful new products move through a life cycle. During the introduction phase, a product first hits the market. Marketing generates awareness and trial. During the growth phase, sales rise rapidly and profits usually peak. Competitors enter the category. Marketing focuses on gaining new customers. During the maturity phase, sales usually peak, while profits fall. Competition
intensifies as growth stops. Marketing aims to capture customers from competitors. During the decline phase, sales and profits drop. Marketers consider discontinuing products.

**LO4 Analyze and explain promotion and integrated marketing communications**

Promotion is marketing communication that influences consumers by informing, persuading, and reminding them about products. The most effective promotion builds strong, ongoing relationships between customers and companies. The current promotional environment is changing rapidly. Thanks to technology, consumers have more control over how, when, and even if they receive promotional messages. Media have splintered across entertainment options, and consumer viewing patterns have changed. In response, marketers are seeking increasingly creative means to reach their target customers. Their goal is to zero in on the right customers, at the right time, with the right message. The goal of integrated marketing communications (IMC) is to ensure that consumers receive a unified, focused message regardless of the message source. To make this happen, marketers must break through the clutter, coordinating their messages through various promotional vehicles. Everyone who manages the marketing messages must have information about the customer, the product, the competition, the market, and the strategy of the organization. And clearly, solid teamwork is crucial. The result of effective IMC is a relevant, coherent image in the minds of target customers.

**product** Anything that an organization offers to satisfy consumer needs and wants, including both goods and services.

**pure goods** Products that do not include any services.

**pure services** Products that do not include any goods.

**consumer products** Products purchased for personal use or consumption.

**business products** Products purchased to use either directly or indirectly in the production of other products.

**product differentiation** The attributes that make a good or service different from other products that compete to meet the same or similar customer needs.

**quality level** How well a product performs its core functions.

**product consistency** How reliably a product delivers its promised level of quality.

**product features** The specific characteristics of a product.

**customer benefit** The advantage that a customer gains from specific product features.

**product line** A group of products that are closely related to each other, either in terms of how they work or the customers they serve.

**product mix** The total number of product lines and individual items sold by a single firm.

**cannibalization** When a producer offers a new product that takes sales away from its existing products.

**brand** A product's identity—including product name, symbol, design, reputation, and image—that sets it apart from other players in the same category.

**brand equity** The overall value of a brand to an organization.

**line extensions** Similar products offered under the same brand name.

**brand extension** A new product, in a new category, introduced under an existing brand name.

**licensing** Purchasing the right to use another company's brand name or symbol.
cobranding When established brands from different companies join forces to market the same product.

national brands Brands that the producer owns and markets.

store brands Brands that the retailer both produces and distributes (also called private-label brands).

product life cycle A pattern of sales and profits that typically changes over time.

promotion Marketing communication designed to influence consumer purchase decisions through information, persuasion, and reminders.

integrated marketing communication The coordination of marketing messages through every promotional vehicle to communicate a unified impression about a product.

positioning statement A brief statement that articulates how the marketer would like the target market to envision a product relative to the competition.

promotional channels Specific marketing communication vehicles, including traditional tools, such as advertising, sales promotion, direct marketing, and personal selling, and newer tools such as product placement, advergaming, and Internet minimovies.

product placement The paid integration of branded products into movies, television, and other media.

advergaming A relatively new promotional channel that involves integrating branded products and advertising into interactive games.

buzz marketing The active stimulation of word-of-mouth via unconventional, and often relatively low-cost, tactics. Other terms for buzz marketing are “guerrilla marketing” and “viral marketing.”

sponsorship A deep association between a marketer and a partner (usually a cultural or sporting event), which involves promotion of the sponsor in exchange for either payment or the provision of goods.

advertising Paid, nonpersonal communication, designed to influence a target audience with regard to a product, service, organization, or idea.

sales promotion Marketing activities designed to stimulate immediate sales activity through specific short-term programs aimed at either consumers or distributors.

consumer promotion Marketing activities designed to generate immediate consumer sales, using tools such as premiums, promotional products, samples, coupons, rebates, and displays.

trade promotion Marketing activities designed to stimulate wholesalers and retailers to push specific products more aggressively over the short term.

public relations (PR) The ongoing effort to create positive relationships with all of a firm's different “publics,” including customers, employees, suppliers, the community, the general public, and the government.

publicity Unpaid stories in the media that influence perceptions about a company or its products.

personal selling The person-to-person presentation of products to potential buyers.

push strategy A marketing approach that involves motivating distributors to heavily promote—or “push”—a product to the final consumers, usually through heavy trade promotion and personal selling.

pull strategy A marketing approach that involves creating demand from the ultimate consumers so that they “pull” your products through the distribution channels by actively seeking them.

LO5 Discuss the development of the promotional message

The promotional message should be a big idea—a meaningful, believable, and distinctive concept that cuts through the clutter. Finding the big idea begins with the positioning statement—a brief statement that articulates how you want
your target market to envision your product relative to the competition. A creative development team—often spearheaded by advertising agency professionals—uses the positioning statement as a springboard for finding a big idea. The ideas themselves are typically based on either a rational or an emotional premise, with humor as a recurrent favorite.

**LO6 Discuss the promotional mix and the various promotional tools**

The promotional mix is the combination of promotional tools that a marketer chooses to best communicate the big idea to the target audience. In today’s rapidly changing promotional environment, new promotional tools have emerged, and secondary promotional tools have burst into the mainstream. Examples include Internet advertising (especially paid search advertising, search engine optimization), social media, product placement, advergaming, buzz marketing, and sponsorships. Yet traditional promotional tools retain enormous clout in terms of both spending and impact on the market. Mainstream advertising has split among a growing array of media options. Sales promotion, designed to stimulate immediate sales, represents a quickly growing area. Public relations, designed to generate positive, unpaid media stories about a company or its products, also aims to boost brand awareness and credibility. Personal selling, designed to close sales and build relationships, continues to play a dominant role in the promotional mix. Selecting the right mix of promotional tools poses an ongoing challenge for many marketers.

**Buzz marketing travels along social networks ©**

**Footnotes**


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