**CHAPTER 12: PRODUCT AND DISTRIBUTION**

**STRATEGIES**

**Chapter Overview**

In this chapter we examine ways in which organizations design and implement marketing strategies that address customers’ needs and wants. Two of the most powerful such tools are strategies that relate to products, which include both goods and services, and those that relate to the distribution of those products.

This chapter focuses on the first two elements of the marketing mix: product and distribution. Our discussion of product strategy begins by describing the classifications of goods and services, customer service, product lines and the product mix, and the product life cycle. Companies often shape their marketing strategies differently when they are introducing a new product, when the product has established itself in the marketplace, and when it is declining in popularity. We also discuss product identification through brand name and distinctive packaging, and the ways in which companies foster loyalty to their brands to keep customers coming back for more.

Distribution, the second mix variable discussed, focuses on moving goods and services from producer to wholesaler to retailer to buyers. Managing the distribution process includes making decisions such as what kind of wholesaler to use and where to offer products for sale. Retailers can range from specialty stores to factory outlets and everything in between, and they must choose appropriate customer service, pricing, and location strategies in order to succeed. The chapter concludes with a look at logistics, the process of coordinating the flow of information, goods, and services among suppliers and on to final consumers.

**Glossary of Key Terms**

**Brand:** name, term, sign, symbol, design, or some combination that identifies the products of one firm and differentiates them from competitors’ offerings

**Brand equity:** added value that a respected and successful name gives to a product

**Brand name:** part of the brand consisting of words or letters included in a name used to identify and distinguish the firm’s offerings from those of competitors

**Category advisor:** vendor that is designated by the business customer as the major supplier to assume responsibility for dealing with all the other vendors for a project and presenting the entire package to the business buyer

**Distribution channel**: path that products—and legal ownership of them—follow from producer to consumers or business user

**Distribution strategy:** deals with the marketing activities and institutions involved in getting the right good or service to the firm’s customers

**Logistics:** process of coordinating the flow of goods, services, and information among members of the supply chain

**Physical distribution:** actual movement of products from producer to consumers or business users

**Product:** bundle of physical, service, and symbolic characteristics designed to satisfy consumer wants

**Product life cycle:** four basic stages—introduction, growth, maturity, and decline—through which a successful product progresses

**Product line:** a group of related products marked by physical similarities or intended for a similar market

**Product mix:** the assortment of product lines and individual goods and services that a firm offers to consumers and business users

**Retailer:** distributionchannel member that sells goods and services to individuals for their own use rather than for resale

**Supply chain:** complete sequence of suppliers that contribute to creating a good or service and delivering it to business users and final consumers

**Test marketing:** introduction of a new product supported by a complete marketing campaign to a selected city or TV coverage area

**Trademark:** brand that has been given legal protection

**Vendor-managed inventory:** processin which the producer and the retailer agree that the producer (or the wholesaler) will determine how much of a product a buyer needs and automatically ship new supplies when needed

**Wholesaler:** distribution channel member that sells primarily to retailers, other wholesalers, or business users

**Learning Objective 1: Explain product strategy.***A product is a bundle of physical, service, and symbolic attributes designed to satisfy consumer wants. The marketing conception of a product includes the brand, product image, warranty, service attributes, packaging, and labeling, in addition to the physical or functional characteristics of the good or service.*

*Goods and services can be classified as consumer (B2C) or business (B2B) products. Consumer products are those purchased by ultimate consumers for their own use. They can be convenience products, shopping products, or specialty products, depending on consumer habits in buying them. Business products are those purchased for use either directly or indirectly in the production of other goods and services for resale. They can be classified as installations, accessory equipment, component parts and materials, raw materials, and supplies. This classification is based on how the items are used and product characteristics. Services can be classified as either consumer or business services.*

*A product mix is the assortment of goods and services a firm offers to individual consumers and B2B users. A product line is a series of related products.*

**Annotated Lecture Outline**

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| **Opening Vignette:** **Panama Canal’s Expansion Is a Game Changer**  Rising fuel prices have led to larger ships that can carry more cargo on less trips. Unfortunately, this also means that fifteen percent of ships are now too large to cross the Panama Canal. A $5.25 billion project is currently underway to widen the canal to make it easier for companies to transport their goods from Asia to the east coast of the United States, which is where 2/3rds of the U.S. population lives. Today’s largest ship can cross the canal carrying 4,000 20-foot containers. By 2014 once the canal expansion is completed, this amount will triple to roughly 12,600 containers. This leads to other innovation ideas, since ships traveling along the canal are currently able to dock only in Northfolk, Virginia. On a larger scale, however, it brings to question what the future will bring for other methods of transportation like the train. |  |

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| **PRODUCT STRATEGY** | PowerPoint Slide 3 |
| 1. A *product* is a bundle of physical, service, and symbolic characteristics designed to satisfy consumer wants. |  |
| 1. Product strategy involves more than just making a product, since it also focuses on adding benefits. |  |
| 1. **Classifying Goods and Services** | PowerPoint Slide 4 |
| 1. Marketers classify goods and services as either B2C or B2B, depending on whether the purchasers of the particular item are consumers or businesses. | *Lecture Enhancer: In your opinion, is it more difficult to market products and services for B2B or B2C? Why?* |
| 1. These classifications can be subdivided further, and each type requires a different competitive strategy. |  |
| 1. **Classifying Consumer Goods and Services** | *Lecture Enhancer: Which of these B2C classifications do you think would be the most difficult to market? Why?* |
| 1. *Convenience products* are items the consumer seeks to purchase frequently, immediately, and with little effort. |  |
| 1. *Shopping products* are those typically purchased only after the buyer has compared competing products in competing stores. |  |
| 1. *Specialty products*, the third category of consumer products, are those that a purchaser is willing to make a special effort to obtain. |  |
| * + 1. The purchaser is already familiar with the item and considers it to have no reasonable substitute. |  |
| 1. Each item’s product classification is based on buying patterns of the majority of people who purchase it. |  |
| 1. By knowing the appropriate classification for a specific product, the marketing decision maker knows quite a bit about how the other mix variables will adapt to create a profitable, customer-driven marketing strategy. | Figure 12.1 Marketing Impacts of Consumer Product Classification |
| 1. **Classifying Business Goods** | PowerPoint Slide 5 |
| 1. *Business products* are goods and services used in operating an organization. |  |
| 1. Business products are classified by how they are used and by their basic characteristics. |  |
| 1. Five basic categories of B2B products: |  |
| * + 1. Installations are major capital items, such as new factories, heavy equipment and machinery, and custom-made equipment—purchases that are expensive, often involve negotiations lasting a year or more, and involve several people in the purchase decision. | *Lecture Enhancer: Which of these B2B classifications do you think would be the most difficult to market? Why?* |
| * + 1. Accessory equipment is usually less expensive and shorter lived than installations and involves fewer decision makers. Examples include hand tools and fax machines. |  |

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| * + 1. Component parts and materials are finished business goods that become part of a final product. |  |
| * + 1. Raw materials are farm and natural products used in producing other final products. | *Class Activity:*  *Ask students what product attributes an apple orchard might emphasize in marketing the apples to a pie filling processor.* |
| * + 1. Supplies (MRO) are expense items used in a firm’s daily operation that do not become part of the final product. |  |
| 1. **Classifying Services** | PowerPoint Slide 6 |
| 1. B2C services include childcare centers and auto detail shops. |  |
| 1. B2B services include security and temp services. |  |
| 1. Some services can accommodate both consumer and business markets, such as cleaning services. |  |
| 1. Services can also be classified as convenience, shopping, or specialty depending on the buying patterns of customers. |  |
| 1. Services are distinguished from goods in several ways: | *Lecture Enhancer: Discuss the pros and cons of marketing products versus services.* |
| * + 1. They are intangible. |  |
| * + 1. They are perishable. | *CLASS ACTIVITY:* *Ask students what ideas they might have for a hotel cleaning service company to market their intangible service.* |
| * + 1. They are difficult to standardize. |  |
| * + 1. From a buyer’s perspective, the service provider is the service; the two are inseparable in the buyer’s mind. |  |
| 1. **Marketing Strategy Implications** | PowerPoint Slide 7 |
| 1. Each group of business products requires a different marketing strategy. |  |
| 1. For installations and component parts, the promotional emphasis is on personal selling rather than on advertising. |  |
| 1. For supplies and accessory equipment, the emphasis is on advertising. |  |
| 1. Producers of installations and component parts may involve their customers in new-product development. | *Lecture Enhancer: Why might it be a good idea for producers of installations to include customer input in the development of new products?* |
| 1. Firms selling supplies and accessory equipment place greater emphasis on competitive pricing strategies. |  |
| 1. **Product Lines and Product Mix** | PowerPoint Slide 8 |
| 1. Few firms operate with a single product; they tend to increase their profit and growth chances by adding new offerings. | *Class Activity:*  *Ask students what ideas they might have for a hotel cleaning service company to market their intangible service.* |

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| 1. The *product line* is a group of related products marked by physical similarities or intended for a similar market. |  |
| 1. A *product mix* is the assortment of product lines and individual goods and services that a firm offers to consumers and business users. |  |
| * + 1. Marketers must assess their product mix continually to ensure company growth, to satisfy changing consumer needs and wants, and to adjust to competitors’ offerings. |  |
| * + 1. Marketers look for gaps in their product lines and fill them with new offerings or modified versions of existing ones. |  |

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Assessment Check Answers

**1.1 How do consumer products differ from business products?**

*Business products, such as drill presses, are sold to firms or organizations. Consumer products, such as personal care items, are sold to final users.*

**1.2 Differentiate among convenience, shopping, and specialty products.**

*Convenience products are items the consumer seeks to purchase frequently, immediately, and with little effort. Shopping products are typically purchased after the buyer has compared competing products in competing stores. Specialty products are those a purchaser is willing to make a special effort to obtain.*

**Learning Objective 2: Briefly describe the four stages of the product life cycle.***Every successful new product passes through four stages in its product life cycle: introduction, growth, maturity, and decline. In the introduction stage, the firm attempts to elicit demand for the new product. In the product’s growth stage, sales climb, and the company earns its initial profits. In the maturity stage, sales reach a saturation level. In the decline stage, both sales and profits decline. Marketers sometimes employ strategies to extend the product life cycle, including increasing the frequency of use, adding new users, finding new uses for the product, and changing package size, labeling, or product quality.*

*The new-product development process for most products has six stages: idea generation, screening, concept development and business analysis, product development, test marketing, and commercialization. At each stage, marketers must decide whether to continue to the next stage, modify the new product, or discontinue the development process. Some new products skip the test marketing stage due to the desire to quickly introduce a new product with excellent potential, a desire not to reveal new-product strategies to competitors, and the high costs involved in limited production runs.*

**Annotated Lecture Outline**

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| **PRODUCT LIFE CYCLE** | PowerPoint Slide 9 |
| * 1. A *product life cycle* has four stages: introduction, growth, maturity, and decline. |  |
| * 1. Sales and profits vary depending on the life cycle stage of an item. | Figure 12.2 Stages in the Product Life Cycle |

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| * 1. These life cycle steps may not be exact for each product, and some products spend more time in a particular stage. |  |
| * 1. They help in predicting developments and making decisions about shifting emphasis from giving information to promoting a brand. |  |
| 1. **Stages of the Product Life Cycle** | PowerPoint Slide 10 |
| * 1. *Introduction stage*—Firm tries to promote demand for its new offering, inform the market about it, give free samples to entice consumers to make a trial purchase, and explain its features, uses, and benefits. | *Lecture Enhancer*  *Think of a product introduced in recent years. How did it pass from introduction to growth cycle?* |
| * + 1. Losses are due to low sales and high costs of promotions, establishing distribution channels, and training the sales force about the new product’s advantages. |  |
| * + 1. Expenditures are necessary for later profit. |  |
| * 1. *Growth stage*—Sales climb quickly as new customers join early users who now are repurchasing the item. | *Class Activity:*  *Ask students to identify examples of products that are in each stage of the product life cycle.* |
| * + 1. Company begins to earn profits on the new product. |  |
| * + 1. Competitors enter the field with similar offerings and price  competition appears. |  |

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| * 1. *Maturity stage*—Industry sales eventually reach a saturation level at which further expansion is difficult. | *Lecture Enhancer:*  *In what stage of the product life cycle is a latte from Starbucks?* |
| * + 1. Competition intensifies, increasing the availability of the product. |  |
| * + 1. Firms concentrate on capturing competitors’ customers, often dropping prices to further the appeal. |  |
| * + 1. Firms promote mature products aggressively to protect their market share and to distinguish their products from those of competitors. |  |
| * 1. *Decline stage*—Sales fall and profits decline. |  |
| * + 1. May become losses as further price-cutting occurs in the reduced overall market for the item. |  |
| * + 1. Usually is caused by a product innovation or a shift in consumer preferences. | *Lecture Enhancer:*  *When does a popular movie enter the decline stage? Why?* |
| 1. **Marketing Strategy Implications of the Product Life Cycle** | PowerPoint Slide 11 |
| * 1. The marketer’s objective is to extend the life cycle as long as the product is profitable. |  |
| * 1. Some products can be highly profitable during the later stages of their life cycle because all the initial development costs have already been recovered. | Hit & Miss:  **Kodak Ignores the Digital Picture** |
| * 1. Common strategies include: | *Class Activity:*  *Lead a discussion of the ways in which M&M candies has increased customers' frequency of use.* |
| * + 1. increasing customers’ frequency of use |  |
| * + 1. adding customers |  |
| * + 1. finding new uses for product |  |
| iv. changing package sizes, labels, and product designs. |  |
| 1. **Stages in New-Product Development** | PowerPoint Slide 12 |
| * 1. Only about one-third of new products become successful. |  |
| * 1. Products can fail because they: |  |
| * + 1. are not properly developed and tested |  |
| * + 1. are poorly packaged |  |
| * + 1. lack adequate promotional support |  |
| * + 1. lack adequate distribution |  |
| * + 1. do not satisfy a customer need or want. |  |
| * 1. Most of today’s newly developed items are aimed at satisfying specific consumer demands. |  |

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| * 1. New-product development is becoming increasingly efficient and cost-effective because marketers use a systematic approach in developing new products. | *Lecture Enhancer: What are some other possible factors that have increased the efficiency of new-product development?* |
| * 1. The new-product development process has six stages: | PowerPoint Slide 13  Figure 12.3 Process for Developing New Goods and Services |
| * + 1. generating ideas for new product offerings |  |
| * + 1. screening |  |
| * + 1. concept development and business analysis: *Concept testing*, market research designed to solicit consumer reactions to the product, is used. *Focus groups* allow consumers to discuss their likes and dislikes about the product. |  |
| * + 1. product development |  |
| * + 1. *test marketing*, introducing a new product supported by a complete marketing campaign to a selected city or TV coverage area |  |
| * + 1. commercialization. |  |

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| * 1. Even after testing and feedback, there is always the chance of product failure. | PowerPoint Slide 14  Table 12.1 The Worst-Made Cars on the Road  *Lecture Enhancer:*  *What outside factors might affect the popularity or failure of a new product?* |

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**Hit & Miss:**

**Kodak Ignores the Digital Picture**

**Summary**

Kodak, a 131-year-old film industry that paved the way for the birth of Hollywood films, has fallen victim to its own creation in recent years. While competing industries produced innovative products upon the advent of digital technology, Kodak was slow to offer consumers a digital camera, remaining focused on the traditional film. This created a significant drop in Kodak’s sales. Today, the industry has downsized to a small firm that counts on desktop inkjet printers and photo printing.

**Questions for Critical Thinking**

1. **In what way did Kodak let its history become a liability?**

*Kodak’s history became its liability because instead of working to offer products that meet changing customer needs, Kodak continued to offer products that were no longer in high-demand, therefore losing profit.*

1. **Kodak’s CEO says the company was better at inventing products than at commercializing them. What does that statement mean?**

*This statement means that Kodak was unable to adapt their inventions to meet consumer needs and demands or to meet technological advances.*

Assessment Check Answers

**2.1 What are the stages of the product life cycle?**

*In the introduction stage, the firm attempts to elicit demand for the new product. In the product’s growth stage, sales climb, and the company earns its initial profits. In the maturity stage, sales reach a saturation level. In the decline stage, both sales and profits decline.*

**2.2 What are the marketing implications of each stage?**

*Marketers sometimes employ strategies to extend the product life cycle, including increasing frequency of use, adding new users, finding new uses for the product, and changing package size, labeling, or product quality.*

**Learning Objective 3: Discuss product identification. Products** *are identified by brands, brand names, and trademarks, which are important elements of product images. Effective brand names are easy to pronounce, recognize, and remember, and they project the right images to buyers. Brand names cannot contain generic words. Under certain circumstances, companies lose exclusive rights to their brand names if common use makes them generic terms for product categories. Some brand names belong to retailers or distributors rather than to manufacturers. Brand loyalty is measured in three degrees: brand recognition, brand preference, and brand insistence. Some marketers use family brands to identify several related items in a product line. Others employ individual branding strategies by giving each product within a line a different brand name.*

**Annotated Lecture Outline**

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| **PRODUCT IDENTIFICATION** | PowerPoint Slide 15 |
| * 1. A *brand* is a name, term, sign, symbol, design, or some combination that identifies the products of one firm and differentiates them from competitors’ offerings. | *Lecture Enhancer: Choose a popular product. What is the brand, brand name, and trademark of the product?* |
| * 1. A *brand name* is part of the brand consisting of words or letters included in a name used to identify and distinguish the firm’s offerings from those of competitors. |  |
| * 1. A *trademark* is a brand that has been given legal protection granted solely to the brand’s owner. | *Class Activity:*  *Ask students which trademarks they think are most recognizable in the United States.* |
| * + 1. It includes design logos, slogans, packaging elements, and product features such as color and shape. |  |
| 1. **Selecting an Effective Brand Name** |  |
| * 1. Brand names should be easy to pronounce, recognize, and remember. | *Lecture Enhancer: Share an example of a brand name you have encountered that is not easy to pronounce. How does this affect the marketing of the product or service?* |
| * 1. Should be appropriate for the cultural context, reflect the right image,  and be legally protectable. | *Lecture Enhancer*  *Discuss which brands of tissues students typically purchase. What factors influence their choices?* |
| 1. **Brand Categories** | PowerPoint Slide 16 |
| * 1. A *manufacturer’s brand* is offered and promoted by a manufacturer (e.g., Cheerios). |  |
| * 1. A *private,* or *store, brand* is not linked to the manufacturer but instead carries a wholesaler’s or retailer’s label (e.g., Sears’s Craftsman tools). |  |
| * 1. A *family brand* is a single brand name used for several related products (e.g., KitchenAid). |  |
| * 1. An *individual brand* gives each product within a line a different name (e.g., Tide). | *Class Activity:*  *Lead a discussion regarding which store brand products are equal to or better than their brand name competitive counterparts.* |
| * + 1. Individual branding builds competition within a firm and enables the company to increase overall sales. |  |
| 1. **Brand Loyalty and Brand Equity** |  |
| * 1. **Brand Loyalty** is measured in three stages: | PowerPoint Slide 17 |
| * + 1. *Brand recognition:* Consumer is aware of the brand but does not have a preference for it over other brands. |  |
| * + 1. *Brand preference:* Consumer chooses one firm’s  brand over a competitor’s. |  |
| * + 1. *Brand insistence*: Consumer will seek out preferred brand and accept no substitute for it. |  |
| * 1. **Brand Equity** is the added value that a widely respected, highly successful name gives to a product. | PowerPoint Slide 18  Figure 12.4 The World’s Ten Most Valuable Brands (billions)  *Lecture Enhancer:*  *What names can you think of that have very high brand equity?* |
| * + 1. It evolves from awareness, loyalty, perceived quality, or feelings and images the customer associates with the brand. | PowerPoint Slide 19 |
| * + 1. *Brand awareness*: the product is the first one that comes to mind when a product category is mentioned. |  |
| * + 1. Large companies have typically assigned the task of managing a brand’s marketing strategies to a *brand* *manager* or *product manager*. | *Lecture Enhancer:*  *How does global distribution affect a brand?* |
| * + 1. A *category manager* oversees an entire group of products. |  |
| * + 1. Category managers are often assisted by associates called *analysts.* |  |
| * + 1. *Category advisor*: a B2B vendor designated as the major supplier to deal with all other suppliers for a special purchase and to present the entire package to the business buyer. |  |
| 1. **Packages and Labels** | PowerPoint Slide 20 |
| * 1. Packaging and labels are important to product identification and overall product strategy. |  |
| * 1. Box manufacturers and chemical companies are now creating more compact packaging that is made from renewable sources and is recyclable. | **Hit & Miss:**  **PortionPac Makes More by Selling Less** |
| * 1. Choosing the right package is crucial in global marketing because of language variations and cultural preferences. |  |
| * 1. Marketers of products shipped to other countries must consider: | *Class Activity*  *Survey student for the labels they read most carefully and the reasons why.* |
| * + 1. Should the labels be in more than one language? |  |
| * + 1. Should ingredients be specified? |  |

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| * + 1. Do the labels give enough information about the product to meet government standards? |  |
| * 1. *Universal product code (UPC)* bar codes are another important part of packaging and labeling. |  |
| * 1. Radio-frequency identification (RFID) technology may replace UPC bar codes. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Hit & Miss:**

**PortionPac Makes More by Selling Less**

**Summary**

Sustainability is one of PortionPac’s long-term goals. Currently, PortionPac sells environmentally friendly cleaning materials to organizations with the goal of selling less. It does this by packaging their product—cleaning solutions—in premeasured doses. Winning awards for their focus on green products is less important than their commitment to caring about people and helping make communities more prosperous. In this way, PortionPac shows that “less is more.”

**Questions for Critical Thinking**

1. **How does PortionPac’s practice of selling a product in small, premeasured doses contribute to its product strategy?**

*By focusing on its commitment to sell less, customers can trust that they will never be sold more than they need. Helping customers’ achieve their sanitation and efficiency goals reinforces PortionPac’s goals of providing green products that are good for people and the environment.*

1. **What issues should PortionPac consider before making the decision to sell in the retail market?**

*PortionPac could most effectively educate Americans about the importance of using its effective cleaning products by including this information within television ads and on its products’ packaging when it decides to market to individual consumers as well as organizational purchasers.*

Assessment Check Answers

**3.1 Differentiate among a brand, a brand name, and a trademark.**

*A brand is a name, term, sign, symbol, design, or some combination thereof used to identify the products of one firm and differentiate them from competitive offerings. A brand name is that part of the brand consisting of words or letters used to identify and distinguish the firm’s offerings from those of competitors. A trademark is a brand that has been given legal protection.*

**3.2 Define *brand equity.***

*Brand equity is the added value that a respected and successful brand name gives to a product.*

**Learning Objective 4: Outline the major components of an effective distribution strategy.***A firm must consider whether to move products through direct or indirect distribution. Once the decision is made, the company needs to identify the types of marketing intermediaries, if any, through which it will distribute its goods and services. The Internet has made direct distribution an attractive option for many retail companies. Another component is distribution intensity. The business must decide on the amount of market coverage—intensive, selective, or exclusive—needed to achieve its marketing strategies. Finally, attention must be paid to managing the distribution channel. It is vital to minimize conflict between channel members.*

**Annotated Lecture Outline**

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| **DISTRIBUTION STRATEGY** | PowerPoint Slide 21 |
| * 1. *Distribution strategy* deals with the marketing activities and institutions involved in getting the right good or service to the firm’s customers. |  |
| * 1. *Distribution channels* are the paths that products—and title to them—follow from producer to consumer or business user. |  |
| c. *Physical distribution* is the actual movement of these products from producers to users. | **Going Green:**  **Ava Anderson Non-Toxic: Makeup via Direct Distribution** |
| 1. **Distribution Channels** | PowerPoint Slide 22  *Lecture Enhancer:*  *Choose one of the channels and share examples of products that might be moved by this intermediary.* |

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| 1. Marketers choose which type of distribution channel will best meet both their firm’s marketing objectives and the needs of their customers. | Figure 12.5 Alternative Distribution Channels |
| 1. A *direct distribution channel* carries products directly from producer to user. |  |
| 1. A *marketing intermediary*, or *middleman*, is a business firm that moves goods between producers and consumers. |  |
| * + 1. Wholesalers |  |
| * + 1. Retailers |  |
| 1. **Direct Distribution** |  |
| * 1. Direct distribution refers to contact between producer and customer. |  |
| * 1. It is most common in the B2B market. |  |
| * 1. It is often found in the marketing of relatively expensive, complex products that may require demonstrations. |  |
| * 1. The Internet is helping companies distribute directly to the consumer market. |  |
| 1. **Distribution Channels Using Marketing Intermediaries** | PowerPoint Slide 23 |
| * 1. Producers distribute products through *wholesalers* and *retailers*. | *Lecture Enhancer*  *Choose one of the channels and share examples of products that might be moved by this intermediary.* |

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| * 1. Intermediaries are used for products that sell inexpensively to thousands of consumers in widely scattered locations. | PowerPoint Slide 24  *Lecture Enhancer:*  *How do intermediaries reduce the number of contacts needed to deliver goods?* |
| * 1. They create utility, provide additional services, and reduce costs. | Figure 12.6 Reducing Transactions through Marketing Intermediaries |
| * 1. They make sure that products are available for sale when and where customers want them. |  |
| * 1. They transport goods to convenient locations and represent multiple producers, handling many tasks and cutting buying and selling costs. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Going Green:**

**Ava Anderson Non-Toxic: Makeup via Direct Distribution**

**Summary**

After learning that the majority of personal care products contain harmful ingredients like carcinogens and endocrine disrupters, then 14-year-old Ava Anderson co-developed with her mother Ave Anderson Non-Toxic, a company promising green cosmetics to consumers. Company products are sold by full-and part-time consultants who host parties and seminars and receive a percentage of the company’s overall sales along with rewards for recruiting new consultants. Anderson’s efforts snagged the company a spot in the finalists for *Entrepreneur* Magazine’s “Entrepreneur of the Year”,

**Questions for Critical Thinking**

1. **Is direct distribution appropriate for a product like non-toxic cosmetics? Why or why not?**

*Answers will vary, however, it can be argued that direct distribution is appropriate for non-toxic cosmetic products because consumers will know that there are no intermediaries along the way who might be using different ingredients than what the company prefers.*

1. **The company offers consultants their own personal online office and website. How would a consultant make the best use of these tools?**

*A consultant can benefit from having personal online offices and websites because they can use it as an indirect promotion for other personal jobs since they can showcase their sale successes and devotion to green causes on these venues.*

Assessment Check Answers

**4.1 Define *distribution channels.***

*Distribution channels are the paths that products, and title to them, follow from producer to consumer or business user.*

**4.2 What is a marketing intermediary?**

*A marketing intermediary (also called a middleman) is a business firm that moves goods between producers and consumers or business users.*

**Learning Objective 5: Explain wholesaling.**

*Wholesaling is a crucial part of the distribution channel for many products, particularly consumer goods and business supplies. Wholesaling intermediaries can be classified on the basis of ownership; some are owned by manufacturers, some are owned by retailers, and others are independently owned. Firms operate two main types of manufacturer-owned wholesaling intermediaries: sales branches and sales offices.*

*An independent wholesaling intermediary is a business that represents a number of different manufacturers and makes sales calls on retailers, manufacturers, and other business accounts. Independent wholesalers are classified as either merchant wholesalers or agents and brokers, depending on whether they take title to the products they handle.*

*Retailers sometimes band together to form their own wholesaling organizations. Such organizations can take the form of either a buying group or a cooperative.*

**Annotated Lecture Outline**

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| **WHOLESALING** | PowerPoint Slide 25 |
| 1. A *wholesaler* is a distribution channel member that sells primarily to retailers, other wholesalers, or business users. |  |
| 1. Wholesaling intermediaries can be classified on the basis of ownership: |  |
| * + 1. manufacturer-owned |  |
| * + 1. retailer-owned |  |
| * + 1. independently owned. |  |
| 1. The United States has about 430,000 wholesalers. |  |
| 1. **Manufacturer-Owned Wholesaling Intermediaries** |  |
| 1. Firms operate two main types of manufacturer-owned wholesaling intermediaries: |  |

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| * + 1. *Sales branches* stock the products they distribute and fill orders from inventories. |  |
| * + 1. *Sales offices* take orders but do not stock the product. |  |
| 1. **Independent Wholesaling Intermediaries** |  |
| 1. Independent wholesaling intermediaries represent a number of different manufacturers and make sales calls on retailers, manufacturers, and other business accounts. |  |
| 1. Independent wholesalers are classified as either merchant wholesalers or agents and brokers, depending on whether they take title to the products they handle. |  |
| 1. *Merchant wholesalers* are independently owned wholesaling intermediaries that take title to the goods they handle. |  |
| * + 1. A *full-function merchant wholesaler* provides a range of services to retailers and industrial buyers, including warehousing, shipping, and financing. |  |
| * + 1. A subtype of full-function merchant is a rack jobber, which stocks, displays, and services particular retail products |  |
| * + 1. *Limited-function merchant wholesaler* takes legal title to the products it handles, but it provides fewer services, such as warehousing products but not offering delivery service. |  |

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| * + 1. One type of limited-function merchant wholesaler is a drop shipper, which gives access to many related goods by contacting numerous producers and negotiating the best possible prices. |  |
| 1. *Agents and brokers* never take title of the goods they handle, working mainly to bring buyers and sellers together. | *Class Activity: Discuss the compensation methods for real estate and stock brokers with the class.* |
| 1. *Manufacturers’ reps* act as independent sales forces by representing the manufacturers of related but noncompeting products. |  |
| 1. **Retailer-Owned Cooperatives and Buying Offices** |  |
| 1. Retailers band together to form wholesaling organizations. |  |
| 1. Two types: |  |
| * + 1. A buying group negotiates bulk sales with manufacturers to achieve cost savings through quantity purchases. | *Lecture Enhancer: What are some of the challenges a retailer might face when participating in a buying group?* |
| * + 1. In a cooperative, retailers share functions, such as shipping or warehousing. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

5.1 Define *wholesaling*.

*Wholesaling is a crucial part of the distribution channel for many products, particularly consumer goods and business supplies.*

**5.2 Differentiate between a merchant wholesaler and an agent or broker in terms of title to the goods.**

*Merchant wholesalers are independently owned wholesaling intermediaries that take title to the goods they handle. Agents and brokers may or may not take possession of the goods they handle, but they never take title, working mainly to bring buyers and sellers together.*

**Learning Objective 6: Describe retailing.**

*Retailers, in contrast to wholesalers, are distribution channel members that sell goods and services to individuals for their own use rather than for resale. Nonstore retailing includes four forms: direct-response retailing, Internet retailing, automatic merchandising, and direct selling. Store retailers range in size from tiny newsstands to multistory department stores and multiacre warehouse retailers such as Sam’s Club.*

*The first step in developing a competitive retailing strategy is to select a target market. Next, the retailer must develop a product strategy to determine the best mix of merchandise to carry to satisfy that market. A retailer’s customer service strategy focuses on attracting and retaining target customers to maximize sales and profits. Retailers base their pricing decisions on the costs of purchasing products from other channel members and offering services to customers. A good location often marks the difference between success and failure in retailing. A retailer designs advertisements and develops other promotions to stimulate demand and to provide information such as the store’s location, merchandise offerings, prices, and hours. A successful retailer closely aligns its merchandising, pricing, and promotion strategies with store atmospherics, the physical characteristics of a store and its amenities, to influence consumers’ perceptions of the shopping experience.*

**Annotated Lecture Outline**

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| **RETAILING** |  |
| * 1. *Retailers*are distribution channel members that sell goods and services to individuals for their own use rather than for resale. | PowerPoint Slide 26 |
| * 1. Retailers are the final link of the distribution channel. |  |
| * + 1. Retailers must remain alert to changing shopper needs. | *Lecture Enhancer: How might a retail firm be affected if it does not make these changes?* |
| * + 1. Retailers must keep pace with developments in the fast-changing business environment. |  |
| **1. Nonstore Retailers** | PowerPoint Slide 27 |
| * 1. Nonstore retailing includes four forms: | Figure 12.7 Types of Nonstore Retailing |
| * + 1. Direct-response retailing reaches prospective customers through catalogs; telemarketing; and even magazine, newspaper, and television ads. | *Lecture Enhancer: As a customer, which type of retailing do you prefer? Why?* |
| * + 1. *Internet retailing* sales account for about 3.8 percent of total retail sales. |  |
| * + 1. Automatic merchandising provides convenience through the use of vending machines. |  |
| * + 1. Direct selling includes direct-to-consumer sales through party-plan selling methods. |  |
| * 1. Companies that previously relied heavily on telemarketing have encountered barriers: |  |
| * + 1. caller ID |  |
| * + 1. call-blocking devices |  |
| * + 1. National Do-Not-Call list. |  |
| **2. Store Retailers** | PowerPoint Slide 28  Table 12.2 Types of Retail Stores  *Class Activity:*  *Ask students how they would determine what types of items to sell if they owned their own convenience store.* |
| 1. **The Wheel of Retailing** is a process in which new retailers enter the market by offering lower prices made possible through reductions in service. | PowerPoint Slide 29  Figure 12.8 The Wheel of Retailing |

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| 1. These new entries gradually add services as they grow and ultimately become targets for new retailers. |  |
| 1. The wheel of retailing gives retail managers a general idea of what is likely to occur during the evolution of retailing. |  |
| 1. It also shows that business success involves changing in order to survive. |  |
| **3. How Retailers Compete** | PowerPoint Slide 30 |
| 1. Nonstore retailers focus on making the shopping experience as convenient as possible. | *Lecture Enhancer: Think of an Internet retailer with a particularly user-friendly Web site.*  *What details make shopping on that Web site particularly convenient?* |
| 1. Successful retailers convey images that alert consumers to the stores’ identities and the shopping experiences they provide. |  |
| 1. After identifying their target markets, retailers must choose merchandising, customer service, pricing, and location strategies that will attract customers in those market segments. |  |

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| 1. **Identifying a Target Market** requires careful evaluation of the size and profit potential of the chosen market segment and the current level of competition for the segment’s business. | *Class Activity:*  *Lead a discussion with students to obtain their thoughts on the differences between the target markets of Panera Bread and Burger King.* |
| 1. **Selecting a Product Strategy** |  |
| * + 1. The retailer must develop a product strategy to determine the best mix of merchandise to carry to satisfy that market. |  |
| * + 1. Retail strategists must decide on the general product categories, product lines, and variety to offer. |  |
| 1. **Shaping a Customer Service Strategy** focuses on attracting and retaining target customers to maximize sales and profits. | *Lecture Enhancer: Discuss a retailer that is particularly adept at shaping its customer service strategy.* |
| 1. **Selecting a Pricing Strategy** is based on the costs of purchasing products from other channel members and offering services to customers. | *Class Activity:*  *Ask students if they can think of products for which high prices increase consumer attraction.* |
| 1. **Choosing a Location** | PowerPoint Slide 31 |
| * + 1. A good location often marks the difference between success and failure in retailing. |  |

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| * + 1. The location decision depends on the retailer’s size, financial resources, product offerings, competition, and its target market. |  |
| * + 1. Traffic patterns, the visibility of the store’s signage, parking, and the location of complementary stores also influence the choice of a retail location. |  |
| * + 1. A planned shopping center is a group of retail stores planned, coordinated, and marketed as a unit to shoppers in a geographical trade area. | **Solving an Ethical Controversy:**  Teens at the Mall: Good or Bad for Business? |
| * + 1. Lifestyle centers are open-air complexes containing retailers that often focus on specific shopper segments and product interests. |  |
| 1. **Building a Promotional Strategy** |  |
| * + 1. A retailer designs advertisements and develops other promotions to stimulate demand and to provide information such as the store’s location, merchandise offerings, prices, and hours. |  |
| * + 1. Nonstore retailers provide their phone numbers and Web site addresses. |  |

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| 1. **Creating a Store Atmosphere** |  |
| * + 1. A successful retailer closely aligns its merchandising, pricing, and promotion strategies with store atmospherics. | *Class Activity:*  *Can students think of any examples of store music being integral to a store’s atmosphere?* |
| * + 1. *Store atmospherics* are the physical characteristics of a store and its amenities, designed to influence consumers’ perceptions of the shopping experience. |  |
| * + 1. Atmospherics begin with the store’s exterior, which may use eye-catching architectural elements and signage to attract customer attention and interest. |  |
| * + 1. Interior atmospheric elements include store layout, merchandise presentation, lighting, color, sound, and cleanliness. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Assessment Check Answers

**6.1 Define *retailer*.**

*Retailers are distribution channel members that sell goods and services to individuals for their own use rather than for resale.*

**6.2 What are the elements of a retailer’s marketing strategy?**

*After identifying their target markets, retailers must choose merchandising, customer service, pricing, and location strategies that will attract customers in those market segments.*

**Learning Objective 7: Identify distribution channel decisions and logistics.**

*Marketers can choose either a direct distribution channel, which moves goods directly from the producer to the consumer, or indirect distribution channels, which involve marketing intermediaries in the paths through which products—and legal ownership of them—flow from producer to the final customer. Ideally, the choice of a distribution channel should support a firm’s overall marketing strategy. Before selecting distribution channels, firms must consider their target markets, the types of goods being distributed, their own internal systems and concerns, and competitive factors.*

**Annotated Lecture Outline**

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| **DISTRIBUTION CHANNEL DECISIONS AND LOGISTICS** | PowerPoint Slide 32 |
| * 1. Firms face two major decisions: |  |
| * + 1. What specific channel will it use? |  |
| * + 1. What will be the level of distribution intensity? |  |
| * 1. In deciding which distribution channel is most efficient, business managers need to consider four factors: the market, the product, the producer, and the competition. | Business Etiquette: Minding Your Social Media Manners |
| **1. Selecting Distribution Channels** |  |
| 1. Market factors are the most important consideration in choosing a distribution channel. |  |
| 1. Complex, expensive, custom-made, or perishable products move through shorter distribution channels involving few—or no—intermediaries. |  |

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| 1. Standardized products or items with low unit values usually pass through relatively long distribution channels. |  |
| d. Start-up companies often use direct channels because they can’t  persuade intermediaries to carry their products. |  |
| e. Competitive performance is important when choosing a distribution channel. |  |
| * + 1. A producer can lose customers if an intermediary fails to promote or deliver a product. |  |
| * + 1. Channels used by established competitors as well as new market entries also influence decisions. |  |
| **2. Selecting Distribution Intensity** | PowerPoint Slide 33 |
| 1. *Distribution intensity* is the number of intermediaries through which a manufacturer distributes its goods. |  |
| b. Market coverage varies along a continuum of intensity levels: |  |
| * + 1. *Intensive distribution* involves placing a firm’s products in every available outlet; suits low-priced convenience goods such as milk, newspapers, and soft drinks. | *Class Activity: Survey students for other examples of products with an intensive distribution strategy.* |
| * + 1. *Selective distribution* involves a limited number of retailers to distribute product lines; can reduce total marketing costs and establish strong working relationships within the channel. |  |
| * + 1. *Exclusive distribution* limits market coverage in a geographic region; retailers are selected to enhance the product’s image  to ensure that well-trained personnel will contribute to customer satisfaction. |  |
| **3. Logistics and Physical Distribution** | PowerPoint Slide 34 |
| 1. The *supply chain* is the complete sequence of suppliers that contribute to creating a good or service and delivering it to business users and final consumers. |  |
| 1. *Logistics* is the process of coordinating the flow of goods, services, and information among members of the supply chain. |  |
| 1. **Physical Distribution** refers to the activities aimed at efficiently moving finished goods from the production line to the consumer or business buyer. | Figure 12.9 Elements of a Physical Distribution System |
| * + 1. *Radio-frequency identification* (RFID) refers to a computer chip that is implanted in a product or packaging, emitting a radio signal that identifies the product. |  |
| 1. *Warehousing* refers to the physical distribution activity in which products are stored. |  |
| 1. Materials handling is moving items within factories, warehouses, transportation terminals, and stores. |  |

|  |  |
| --- | --- |
| 1. Inventory control involves managing inventory costs, such as storage facilities, insurance, taxes, and handling. |  |
| v. *Order processing* refers to the physical distribution activity in which orders are prepared for shipment and orders are received when shipments arrive. |  |
| vi. *Vendor-managed inventory* allows the producer to determine how much of a product a buyer needs and automatically ship new supplies when needed. |  |
| vii. The form of transportation used to ship products depends on the kind of product, the distance involved, and the cost. | PowerPoint Slide 35  Table 12.3 Comparison of Transportation Modes  *Lecture Enhancer:*  *Which modes of transportation are the most dependable?*  *Which are the most and least expensive?*  *Which are fastest and slowest?* |

|  |  |
| --- | --- |
| **d. Customer Service** | PowerPoint Slide 36 |
| 1. Customer service is a vital component of both product and distribution strategies. | *Class Activity:*  *Ask students for examples of businesses with excellent and inferior customer service quality.* |
| 1. *Customer service standards* measure the quality of service a firm provides for its customers. |  |
| 1. *Warranties* are a firm’s promise to repair, refund, or replace a defective product. |  |
| 1. Internet retailers have worked to humanize their customer interactions. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Assessment Check Answers

**7.1 What is distribution intensity?**

*Distribution intensity is the number of intermediaries or outlets through which a manufacturer distributes its goods.*

**7.2 Define *supply chain.***

*A supply chain is the sequence of suppliers that contribute to creating a good or service and delivering it to business users and final consumers.*

**7.3 What do customer service standards measure?**

*Customer service standards measure the quality of service a firm provides for its customers.*

**Answers to Review Questions**

**1. Classify each of the following business-to-consumer (B2C) and business-to-business (B2B) goods and services. Then choose one and describe how it could be classified as both.**

1. **Runner’s World or Esquire magazine**—B2C
2. **six-pack of apple juice**—both
3. **limousine service**—both
4. **tech support for a communications system**—B2B
5. **golf course**—both
6. **Thai restaurant**—B2C

*Limousine service could be B2C when providing driving services directly to consumers. It is a B2B service if the limousine is used as part of a firm's transportation methods for executives and clients.*

**2. What is the relationship between a product line and a product mix? Give an example of each.**

* *A product line is a group of related products that are physically similar or are intended for the same market. For example, Dell added printers, personal digital assistants, and a new laptop to its product line, in addition to PCs.*
* *The product mix is a company’s assortment of product lines and individual offerings. For example, Kellogg’s product mix has several product lines in addition to corn flakes*—*milk bars mixed with cereal, Real Fruit Winders, Rice Krispies Squares, and Eggo Toaster Swirlz.*

**3. Identify and briefly describe the six stages of new-product development.**

*The six stages are as follows:*

* *Idea generation: concepts are gathered from customer suggestions, employees, suppliers, researchers, inventors, and even competitors.*
* *Screening: ideas are eliminated if they don’t mesh with the firm’s objectives or can’t be developed with its resources.*
* *Business analysis: further screening occurs, and the product’s potential sales, profits, growth, and competitive strengths are analyzed.*
* *Product development: an actual product is designed and produced, subjected to a series of tests, and revised.*
* *Test marketing: the item is introduced in a limited area supported by a full marketing campaign.*
* *Commercialization: the item is made available throughout the marketplace, often called a product launch.*

**4. What is the difference between a manufacturer’s brand and a private brand? What is the difference between a family brand and an individual brand?**

* *Manufacturer’s brand:* brand offered and promoted by a manufacturer (e.g., Tide).
* *Private or store brand:* brand that is not linked to the manufacturer but instead carries a wholesaler’s or retailer’s label (e.g., Sears’ DieHard batteries).
* *Family branding strategy:* a single brand name used for several related products (e.g., KitchenAid).
* *Individual branding strategy:*giving each product within a line a different name (e.g., Procter & Gamble products such as Tide and Cheer).

**5. What are the three stages of brand loyalty? Why is the progression to the last stage so important to marketers?**

* *Brand recognition is brand acceptance strong enough that the consumer is aware of the brand and has heard of it, but doesn’t necessarily prefer it.*
* *Brand preference occurs when a consumer chooses one firm’s brand over a competitor’s, usually based on past experience.*
* *Brand insistence is the ultimate degree of brand loyalty, occurring when a consumer accepts no substitute, even putting time and effort into searching for the brand if necessary. Reaching the stage of brand insistence is important to marketers because customers who exhibit brand insistence will not buy a substitute brand, assuring marketers of repeat sales.*

**6. What are the advantages of direct distribution? When is a producer most likely to use direct distribution?**

*Direct distribution is the shortest and simplest means of connecting a producer and customer. Products and services are delivered directly to the buyer. It’s most often seen in B2B transactions, but with Internet sales growing, it is increasingly used in consumer purchases online*.

*Direct distribution is more commonly seen in the marketing of relatively expensive, complex B2B products that require demonstrations, but as noted, direct distribution regarding Internet B2C purchases is increasing.*

**7. What is the wheel of retailing? How has the Internet affected the wheel of retailing?**

*The* wheel of retailing *is the process through which new retailers enter a market by offering lower prices due to reduced service, then gradually add services, and ultimately become targets themselves when new upstarts look to replace them. Not all businesses follow this pattern, but it is useful in predicting coming trends*.

*Students are probably familiar with Internet shopping, so they may feel that online retailers don’t enter a market due to low prices, but rather due to innovative products, newly created markets, or unusual services. They may not gradually add services, as in the “old days” of retail marketing, but may keep overhead expenses low, stick with what works, and sell it in volume. The last stage, when new upstarts replace them, can still occur no matter where the markets exist—in buildings or on the Web.*

**8. Identify and briefly describe the four different types of nonstore retailers. Give an example of at least one type of good or service that would be suited to each type of nonstore retailer.**

* *Direct-response retailing reaches prospective customers through catalogs, telemarketing, and advertising, who then order by phone, mail, computer, or fax (examples: L.L. Bean, J. Crew, Bose radios and speakers).*
* *Internet retailing, a fast-growing process with sales increasing 15 to 25 percent annually, allows shoppers to order while visiting retailers online (examples: amazon.com, eBay).*
* *Automatic merchandising provides convenience through vending machines and automated service machines (examples: ATMs, Coke and Pepsi vending machines).*
* *Direct selling includes direct-to-customer sales through personal representatives and party-planning methods (examples: The Pampered Chef, Silpada).*

**9. What are the three intensity levels of distribution? Give an example of two products for each level.**

*The three intensity levels of distribution are:*

* *Intensive distribution: placing a firm’s products in nearly every available outlet (examples: Cheerios, Lifesavers, Juicy Fruit, Tide, Ivory soap).*
* *Selective distribution: selecting only a limited number of retailers to distribute a firm’s product lines, usually reducing costs for consumer items targeted to specialized markets (example: Burt’s Bees Beeswax Lip Balm, Thinsulate socks, Godiva chocolate, Sony PlayStation).*
* *Exclusive distribution: limiting market coverage to a single retailer or wholesaler in a specific geographic region, usually involving expensive specialty or luxury goods (example: Harley-Davidson motorcycles, Rolex watches).*

**10. Define logistics. How does it relate to physical distribution?**

Logistics *is the process of coordinating the flow of goods, services, and information among members of the supply chain. A major focus of logistics management is physical distribution, the activities aimed at efficiently moving finished goods from the production line to the consumer or business buyer.*

**Projects and Teamwork Applications**

1. Ask students to share the new brand names they created for their products. Have the class rate the answers. Are the names appropriate for each product? Are they exciting and catchy? Dull and boring? Too similar to other names? Then have them focus on each product and think of related images and visuals that could become brand names.

2. Ask students to choose one of the following products—popcorn, fast-food restaurant chain, newspaper, music CDs, paper stationery or notecards—that is either in the maturity or decline stage of its life cycle and develop a marketing strategy for extending its life cycle.

3. Students will share their preferences for shopping—in stores or online. They will analyze their favorite retailer and share their reasons for shopping there. What would improve this retailer? Store atmospherics? Better Web site? Better merchandise? Better customer service? Lower prices? Ask students to comment on size, layout, product display, lighting, colors, and sound.

4. Students will choose furniture made from recycled materials, custom-designed jewelry, house-painting service, handicraft supplies, or talk radio show, and outline a marketing strategy distribution intensity and the reasons for it. Have the class evaluate the strategy.

Web Assignments

1. **Product classification.** Visit the Web site of Johnson & Johnson (<http://www.jnj.com>) and click on “Our Products.” Review the material in the chapter on product classification and then classify Johnson & Johnson’s vast array of products.
2. **Shopping centers.** The Mall of America in Minnesota is the nation’s largest shopping center. Go to the Mall’s Web site (<http://www.mallofamerica.com>) to learn more about it. Make a list of five interesting facts you learned about the Mall of America.
3. **Railroad statistics.** Visit the Web site of the American Association of Railroads (<http://www.aar.org>). Click on “Statistics and Publication” and then “Railroad Statistics.” Review the material and answer the following questions:
   1. What is a so-called Class I railroad? How many are there?
   2. How many workers do these railroads employ?
   3. How much freight did Class I railroads carry during the most recent year for which data are available?

*Note: Internet Web addresses change frequently. If you don’t find the exact sites listed, you may need to access the organization’s home page and search from there or use a search engine such as Bing or Google.*

# **Case 12.1: Marketing Luxury Brands in China**

**Answers to Questions for Critical Thinking:**

**What advice would you give Western luxury brands like Prada, Burberry, Ferragamo, and Hugo Boss as they focus on Chinese luxury shoppers?***Western luxury brands focusing on Chinese luxury shoppers should keep in mind that luxury shoppers in China are generally between the ages of 18-34. Therefore, luxury merchandise should be geared towards this age group, offering consumers items like purses and clothing rather than home décor and linens.*

**2. What does the luxury-buying trend suggest for Western manufacturers of ordinary consumer goods that want to do business in China?**

*The luxury-buying trend suggests that Western manufacturers of ordinary consumer goods that want to do business in China might want to focus on a different demographic (older consumers, for example) or offer some higher-end items in addition to their existing products.*

Case 12.2: The Convergence of TV and the Internet

# **Answers to Questions for Critical Thinking**

**1. Where is broadcast television in the product life cycle? What steps have broadcast networks taken to prolong their product’s life cycle?**

*Television is in the maturity stage, which means that industry sales reach a saturation level at which further expansion is difficult. Competition also intensifies, increasing the availability of the product. Firms concentrate on capturing competitors’ customers, often dropping prices to further the appeal.*

*A* *strategy for extending the life cycle is to increase customers’ frequency of use. TV networks could offer innovative programming. Another strategy is to add new users. Manufacturers could sell more televisions by lowering prices and adding new features. Still another strategy for extending the product life cycle is to change the design and sizes of televisions. Airplanes have added small, individual television screens on the back of each seat.*

**2. At this time, broadcast and cable television, Internet programming, and advertisers all have different distribution strategies. How might they bring these strategies closer together?**

*Many broadcast and cable television shows are now using “podcasts” or similar technology to enable their messages and programs to easily be adapted to the Internet. Additionally, streaming media is another technology that allows viewing on the Internet.*

**CHAPTER 12: COLLABORATIVE LEARNING EXERCISES**

## 1 - Extending the Product Life Cycle

Learning Objective: 2

Purpose:

To encourage your students to see old products in new ways

Background:

As product life cycles in many categories condense into shorter timeframes, extending the product life cycle has become a critical issue. This exercise is designed to help your students explore the possibilities of new uses for familiar, established products.

Relationship to Text:

Learning Objective 2 – Implications of the Product Life Cycle

Estimated Class Time:

About 20 minutes

Preparation/Materials:

You’ll need to gather a set of ordinary household items, enough for each group of 3–5 to have something different. Possibilities include a fork, a clothespin, a coffee cup, a cloth napkin, a pencil, a manila folder, etc. (Having multiple groups with the same item will work, too, if you can only gather a few things.)

Exercise:

Divide your class into groups of 3 to 5 students, and give each group one of the household items that you collected. Direct them to spend five minutes brainstorming as many alternative uses as possible for their item (e.g., a fork could be used as a hairbrush, or a manila folder could be used as a book cover). Encourage them to be as creative as they can—not to hold back any ideas (for some classes, you may need to review the rules of brainstorming).

When you call time, give them a moment to identify their two or three favorite ideas. Ask each group to report those ideas to the class, and record their results on the board.

Reconvene as a class for discussion. Which idea is the most practical? The most creative? The most silly? Could the silliest idea be made marketable? How?

You may want to close by pointing out some new product successes that stem from marketing old products in new ways (e.g., baking soda as a refrigerator deodorizer, peanut butter as a squeezable snack in a tube, or Jell-O as Jigglers).

**2 – New Product Development**

Learning Objective: 2

Purpose:

To help your students develop creative thinking processes for new product development

Background:

Continual new product development is a critical success factor for most contemporary businesses. Idea generation is the first step in the process, and it requires a rare level of open-mindedness. This exercise is designed to provide a tool to stimulate fresh thinking in the idea generation stage.

Relationship to Text:

Learning Objective 2 – Stages in New Product Development

Estimated Class Time:

About 25 minutes

Preparation/Materials:

You’ll need to bring one or two large beach balls to class. You can find them in most toy stores for less than $2.00.

Exercise:

Announce that your class will be the new-product development team for a small chain of coffee shops that faces increasing competition from Starbucks. Push aside the furniture and ask them to form a large circle (if you have an especially large class, you may want to form 2–3 circles). Pull out the beach ball and explain the game:

Their job is to toss the beach ball around the circle. The beach ball must never stop moving and must never touch the ground. Each time the ball hits their hands, they must call out their first thought regarding coffee shops. Anyone who says nothing is out of the game.

Allow them to toss the ball for five or ten minutes, and write everything they say—from clever to ridiculous—on the board. When the flow of ideas abates, stop the ball, and read the list aloud to your class. Then, divide them into groups of 3-5 people, and direct each group to use the list to develop at least five new product ideas that will help their coffee shop compete. Ask them to share their favorite ideas with the class.

Follow-up discussion: Did the exercise with the beach ball stimulate creativity? Why or why not? What are other ways to spark out-of-the-box thinking?

## 3 – Distribution Strategy

Learning Objective: 4

Purpose:

To demonstrate some key trade-offs in creating an effective distribution system

Background:

Unfortunately, most students seem to find distribution to be the least interesting of the marketing Ps. While this exercise does not incorporate the complexity of most actual distribution decisions, it is designed to spark student interest in learning more about this crucial element of the marketing mix.

Relationship to Text:

Learning Objective 4 – Distribution Strategy

Estimated Class Time:

About 20 minutes

Preparation/Materials:

You’ll need to bring to class a large bag of well-wrapped candies that don’t get easily squished or broken. Tootsie Rolls, lollipops, or mini candy bars are all good choices. You’ll also need a basket or box of some kind, about the size of a small household wastebasket. Place the basket at the front of the classroom—ideally on a desk or podium—and mark a spot in the back of the classroom.

Exercise:

Divide your class into groups of about 5 students, and direct each group to choose a “factory owner.” Present each team with 25 candies and the scenario outlined below. Their job is to plan a distribution strategy that will maximize profits.

The Scenario: You are the owner of a candy factory and you just produced 25 candies. Your goal is to work with your team to earn as much money as possible by distributing your candy to your consumers, who will pay $1.00 for each candy piece they receive. Your consumers are represented by the basket at the front of the room; only the candies deposited in the basket will count as successful deliveries. You will not receive any money for candies that do not land in the basket, and you will not have a chance to retrieve them and try again.

The Rules: When you begin distributing your candy, you cannot move from where your teacher places you, and you cannot move the consumer basket. You may place as many of your teammates as you like between you and the consumer to help distribute your candy, but you must pay each one $.20 per piece of candy that they help distribute. Your helpers cannot move from where you place them.

Give each team about five minutes to plan their strategy, and direct them to distribute their candies one at a time originating from the spot you designated at the back of the room. When each team finishes, tally its profits.

Some teams will probably opt to have their owner toss the candies from the factory to the consumer. Those candies that make it into the basket will be highly profitable, but many will miss the basket. Other teams will opt to have varying numbers of distributors. Clearly, large numbers will increase their accuracy, but decrease their profits; small numbers will decrease their accuracy, but increase their profits. The team with the highest profits wins the game.

After you complete the game and divide the candies, ask your class to consider how this exercise relates to the distribution function of marketing. The link between the number of distributors and the accuracy of distribution will likely be clear, but encourage them to also consider the exceptions. Costco, for instance, sells many of its products directly from the producer to the consumer—a very short distribution chain—and it hits its target with enormous accuracy.

Looking at the distribution function more, ask your class how the product itself and the characteristics of the target market affect distribution decisions (e.g., upscale furniture versus cheap candy).

## 4 – Retail Atmospherics

Learning Objective: 6

Purpose:

To help your students identify the components of effective retail atmospherics

Background:

While we all respond—positively or negatively—to the atmosphere of retail stores, many students have not given thought to the elements that create that atmosphere. This exercise is designed to highlight both the importance of an effective store atmosphere, and the components that converge to create it.

Relationship to Text:

Learning Objective 6 – Creating Store Atmosphere

Estimated Class Time:

About 15 minutes

Preparation/Materials:

None needed

Exercise:

Ask your students to identify local businesses that have standout retail atmosphere. Encourage them to consider both positive and negative examples and to be as specific as possible about what works and what doesn’t. You may want to remind them that the effectiveness of retail atmosphere is highly dependent on the target audience. The retail atmosphere at Hot Topic, for instance, is compelling for many young people, and repelling for some of their parents.

Divide your class into seven groups, and assign each group one of the topics below. Ask them to consider how they could use atmospherics to maximize the effectiveness of their venue. Encourage them to consider everything from decorations, to layout, to scent, to furnishings, to signage, to color, to music.

* Your classroom
* Your college or university campus
* Music store
* Vintage clothing store
* Office supply store
* Pancake restaurant
* Toy store

Ask each group to report its results to the class, and ask the class to provide feedback. What elements seem most effective? How important are atmospherics? If you have a diverse group of students, you may want to ask how atmospherics are perceived differently across different cultures.

## 5 – Distribution Tactics

Learning Objective: 7

Purpose:

To give your students hands-on experience with packaging for shipment

Background:

Creating the best package for transporting products is distinctly unglamorous, but the right package can make a significant difference to the bottom line. This exercise is designed to demonstrate several of the key issues in developing effective, efficient packaging for shipment (and to have some fun!).

Relationship to Text:

Learning Objective 7 – Physical Distribution

Estimated Class Time:

About 30 minutes

Preparation/Materials:

For each group of 5 to 7 people, you’ll need a roll of masking tape, about 20 plastic drinking straws, a stack of 8½ × 11-inch paper, and two raw eggs. You’ll also need some newspaper (or plastic tarp) to cover part of the floor, a chair, and a tape measure.

Exercise:\*

Ask your students if any of them have purchased or received a product that has been damaged in shipment. Help them understand that this is not only frustrating, but also creates disgruntled customers, bad word-of-mouth, and additional costs to the distributor.

Announce that their challenge is to use their ingenuity to create the perfect package for shipping a very fragile product: raw eggs. Each group must use nothing but paper, drinking straws, and masking tape. The minimum specification for the package is that it must be able to be dropped from a height of eight feet without breaking the egg. The winning package will meet this specification at the lowest cost per package.

Allow the groups to use as much of the materials as they need, but let them know that on their final product you will calculate the cost of all of their materials:

* Tape: $20/inch
* Straws: $100/straw
* Paper: $5/sheet

Since each group has two eggs, they may test their package with one, and use the other for their actual product demonstration.

Give the groups 15 minutes to complete their carriers, and then reconvene as a class for the demonstrations. (To keep things fair, you should drop each of the packages—over the newspaper, of course—from the specified height.) Collect the packages with unbroken eggs, and in front of the class estimate the cost of materials for each carrier. The carrier with an unbroken egg and the lowest cost of goods is the winner.

\*Source: Adapted from Herrenkohl, Roy C. (2004). *Becoming a Team*, Mason, Ohio: South-Western, page 114.