# CHAPTER 12

## Product and Distribution Strategies

### Chapter Summary: Key Concepts

#### Product Strategy

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>A bundle of physical, service, and symbolic characteristics designed to satisfy consumer wants.</td>
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<tr>
<td><strong>Product strategy</strong></td>
<td>The part of marketing that deals with product/service development. It also manages package design, trademarks and other product identification, warranties, product life cycle, and new-product development.</td>
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<tr>
<td><strong>Classifying goods and services</strong></td>
<td>Broad categories included business to consumer (B2C) and business to business (B2B), both of which can subdivided into smaller categories.</td>
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<tr>
<td><strong>Classifying consumer goods and services</strong></td>
<td>The classification is based on consumer buying habits, and includes convenience, shopping, and specialty products.</td>
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<tr>
<td><strong>Marketing strategy implications</strong></td>
<td>Once a product has been classified, marketers have a better idea of its promotion, pricing, and distribution needs.</td>
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<tr>
<td><strong>Product lines and product mix</strong></td>
<td>A firm’s product line is a group of related products marked by physical similarities or intended for a similar market. The product mix is the assortment of product lines and individual goods and services that a firm offers to consumers and business users.</td>
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#### The Product Life Cycle

<table>
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<tbody>
<tr>
<td><strong>Stages of the product life cycle</strong></td>
<td>The cycle begins with the introductory stage, advances through the growth and maturity stage, and ends in the decline stage.</td>
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<tr>
<td><strong>Marketing strategy implications of the product life cycle</strong></td>
<td>Price, promotion, and distribution strategies will differ as the product moves through its life cycle. The life cycle will be extended, (finding new uses is an example) as long as it remains profitable.</td>
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<tr>
<td><strong>Stages in new-product development</strong></td>
<td>The new-product development process involves six distinct activities: 1) idea generation; 2) screening; 3) concept and business analysis; 4) product development; 5) test marketing; and 6) commercialization.</td>
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Product Identification

Selecting an effective brand name

Products are identified by brands, brand names, and trademarks. Good brands are easy to pronounce, recognize, and remember. They should also convey the right image to the buyer and be legally protectable.

Brand categories

A brand offered and promoted by a manufacturer is known as a manufacturer’s (or national) brand. A private (or store) brand identifies a product that is not linked to the manufacturer but instead carries a wholesaler’s or retailer’s label. A family brand is a single brand name used for several related products. An individual branding strategy gives each product within a line a different name.

Brand loyalty and brand equity

The three levels of brand loyalty are brand recognition, brand preference, and brand insistence. A highly respected and widely recognized brand name gives a brand added value, known as brand equity.

Packages and labels

Packaging affects the durability, image, and convenience of an item and contributes to product identification. Labeling must meet federal laws requiring companies to provide enough information to allow consumers to make value comparisons. The Universal Product Code (UPC), the bar code read by optical scanners, simplifies and speeds retail transactions and helps with controlling inventory.

Distribution Strategy

Distribution strategy

Deals with the marketing activities and institutions involved in getting the right good or service to the firm’s customers.

Distribution channels

Marketers can choose either a direct distribution channel, which carries goods directly from producer to consumer or business user, or distribution channels that involve several different marketing intermediaries. No one channel suits every product but instead depends on the circumstances of the market and on customer needs.

Direct distribution

The shortest and simplest means of connecting producers and customers. Goods are moved directly from producer to consumer. This is common in the business-to-business (B2B) markets or with complex or expensive products.
### Marketing intermediaries
Also known as middlemen, includes wholesalers and retailers.

**Wholesaling**

**Manufacturer-owned wholesaling intermediaries**
Company-owned facilities that control distribution or customer service. They include sales branches or sales offices.

**Independent wholesaling intermediaries**
A business that represents a number of different manufacturers and makes sales calls on retailers, manufacturers, and other business accounts. Examples include either merchant wholesalers or agents and brokers.

**Retailer-owned cooperatives and buying offices**
Retailers that have banded together to form their own wholesaling organizations.

### Retailing

**Retailers**
Distribution channel member that sells goods and services to individuals for their personal use rather than for resale.

**Nonstore retailers**
Retailers using Internet retailing, automatic merchandising, direct-response retailing, and direct selling are examples of nonstore retailers.

**Store retailers**
In-store sales outpace nonstore retailing methods. Retailers are in constant change in a process called the wheel of retailing, new retailers enter the market by offering lower prices and fewer services. As their businesses mature, they gradually add service, ultimately becoming the target for new retailers.

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

### Distribution Channel Decision and Logistics

**Selecting distribution channels**
Standardized products or items with low unit values usually pass through relatively long distribution channels. On the other hand, products that are complex, expensive, custom made or perishable move through shorter distribution channels involving few or no intermediaries.
Selecting distribution intensity

There are three categories of market coverage: intensive, exclusive, and selective distribution.

Logistics and physical distribution

Physical distribution is the actual movement of goods from producer to consumer or industrial user, and is the last link in the supply chain. The process of coordinating the flow of goods, services, and information among members of the supply chain is called logistics. Physical distribution includes the function of transportation, warehousing, materials handling, inventory control, order processing, and customer service.
Business Vocabulary

brand                      product life cycle
brand equity               product line
brand name                 product mix
category advisor           retailer
distribution channel       supply chain
distribution strategy      test marketing
logistics                  trademark
physical distribution      wholesaler
product

Application of Vocabulary

Select the term from the list above that best completes the statements below. Write that term in the space provided.

1. A _______________________ is a bundle of physical, service, and symbolic attributes designed to satisfy customer wants.

2. A_____________________ is a name, term, sign, symbol, design, or some combination thereof used to identify a product or service.

3. A good _________________________ is easy to recognize, pronounce, remember, should attract attention and suggest product image, and be legally protectable.

4. The __________________________ begins in the introduction stage, proceeds through growth and maturity, and ends in the decline stage.

5. During the __________________________ stage, the item is sold in a limited area while the company examines both consumer responses to the new offering and the marketing effort used to support it.

6. A _______________________ is a brand or other product identifying feature that has been given exclusive legal protection.

7. The assortment of products offered by a firm is known as its ________________.

8. A _____________________________ is a series of related products or services offered by a firm.

9. The _____________________________ is designated by the business customer as the major supplier who assumes responsibility for dealing with all the other vendors for a project.

10. Someone who oversees a line of related products and assumes profit responsibility for his or her product group is called a(n) __________________________.
11. The overall plan to get the right product to the firm’s customers, including decisions regarding transportation, warehousing, inventory control, order processing, and the selection of the marketing channels is called __________________________.

12. The ______________________________ are the paths that goods and services and the legal ownership of them, travel through from the producer to the customer. 

13. The actual movement of goods and services from the producer to buyer is the __________________________.

14. __________________________ are channel members who sell primarily to retailers, other marketing intermediaries, or business users.

15. __________________________ are channel members who sell goods and services directly to consumers for their own personal use.

16. The complete sequence of suppliers that contribute to creating and delivering a good or service is called the __________________________.

17. __________________________ are the business activities involved in managing movement of goods through the supply chain.

Analysis of Learning Objectives

Learning Objective 12.1: Explain the marketing concept of a product and list the components of products strategy.

True or False

1.____ A product is defined as a bundle of symbolic, service, and physical attributes designed to satisfy consumer wants.

2.____ Goods and services can be classified C2B and C2C.

3.____ Consumer products are those purchased by ultimate consumers for their own use.

4.____ Consumer products can be convenience products, shopping products, or specialty products.

5.____ Business products are those purchased for use either directly or indirectly in the production of other goods and services for resale.

6.____ Consumer goods can be classified as installations, accessory equipment, component parts and materials, raw materials, and supplies.

7.____ Services can be classified as either specialty or convenience products.

8.____ A product mix is the assortment of goods and services a firm offers to individual consumers and B2B users.

9.____ A product line is a series of unrelated products.
Learning Objective 12.2: Briefly describe each of the four stages of the product life cycle with their marketing implications.

Multiple Choice

1. The stage of the product life cycle in which promotional costs are high and losses are common is:
   a. introduction.  c. maturity.
   b. growth. d. decline.

2. The product life cycle stage in which sales climb rapidly, the producer begins to earn a profit, and competitors begin to enter the field, is known as:
   a. introduction  c. maturity. 
   b. growth. d. decline.

3. During what stage of the product life cycle will industry sales reach a saturation level because of intense competition and price cutting?
   a. introduction  c. maturity
   b. growth  d. decline

4. Strategies that can be used to extend the product life cycle include:
   a. increasing frequency of use.  c. changing the product.
   d. finding new users. d. all of the above.

5. Most firms try to manage the product life cycle so that:
   a. all their products are in the growth stage at the same time.
   b. none of their products go into the decline stage.
   c. service features and warranties are unimportant.
   d. by regularly adding new products their offerings span all the stages of the product life cycle.

Learning Objective 12.3: Explain how firms identify their products.

True or False

1. _____ A good brand name should be easy to spell, pronounce, and remember.

2. _____ A private brand carries the manufacturer’s name.

3. _____ The only important consideration in packaging is how well it protects the product.

4. _____ When a company uses a single brand name for several related products it is using a family brand strategy.
5. _____ The stage of brand loyalty in which customers refuse to accept a substitute is known as brand preference.

6. _____ If a brand name becomes an everyday term, that is, a generic term for that type of product, it is still legally protectable.

7. _____ A trademark is legally protected.

8. _____ Packaging represents one of the biggest elements of production costs for many consumer products.

Learning Objective 12.4: Outline and briefly describe each of the major components of an effective distribution strategy.

True or False

1. _____ Producers must first decide whether to sell products directly to customers or to use marketing intermediaries to bring the product to market.

2. _____ Consumer convenience goods are usually intensively distributed.

3. _____ Exclusive distribution is used by manufacturers who favor a single retailer handling their products in a given geographic area.

4. _____ Achieving market saturation by placing products in every available outlet makes use of selective distribution.

5. _____ Managing distribution channels means building positive, lasting relationships among channel members.

6. _____ Internet retailing is a form of nonstore retailing.

7. _____ Distribution strategy involves selecting channels of distribution as well as managing physical distribution.

8. _____ Physical distribution is the final link in the supply chain.

Learning Objective 12.5: Distinguish between different types of wholesaling intermediaries.

Multiple Choice

1. A business that represents a number of different manufacturers and makes sales calls on retailers, manufacturers, and other business accounts is the:

   a. agents and brokers.
   b. independent wholesaling intermediary.
   c. manufacturer-owned wholesaling intermediaries
   d. retailer-owned cooperatives.
2. They never take title, working mainly to bring buyers and sellers together:
   a. agents and brokers.
   b. independent wholesaling intermediary.
   c. manufacturer-owned wholesaling intermediaries
   d. retailer-owned cooperatives.

3. When participating retailers set up the new operation to reduce costs or to provide some special service that is not readily available in the marketplace, they create:
   a. agents and brokers.
   b. independent wholesaling intermediary.
   c. manufacturer-owned wholesaling intermediaries.
   d. retailer-owned cooperatives.

4. Sales branches and sales offices are examples of:
   a. agents and brokers.
   b. independent wholesaling intermediary.
   c. manufacturer-owned wholesaling intermediaries.
   d. retailer-owned cooperatives.

Learning Objective 12.6: Describe the various types of retailers and identify retail strategies.

Multiple Choice

1. ________________ reaches prospective customers through catalogs, telemarketing, and television ads.
   a. direct-response retailing
   b. Internet retailing
   c. automatic merchandising
   d. direct selling
   e. store retailers

2. The most common type of selling transactions includes:
   a. direct-response retailing.
   b. Internet retailing
   c. automatic merchandising.
   d. direct selling.
   e. store retailers.

3. The activity that provides convenience through the use of vending machines is called:
   a. direct-response retailing.
   b. Internet retailing.
   c. automatic merchandising.
d. direct selling.
e. store retailers.

4. A shift in retailing that now competes with traditional brick-and-mortar sellers is:

a. direct-response retailing.
b. Internet retailing.
c. automatic merchandising.
d. direct selling.
e. store retailers.

5. Direct-to-consumer sale is known as:

a. direct-response retailing.
b. Internet retailing.
c. automatic merchandising.
d. direct selling.
e. store retailers.

Proper Sequence

Number the following retailer strategies in the proper order.

_____ build a promotional strategy
_____ develop a customer service strategy
_____ choose a location
_____ select a pricing strategy
_____ identify the target market
_____ create store atmosphere
_____ develop a product strategy

Learning Objective 12.7: Identify the various categories of distribution channels, and discuss the factors that influence channel selection.

Short Answer

1. What is direct distribution?
2. Your text notes that there are different types of channels for consumer goods, business goods, and services. Why do these channels differ?

3. There are four important factors that impact the selection of the appropriate distribution channel. Name and define each below.

   a.

   b.

   c.

   d.

**Self Review**

**True or False**

1. _____ When seeking shopping goods, the consumer generally wants to look at several like products.

2. _____ A brand helps assure customers of comparable quality when they buy the same product again.

3. _____ A national brand carries the manufacturer’s name.
4. _____ A trademark gives a product legal protection from infringement by other companies.

5. _____ Milk is an example of a convenience good.

6. _____ Magazines, milk, soft drinks, and candy bars are all considered shopping products.

7. _____ Most supermarkets tend to specialize in specialty products.

8. _____ It is not unusual for a firm to suffer a loss during the introductory stage of a product’s life cycle.

9. _____ An article might be considered a shopping product to one person and a specialty product to another person.

10. _____ The stage of new-product development when the product is launched is called the development stage.

11. _____ Convenience goods are products that consumers purchase frequently and with a minimum of shopping effort.

12. _____ Specialty goods are products for which the consumer will not accept a substitute.

13. _____ Component parts and materials are finished products that become part of a final product.

14. _____ Even when a company makes no express warranty, certain rights are always guaranteed to consumers by law.

15. _____ Services are products too.

16. _____ Activities to extend the product life cycle usually take place during the decline stage.

17. _____ A brand name and a trademark are the same thing.

18. _____ Each manufacturer should select the one best channel for distributing its output and stick to it.

19. _____ The first and most important consideration in locating a retail store is the cost of rent.

20. _____ Sellers of services generally utilize at least two wholesalers in their distribution channels.

21. _____ A retailer is classified as a middleman.

22. _____ Air is the most expensive mode of transportation.
Multiple Choice

1. Profits peak at which product life cycle stage?
   a. introduction  
   b. growth  
   c. maturity  
   d. decline

2. The highest degree of brand loyalty is called:
   a. brand preference.  
   b. brand recognition.  
   c. brand insistence.  
   d. brand awareness.

3. Timber products, iron ore, and farm products such as wheat or corn are classified as:
   a. installations.  
   b. raw materials.  
   c. accessory equipment.  
   d. supplies.

4. Classifying business products is important because:
   a. each group of business products requires a different marketing strategy.  
   b. convenience goods must be distinguished from specialty goods.  
   c. quality, price, and promotional strategies are identical for all business products.  
   d. all of the above.

5. The total assortment of goods and/or services a firm offers its customers is called its:
   a. product life cycle.  
   b. product mix.  
   c. family brand.  
   d. product line.

6. New-product development is:
   a. expensive and risky.  
   b. time consuming.  
   c. important because old products do not remain viable forever.  
   d. all of the above.

7. When a manufacturer restricts the number of retail outlets handling its products, allowing only one per geographic area, it is using:
   a. intensive distribution.  
   b. selective distribution.  
   c. exclusive distribution.  
   d. contractual distribution.  
   e. restrictive distribution.

8. The distribution strategy used to obtain maximum exposure to consumers is:
   a. intensive distribution.  
   b. selective distribution.  
   c. exclusive distribution.  
   d. contractual distribution.  
   e. restrictive distribution.

9. The most flexible mode of transport is:
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a.  air.                              d.  water.
b.  rail.                               e.  pipeline.
c.  truck.

10. If a firm wants to ship a bulky product the least expensive way, which of the following would be selected as the mode of transportation?

a.  railroads.                          d.  water.
b.  trucks.                             e.  air.
c.  pipeline.

11. Which of the following is usually the most expensive means of transporting goods?

a.  railroad.                          d.  water.
b.  trucks.                            e.  air.
c.  pipeline.

12. The supply chain:

a.  is the channel of distribution.
b.  begins with raw materials and ends when producers distribute to final customers.
c.  is always a vertical marketing system.
d.  all of the above.

13. The use of wholesalers:

a.  adds another member to the channel of distribution, and so simply increases costs.
b.  can significantly cut the number of transactions needed to move goods from several manufacturers to several retailers.
c.  generally adds nothing significant to the efficiency and effectiveness of distribution.
d.  all of the above.

Application Exercises

1. Sara Kline is marketing director for Alta Products, Inc., a producer of consumer products. She is analyzing the sales data on the firm’s most successful product. The product got off to a great start, and sales grew dramatically over the first two years. But as major competitors developed similar products, sales began to fall off. Now industry sales are down, and the sales figures for her product in the latest quarter are particularly discouraging. Sara wonders what action she should recommend to top management.

a.  What stage of the product life cycle has the product apparently reached? How can you tell?
b. What options should Sara consider before making her recommendations to top management?

2. Todd has been writing music for years, and has produced a CD of songs he has written for children. He is wondering how to bring his product to market, and is considering mailing advertisements to potential customers and then filling any orders himself. He feels he can do this work at night after his full-time job, and that this way he won’t have to share his proceeds with anyone else. Evaluate Todd’s marketing plan. Can you make any suggestions that might help him distribute his product more effectively?

Short Essay Questions

1. How are products divided into consumer and business products? What are the classifications of consumer goods, and on what is the classification based? What are the classifications of business goods and on what basis are they distinguished?

2. What are the components of distribution strategy? How important is this strategy to the overall success of a marketing plan?
3. What are the tasks that must be managed in physical distribution?