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Harvard Business Review

No. 81306

HBR
MAY–JUNE 1981

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Distinguishing between companies according to whether they market services or goods has only limited utility. A more useful way to make the same distinction is to change the words we use. Instead of speaking of *services* and *goods*, we should speak of *intangibles* and *tangibles*. Everybody sells intangibles in the marketplace, no matter what is produced in the factory.

The usefulness of the distinction becomes apparent when we consider the question of how the marketing of intangibles differs from the marketing of tangibles. While some of the differences might seem obvious, it is apparent that, along with their differences, there are important commonalities between the marketing of intangibles and tangibles.

Put in terms of our new vocabulary, a key area of similarity in the marketing of intangibles and tangibles revolves around the degree of intangibility inherent in both. Marketing is concerned with getting and keeping customers. The degree of product intangibility has its greatest effect in the process of trying to get customers. When it comes to holding on to customers—to keeping them—highly intangible products run into very special problems.

First, this article identifies aspects of intangibility that affect sales appeal of both intangible and tangible products. And, next, it considers the special difficulties sellers of intangibles face in retaining customers.

Intangibility of All Products

Intangible products—travel, freight forwarding, insurance, repair, consulting, computer software, investment banking, brokerage, education, health care, accounting—can seldom be tried out, inspected, or tested in advance. Prospective buyers are generally

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Author's note: The current article expands on and further develops some of the concepts I introduced in my last article for HBR, "Marketing Success Through Differentiation—Of Anything," which appeared in the January –February 1980 issue. Other articles I have written for HBR treat this general subject in yet other ways. These include "The Industrialization of Service" (September–October 1976) and "Production-Line Approach to Service" (September–October 1972). To drive home what I believe is a badly neglected distinction, the present article refers to the role of management in the industrial revolution, a subject more fully developed in my article, "Management and Post Industrial Society," The Public Interest, Summer 1976.

forced to depend on surrogates to assess what they're likely to get.

They can look at gloriously glossy pictures of elegant rooms in distant resort hotels set exotically by the shimmering sea. They can consult current users to see how well a software program performs and how well the investment banker or the oil well drilling contractor performs. Or they can ask experienced customers regarding engineering firms, trust companies, lobbyists, professors, surgeons, prep schools, hair stylists, consultants, repair shops, industrial maintenance firms, shippers, franchisers, general contractors, funeral directors, caterers, environmental management firms, construction companies, and on and on.

Tangible products differ in that they can usually, or to some degree, be directly experienced—seen, touched, smelled, or tasted, as well as tested. Often this can be done in advance of buying. You can test-drive a car, smell the perfume, work the numerical controls of a milling machine, inspect the seller's steam-generating installation, pretest an extruding machine.

In practice, though, even the most tangible of products can't be *reliably* tested or experienced in advance. To inspect a vendor's steam-generating plant or computer installation in advance at another location and to have thoroughly studied detailed proposals and designs are not enough. A great deal more is involved than product features and physical installation alone.

Though a customer may buy a product whose generic tangibility (like the computer or the steam plant) is as palpable as primeval rock—and though that customer may have agreed after great study and extensive negotiation to a cost that runs into millions of dollars—the process of getting it built on time, installed, and then running smoothly involves an awful lot more than the generic tangible product itself. Such intangibles can make or break the product's success, even with mature consumer goods like dishwashers, shampoos, and frozen pizza. If a shampoo is not used as prescribed, or a pizza not heated as intended, the results can be terrible.

Similarly, you commonly can't experience in advance moderate-to-low-priced consumer goods such as canned sardines or purchased detergents. To make buyers more comfortable and confident about tangibles that can't be pretested, companies go beyond the literal promises of specifications, advertisements, and labels to provide reassurance.

Packaging is one common tool. Pickles get put into reassuring see-through glass jars, cookies into cellophane-windowed boxes, canned goods get strong appetite-appealing pictures on the labels, architects make elaborately enticing renderings, and proposals to NASA get packaged in binders that match the craftsmanship of Tyrolean leatherworkers. In all cases, the idea is to provide reassuring tangible (in these examples, visual) surrogates for what's promised but can't be more directly experienced before the sale.

Hence, it's sensible to say that all products are in some important respects intangible, even giant turbine engines that weigh tons. No matter how diligently designed in advance and carefully constructed, they'll fail or disappoint if installed or used incorrectly. The significance of all this for marketing can be profound.

When prospective customers can't experience the product in advance, they are asked to buy what are essentially promises—promises of satisfaction. Even tangible, testable, feelable, smellable products are, before they're bought, largely just promises.

Buying Promises

Satisfaction in consumption or use can seldom be quite the same as earlier in trial or promise. Some promises promise more than others, depending on product features, design, degree of tangibility, type of promotion, price, and differences in what customers hope to accomplish with what they buy.

Of some products less is expected than what is actually or symbolically promised. The right kind of eye shadow properly applied may promise to transform a woman into an irresistible tigress in the night. Not even the most eager buyer literally believes the metaphor. Yet the metaphor helps make the sale. Neither do you really expect the proposed new corporate headquarters, so artfully rendered by the winning architect, automatically to produce all those cheerfully productive employees lounging with casual elegance at lunch in the verdant courtyard. But the metaphor helps win the assignment.

Thus, when prospective customers can't properly try the promised product in advance, metaphorical reassurances become the amplified necessity of the marketing effort. Promises, being intangible, have to be "tangibilized" in their presentation—hence the tigress and the contented employees. Metaphors and similes become surrogates for the tangibility that cannot be provided or experienced in advance.

This same thinking accounts for the solid, somber Edwardian decor of downtown law offices, the prudentially elegant and orderly public offices of investment banking houses, the confidently articulate consultants in dark vested suits, engineering and project proposals in "executive" typeset and leather bindings, and the elaborate pictorial documentation of the performance virtuosity of newly offered machine controls. It explains why insurance companies pictorially offer "a piece of the rock," put you under a "blanket of protection" or an "umbrella," or place you in "good hands."

Not even tangible products are exempt from the necessity of using symbol and metaphor. A computer terminal has to look right. It has to be packaged to convey an impression of reliable modernity—based on the assumption that prospective buyers will translate appearance into confidence about performance. In that respect, the marketing ideas behind the packaging of a $1 million computer, a $2 million jet engine, and a $.5 million numerically controlled milling machine are scarcely different from the marketing ideas behind the packaging of a $50 electric shaver or a $2.50 tube of lipstick.

Importance of Impressions

Common sense tells us, and research confirms, that people use appearances to make judgments about realities. It matters little whether the products are high priced or low priced, whether they are technically complex or simple, whether the buyers are supremely sophisticated in the technology of what's being considered or just plain ignorant, or whether they buy for themselves or for their employers. Everybody always depends to some extent on both appearances and external impressions.

Nor do impressions affect only the generic product itself—that is, the technical offering, such as the speed, versatility, and precision of the lathe; the color and creaminess of the lipstick; or the appearance and dimensions of the lobster thermidor. Consider, for example, investment banking. No matter how thorough and persuasive a firm's recommendations and assurances about a proposed underwriting and no matter how pristine its reputation for integrity and performance, somehow the financial vice president of the billion-dollar client corporation would feel better had the bank's representative not been quite so youthfully apple-cheeked.

The product will be judged in part by who offers it—not just who the vendor corporation is but also who the corporation's representative is. The vendor and the vendor's representative are both inextricably and inevitably part of the "product" that prospects must judge before they buy. The less tangible the generic product, the more powerfully and persistently the judgment about it gets shaped by the packaging—how it's presented, who presents it, and what's implied by metaphor, simile, symbol, and other surrogates for reality.

So, too, with tangible products. The sales engineers assigned to work with an electric utility company asking for competitive bids on a $100 million steam boiler system for its new plant are as powerfully a part of the offered product (the promise) as is the investment banking firm's partner.

The reason is easy to see. In neither case is there a product until it's delivered. And you won't know how well it performs until it's put to work.

The Ties That Bind

In both investment banking and big boilers, becoming the designated vendor requires successful passage through several consecutive gates, or stages, in the sales process. It is not unlike courtship. Both "customers" know that a rocky courtship spells trouble ahead. If the groom is not sufficiently solicitous during the courtship—if he's insensitive to moods and needs, unresponsive or wavering during stress or adversity—there will be problems in the marriage.

But unlike a real marriage, investment banking and installed boiler systems allow no room for divorce. Once the deal is made, marriage and gestation have simultaneously begun. After that, things are often irreversible. Investment banking may require months of close work with the client organization before the underwriting can be launched—that is, before the baby is born. And the construction of an electric power plant takes years, through sickness and in health. As with babies, birth of any kind presents new problems. Babies have to be coddled to see them through early life. Illness or relapse has to be conscientiously avoided or quickly corrected. Similarly, stocks or bonds should not go quickly to deep discounts. The boiler should not suddenly malfunction after several weeks or months. If it does, it should be rapidly restored to full use. Understandably, the prospective customer will, in courtship, note every nuance carefully, judging always what kind of a husband and father the eager groom is likely to make.

The way the product is packaged (how the promise is presented in brochure, letter, design appearance), how it is personally presented, and by whom—all these become central to the product itself because they are elements of what the customer finally decides to buy or reject.

A product is more than a tangible thing, even a $100 million boiler system. From a buyer's viewpoint, the product is a promise, a cluster of value expectations of which its nontangible qualities are as integral as its tangible parts. Certain conditions must be satisfied before the prospect buys. If they are not satisfied, there is no sale. There would have been no sale in the cases of the investment banker and the boiler manufacturer if, during the prebidding (or courtship) stages of the relationship, their representatives had been improperly responsive to or insufficiently informed about the customers' special situations and problems.

In each case, the promised product—the whole product—would have been unsatisfactory. It is not that it would have been incomplete; it just would not have been right. Changing the salespeople in midstream probably would not have helped, since the selling organization would by then have already "said" the wrong thing about its "product." If, during the courtship, the prospective customer got the impression that there might be aftermarket problems—problems in execution, in timeliness, in the postsale support necessary for smooth and congenial relations—then the customer would have received a clear message that the delivered product would be faulty.

Special Problems for Intangibles

So much, briefly, for making a sale—for getting a customer. *Keeping* a customer is quite another thing, and on that score more pervasively intangible products encounter some distinct difficulties.

These difficulties stem largely from the fact that intangible products are highly people-intensive in their production and delivery methods. Corporate financial services of banks are, in this respect, not so different from hairdressing or consulting. The more people-intensive a product, the more room there is for personal discretion, idiosyncracy, error, and delay. Once a customer for an intangible product is sold, the customer can easily be unsold as a consequence of the underfulfillment of his expectations. Repeat buying suffers. Conversely, a tangible product, manufactured under close supervision in a factory and delivered through a planned and orderly network, is much more likely than an intangible product to fulfill the promised expectation. Repeat buying is therefore less easily jeopardized.

A tangible product is usually developed by design professionals working under conditions of benign isolation after receiving guidance from market intelligence experts, scientists, and others. The product will be manufactured by another group of specialists under conditions of close supervision that facilitate reliable quality control. Even installation and use by the customer are determined by a relatively narrow range of possibilities dictated by the product itself.

Intangible products present an entirely different picture. Consider a computer software program. The programmer does the required research directly and generally on the customer's premises, trying to understand complex networks of interconnecting operations. Then that same person designs the system and the software, usually alone. The process of designing is, simultaneously, also the process of manufacturing. Design and manufacturing of intangible products are generally done by the same people—or by one person alone, like a craftsman at a bench.

Moreover, manufacturing an intangible product is generally indistinguishable from its actual delivery. In situations such as consulting, the delivery *is* the manufacturing from the client's viewpoint. Though the consulting study may have been excellent, if the delivery is poor, the study will be viewed as having been badly manufactured. It's a faulty product. So too with the work of all types of brokers, educators and trainers, accounting firms, engineering firms, architects, lawyers, transportation companies, hospitals and clinics, government agencies, banks, trust companies, mutual funds, car rental companies, insurance companies, repair and maintenance operations, and on and on. For each, delivery and production are virtually indistinguishable. The whole difference is nicely summarized by Professor John M. Rathwell of Cornell University: "Goods are produced, services are performed."[1]

Minimizing the Human Factor

Because companies making intangible products are highly people-intensive operations, they have an enormous quality control problem. Quality control on an automobile assembly line is built into the system. If a yellow door is hung on a red car, somebody on the line will quickly ask if that's what was intended. If the left front wheel is missing, the person next in line, whose task is to fasten the lug bolts, will stop the line. But if a commercial banker misses an important feature of a financing package or if he doesn't do it well, it may never be found—or found too late. If the ashtrays aren't cleaned on a rented car, that discovery will annoy or irritate the already committed customer. Repeat business gets jeopardized.

No matter how well trained or motivated they might be, people make mistakes, forget, commit indiscretions, and at times are uncongenial—hence the search for alternatives to dependence on people. Previously in HBR, I have suggested a variety of ways to reduce people dependence in the so-called service industries. I called it the *industrialization of service*, which means substituting hard, soft, or hybrid technologies for totally people-intensive activities:

1. John M. Rathwell, *Marketing in the Service Sector* (Cambridge, Mass.: Winthrop Publishers, 1974), p. 58.

□ *Hard* technologies include automatic telephone dialing for operator-assisted dialing, credit cards for repetitive credit checking, and computerized monitoring of industrial processes. And the benefits are considerable. Automatic telephone switching is, for example, not only cheaper than manual switching but far more reliable.

□ *Soft* technologies are the substitution of division of labor for one-person craftsmanship in production—as, for example, organizing the work force that cleans an office building so that each worker specializes in one or several limited tasks (dusting, waxing, vacuuming, window cleaning) rather than each person doing all these jobs alone. Insurance companies long ago went to extensive division of labor in their applications processing—registering, underwriting, performing actuarial functions, issuing policies.

□ *Hybrid* technologies combine the soft and the hard. The floor is waxed by a machine rather than by hand. French fries are precut and portion packed in a factory for finishing in a fast-food restaurant in specially designed deep fryers that signal when the food is ready. A computer automatically calculates and makes all entries in an Internal Revenue Service form 1040 after a moderately trained clerk has entered the raw data on a console.

The managerial revolution Industrializing helps control quality and cut costs. Instead of depending on people to work *better*, industrialization redesigns the work so that people work *differently*. Thus, the same modes of managerial rationality are applied to service—the production, creation, and delivery of largely intangible products—that were first applied to production of goods in the nineteenth century. The real significance of the nineteenth century is not the industrial revolution, with its shift from animal to machine power, but rather the managerial revolution, with its shift from the craftsman's functional independence to the manager's rational routines.

In successive waves, the mechanical harvester, the sewing machine, and then the automobile epitomized the genius of that century. Each was rationally designed to become an assembled rather than a constructed machine, a machine that depended not on the idiosyncratic artistry of a single craftsman but on simple, standardized tasks performed on routine specifications by unskilled workers. This required detailed managerial planning to ensure proper design, manufacture, and assembly of interchangeable parts so that the right number of people would be at the right places at the right times to do the right simple jobs in the right ways. Then, with massive output, distribution, and aftermarket training and service, managers had to create and maintain systems to justify the massive output.

On Being Appreciated

What's been largely missing in intangible goods production is the kind of managerial rationality that produced the industrial revolution. That is why the quality of intangibles tends to be less reliable than it might be, costs higher than they should be, and customer satisfaction lower than it need be.

While I have referred to the enormous progress that has in recent years been made on these matters, there is one characteristic of intangible products that requires special attention for holding customers. Unique to intangible products is the fact that the customer is seldom aware of being served well. This is especially so in the case of intangible products that have, for the duration of the contract, constant continuity—that is, you're buying or using or consuming them almost constantly. Such products include certain banking services, cleaning services, freight hauling, energy management, maintenance services, telephones, and the like.

Consider an international banking relationship, an insurance relationship, an industrial cleaning relationship. If all goes well, the customer is virtually oblivious to what he's getting. Only when things don't go well (or a competitor says they don't) does the customer become aware of the product's existence or nonexistence—when a letter of credit is incorrectly drawn, when a competitive bank proposes better arrangements, when the annual insurance premium notice arrives or when a claim is disputed, when the ashtrays aren't cleaned, or when a favorite penholder is missing.

The most important thing to know about intangible products is that the *customers usually don't know what they're getting until they don't get it.* Only then do they become aware of what they bargained for; only on dissatisfaction do they dwell. Satisfaction is, as it should be, mute. Its existence is affirmed only by its absence.

And that's dangerous—because the customers will be aware only of failure and of dissatisfaction, not of success or satisfaction. That makes them terribly vulnerable to the blandishments of competitive sellers. A competitor can always structure a more interesting corporate financing deal, always propose a more imaginative insurance program, always find dust on top of the framed picture in the office, always cite small visible failures that imply big hidden ones.

In getting customers for intangibles it is important to create surrogates, or metaphors, for tangibility—how we dress; how we articulate, write, design, and present proposals,; how we work with prospects, respond to inquiries, and initiate ideas; and how well we show we understand the prospect's business. But in keeping customers for intangibles, it becomes important regularly to remind and show them what they're getting so that occasional failures fade in relative importance. If that's not done, the customers will not know. They'll only know when they're *not* getting what they bought, and that's all that's likely to count.

To keep customers for regularly delivered and consumed intangible products, again, they have to be reminded of what they're getting. Vendors must regularly reinstate the promises that were made to land the customer. Thus, when an insurance prospect finally gets "married," the subsequent silence and inattention can be deafening. Most customers seldom recall for long what kind of life insurance package they bought, often forgetting as well the name of both underwriter and agent. To be reminded a year later via a premium notice often brings to mind the contrast between the loving attention of courtship and the cold reality of marriage. No wonder the lapse rate in personal life insurance is so high!

Once a relationship is cemented, the seller has created equity. He has a customer. To help keep the customer, the seller must regularly enhance the equity in that relationship lest it decline and become jeopardized by competitors.

There are innumerable ways to do that strengthening, and some of these can be systematized, or industrialized. Periodic letters or phone calls that remind the customer of how well things are going cost little and are surprisingly powerful equity maintainers. Newsletters or regular visits suggesting new, better, or augmented product features are useful. Even nonbusiness socializing has its value—as is affirmed by corporations struggling in recent years with the IRS about the deductibility of hunting lodges, yachts, clubs, and spouses attending conferences and customer meetings.

Here are some examples of how companies have strengthened their relationships with customers:

□ An energy management company sends out a periodic "Update Report" on conspicuous yellow paper, advising clients how to discover and correct energy leaks, install improved monitors, and accomplish cost savings.

□ A computer service bureau organizes its account managers for a two-week series of blitz customer callbacks to "explain casually" the installation of new central processing equipment that is expected to prevent cost increases next year while expanding the customers' interactive options.

□ A long-distance hauler of high-value electronic equipment (computers, terminals, mail sorters, word processors, medical diagnostic instruments) has instituted quarterly performance reviews with its shippers, some of which include customers who are encouraged to talk about their experiences and expectations.

□ An insurance company sends periodic one-page notices to policyholders *and* policy beneficiaries. These generally begin with a single-sentence congratulation that policy and coverage remain nicely intact and follow with brief views on recent tax rulings affecting insurance, new notions about personal financial planning, and special protection packages available with other types of insurance.

In all these ways, sellers of intangible products reinstate their presence and performance in the customers' minds, reminding them of their continuing presence and the value of what is constantly, and silently, being delivered.

Making Tangible the Intangible

It bears repeating that all products have elements of tangibility and intangibility. Companies that sell tangible products invariably promise more than the tangible products themselves. Indeed, enormous efforts often focus on the enhancement of the intangibles—promises of bountiful benefits conferred rather than on features offered. To the buyer of photographic film, Kodak promises with unremitting emphasis the satisfactions of enduring remembrance, of memories clearly preserved. Kodak says almost nothing about the superior luminescence of its pictures. The product is thus remembrance, not film or pictures.

The promoted products of the automobile, as everyone knows, are largely status, comfort, and power—intangible things of the mind, rather than tangible things from the factory. Auto dealers, on the other hand, assuming correctly that people's minds have already been reached by the manufacturers' ads, focus on other considerations: deals, availability, and postpurchase servicing. Neither the dealers nor the manufacturers sell the tangible cars themselves. Rather, they sell the intangible benefits that are bundled into the entire package.

If tangible products must be intangibilized to add customer-getting appeal, then intangible products must be tangibilized—what Professor Leonard L. Berry calls "managing the evidence."[2] Ideally, this should be done as a matter of routine on a systematic basis—that is, industrialized. For instance, hotels wrap their drinking glasses in fresh bags or film, put on the toilet seat a "sanitized" paper band, and neatly shape the end piece of the toilet tissue into a fresh-looking arrowhead. All these actions say with silent affirmative clarity that "the room has been specially cleaned for your use and comfort"—yet no words are spoken to say it. Words, in any case, would be less convincing, nor could employees be reliably depended on to say them each time or to say them convincingly. Hotels have thus not only tangibilized their promise, they've also industrialized its delivery.

Or take the instructive case of purchasing house insulation, which most home owners approach with understandable apprehension. Suppose you call two companies to bid on installing insulation in your house. The first insulation installer arrives in a car. After pacing once around the house with measured self-assurance and after quick calculations on the back of an envelope, there comes a confident quote of $2,400 for six-inch fiberglass—total satisfaction guaranteed.

Another drives up in a clean white truck with clipboard in hand and proceeds to scrupulously measure the house dimensions, count the windows, crawl the attic, and consult records from a source book on the area's seasonal temperature ranges and wind velocities. The installer then asks a host of questions, meanwhile recording everything with obvious diligence. There follows a promise to return in three days, which happens at the appointed hour, with a typed proposal for six-inch fiberglass insulation at $2,800—total satisfaction guaranteed. From which company will you buy?

The latter has tangibilized the intangible, made a promise into a credible expectation. Even more persuasive tangible evidence is provided by an insulation supplier whose representative types the relevant information into a portable intelligent printing terminal. The analysis and response are almost instant, causing one user to call it "the most powerful tool ever developed in the insulation industry." If the house owner is head of a project buying team of an electric utility company, the treasurer of a mighty corporation, the materials purchasing agent of a ready-mixed cement company, the transportation manager of a fertilizer manufacturer, or the data processing director of an insurance company, it's almost certain this person will make vendor decisions at work in the same way as around the house. Everybody requires the risk-reducing reassurances of tangibilized intangibles.

Managers can use the practice of providing reassuring ways to render tangible the intangible's promises—even when the generic product is itself tangible. Laundry detergents that claim special whitening capabilities lend credibility to the promise by using "blue whitener beads" that are clearly visible to the user. Procter & Gamble's new decaffeinated instant coffee, "High Point," reinforces the notion of real coffee with luminescent "milled flakes for hearty, robust flavor." You can *see* what the claims promise.

Keeping customers for an intangible product requires constant reselling efforts while things go well lest the customer get lost when things go badly. The reselling requires that tasks be industrialized. The relationship with the customer must be managed much more carefully and continuously in the case of intangibles than of tangible products, though it is vital in both. And it gets progressively more vital for tangible products that are new and especially complex. In such cases, "relationship management" becomes a special art—another topic all its own.

Meanwhile, the importance of what I've tried to say here is emphasized by one overriding fact: a customer is an asset usually more precious than the tangible assets on the balance sheet. Balance sheet assets can generally be bought. There are lots of willing sellers. Customers cannot so easily be bought. Lots of eager sellers are offering them many choices. Moreover, a customer is a double asset. First, the customer is the direct source of cash from the sale and, second, the existence of a solid customer can be used to raise cash from bankers and investors—cash that can be converted into tangible assets.

The old chestnut "nothing happens till you make a sale" is awfully close to an important truth. What it increasingly takes to make and keep that sale is to tangibilize the intangible, restate the benefit and source to the customer, and industrialize the processes.

2. Leonard L. Berry, "Service Marketing Is Different," *Business*, May–June 1980, p. 24. He is with the University of Virginia, Charlottesville.

To Call Forth a Concept

It is impossible to dissociate language from science or science from language, because every natural science always involves three things: the sequence of phenomena on which the science is based; the abstract concepts which call these phenomena to mind; and the words in which the concepts are expressed. To call forth a concept a word is needed; to portray a phenomenon, a concept is needed. All three mirror one and the same reality.

From Antoine Laurent Lavoisier, *Traite Elementaire de Chimie*.