

Product Levels: The Customer-Value Hierarchy

In planning its market offering, the marketer needs to address **five product levels** (see below) Each level adds more customer value, and the five constitute a **customer-value hierarchy**.

1. The **fundamental** level is the **core benefit**: the **service** or **benefit** the customer is **really buying**.
 - A hotel guest is buying **rest** and **sleep**.
 - The purchaser of a drill is buying **holes**.
 - Marketers must see themselves as benefit providers.
2. At the **second** level, the marketer must turn the core benefit into a **basic product**. Thus a hotel room includes a *bed, bathroom, towels, desk, dresser, and closet*.
3. At the **third** level, the marketer prepares an **expected product**, a set of **attributes** and **conditions** buyers **normally expect** when they purchase this product. Hotel guests minimally expect a clean bed, fresh towels, working lamps, and a relative degree of quiet.
4. At the **fourth** level, the marketer prepares an **augmented product** that exceeds customer expectations.
 - In developed countries, **brand positioning** and **competition** take place at this level.
 - In developing and emerging markets such as India and Brazil, however, competition takes place **mostly** at the **expected product level**.
5. At the **fifth** level stands the **potential product**, which encompasses all the **possible augmentations** and transformations the product or offering might undergo **in the future**. Here is where companies search for new ways to satisfy customers and distinguish their offering.

