

# **PRODUCT AND BRAND MANAGEMENT**

## **MM-408**

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# **LESSON NO. 1**

## **PRODUCT PLANNING AND MANAGEMENT**

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### **STRUCTURE**

- 1.0 Objectives
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### **1.0 OBJECTIVES**

After reading this lesson you will be able to understand:

- The concept of product
- Classification of product
- Levels of product
- Management of product line extensions.

### **1.1 INTRODUCTION**

The competitive marketing is all about war, warriors and wealth. In their bid to generate more wealth, marketers have always struggled to

discover new warriors. The warriors would effectively decimate the competition. But decimation of competition is not the end in itself. It is a destruction of competition in serving the markets where from the springs of wealth emanate. Time is witness to the rise or fall of various 'means' which corporate strategies devised and developed to meet the battlefield challenges. For long marketers relied on what lied inside business system. They used the superiority of manufacturing or scale or sales for winning the marketing war. It did deliver them superiority. But in the recent new emergent business environment, superiority of manufacturing does not guarantee success. The parity in products, resources, system and processes are eroding the value of old approaches of wealth creation. Good product is essential for gaining entry into the marketing game, but it is not sufficient. The new free business environment easily enables any marketer to make a product, as good as the best in the industry. Quality products are common, but very few succeed among them.

## **1.2 PRODUCT CONCEPT**

The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A product orientation leads a company to try constantly to improve the quality of its product. Under this concept, it is believed by the managers that consumers prefer well-made products and can appreciate better quality and performance. Organizations that are devoted to the product concept of marketing, believe that consumers would automatically favour for products of high quality. The managers of these organizations spend considerable energy, time and money on research and development to introduce quality and variations in products. However, some of the mangers are caught up in a love affair with their product and do not even realize that the product is not required in the market. This particular situation is described as kind of attribute to their products but if the consumers are not aware of

regarding the availability, how can they go for purchasing that particular product.

### **1.3 DEFINITIONS**

- (a) Product is the bundle of utilities by which it can satisfy the needs of the users.
- (b) Product is anything that can be offered to a market to satisfy a want or need.
- (c) Product is a set of tangible and intangible attributes, including packing, colour, price, manufacturer's prestige, retailer's prestige, manufacturer and retailer's services, which the buyer may accept as offering satisfaction of wants, or needs.
- (d) Product is anything, which can be marketed in terms of physical goods, services, experiences, events, persons, places, parties, organizations, information, and ideas.

### **1.4 PRODUCT LEVELS**

In planning its market offering, the marketer needs to think through five levels of product. Each level adds more customer value, and the five constitute customer value hierarchy.

The most fundamental level is the core benefit: the fundamental service or benefit that 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 benefit providers.

At the second level, the marketer has to turn the core benefit into a basic product. Thus a hotel room includes a bed, bathroom, towels, desk, etc.

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 expect a clean bed, fresh towels, working lamps, and a relative degree of quiet. Because most hotels can meet this minimum expectation, the traveller normally will settle for whichever hotel is most convenient or least expensive.

At the fourth level, the marketer prepares an augmented product that exceeds customer expectations. A hotel can include a remote-control television set, fresh flowers, rapid check-in, express checkout, and fine dining and room services.

Today's competition essentially takes place at the product-augmentation level. (In less developed countries, competition takes place mostly at the expected product level). Product augmentation leads the marketer to look at the user's total consumption system: the way the user performs the tasks of getting and using products and related services. According to Levitt, the new competition is not between what companies produce in their factories, but between what they add to their factory output in the "form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value."

Some important points should be noted about product-augmentation strategy. First, each augmentation adds cost. Second, augmented benefits soon become expected benefits. Today's hotel guests expect a remote-control television set. This means competitors will have to search for still other features and benefits. Third, as companies raise the price of their augmented product, some competitors offer a "stripped-down" version at a much lower price.

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 offer. Richard Branson of Virgin Atlantic is thinking of adding a casino and a shopping mall in the 600-passenger planes that his company will acquire in the next few years and consider the customization platforms new e-commerce sites are offering, from which companies can learn by seeing what different customers prefer.

Successful companies add benefits to their offering that not only satisfy customers but also surprise and delight them. Delighting customers is a matter of exceeding expectations.

## **1.5 PRODUCT HIERARCHY**

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. We can identify six levels of the product hierarchy. It can be understood easily considering with the example of life insurance:

- (i) Need family: The core need that underlies the existence of a product family. Example: security.
- (ii) Product family: All the product classes that can satisfy a core need with reasonable effectiveness. Example: savings and income.
- (iii) Product class: A group of products within the product family recognized as having a certain functional coherence. Example: financial instruments.
- (iv) Product line: A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges. Example: life insurance.

- (v) Product type: A group of items within a product line that share one of several possible forms of the product. Example: term life.
- (vi) Item (also called stock keeping unit or product variant): A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. Example: Prudential renewable term life insurance.

Two other terms are frequently used with respect to the product hierarchy. A product system is a group of diverse but related items that function in a compatible manner. For example, the Handspring personal digital assistant comes with attachable Visor products including a phone, radio, pager, video games, e-books, MP-3 player, digital camera, and voice recorder.

A product mix (or product assortment) is the set of all products and items that a particular seller offers for sale to buyers.

## **1.6 PRODUCT CLASSIFICATIONS**

We are aware that a product has many intangible as well as tangible attributes. With this broad perspective in mind, it is now appropriate to consider products in identifiable groups. This can be done formally using a classification system, which aids product and market planning. Producers and marketers have traditionally classified products on the basis of characteristics such as durability, tangibility, and use (consumer or industrial). Each product type has an appropriate marketing-mix strategy. Products can be classified into three groups, according to durability and tangibility:

**1. Non-durable goods:** These are tangible goods normally consumed in one or a few uses, like beer and soap. Because these goods are consumed quickly and purchased frequently, the appropriate strategy

is to make them available in many locations, charge only a small mark-up, and advertise heavily to induce trial and build preference.

**2. Durable goods:** These are tangible goods that normally survive many uses: refrigerators, machine tools, and clothing. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.

**3. Service:** These are intangible, inseparable, variable, and perishable products. As a result, they normally require more quality control, supplier credibility, and adaptability. Examples include haircuts and repairs.

#### **(a) Consumer goods**

The vast array of consumer goods can be classified on the basis of shopping habits. We can distinguish among convenience, shopping, specialty, and unsought goods.

I. *Convenience goods* are those the customer usually purchases frequently, immediately, and with a minimum of effort. Examples include tobacco products, soaps, and newspapers. Convenience goods can be further divided as *Staples convenience goods*. These goods are consumed by most people every day or on a regular basis. A buyer might routinely purchase milk, bread and potatoes. *Impulse convenience goods* are purchased without any planning or search effort. The decision to make an impulse purchase is made on the spot. Candy bars and magazines are impulse goods. *Emergency convenience goods* are purchased when a need is urgent. Examples include umbrellas during a rainstorm, boots and shovels during the first winter snowstorm; Manufacturers of emergency goods will place them in many outlets to capture the sale.

II. *Shopping goods* are goods that the customer, in the process of selection and purchase, characteristically compares on such bases as



suitability, quality, price, and style. Examples include furniture, clothing, used cars, and major appliances. Shopping goods can be further divided, as *Homogeneous shopping goods* are similar in quality but different enough in price to justify shopping comparisons. *Heterogeneous shopping goods* differ in product features and services that may be more important than price. The seller of heterogeneous shopping goods carries a wide assortment to satisfy individual tastes and must have well-trained salespeople to inform and advise customers.

III. *Specialty goods* have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort. The market for such goods is small but prices and profits are high. Consumers of specialty goods pay for prestige as well as the product itself. Examples include cars, stereo components, photographic equipment, and men's suits. A Mercedes is a specialty good because interested buyers will travel far to buy one. Specialty goods do not involve making comparisons; buyers invest time only to reach dealers carrying the wanted products. Dealers do not need convenient locations; however, they must let prospective buyers know their locations.

IV. *Unsought goods* are those the consumer does not know about or does not normally think of buying, like smoke detectors. The classic examples of known but unsought goods are life insurance, cemetery plots, gravestones, and encyclopaedias. Unsought goods require advertising and personal-selling support.

## **(b) Industrial goods**

Industrial goods can be classified in terms of how they enter the production process and their relative costliness. We can distinguish three groups of industrial goods: materials and parts, capital items, and supplies and business services. Materials and parts are goods that enter

the manufacturer's product completely. They fall into two classes– raw materials and manufactured materials and parts.

I. *Raw materials* fall into two major classes– *farm products* (e.g. wheat, cotton, livestock, fruits, and vegetables) and *natural products* (e.g., fish, crude petroleum, iron ore). Farm products are supplied by many producers, who turn them over to marketing intermediaries, who provide assembly, grading, storage, transportation, and selling services. Their perishable and seasonal nature gives rise to special marketing practices. Their commodity character results in relatively little advertising and promotional activity, with some exceptions. At times, commodity groups will launch campaigns to promote their product, e.g. potatoes, prunes, milk. *Natural products* are limited in supply. They usually have great bulk and low unit value and must be moved from producer to user. Fewer and larger producers often market them directly to industrial users. Because the users depend on these materials, long-term supply contracts are common. The homogeneity of natural materials limits the amount of demand-creation activity. Price and delivery reliability are the major factors influencing the selection of suppliers. *Manufactured materials and parts* fall into two categories– component materials (iron, yarn, cement, wires) and component parts (small motors, tires, castings). *Component materials* are usually fabricated further, e.g. pig iron is made into steel, and yarn is woven into cloth. The standardised nature of component materials usually means that price and supplier reliability are key purchase factors. *Component parts* enter the finished product with no further change in form, as when small motors are put into vacuum cleaners, and tires are put on automobiles. Most manufactured materials and parts are sold directly to industrial users. Price and service are major marketing considerations, and branding and advertising tend to be less important.

II. *Capital items* are long-lasting goods that facilitate developing or managing the finished product. They include two groups: installations and equipment. Installations consist of buildings (factories, offices) and equipment (generators, drill presses, mainframe computers, elevators). *Installations* are major purchases. They are usually bought directly from the producer, with the typical sale preceded by a long negotiation period. The producer's sales force includes technical personnel. Producers have to be willing to design to specification and to supply post sale services. Advertising is much less important than personal selling. *Equipment* comprises portable factory equipment and tools (hand tools, lift trucks) and office equipment (personal computers, desks). These types of equipment do not become part of a finished product. They have a shorter life than installations but a longer life than operating supplies. Although some equipment manufacturers sell direct, more often they use intermediaries, because the market is geographically dispersed, the buyers are numerous, and the orders are small. Quality, features, price, and service are major considerations. The sales force tends to be more important than advertising, although the latter can be used effectively.

III. *Supplies* are short-lasting goods and services that facilitate developing or managing the finished product. Supplies are of two kinds—*maintenance and repair items* (paint, nails, brooms), and *operating supplies* (lubricants, coal, writing paper, pencils). Together, they go under the name of MRO (maintenance, repair and operating) goods. Supplies are the equivalent of convenience goods; they are usually purchased with minimum effort on a straight rebuy basis. They are normally marketed through intermediaries because of their low unit value and the great number and geographic dispersion of customers. Price and service are important considerations, because suppliers are standardized and brand preference is not high.

IV. *Business services* include *maintenance and repair services* (window cleaning, copier repair) and *business advisory services* (legal, management consulting, advertising). Maintenance and repair services are usually supplied under contract by small producers or are available from the manufacturers of the original equipment. Business advisory services are usually purchased on the basis of the supplier's reputation and staff.

## **1.7 PRODUCT MIX**

The first task of a marketing planner is to answer the question "what products are we going to sell?" Since a marketing-oriented company sells bundles of customer satisfactions, and not merely physical products, the strategic task requires determinations of satisfaction, which the company proposes to sell to customers. This requires consideration of not only the functional aspects of the product but also its features, design, colour, style, price, distribution channels, after-sales services, etc.

A product mix (also called product assortment) is the set of all products and items that a particular seller offers for sale, e.g. Kodak's product mix consists of two strong product lines: information products and image products; Michelin has three product lines: tires, maps, and restaurant-rating services. A product mix consists of various product lines. In General Electric's Consumer Appliance Division, there are product-line managers for refrigerators, stoves, and washing machines. At Guru Jambheshwar University, there are separate academic deans for the management school, business economics school, pharmaceutical school, engineering school, journalism school, etc.

A company's product mix has a certain width, length, depth, and consistency. The width of a product mix refers to how many different product lines the company carries. The length of a product mix refers to

the total number of items in the mix. We can also talk about the average length of a line. This is obtained by dividing the total length by the number of lines. The depth of a product mix refers to how many variants are offered of each product in the line. If Crest comes in three sizes and two formulations (regular and mint), Crest has a depth of six. The average depth of P&G's product mix can be calculated by averaging the number of variants within the brand groups. The consistency of the product mix refers that how closely related various product lines are in end use, production requirements, distribution channels, or some other way. P&G's product lines are consistent insofar as they are consumer goods that go through the same distribution channels. The lines are less consistent insofar as they perform different functions for the buyers.

These four product mix dimensions permit the company to expand its business in four ways. It can add new product lines, thus widening its product mix. It can lengthen each product line. It can add more product variants to each product 'and deepen its product mix'. Finally, a company can pursue more product-line consistency.

## **1.8 PRODUCT-LINE DECISIONS**

It is a group of products that is closely related because they perform a similar function, targeted at the same customer groups, and marketed through the same channels. In offering a product line, companies normally develop a basic platform and modules that can be added to meet different customer requirements. Car manufacturers build their cars around a basic platform. Homebuilders show a model home to which additional features can be added. This modular approach enables the company to offer variety while lowering production costs. Product-line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest, or divest. They also need to understand each product line's market profile.

A product line is too short if profits can be increased by adding items; the line is too long if profits can be increased by dropping items. Company objectives influence product-line length. One objective is to create a product line to induce up selling. Thus T.V. manufacturing company would like to move customers up from the 14" to the 20" to 21" series. A different objective is to create a product line that facilitates cross selling; Hewlett-Packard sells printers as well as computers. Still another objective is to create a product line that protects against economic ups and downs; thus the GAP runs various clothing-store chains (Old Navy, GAP, Banana Republic) covering different price points in case the economy moves up or down. Companies seeking high market share and market growth will generally carry longer product lines. Companies that emphasize high profitability will carry shorter lines consisting of carefully chosen items.

Product lines tend to lengthen over time. Excess manufacturing capacity puts pressure on the product-line manager to develop new items. The sales force and distributors also pressure the company for a more complete product line to satisfy customers; but as items are added, several costs rise: design and engineering costs, inventory-carrying costs, manufacturing-changeover costs, order-processing costs, transportation costs, and new-item promotional costs. Eventually, someone calls a halt. Top management may stop development because of insufficient funds or manufacturing capacity. The controller may call for a study of money-losing items. A pattern of product-line growth followed by massive pruning may repeat itself many times. A company lengthens its product line in two ways: by line stretching and line filling. The important attributes associated with product line are discussed below:

## **Line stretching**

Every company's product line covers a certain part of the total possible range. Line stretching occurs when a company lengthens its product line beyond its current range. Decisions pertaining to line stretching are taken whenever the marketer feels he can increase his profits by either adding or dropping items from the line. It can be stretched down market, up-market, or both ways.

I. Down market Stretch: A company positioned in the middle market may want to introduce a lower-priced line for any of three reasons: (i) The company may notice strong growth opportunities as mass-retailers such as Wal-Mart, Best Buy, and others attract a growing number of shoppers who want value-priced goods. (ii) The company may wish to tie up lower end competitors who might otherwise try to move up market. If a low end competitor has attacked the company it often decides to counter attack by entering the low end of the market. (iii) The company may find that the middle market is stagnating or declining. A company faces a number of naming choices in deciding to move down market. Sony, for example, faced three choices.

II. Up-market Stretch: It occurs when a company enters the upper end through a line extension or companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers. Many markets have initiated surprising upscale segments: Starbucks in coffee, Haagen Dazs in ice cream, and Evian in bottled water. The leading Japanese auto companies have each introduced an upscale automobile: Toyota's Lexus; Nissan's Infinity; and Honda's Acura. Note that they invented entirely new names rather than using or including their own names.

III. Two-way stretch: Companies serving the middle market might decide to stretch their line in both directions. Texas Instruments

(TI) introduced its first calculators in the medium-price-medium-quality end of the market. Gradually, it added calculators at the lower end, taking market share away from Bowmar, and at the higher end to compete with Hewlett-Packard. This two-way stretch won TI early market leadership in the hand calculator market. The Marriott Hotel group also has performed a two-way stretch of its hotel product line. Marriott International develops lodging brands in the most profitable segments in the industry. In order to determine where these opportunities lie, Marriott conducts extensive consumer research to uncover distinct consumer targets and develop products targeted to those needs in the most profitable areas. Examples of this are the development of the JW Marriott line in the upper upscale segment, Courtyard by Marriott in the upper mid-scale segment and Fairfield Inn in the lower mid-scale segment. By basing the development of these brands on distinct consumer targets with unique needs, Marriott is able to ensure against overlap between brands.

### **Line filling**

Adding more items within the present range can also lengthen a product line. There are several motives for *line filling*: reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, trying to be the leading full-line company, and trying to plug holes to keep out competitors. Line filling is overdone if it results in self-cannibalization and customer confusion. The company needs to differentiate each item in the consumer's mind. Each item should possess a just-noticeable difference.

### **Line modernization**

Even when the product line length is adequate, the line might need to be modernised. The issue is whether to overhaul the line piecemeal or



all at once. A piecemeal approach allows the company to see how customers and dealers take to the new style. It is also less draining on the company's cash flow, but it allows competitors to see changes and to start redesigning their own lines. In rapidly changing product markets, modernization is carried on continuously. Because competitors are constantly upgrading their options, each company must redesign their own offering. A company would like to upgrade customers to higher-valued, higher-priced items. A major issue is the timing of the product line improvement so that they do not happen early and damages the sales of their current product line, or come out too late so that the competitors can establish a strong foothold.

### **Line featuring**

In the case of durable products, marketers at times select one or a few items in the line to "feature". The idea is to attract consumers into the showrooms and then try to get them exposed to other models. At times, the planners will feature a high-end item to lend prestige to the product line. These products act as "flagships" to enhance the whole line. Sometimes a company finds one end of its line selling well and the other end selling poorly. The company may try to boost demand for the slower sellers, especially if they are produced in a factory that is idled by lack of demand. This situation faced Honeywell when its medium-sized computers were not selling as well as its large computers, but it could be counter argued that the company should promote items that sell well rather than try to prop up weak items.

Product-line managers must periodically review the line for deadwood that is depressing profits. Unilever recently cut down its portfolio of brands from 1,600 to 970 and may even prune more to 400. The weak items can be identified through sales and cost analysis. A chemical company cut down its line from 217 to the 93 products with the

largest volume, the largest contribution to profits, and the greatest long-term potential. Pruning is also done when the company is short of production capacity. Companies typically shorten their product lines in periods of tight demand and lengthen their lines in periods of slow demand.

## **1.9 MANAGING LINE EXTENSIONS**

There are several factors, which can explain why so many companies have pursued line extensions as their marketing strategies. These are being discussed as under:

### **Customer segmentation**

Managers perceive line extensions as a low-cost, low-risk way to meet the needs of various customer segmentation and by using more sophisticated and lower-cost market research and direct marketing techniques, they can identify and target finer segments more effectively than ever before. In addition, the quality of audience-profile information for television, radio and print media has improved; managers can now translate complex segmentation schemes into effective advertising plans.

### **Consumer desires**

Consumers are switching brands and trying products they have never used before. Line extensions try to satisfy the desire for “something different” by providing a wide variety of products under a single umbrella. Such extensions, companies’ hope fulfils customer desires while keeping them loyal to the brand franchise. The Gujarat Milk Marketing Federation launched a host of milk-based products under the brand name Amul. Similarly, SmithKline Beecham made an entry into the faster growing brown beverages segments with its Chocolate Horlicks brand to counter the established Cadbury’s brand Bournvita.

Line extensions can help a brand increase its share of shelf space thus gaining higher visibility and attracting consumer attention. When marketers coordinate the packaging and labelling across all items in a brand line, they can achieve an attention getting billboard effect on the store shelf or the display stand thus leverage the brand's equity. However, building enough volumes to offset the additional costs required for such extensions is also necessary.

### **Pricing breadth**

Marketers often extend the line on superior quality platform and set higher prices for the new offering than their core items. In markets subjects to slow volume growth, marketers can increase unit profitability by attracting current customers move up to the "premium" products. In this way a marketer also lends "prestige" to its product line.

Similarly, some line extensions are priced lower than the lead product. For example, American Express offers its Optima card for a lower annual fee than its standard card. Extensions give marketers the opportunity to offer a broader range of price-points in order to capture a wider audience, and thereby serve as "volume builders".

### **Excess capacity**

On some occasions companies added new product lines to make use of their excess capacity or to improve efficiency and the quality of existing products. In fact, excess capacity encourages the introduction of line extension that require only minor adaptations to current products.

### **Short-term gain**

Line extensions offer the most inexpensive and least imaginative way to increase sales quickly. The development time and costs of line extensions are far more predictable than they are for altogether new

products. In fact, few brand managers are willing to spend the time or assume the career risk of introducing new products in this crossed market.

### **Competitive intensity**

Mindful of the link between market share and profitability, managers often see extensions as a short-term competitive device that increases a brand's control over limited retail shelf space and, if overall category can be expanded, also increase the space available to the entire category.

### **Trade pressure**

The proliferation of retail channels for consumer products compels marketers to offer broad and varied product lines. Retailers object to the proliferation of marginally differentiated and "me too" line extensions of additional stock-keeping units (SKU). They instead, demand special package size to meet their specific customer demand (e.g. bulk packages or multi-packs of low-price, variety) or derivative models impede comparison-shopping by consumers.

### **Emerging a brand**

A line extension can be an effective way to make a brand more relevant, interesting, and visible. In doing so, it can create a basis for differentiation, build and audience for the advertising of an old brand (though the brand may be healthy), and stimulate sales. This would give new as well as old customers sufficient reason to buy the brand.

### **Exploitation of variety fulfilment**

A brand may be stretched across multiple product categories to take advantage of a common and important consumer benefit existing in

both, the products and the consumer perceptions. This is the common benefit of exploitation strategy, which ensures that sales in the other categories do not affect the parent brand. Line extensions can also increase a brand's consumer share of requirements within a given product category.

### **Expanding a brand's core promise to new users**

A brand may have a strong image that promotes loyalty and exclusiveness. A line extension can extend that promise. In fact, line extensions can perform the role of continually improving the core brand. Intelligent line extensions may be used as means to attract users who buy multiple brands.

### **Managing true innovation**

Line extension is an effective way to foster and manage true innovation, thereby enhancing the value proposition, expanding the usages context, and blocking competitive entry.

### **Blocking or inhibiting competitors**

Although niche markets may represent marginal businesses, they may strategically represent important foothold for competitors. Line extensions have the potential of inhibiting or neutralising moves by competitor. Failure to see this aspect may result in adverse consequences for market leaders, as can be seen from what happened to competitors like Tomco, Calcutta Chemicals, etc. who permitted new companies to gain a toehold in their respective industries.

### **Managing a dynamic environment**

Line extensions provide a way to survive in an environment full of ambiguities and transitory signals and forces. If the company does not

extend line it may face the risk that if a segment is created corresponding to the “new” product, such a segment may be a precursor to a larger trend that, if ignored, might generate a strategically altered landscape with a first-mover competitor holding a considerable advantage.

### **Testing ground for national launch**

Product line extensions can also be effective ways to test-market product improvements and at the same time enter emerging segments. Thus, logic seems to be on the rise for any new launch to assess the pulse of the market in a competitive environment.

### **1.10 SUMMARY**

The product abundance is visible in the over crowded shelves. There is virtual product explosion in various categories. The tragedy is, only few of them win consumer’s heart and soul. The rest languish to be later on pulled out. There is a very thin line between the category of winners and losers. The losers start as product and die at store shelves as products. But winners start as product in the factory and go on to become brands in consumer’s hearts and minds. Brands are bridges between the factories where assembly take place and the consumer who seek end goals and values. It is this connection makes them true generator of corporate wealth and power. The value of a business is now determined by the brands it holds rather than the conventional assets it posses. Every company’s product portfolio contains products with different margins. Supermarkets make almost no margin on bread and milk; reasonable margins on canned and frozen foods; and even better margins on flowers, ethnic food lines, and freshly baked goods. A local telephone company makes different margins on its core telephone service; call waiting, caller ID, and voice mail. The main point is that companies should recognize that these items differ in their potential for being priced higher or advertised more as ways to increase their sales,

margins, or both. The product-line manager must review how the line is positioned against competitors' lines.

### 1.11 KEYWORDS

**Product management decisions:** It encompasses all decisions incidental to creating, maintaining and presenting the optimum bundle of need satisfiers that the organisation is capable of offering.

**Product mix:** It refers to the total products offered by an organisation.

**Product line:** Group of products within the product mix that can be classified together on account of criteria like customer needs, markets served, channel used or technology employed.

**Convenience goods:** Those goods which the customer usually purchases frequently, immediately, and with a minimum of effort.

**Shopping goods:** Those goods that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style.

### 1.12 SELF ASSESSMENT QUESTIONS

1. Explain the concept of product and product management, with suitable examples.
2. Describe the types of product and also discuss its levels and hierarchy.
3. What do understand by product lines? Discuss the attributes associated with product line management.
4. Write detailed note on the product mix.

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## **LESSON NO. 2**

### **PRODUCT LIFE CYCLE AND MARKETING STRATEGIES**

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#### **STRUCTURE**

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Product life cycle
- 2.3 PLC patterns
- 2.4 Style, fashion, and fad life cycles
- 2.5 Marketing strategies concerning the stages of product life cycle
- 2.6 The product life cycle as a management tool
- 2.7 Product life-cycle concept: critique
- 2.8 Summary
- 2.9 Keywords
- 2.10 Self Assessment Questions
- 2.11 References/Suggested Readings

#### **2.0 OBJECTIVES**

After studying this lesson, you should be able to understand-

- Concept of product life cycle.
- Implications of marketing strategies for product life cycle.
- Product life cycle as management tool.
- Critical evaluation of product life cycle concept.

## **2.1 INTRODUCTION**

The idea of product life cycle (PLC) is the hub of the product strategy. It is based upon the premise that a new product enters a 'life cycle' once it is launched in the market. The product has a 'birth' and 'death'- its introduction and decline. The intervening period is characterised by growth and maturity. By considering a product's course through the market in this way, it is possible to design marketing strategies appropriate to the relevant stage in the product's life. In addition to the stages outlined, an additional stage is often discussed- that of saturation, a levelling off in sales once maturity is reached and prior to decline. A company's positioning and differentiation strategy must change as the product, market, and competitors change over time. To say a product has a life cycle is to assert four things:

- (i) Products have a limited life.
- (ii) Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- (iii) Profits rise and fall at different stages of the product life cycle.
- (iv) Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

## **2.2 PRODUCT LIFE CYCLE**

Most product life-cycle curves are portrayed as bell-shaped. These curves are typically divided into four stages: introduction, growth, maturity, and decline.

1. *Introduction:* A period of slow sales growth as the product is introduced in the market. Profits- are nonexistent because of the heavy expenses incurred with product introduction.

2. *Growth*: A period of rapid market acceptance and substantial profit improvement.

3. *Maturity*: A period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.

4. *Decline*: The period when sales show a downward drift and profits erode. The PLC is influenced by the following factors.

- a) The intrinsic nature of the product itself.
- b) Changes in the macro environment.
- c) Changes in consumer preferences, which are affected by macro and microenvironment.
- d) Competitive action.

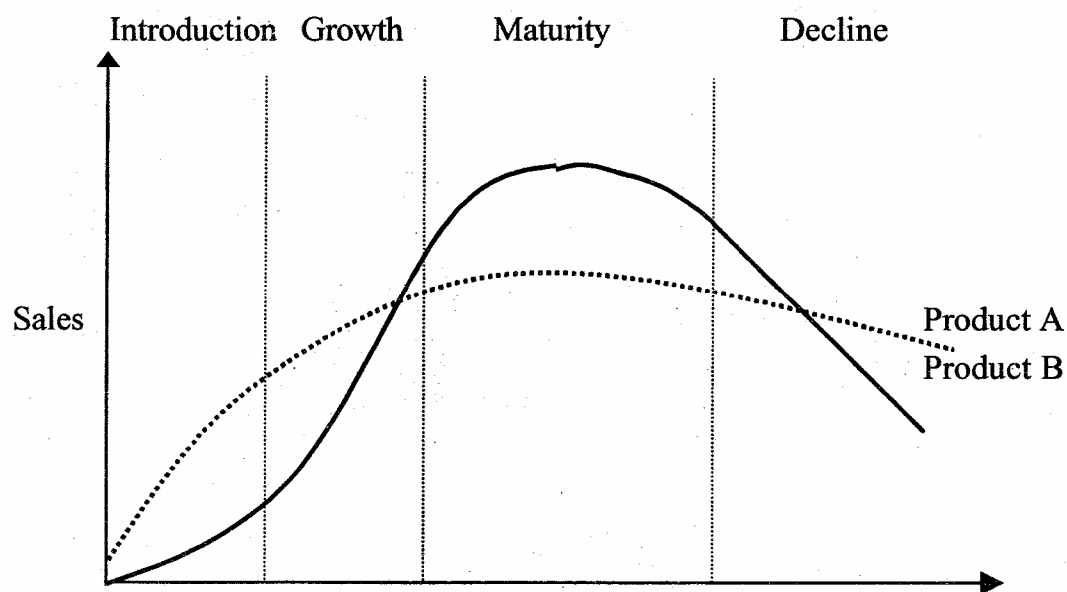


FIGURE 2.1: STAGES OF PRODUCT LIFE CYCLE

In strategic terms, the task of marketing management is to:

- (i) Estimate the likely shape of the total curve.
- (ii) Design an appropriate strategy for each stage.

Figure 2.1 shows the courses for hypothetical life cycles of two different products. Because the marketing environment is essentially dynamic, even basically similar products are likely to react differently during their life span.

The last task is perhaps the most difficult, because the designation of each stage is somewhat arbitrary. The value of the concept is that once the stage has been identified, markets can be seen to display certain characteristics, which suggest specific strategy reactions.

### 2.3 PLC PATTERNS

The PLC concept can be used to analyze a product category (liquor), a product form (white liquor), a product (vodka), or a brand (Smirnoff). Not all products exhibit a bell-shaped PLC. Three common alternate patterns are shown in Figure 2.2. Figure 2.2 (a) shows a growth-slump-maturity pattern, often characteristic of small kitchen appliances. Some years ago, sales of electric knives grew rapidly when the product was first introduced and then fell to a “petrified” level. The petrified level is sustained by the late adopters buying the product for the first time and early adopters replacing the product.

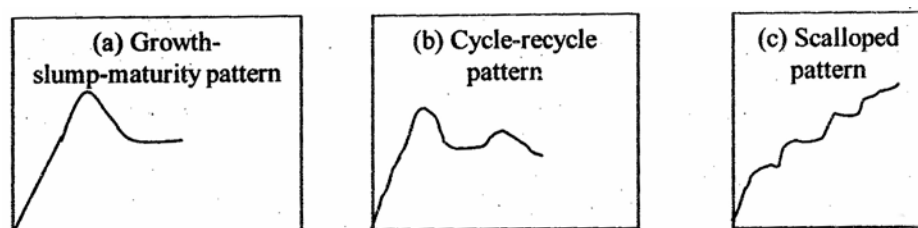


FIGURE 2.2: COMMON PRODUCT LIFE-CYCLE PATTERNS

The *cycle-recycle pattern* in Figure 2.2 (b) often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, and this produces the first cycle. Later, sales start declining and the company give the drug another promotion push, which produces a second cycle (usually of smaller magnitude and duration).

Another common pattern is the *scalloped PLC* in Figure 2.2 (c). Here sales pass through a succession of life cycles based on the discovery of new-product characteristics, uses, or users. Nylon's sales, for example, show a scalloped pattern because of the many new uses-parachutes, hosiery, shirts, carpeting, boat sails, automobile tires that continue to be discovered over time.

## 2.4 STYLE, FASHION, AND FAD LIFE CYCLES

Three special categories of product life cycles should be distinguished-styles, fashions, and fads (Figure 2.3). A style is a basic and distinctive mode of expression appearing in a field of human endeavour. Styles appear in homes (colonial, ranch, Cape Cod); clothing (formal, casual, funky); and art (realistic, surrealistic, abstract). A style can last for generations, and go in and out of vogue. A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline. A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline. A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline.

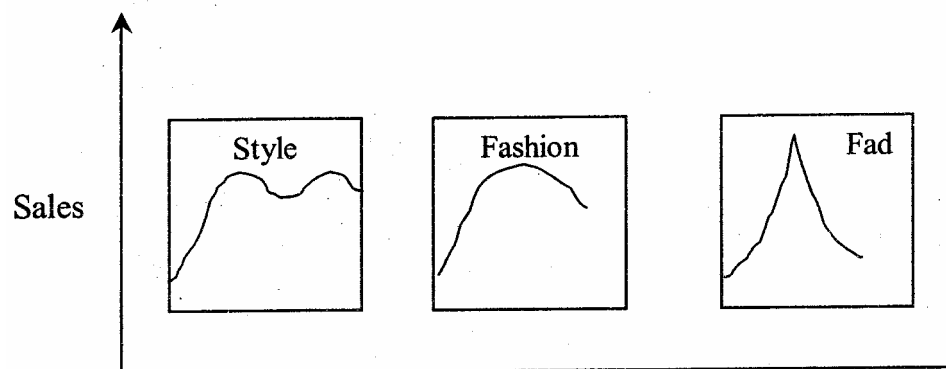


FIGURE 2.3: PRODUCT LIFE CYCLES IN TERMS OF STYLE, FASHION AND FAD

The length of a fashion cycle is hard to predict. Chester Wasson believes that fashions end because they represent a purchase compromise, and consumers start looking for missing attributes. For example, as automobiles become smaller, they become less comfortable, and then a growing number of buyers start wanting larger cars.

Furthermore, too many consumers adopt the fashion, thus turning others away. William Reynolds suggests that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following of those who are searching for excitement or want to distinguish themselves from others. They often have a novel or capricious aspect, such as body piercing and tattooing. Fads do not survive because they do not normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power.

## **2.5 MARKETING STRATEGIES CONCERNING THE STAGES OF PRODUCT LIFE CYCLE**

**1. Introduction:** The introduction stage takes time to roll out a new product and fill dealer pipelines; therefore, sales growth tends to be slow at this stage. Robert Buzzell identified several causes for the slow growth: delays in the expansion of production capacity; technical problems, delays in obtaining adequate distribution through retail outlets; and customer reluctance. Sales of expensive new products: high definition TVs are retarded by additional factors such as product complexity and fewer buyers. Profits are negative or low in the stage. Promotional expenditures are at their highest ratio to sales because of the need to (i) inform potential consumers, (ii) induce product trial, and (iii) secure distribution in retail outlets. Firms focus on those buyers who are the ready to buy, usually higher-income groups. Prices tend to be high because costs are high. Companies that plan to introduce a new

product must decide when to enter the market. To be first can be highly rewarding, but risky and expensive. To come in later makes sense if the firm can bring superior technology, quality, or brand strength.

Speeding up innovation time is essential in an age of shortening product life cycles. Those companies that first reach practical solutions will enjoy “first-mover” advantages in the market. Being early pays off. Early users will recall the pioneer’s brand name if the product satisfies them. The pioneer’s brand normally aims at the middle of the market and so captures more users. Customer inertia also plays a role; and there are producer advantages: economies of scale, technological leadership, patents, ownership of scarce assets, and other barriers to entry. An alert pioneer can maintain its leadership indefinitely by pursuing various strategies. The pioneer should visualise the various product markets it could initially enter, knowing that it cannot enter all of them at once. The pioneer should analyse the profit potential of each product market individually and in combination and decide on a market expansion path. The pioneer plans enter into product market first, then move the product into a second market, then surprise the competition by developing a second product for the second market, then take the second product back into the first market, and then launch a third product for the first market. If this game plan works, the initiator firm will own a good part of the first two segments and serve them with two or three products.

**2. Growth:** The growth stage is marked by a rapid climb in sales. Early adopters like the product, and additional consumers start buying it. New competitors enter, attracted by the opportunities. They introduce new product features and expand distribution. Prices remain where they are or, fall slightly, depending on how fast demand increases. Companies maintain their promotional expenditures at the same or at a slightly increased level to meet competition and to continue to educate the market. Sales rise much faster than promotional expenditures,

causing a welcome decline in the promotion-sales ratio. Profits increase during this stage as promotion costs are spread over a larger volume and unit manufacturing costs fall faster than price declines owing to the producer learning effect. Firms have to watch for a change from an accelerating to a decelerating rate of growth in order to prepare new strategies.

During this stage, the firm uses several strategies to sustain rapid market growth:

- (i) It improves product quality and adds new product features and improved styling.
- (ii) It adds new models and flanker products (i.e., products of different sizes, flavors, and so forth that protect the main product).
- (iii) It enters new market segments.
- (iv) It increases its distribution coverage and enters new distribution channels.
- (v) It shifts from product-awareness advertising to product-preference advertising.
- (vi) It lowers prices to attract the next layer of price sensitive buyers.

These market expansion strategies strengthen the firm's competitive position.

A firm in the growth stage faces a trade-off between high market share and high current profit- by spending money on product improvement, promotion, and distribution; it can capture a dominant position. It forgoes maximum current profit in the hope of making even greater profits in the next stage.

**3. Maturity:** At some point, the rate of sales growth will slow, and the product will enter a stage of relative maturity. This stage



normally lasts longer than the previous stages, and poses formidable challenges to the planners. Most products are in the maturity stage of the life cycle, and most marketing managers cope with the problem of marketing the mature product. The maturity stage divides into three phases: growth, stable, and decaying maturity. In the first phase, the sales growth rate starts to decline. There are no new distribution channels to fill. In the second phase, sales flatten on a per capita basis because of market saturation. Most potential consumers have tried the product, and future sales are governed by population growth and replacement demand. In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers begin switching to other products.

The sales slowdown creates overcapacity in the industry, which leads to intensified competition. Competitors scramble to find niches. They engage in frequent markdowns. They increase advertising and consumer promotion. They increase R&D budgets to develop product improvements and line extensions. They make deals to supply private brands. A shakeout begins, and weaker competitors withdraw. The industry eventually consists of well-entrenched competitors whose basic drive is to gain or maintain market share.

Dominating the industry are a few giant firms-perhaps a quality leader, a service leader, and a cost leader-that serve the whole market and make their profits mainly through high volume and lower costs. Surrounding these dominant firms is a multitude of market niches, including market specialists, product specialists, and customizing firms. The issue facing a firm in a mature market is whether to struggle to become one of the "big three" and achieve profits through high volume and low cost or to pursue a niching strategy and achieve profits through low volume and a high margin.

Some companies abandon weaker products and concentrate on more profitable products and on new products. Industries widely thought to be mature-autos, motorcycles, television, and watches, cameras-were proved otherwise by the Japanese, who found ways to offer new values to customers. Seemingly moribund brands like Jell-O, Ovaltine, and Ann & Hammer baking soda have achieved major sales revivals several times, through the exercise of marketing imagination.

Moreover, marketers often debate which tools are most effective in the mature stage. For example, would the company gain more by increasing its advertising or its sales-promotion budget? Sales promotion has more impact at this stage because consumers have reached equilibrium in their buying habits and preferences, and psychological persuasion (advertising) is not as effective as financial persuasion (sales-promotion deals). Many consumer packaged-goods companies now spend over 60 percent of their total promotion budget on sales promotion to support mature products. Other marketers argue that brands should be managed as capital assets and supported by advertising. Advertising expenditures should be treated as a capital investment. Brand managers, however, use sales promotion because its effects are quicker and more visible to their superiors; but excessive sales-promotion activity can hurt the brand's image and long run profit performance.

**4. Decline stage:** Sales decline for a number of reasons, including technological advances, shifts in consumer tastes, and increased domestic and foreign competition. All lead to overcapacity, increased price-cutting, and profit erosion. The decline might be slow, or rapid. Sales may plunge to zero, or they may petrify at a low level. As sales and profits decline, some firms withdraw from the market. Those remaining may reduce the number of products they offer. They may withdraw from smaller market segments and weaker trade channels, and they may cut their promotion budgets and reduce prices further.

Unfortunately, most companies have not developed a policy for handling aging products. Sentiment often plays a role: Putting products to death- or letting them die-is a drab business, and often engenders much of the sadness of a final parting with old and tried friends. Logic may also play a role. Management believes that product sales will improve when the economy improves, or when the marketing strategy is revised, or when the product is improved; or the weak product may be retained because of its alleged contribution to the sales of the company's other products; or its revenue may cover out-of pocket costs, even if it is not turning a profit.

Unless strong reasons for retention exist, carrying a weak product is very costly to the firm and not just by the amount of uncovered overhead and profit. There are many hidden costs. Weak products often consume a disproportionate amount of management's time; require frequent price and inventory adjustments; generally involve short production runs in spite of expensive setup times; require both advertising and sales force attention that might be better used to make the healthy products more profitable; and can cast a shadow on the company's image. The biggest cost might well lie in the future. Failing to eliminate weak products delays the aggressive search for replacement products. The weak products create an unbalanced product mix, long on yesterday's breadwinners and short on tomorrow's.

In handling aging products, a company faces a number of tasks and decisions. The first task is to establish a system for identifying weak products. Many companies, appoint a product-review committee with representatives from marketing, R&D, manufacturing, and finance. The controller's office supplies data for each product showing trends in market size, market share, prices, costs, and profits. A computer program then analyzes this information. The managers responsible for dubious products fill out rating forms showing where they think sales

and profits will go, with and without any changes in marketing strategy. The product-review committee makes a recommendation for each product-leave it alone, modify its marketing strategy, or drop it.

Some firms will abandon declining markets earlier than others. Much depends on the presence and height of exit barriers in the industry. The lower the exit barriers, the easier it is for firms to leave the industry, and the more tempting it is for the remaining firms to stay and attract the withdrawing firms' customers. For example, Procter & Gamble stayed in the declining liquid-soap business and improved its profits as others withdrew.

In a study of company strategies in declining industries, Kathryn Harrigan identified five decline strategies available to the firm:

- (i) Increasing the firm's investment (to dominate the market or strengthen its competitive position).
- (ii) Maintaining the firm's investment level until the uncertainties about the industry are resolved.
- (iii) Decreasing the firm's investment level selectively, by dropping unprofitable customer groups, while simultaneously strengthening the firm's investment in lucrative niches.
- (iv) Harvesting ("milking") the firm's investment to recover cash quickly.
- (v) Divesting the business quickly by disposing of its assets as advantageously as possible.

The appropriate strategy depends on the industry's relative attractiveness and the company's competitive strength in that industry. A company that is in an unattractive industry but possesses competitive strength should consider shrinking selectively. A company that is in an

attractive industry and has competitive strength should consider strengthening its investment.

## **2.6 THE PRODUCT LIFE CYCLE AS A MANAGEMENT TOOL**

The key to the successful use of the PLC concept is the ability to identify accurately the transition from one stage to another. This requires the company to be highly marketing-oriented and marketing-motivated, making extensive use of relatively sophisticated marketing research and marketing intelligence techniques. Once such a situation is feasible, management has the basic framework for a long-term strategic-planning tool. In particular, use of the PLC provides two valuable benefits.

- (i) A predictable course of product development for which appropriate strategies can be planned and budgeted.
- (ii) The scope to plan beyond the life of the existing product.

An important point about the product life cycle is that although every product goes through various stages in the cycle, the length of various stages varies from product to product. Mass consumption products, which are repeatedly purchased time and again generally, have much longer periods of growth and maturity than durable consumption goods. For example, toothpaste has been in the market since a long time and will probably remain there during the foreseeable future, whereas durable goods like radios have been replaced by television and transistors, to a great extent. Secondly, a firm may, through effective product strategy, prolong the growth and maturity stages in the life cycle of its products. This can be done in various ways: (i) by modifying the product; (ii) by encouraging the frequency of use of the product; (iii) by cultivating a new market for it; and (iv) by finding new users and product modification to increase sales is called product re-launch.

One of the major strategies for extending the growth and maturity stages of a product is to modify it. Product modification may be aimed at improving its functional utility, quality, style, etc.

Functional modification of a product involve improving its efficiency, reducing its cost, funding its new application, adding safety features, increasing ease of handling, etc. For example, redesigning of sofas into sofas convertible into beds gave a tremendous boost to their sales in cities like Bombay where lots of people have only a limited living space available to them. It may be emphasized that such product modification should fill a real customer need and be so perceived by him. The real problem with functional modification is that it may be add to the cost of production, and consequent increase in price may have an adverse effect on its sales. Moreover, functional modification made by one firm, if successful, is going to be copied soon by its competitors; and the innovator may soon lose the initial competitive edge over them. Nevertheless, expansion in the primary demand of the modified product is going to benefit it if it can maintain or increase its market share.

Many companies seek to extend the growth and maturity stages of their products by making changes in their quality. This change in quality may affect its durability, performance, operational cost, operation time, etc. Quality may be improved or reduced as part of product modification strategy. Negative change in quality may be made when it is intended to position the product in the lower income group market by reducing its price. On the other hand, improvement in quality is aimed at holding its present customers as well as to attract the existing customers of a competing superior brand.

Style changes play an important role in expanding the market of a product. The automobile makers in the U.S. have most successfully followed this product strategy, where annual models of cars have become

an accepted part of the automobile market. In India, style changes in products are most common in textiles and shoes. Many other products such as fans, transistors, refrigerators, furniture, etc., have undergone so much style modification during the last one decade or so that it is hard to conceive what will be the style at the end of the next decade.

Sometimes a firm may seek to expand its market just by creating an fantasy of product modification without making any significant changes in the product itself. Making changes in the packaging and the advertising appeal can do it. Manufacturers of some pain relievers like Aspro and Anacin are claiming better product effectiveness even though they have made hardly any significant chemicals improvements in their products.

## **2.7 PRODUCT LIFE-CYCLE CONCEPT: CRITIQUE**

The PLC concept helps interpret product and market dynamics. It can be used for planning and control, although as a forecasting tool it is less useful. PLC theory has its share of critics. They claim that life-cycle patterns are too variable in shape and duration. PLCs lack what living organisms have-namely, a fixed sequence of stages and a fixed length of each stage. Critics also charge that marketers can seldom tell what stage the product is in. A product may appear to be mature when actually it has reached a plateau prior to another upsurge. They charge that the PLC pattern is the result of marketing strategies rather than an inevitable course that sales must follow.

Suppose a brand is acceptable to consumers but has a few bad years because of other factors-for instance, poor advertising, de-listing by a major chain, or entry of a “me-too” competitive product backed by massive sampling. Instead of thinking in terms of corrective measures, management begins to feel that its brand has entered a declining stage. It therefore withdraws funds from the promotion budget to finance R&D on

new items. The next year the brand does even worse, panic increases. Clearly, the PLC is a dependent variable, which is determined by marketing actions; it is not an independent variable to which companies should adapt their marketing programs.

## 2.8 SUMMARY

Table 2.1 summarizes the characteristics, marketing objectives and marketing strategies of the four stages of the PLC.

TABLE 2.1: PLC AND STRATEGIES

Characteristics	Introduction	Growth	Maturity	Decline
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Cost	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand



Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Building product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard core loyals
Sales promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	In charge to encourage brand switching	Reduce to minimal level

Source: Kotler, Philip (2002), Marketing Management, p. 240

## 2.9 KEYWORDS

**Introduction stage:** A period of slow sales growth as the product is introduced in the market.

**Growth stage:** A period of rapid market acceptance and substantial profit improvement.

**Maturity stage:** A period of slowdown in sales growth because the produced has achieved acceptance by most potential buyers.

**Decline stage:** The period when sales show a downward drift and profits erode.

**Style:** A style is a basic and distinctive mode of expression appearing in a field of human endeavour.

## **2.10 SELF ASSESSMENT QUESTIONS**

1. Explain the concept of product life cycle, with suitable illustrations.
2. Describe each of the main stages of the product life cycle, and strategies thereof.
3. How can we criticise the PLC concept? Support your answer with examples.

## **2.11 REFERENCES/SUGGESTED READINGS**

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# **LESSON NO. 3**

## **NEW PRODUCT DEVELOPMENT– IDEA GENERATION, SCREENING, CONCEPT DEVELOPMENT AND TESTING**

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### **STRUCTURE**

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Idea generation
- 3.3 Screening ideas
- 3.4 Concept development and testing
- 3.5 Marketing Strategy Development
- 3.6 Summary
- 3.7 Keywords
- 3.8 Self Assessment Questions
- 3.9 References/Suggested Readings

### **3.0 OBJECTIVES**

New product development is the process of finding ideas for new goods and services and converting them into commercially successful products. It is an eight step process which starts with generation of new idea and pass through screening, concept development and testing, marketing strategy development, business analysis, product development, test marketing and reach at commercialisation. This lesson focuses on the first four stages of new product development process. After reading this lesson you will understand the following:

- How the idea for new product generated?
- How the ideas developed are screened and selected?
- What is concept development and testing?

- How and what marketing strategies are conceived for new product?

### **3.1 INTRODUCTION**

Every company must develop new products. New product development shapes the company's future. Replacement products must be created to maintain or build sales. Customers want new products, and competitors will do their best to supply them. According to F.R. Bichowsky, "No war, no panic, no bank failure, no strike or fire can so completely and irrevocably destroy a business as a new and better product in the hands of a competitor". In order to succeed in the market place, every company must continuously explore good ideas and should leave no stone unturned in converting good ideas into products.

A company can add new products through acquisition or development. The acquisition route can take three forms. The company can buy other companies, it can acquire patents from other companies, or it can buy a license or franchise from another company. The development route can take two forms. The company can develop new products in its own laboratories or it can contract with independent researchers or new product development firms to develop specific new products.

The new product development process is usually described as a sequential process that converts ideas into commercially viable products. The process is essentially a series of go, no-go decisions in which the best ideas emerge as finished products. The process has eight stages. The process begins with the search for new product ideas and then moves on to screening, concept development and testing, marketing strategy formulation, business analysis, product development, test marketing and concludes with commercialisation.

Large number of new product ideas is passed into the system at one end, and months or years later, a few successful items reach the market. Ideas that fail to meet development criteria along the way are either dropped or sent back for more testing.

### **3.2 IDEA GENERATION**

Any new product has to start as the germ of an idea. Companies, therefore, require continuous flow of ideas from which it can select the best possible idea for converting it into a new product.

The most common source of ideas for new products lies within the company itself. A survey revealed that 60% of industrial and 46% of consumer new product ideas came from the research staff, engineers, sales people, marketing research personnel, and executives of the firm. Another 26% of industrial new product ideas and 30% of consumer new product ideas came from users. There are, however, a number of sources of new product ideas:

#### ***(i) Research and development***

R&D is the obvious source of new product ideas. After all, that is what an organisation's R&D staff is paid to do. In some organisations, the R&D department can be given a very tight brief, "Develop something that conforms to these specifications", and in others, they can be given freedom, "Do what you want, as long as you deliver something we consider commercially viable". The first approach has the advantage of making sure that R&D activity and expenditure are controlled, since it is problem or project driven and has defined aims and objectives. The second approach, however, allows R&D scientists full creative scope to do what they are good at, and it does throw up products that otherwise would never have been conceived.

R&D work can also vary from being completely self-sufficient, working only within the company environment, to collaborative research with other organisations, external institutes or universities. This latter approach allows the organisation to draw on a much wider pool of expertise on a particular project than they could ever reasonably hope to employ for themselves, but has the drawback of placing the work in a more public arena where the competitors might detect it.

Generating and developing ideas through R&D can involve fairly long time-scales, with far from certain reward. Maintaining an R&D department is thus expensive, yet essential for a proactive organisation. Sometimes, external inventors approach an organisation with their own ideas. They might wish to sell the idea to the organisation or to enter into a collaborative development deal, splitting the profits.

## ***(ii) Competitors***

Looking at the competitor's products and their marketing strategies may also give a company an idea for new product. Rather than create an innovation, a firm may find it expedient to imitate competitive offerings. In a survey, 27% of industrial new product ideas and 38% of consumer ideas came from the analysis of competitors. Actually, adapting an existing product created elsewhere is less expensive and time consuming than creating an innovation.

Another common source of new idea is the visits of managers to other countries where they come across at various kinds of products. The exposure to new kind of products may give entrepreneurs an idea for developing new products.

## ***(iii) Employees***

Employees can be encouraged to suggest new product ideas through suggestion boxes and competitions. Organisations such as

Toyota, Kodak, and General Motors operate such schemes. Employees may be able to think of improved ways of producing the product or new features to incorporate. Toyota claims its employees submit 2 million ideas annually (about 35 suggestions per employee), over 85% of which are implemented.

Employees can be very good source of new ideas. After all, they work with the organization's products and processes on a daily basis, and their jobs depend on continued progress and development. Employees who have regular contact with customers and the trade should be given special attention. Service engineers and sales representatives, for example, come into contact with customer problems as a normal part of their working day, and may thus generate potential ideas that can offer product opportunities.

#### ***(iv) Customers***

The organisation is in business to serve the customer's needs and wants. Monitoring changing consumer attitudes and feelings about products and markets, and their usage patterns provide fertile ground for new ideas.

Another important source of customer opinion is through analysis of complaints. This too can reveal inadequacies in the organisation's current provision and provide a basis for ideas.

#### ***(v) Licensing***

It can be a useful way of getting access to new products and new product ideas. Licensing is a contractual relationship in which a manufacturer (licensor) who owns trade-mark or patent rights of a product or technology allows another organisation (licensee) to manufacture and market that product in lieu of a fee or royalty. Licensee



gets exposure to new product, processes, and technologies and may get idea for new products.

***(vi) Top Management***

Top management can be another major source of ideas. Some company leaders take personal responsibility for technological innovation in their companies. Others try to create an environment that encourages business managers to take risks and create new growth opportunities.

***(vii) Agencies and Consultants***

Many agencies and consultancies specialise in providing information to organisations to assist in the generation of new product ideas. In the fashion industry, for example, agencies exist to predict colour and fabric trends so that designers and manufacturers can develop appropriate ranges for future seasons.

***(viii) General intelligence***

There is also a range of external sources, most of which are not specific to organisation. These sources provide very general information which can be interpreted by the organisation to reveal possible new ideas. Such sources include trade magazines, exhibitions, distributor comments, government agencies, libraries, and general research publications.

***(ix) Organised creativity***

A number of techniques for encouraging staff to develop new ideas exist. Simon Majaro Suggested brainstorming, synectics, attribute listing, forced relationships and morphological analysis.

- *Brainstorming*- It involves a group of 6 to 10 people discussing in an intensive session focusing on a specific

problem. The purpose is to generate as many ideas as possible, however wild they are. The benefit of the group session is that one person's ideas may spark off other ideas from the rest of the group. In brainstorming, there should be no negative comments about any idea so that more ideas may be generated. Later on many ideas can be combined to create better ones.

- *Synectics*- Synectics is a group technique similar to brainstorming, but less problem specific. This frees the group from any mental strait-jacket and allows it to enter into more specific exploratory thinking.
- *Attribute listing*- Attribute listing means listing all the attributes of a product and then changing each one in search of a new combination. Thinking may be in terms of other uses, adaptation, rearrangement, reversal, magnifying or minimising attributes, combination or substitution.
- *Forced relationships*- Forced relationship as a technique considers products in relation to each other. Manufacturers of telephones, computers, and stereos, for example, may generate new product ideas by thinking of their products in relation to a car, for example, and considering the technology involved, the design and styling and how the product would fit into the car's dashboard.
- *Morphological analysis*- It means looking at a problem and its components, and then finding connections and solutions. Thus thinking about a golf-car/buggy might lead to options relating to fuel source, power transmission, and body shape etc.

Despite the range of sources of new ideas, only a few ideas are likely to amount to anything. A large and regular supply of ideas is,

therefore, needed. If an organisation really wants a successful new product development programme, it must ensure a systematic and ongoing effort. Once the pool of ideas has been collected, it is time to move on to the next stage, idea screening.

### ***Ten ways to great new product ideas***

Robert Cooper in his book, 'Product Leadership: Creating and Launching Superior New Products' suggested the following ways to great new product ideas:

- Run pizza-video parties, as Kodak does. These are informal sessions where groups of customers meet with company engineers and designers to discuss problems and needs and brainstorm potential solutions.
- Allow time off for technical people to put on their own pet projects. 3M allows 15% time off.
- Make a customer brainstorming session a standard feature of plant tours.
- Survey your customers: Find out what they like and dislike in your and competitors' products.
- Undertake research with customers. Hewlett-Packard does so.
- Use iterative rounds: a group of customers in one room, focusing on identifying problems, and a group of your technical people in the next room, listening and brainstorming solutions. The proposed solutions are then tested immediately on the group of customers.
- Set up a keyword search that routinely scans trade publications in multiple countries for new product announcements.
- Treat trade shows as intelligence mission, where you view all that is new in your industry under one roof.

- Have your technical and marketing people visit your suppliers' labs and spend time with their technical people.
- Allow employees to review the ideas and add constructively to them.

### **3.3 SCREENING IDEAS**

In this stage, a preliminary scan of ideas is conducted, in order to eliminate those that are unlikely to prove appropriate or successful. This means undertaking an assessment of an idea's potential, using information that is already available within the organisation. If nobody seems prepared to make out a case for the idea, there is little point in investing in more serious and costly external research and testing. It is better to drop bad ideas, after a fair hearing, as soon as possible, to allow concentration on better ideas.

Any company can attract good ideas by organising itself properly. The company should motivate its employees to submit their ideas to an idea manager whose name and phone number are widely circulated. Ideas should be written down and reviewed each week by an idea committee, which sorts them into three groups: promising ideas, marginal ideas, and rejects. Promising ideas are moved to full scale screening process. The company should reward employees submitting the best ideas.

Screening can be viewed as a filtering process. The objective of this stage then is to assess whether the idea fits with the broad strategic plans and development directions of the organisation. It is also important to establish whether the idea's implementation is technically feasible. Usually, the idea and its preliminary screening analysis are presented to management as a proposal. This will describe the product arising from the idea, outline how it compliments existing products, analyse its target markets and market segments, define and analyse the competition,

development time and costs, and forecast its likely margin and its sales profile over time so that recommendations can be made whether or not to proceed.

Many organisations use weighted score and ranking methods to screen ideas. In weighted score method, criterion on which the idea is judged are listed and assigned weights according to their importance. Each idea is then advertised. Does the company have the necessary know-how and capital? Will the new product deliver the expected sales volume, sales growth, and profit? In ranking method, experts rank all the listed ideas.

As the new product idea moves through development, the company will constantly need to revise its estimate of the product's overall probability of success, using the following formula:

$$\text{Overall probability of success} = (\text{Probability of Technical completion}) \times (\text{Probability of commercialisation given technical completion}) \times (\text{Probability of economic success given Commercialisation})$$

For example, if the three probabilities are estimated as .50, .65, and .74 respectively, the company would conclude that the overall probability of success is .24. The company then has to judge whether this probability is high enough to warrant continued development.

In screening ideas, the company must avoid two types of errors. A *DROP-error* occurs when the company dismisses an otherwise good idea. It is extremely easy to find fault with other people's ideas. Some companies shudder when they look back at ideas they dismissed. Xerox saw the novel promise of Chester Carlson's copying machine, but IBM and Eastman Kodak did not and now the Xerox is household name and the other two are repenting. IBM thought that the market for personal computers is miniscule but Apple did not. Apple became the first

company to produce a PC. RCA saw the opportunity of radio; the Victor Talking Machine Company did not and RCA became the leader in radio industry. Sears dismissed the importance of discounting; Wal-Mart and Kmart did not. If a company makes too many DROP errors, its standards are too conservative.

A *GO-error* occurs when the company permits a poor idea to move into development and commercialisation. Poor ideas may result in product failures. We can distinguish three types of product failures. An *absolute product failure* loses money; its sales do not cover variable costs. A *partial product failure* loses money, but its sales cover all its variable costs and some of its fixed costs. A relative product failure yields a profit that is less than the company's target rate of return.

A better method would take into account the information available in the success or failure of a large number of past new product launches. A software, called NewProd, is now-a-days available for new product screening, evaluation, and diagnosis. NewProd was developed from a statistical analysis of 200 projects from 100 companies. Managers are asked to rate their own project on 50 screening criteria. A regression is run relating these dimensions to degree of commercial success. Eight factors linked to product outcomes, in the software, included product superiority, compatibility, market need, economic advantage, newness to the firm, technical compatibility, market competitiveness, and size of market.

NewProd studies in North America, the Netherlands, and Scandinavia have shown correct predictions for 75% to 85% of the new product studied. NewProd predicts success and failure before development even begins.

### 3.4 CONCEPT DEVELOPMENT AND TESTING

Attractive ideas must be refined into testable product concepts. A *product idea* is a possible product the company might offer to the market. A *product concept* is an elaborated version of the idea expressed in meaningful consumer terms.

Once an idea has been accepted in principle at the internal screening stage, it needs to have some external endorsement. This is the third stage of new product development process, called concept development and testing. Schwartz define concept testing as, “A *printed or filmed representation of a product or service. It is simply a device to communicate the subject’s benefits, strengths, and reasons for being.*”

Concept testing starts to describe profile and visualise the product in a way that potential customers would understand. What is presented to potential a way that potential customers would understand. What is presented to potential buyers at this stage may still only be sketch concepts, in the form of working statements, drawings, or storyboards, or it may go as far as models and mock-up packaging. There are two main types of concept statements: core ideas and positioning statements.

*Core ideas* consist of short, general statements of what the product can do. The basic purpose is to find out whether the basic idea is acceptable or attractive. *Positioning statements* may comprise several paragraphs, focusing on main or secondary benefits, as well as outlining aspects of the product’s marketing mix. Here, the researcher is trying to get as close as possible to assessing a realistic package that the potential customer might encounter in the market place.

The overall objective of this stage is to assess the relative attractiveness of ideas to the people who the organisation hopes will eventually buy the product. Such an assessment provides management

with further information about the strengths and weaknesses of each idea and a rating on a scale from 'definitely would buy' to 'definitely would not buy'.

This stage sometimes produces surprises. Management's favourite ideas can be rejected by the consumer, while apparently weak or borderline ideas emerge with hidden appeal. Whatever the outcomes, management now have a fuller picture of each idea and may, therefore, reject a few more, and carry a smaller number to the next stage.

As is clear from the above discussion that concept testing involves presenting the product concept to appropriate target consumers and getting their reactions. The concepts can be presented symbolically or physically. However, the more the tested concepts resemble the final product or experience, the more dependable the concept testing is. In the past creating physical prototypes was costly and time-consuming, but computer aided design and manufacturing programmes have changed that. Today firms can design alternative physical products, for example small appliances or toys, on computer, and then produce plastic models for each. Potential consumers can view the plastic models and give their reactions.

Companies are also using virtual reality to test product concepts. Virtual reality programmes use computers and sensory devices to simulate reality. Gadd international has developed a research tool called Simul-Shop, a CDROM virtual reality approach that re-creates shopping situations in which researchers can test consumer reactions to factors such as product positioning, store layouts, and package designs.

Suppose a cereal marketer wants to test reactions to a new package design and store shelf positioning. Using Simul-Shop on a standard desktop PC, test shoppers begin their shopping spree with a screen showing the outside of a grocery store. They click to enter the



virtual store and are guided to the appropriate store section. Once there, they can scan the shelf, pick up various cereal packages, rotate them, study the labels, even look around to see what is on the shelf behind them. A Gadd's research director explains, "Once users move toward the item we want to test, they can look at different packaging, shelf layouts, and package colours. Depending on the activity, we can ask users why they did what they did".

### **3.5 MARKETING STRATEGY DEVELOPMENT**

After testing, the managers must develop a preliminary marketing strategy for introducing the new product into the market. The plan consists of three parts:

- The first part describes the target market's size, structure, and behaviour; the planned product positioning; and the sales, market share, and profit goals sought in the first few years.
- The second part outlines the planned price, distribution strategy, and marketing budget for the first year.
- The third part of the marketing strategy plan describes the long run sales and profit goals and marketing mix strategy over time.

Companies in this stage try to formulate the marketing strategy even before the product is ready. The main idea is that if the marketing strategy does not seem attractive then the idea will be dropped. It also gives a fair bit of idea about the price, type of promotion needed, distribution-required etc.

### 3.6 SUMMARY

Once the company has segmented the market, chosen its target customer groups, identified their needs, and determine its desired market positioning, it is ready to develop and launch appropriate new products.

Eight stages are involved in the new product development process: idea generation, screening, concept development and testing marketing strategy development, business analysis, product development, market testing and commercialisation.

This chapter elaborated the first four stages, namely: idea generation, idea screening, concept development and testing, and marketing strategy development.

### 3.7 KEYWORDS

**New product development process:** It describes a sequential process that converts idea into commercially viable products.

**Licensing:** It is a contractual relationship in which a manufacturer (licensor) who owns trade-mark or patent rights of a product or technology allows another organisation (licensee) to manufacture and market that product in lieu of a fee or royalty.

**Drop-error:** It occurs when the company dismisses an otherwise goods idea.

**Go-error:** It occurs when the company permits a poor idea to move into development and commercialisation.

**Core ideas:** It consists of short, general statements of what the product can do.

### **3.8 SELF ASSESSMENT QUESTIONS**

1. List the sources of new product ideas.
2. What kind of criterion is likely to be taken into account during the idea screening stage?
3. What is concept testing and why is it a crucial stage in new product development?
4. What is marketing strategy development? Do you think it is appropriate to develop marketing strategy even before the product is ready?

### **3.9 REFERENCES/SUGGESTED READINGS**

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## **LESSON NO. 4**

### **BUSINESS ANALYSIS, TEST MARKETING AND PRODUCT LAUNCHING**

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#### **STRUCTURE**

- 4.0 Objective
- 4.1 Introduction
- 4.2 Business analysis
- 4.3 Product Development
- 4.4 Market Testing
- 4.5 Product launching
- 4.6 Summary
- 4.7 Keywords
- 4.8 Self Assessment Questions
- 4.9 References/Suggested Readings

#### **4.0 OBJECTIVE**

To generate really good new product you need inspiration and perspiration. Companies have to think a good idea first and then have to really toil hard to convert this idea into reality. New product development is not only thinking new idea and producing the product based on that but eight stages are involved in this: idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, market testing, and commercialisation or product launching. This lesson focuses on the last four stages.

After reading this lesson you will understand the following:

- How and why business analysis is done?
- How the product is developed?

- Concept and process of market testing and test marketing.
- Process of launching a new product.

## **4.1 INTRODUCTION**

Once a company has segmented the market, chosen its target customer groups, identified their needs, and determined its desired market positioning, it is ready to develop and launch appropriate new products.

Successful new product development requires the company to establish an effective organisation for managing the development process. Companies can choose to use product managers, new product committees, new product departments, or new product ventures teams.

New product development process actually is an eight-stage process. The process starts with generation of new product ideas. These ideas are screened to select the best possible idea. Concept for the product is then developed and tested. This is followed by marketing strategy development. The last four stages include business analysis, product development, market testing, and commercialisation. All four stages are discussed below.

## **4.2 BUSINESS ANALYSIS**

After management develops the product concept and marketing strategy, it can evaluate the proposal's business attractiveness. Management needs to prepare sales, cost, and profit projections to determine whether they satisfy company objectives. If they do, the product concept can move to the product development stage, otherwise not.

The business analysis phase includes a detailed study of the potential profitability of new product idea. The objective is to eliminate

marginal ventures before extensive development and market-testing expenses are incurred. An important first step is to measure market potential. Market potential represents the maximum sales in dollars or units that can be obtained by an industry for a new product with a specified marketing effort. A simple way to estimate potential is as follows:

$$MP = N \times P \times Q$$

Where,        MP = Market Potential

N = Number of possible buyers

P = Average selling price

Q = Average number of units purchased by each buyer

Next step is to predict the costs and profits. Predicting the costs and to build products and also the profits, before they are introduced, is a difficult but essential part of the business analysis.

(i)     *Estimating total sales-* Management needs to estimate total expected sales to find out whether sales will be high enough to yield a satisfactory profit.

(ii)    *Estimating costs and profits-* After preparing the sales forecast, management should estimate expected costs and profits.

Total estimated sales should also include replacement sales and repeat sales. In fact, total estimated sales are the sum of estimated first time sales, replacement sales, and repeat sales. A product may be one time purchase item such as engagement ring; an infrequently purchased product such as an automobile; or frequently purchased item such as toothpaste, soaps etc. For one time purchased products, sales rise at the beginning, peak, and later approach zero as the number of potential buyers is exhausted. If new buyers keep entering the market, the curve will not go down to zero. Infrequently purchased products exhibit

replacement cycles dictated by physical wearing out or by the obsolescence associated with changing styles, features, and performance. Sales forecasting for this product category calls for estimating first time sales and replacement sales separately.

Frequently purchased products, such as consumer and industrial non-durables, have sales resembling. The number of first time buyers initially increases and then decreases as fewer buyers are left (assuming a fixed population). Repeat purchases occur soon, providing that the product satisfies some buyers. The sales curve eventually falls to a plateau representing a level of steady repeat purchase volume; by this time, the product is no longer a new product.

In estimating replacement sales, manager has to research the product's survival age distribution, that is, the number of units that fail in year one, two, three, and so on. The low end of the distribution indicates when the first replacement sales will take place. Since replacement costs are difficult to estimate before the product is in use, some managers base the decision to launch a new product solely on the estimate of first time sales. For a frequently purchased new product, the seller has to estimate repeat sales as well as first time sales, which also is not an easy task.

Companies use other financial measures to evaluate the merit of a new product proposal. The simplest is *break even analysis* in which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure. If management believes sales could easily reach the break even number, it is likely to move the project into product development. The most complex method of estimating profit is *risk analysis*. Here three estimates (optimistic, pessimistic, and most likely) are obtained for each uncertain variable affecting profitability under an assumed marketing environment

and marketing strategy for the planning period. The computer generates possible outcomes and computes a rate of return profitability distribution showing the range of possible rates of returns and their probabilities.

### **4.3 PRODUCT DEVELOPMENT**

Development and testing are concerned with establishing physical characteristics for new goods and services that are acceptable to customers. The objective is to convert ideas into actual products that are safe, provide customer benefits, and can be manufactured economically by the firm. Usually, development includes consumer preference tests, laboratory evaluations, use tests, and pilot plant operations.

If the product concept passes the business test, it moves to R&D or engineering to be developed into a physical product. Up to now it has existed only as a word description, a drawing, or a prototype. This step involves a large jump in investment that dwarfs the costs incurred in the earlier stages. At this stage the company will determine whether the product idea can be translated into a technically and commercially feasible product. If it cannot, the accumulated project cost will be lost except for any useful information gained in the process.

The job of translating target customer requirements into a working prototype is helped by set of methods known as quality function deployment (QFD). The methodology takes the list of desired customer attributes (CA) generated by market research and turns them into a list of engineering attributes (EA) that the engineers can use. For example, customers of proposed truck may want a certain acceleration rate (CA). Engineer can turn this into the required horsepower and other engineering equivalents (EA.). The methodology permits measuring the trade-offs and costs of providing the customer requirements. A major contribution of QFD is that it improves communication between marketers, engineers, and the manufacturing people.



The R & D department will develop one or more physical versions of the product. Its goal is to find a prototype that consumers see as embodying the key attributes described in the product concept statement, that performs safely under normal use and conditions, and that can be produced within the budgeted manufacturing costs.

Developing and manufacturing a successful prototype can take days, weeks, months, or even years. Designing a new commercial aircraft takes several years of development work, yet sophisticated virtual reality technology is speeding the process. By designing and testing product designs through simulation, companies can resolve the uncertainties by quickly exploring alternatives.

When the prototypes are ready, they must be put through rigorous functional and consumer tests.

(i) *Functional tests*: They include Alpha and Beta testing. *Alpha testing* is the name given to test the product within the firm to see how it performs in different applications. After refining the prototype further, company moves to *Beta testing*. It enlists a set of customers to use the prototype and give feedback on their experiences. Beta testing is most useful when the potential customers are heterogeneous, the potential applications are not fully known, several decision makers are involved in purchasing the product, and opinion leadership from early adopters is sought.

(ii) *Consumer testing*: It can take a variety of forms, from bringing consumers into laboratory to giving them samples to use in their homes. In-home tests are common with products ranging from ice cream flavours to new appliances. When DuPont developed its new synthetic carpeting, it installed free carpeting in several homes in exchange for the homeowners' willingness to report their likes and dislikes about the carpeting. Consumer preferences can be measured in several ways.

Suppose a consumer is shown three items– A, B, C, such as three cameras or three advertisements.

- The Rank Order method asks the consumer to rank the three items in order of preference, the consumer might respond with  $A > B > C$ . Although this method is simple but neither it reveal how intensely the consumer feels about each item nor whether the consumer likes any item very much. It is also difficult to use this method when there are many objects to be ranked.
- The paired comparison method calls for presenting pairs of items and asking the consumer which one is preferred in each pair. Thus the consumer could be presented with the pairs AB, AC, and BC and say that he prefers A to B, A to C, and B to C, then we could conclude that  $A > B > C$ . People find it easy to state their preference between two items, and this method allows the consumer to focus on the two items, noting their differences and similarities.
- The monadic rating method asks the consumer to rate liking of each product on a scale. Suppose a seven-point scale is used, where 1 signifies intense dislike, 4 indifference, and 7 intense like and the consumer returns the following rating:  $A=6$ ,  $B=5$ ,  $C=3$ . We can derive the individual's preference order, i.e.,  $A > B > C$  and can even know the qualitative levels of the person's preference for each and the rough distance between preferences.

#### **4.4 MARKET TESTING**

When management is satisfied with functional and psychological performance, the product is ready to be dressed up with a brand name and packaging, and put to a market test. The new product is introduced into an authentic setting to learn how large the market is and how

consumers and dealers react to handling, using, and repurchasing the product.

Actually, market testing is a method of testing a company's marketing plan for a new product before going commercial. It is a real test in a real environment and offers the last chance for fine-tuning. It is a procedure by which a company attempts to test on a small basis the commercial viability of the marketing plan for a new or modified product or package. Such a test has a two-fold purpose:

- It is designed to provide a reasonable estimate of the sales and profit potential in the new product, and;
- It helps management identify and correct any problems having to do with the marketing plan and the product before making the final commitment a full-scale introduction.

Not all companies undertake market testing. Actually the amount of market testing is influenced by the investment cost and risk on the one hand, and the time pressure and research cost on the other. High investment high-risk products, where the chance of failure is high, must be market tested.

### ***Consumer Goods Market Testing***

In testing consumer products, the company seeks to estimate four variables: trial, first repeat, adoption, and purchase frequency. The company hopes to find all these variables at high levels. In some cases, it will find many consumers trying the product but few rebuying it. It might also find high permanent adoption but low purchase frequency. Let us describe a few major methods of consumer goods market testing from the least to most costly.

**(i) Sales Wave Research-** In sales-wave research, consumers who initially try the product at no cost or tried free samples, are re-

offered the product, or a competitor's product at reduced prices. They might be re-offered the product as many as 3 to 5 times, called sales-waves, with the company noting how many customers selected that company's product again and their reported level of satisfaction. Sales-wave research can also include exposing consumers to one or more advertising concepts to see the impact of that advertising on repeat purchase.

Sales-wave research can be implemented quickly, conducted with a fair amount of security, and carried out without final packaging and advertising. However, sales-wave research does not indicate the trial rates that would be achieved with different sales promotion incentives, because the consumers are pre-selected to try the product. Nor does it indicate the brand's power to gain distribution and favourable shelf position.

**(ii) Laboratory/Simulated Test Marketing-** This is a low-cost alternative to traditional test marketing. For Packaged consumer products, the procedure typically consists of a simulated supermarket, where respondents buy products under controlled conditions, and of auditorium-like facilities, where respondents are exposed to advertisements and other promotional materials. Respondents in each sample are representative of the target audience and participate in the following:

- After completing a self-administered Questionnaire concerned with their individual demographics and the purchase behavior relative to the product class of interest, 300-400 respondents are exposed to a TV program containing a number of communications about brands in the product class, including one for the brand?
- Respondents visit the simulated store, which is stocked with the brands shown in the commercials and with many others.

Respondents are provided with a fixed amount of money and told to purchase the brand they choose.

- After purchase, small groups of respondents are engaged in focused discussions concerning reasons for their purchase. Following this, the respondents return home.
- Sometimes later, respondents are re-interviewed by phone to determine reactions to the product purchase, including satisfaction or dissatisfaction, usage data, repurchase, and comparisons with other brands used.
- If an extended usage test is involved, then respondents are given the opportunity to repurchase the test brand which, if requested, is then delivered to them.
- With longer follow up periods, more repurchase situations can be analyzed, which increases the accuracy in the test results. The above process assumes that the consumer's behaviour throughout the test is realistic because he was forced to pay the money for both the initial and repeat purchases.

This method has some limitations and problems:

- It is extremely difficult to simulate the social dynamics involved in the realistic adoption process.
- The behaviour of respondents may be influenced by taking part in an experiment.
- There is also the danger of maturation effect, which is especially relevant in test of repeat purchase simulation. This effect occurs when respondents gain more knowledge about the experimentation as the test progresses, which may lead to inconsistent result and loss of interest over time.

**(iii) Controlled test marketing-** In this method, a research firm manages a panel of stores that will carry new products for a fee. The

company with new product specifies the number of stores and geographic locations it wants to test. The research firm delivers the product to the participating stores and control shelf positions; number of facings, displays, and point-of-purchase promotions; and pricing. Sales results can be measured through electronic scanners at the checkout. The company can also evaluate the impact of local advertising and promotions during the test.

Controlled test marketing allows the company to test the impact of in-store factors and limited advertising on buying behaviour. A sample of consumers can be interviewed later to give their impressions of the product. The company does not have to use its own sales force and give trade allowances. However, this technique exposes the product and its features to competitor's scrutiny.

**(iv) Full scale test marketing-** The ultimate way to test a new consumer product is to put it into full blown test markets. The company chooses a few representative cities, and the sales force tries to sell the product and also tries to give it a good shelf exposure. The company puts on a full advertising and promotion campaign in these markets similar to the one that it would use in national marketing.

### ***Deciding what to measure?***

- *Repeat purchases:* A measurement of repeat purchasing is probably most important item of information to obtain in a test market, without it total consumers sales can be misleading. A continuous consumer panel is useful for measuring repeat purchases. With this panel the purchasing activities of the sampling units can be studied over a period of time, and the extent of repeat purchasing can be determined.

- *Advertising effectiveness:* It is important to determine the rate at which target consumers are made aware of new product, the amount of message they retain and the degree of knowledge they possess of the product's characteristics, because these factors affect the rate of adoption and the rate of subsequent purchases.
- *Effectiveness of an introductory offer:* Many companies rely on an introductory offer to accelerate consumer trial of the new product. The effectiveness of this offer can be determined by ascertaining whether consumers know about it and whether they availed themselves of it.
- *Effectiveness of a trade offer:* Many companies furnish the trade with an incentive to stock a new product. The effectiveness of this offer can be easily judged from information provided by the sales force.
- *Share of the total market:* This is the new product's volume in units and dollars expressed as a percentage of the total volume for the product involved.
- *Characteristics of buyers, and rate of adoption:* These data are essential in estimating future sales. Rate of adoption and repeat-purchase rates is affected by ad effectiveness. The data on the characteristics of households provide clues as to what audience groups are buying and to what extent.
- *Reasons for not adopting or for discontinuing usage:* It should be possible to locate consumers who fall into various user categories and then to interview them in depth.

**Selection of Test markets:** The selection of the appropriate test markets is difficult. When selecting test markets the following criterion are typically used:

- The markets should not be over tested.

- The market should be normal regarding the historical development of the product class involved.
- The market should be typical regarding the competitive advertising situation.
- No single industry should dominate the markets.
- Markets that contain groups not normal to the product's target should be avoided.
- The market should have a media pattern similar to the proposed national media plan.
- The markets should not be too small to provide meaningful results or so large that the testing becomes unusually expensive.
- The markets should be relatively self contained. That is, not too much waste circulation going outside the market and no strong outside media present.

Management also faces the following questions:

(i) *How many test cities?* Most tests use between 2 and 6 cities. The greater the number of contending marketing strategies, the greater the regional differences, and the greater the chance of test market interference by competitors, the greater the number of cities that should be used.

(ii) *Which cities?* Each company must develop test-city selection criteria. Companies can look for cities that have diversified industry, good media coverage, co-operative chain stores, average competitive activity, and no evidence of being over tested.

(iii) *Length of test?* Market tests last anywhere from a few months to a year. The longer the product's average repurchase period, the longer the test period necessary to observe repeat purchase rates. This period should be cut down if competitors are rushing to the market.



(iv) *What information?* Many types of information can be gathered and analysed in test marketing. Warehouse shipment data will show gross inventory buying but will not indicate weekly sales at the retail level. Store audits will show retail sales and competitors' market shares but will not reveal buyer characteristics. Consumer panels will indicate which people are buying which brands and their loyalty and switching rates.

Buyer surveys will yield in-depth information about consumer attitudes, usage, and satisfaction.

(v) *What action to take?* There may be many possibilities in test marketing. Appropriate actions should be taken after reviewing these.

- If the test markets show high trial and repurchase rates, the product should be launched nationally.
- If the test markets show a high trial rate and a low repurchase rate, consumers are not satisfied and the product should be redesigned or dropped
- If the test markets show a low trial rate and a high repurchase rate, the product is satisfying but more people have to try it. This means increasing advertising and sales promotion.
- If trial and repurchase rates are both low, the product should be abandoned.

In spite of the benefits of test marketing, many companies question its value today. In a fast changing marketplace, companies are eager to get to market first. Test marketing slows them down and reveals their plan to competitors.

### ***Business goods market testing***

Business goods can also benefit from market testing. Expensive industrial goods and new technologies will normally undergo Alpha testing (within the company) and Beta testing (with outside customers). During beta testing, the vendor's technical people observe how test customers use the product, a practice that often exposes unanticipated problems of safety and servicing and alerts the vendor regarding customer training and servicing requirements. The vendor can also observe how much value the equipment adds to the customer's operation as a clue to subsequent pricing. The vendor will ask the test customers to express their purchase intention and other reactions after the test.

A second common test method for business goods is to introduce the new product at trade shows. Trade shows draw a large number of buyers, who view many new products in a few concentrated days. The vendor can observe how much interest buyers show in the new product, how they react to various features and terms, and how many express purchase intentions or place orders. The disadvantage of trade shows is that they reveal the product to competitors.

Many managers feel that test marketing is inappropriate for business products for many reasons such as:

- The market may consist of a small number of potential customers in total, or a very small number of customers may account for a large proportion of sales. Either way, a test market would become tantamount to a full launch.
- In many industrial markets, close and durable working relationships develop, which in turn lead to joint product development. This means that potential buyer is involved in new product development from the start, with an implied commitment to purchase. Since the buyer is involved in

prototype testing as part of the joint development process, and since issues such as price and availability are also negotiated as part of the development, test marketing as such is a rather redundant concept.

- Some industrial products, such as capital equipment for example, have very long life spans and are thus purchased very infrequently. This effectively means, therefore, that the test market would consist of all potential customers who are able and willing to buy.

## **4.5 PRODUCT LAUNCHING**

The last step in the product development process is the introduction of new items to the dealers and then to the ultimate buyers of the product. The objective of the product launching is to get the dealers to stock the items and persuade the ultimate consumer to purchase it for the first time.

Actually, the encouraging results in test marketing provide confidence to the company to launch the product. Company can now start the full-scale production but has to decide the timing, geographic territory, target market, and the introductory strategy for the new product launch.

**(i) When (Timing)-** In launching a new product, market entry timing is critical because the success or failure of many products depends on when the product is introduced. Suppose a company has almost completed the development work on its new product and learns that a competitor is nearing the end of its development work. The company has three choices:

- *First entry-* The first firm entering a market usually enjoys advantage of an early start in terms of locking up key distributors and customers and gaining reputational

leadership. Conventional wisdom suggests you should be first with new products to get the early adopters and establish a dominant market position. For example, Chrysler was first to sell minivans and they are still number one in the market. But, if the product is rushed to market before it is thoroughly debugged, the product can acquire a flawed image.

- *Parallel entry*- The firm might time its entry to coincide with the competitor's entry. The market may pay more attention when two companies are advertising the new product and awareness will be created faster.
- *Late entry*- The firm might delay its launch until after the competitor has entered. The competitor will have borne the cost of educating the market. The competitor's product may reveal faults that the late entrant may avoid. The company can better estimate the size of the market.

The timing decision involves additional considerations. If a new product is to replace an older product, the company might delay the introduction until the old product's stock is drawn down. If the product is seasonal, it might be delayed until the right season arrives.

**(ii) Where (Geographic Strategy)**- The company must decide whether to launch the new product in a single locality, a region, several regions, the national market, or the international market. Company size is an important factor here. Small companies will select an attractive city first and will enter other cities one by one. Large companies will introduce their product into a whole region and then move to the next region. Companies with national distribution networks, such as auto companies, will launch their new models in the national market. Most companies design new products to sell primarily in the domestic market. If the product does well, the company considers exporting to

neighbouring countries or the world market. With the Internet connecting far-flung parts of the globe, companies are increasingly rolling out new products simultaneously across the globe, rather than nationally or even regionally.

**(iii) To Whom (Target Market)-** The company must target its initial distribution and promotion to the best prospect groups. The company may focus on early adopters, heavy users, and opinion leaders that could be reached at a low cost.

**(iv) How (Introductory Market Strategy)-** The company must develop an action plan for introducing the new product into the market. The company must decide the introductory price, promotion campaign, distribution and even product features and models.

Product availability is crucial during launching because goodwill and sales can be lost if the product fails to reach the market on schedule. In order to co-ordinate the many activities involved in launching a new product, management can use network-planning techniques such as PERT/CPM and critical path scheduling (CPS). CPS calls for developing a master chart showing the simultaneous and sequential activities that must take place to launch the product. By estimating how much time each activity takes, the planners estimate completion time for the entire project. Any delay in any activity on the critical path will cause the project to be delayed. If the launch must be completed earlier, the planner searches for ways to reduce time along critical path.

## **4.6 SUMMARY**

This lesson encompasses the final stages of new product development process, namely business analysis, product development, market testing and product launch. The marketing test concept explains the rationale for marketing test and discusses the strategies used for

market test. The product launch concept gives a detailed description of the marketing plan for new product launch and steps needed for defining and selecting the target market.

#### **4.7 KEYWORDS**

**Alpha testing:** To test the prototypes of product within the firm to see how it performs in different applications.

**Beta testing:** It enlists a set of customers to use the prototype and give feedback on their experiences.

**Market testing:** A method of testing a company's marketing plan for a new product before going commercial.

**Critical path scheduling:** It calls for developing a master chart showing the simultaneous and sequential activities that must take place to launch the product.

**Business analysis:** It includes a detailed study of the potential profitability of new product idea.

#### **4.8 SELF ASSESSMENT QUESTIONS**

- (i) How will you conduct business analysis for developing new products?
- (ii) Discuss the process of converting idea or concept in physical shape.
- (iii) Differentiate between test marketing and market testing and discuss the process of test marketing.
- (iv) How can a company launch a new product? Explain with the help of suitable example.

#### **4.9 REFERENCES/SUGGESTED READINGS**

- (i) William J. Stanton, Michael J. Etzel, and Bruce J. Walker, “Fundamentals of Marketing”, 10th Edition, Mc Graw Hill International edition, 1994.
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- (iii) Ang, SH, Leong, SM, Tan, CT, and Kotler, P., “Marketing Management- An Asian Perspective”, Prentice Hall & Simon & Schuster (Asia) Pvt. Ltd., Singapore, 1996.
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## **LESSON NO. 5**

### **BRANDING STRATEGIES**

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#### **STRUCTURE**

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Product Branding
- 5.3 Line Branding
- 5.4 Range Branding
- 5.5 Umbrella- Branding
- 5.6 Source/Double Branding
- 5.7 Endorsement Branding
- 5.8 Factors for Choosing a Branding Strategy
- 5.9 Summary
- 5.10 Keywords
- 5.11 Self Assessment Questions
- 5.12 References/Suggested Readings

#### **5.0 OBJECTIVES**

After studying the present lesson, you should be able to understand-

- Rationale for branding.
- A framework for brand name selection.
- Factors related to branding strategy.
- Pro and Cons of branding strategy.



## **5.1 INTRODUCTION**

Most companies have evolved from being one-product companies. Over time, firms accumulate manufacturing and marketing capabilities. The desire to grow coupled with capabilities fuels the ambition to venture into uncharted markets or make untried products or services. The result is obvious. A single product company from being a rule once upon a time has become an exception. It is difficult to spot a company that offers a single product. The growth pattern followed by the marketers takes either horizontal or vertical or both directions. As the number of products handled by a company increased, the obvious question it raises is as to what kind of branding relations they would enjoy. That is how products and brands would be related. The product-brand relationship as it exists in the current marketing environment can be observed with the help of branding strategies that are followed by different companies. Different strategies are discussed in the following paragraphs.

## **5.2 PRODUCT BRANDING**

Product branding is one extreme of the branding continuum. It is fiercely driven by customer logic. In terms of customer perception and information processing, the most effective way to designate a product is to give it an exclusive name, which would not be available to any other product. This way the brand is able to acquire a distinct position in the customer's mind. What the brand represents is clearly understood and internalised by the market.

The purpose of branding is to differentiate your cow from other cattle on the farm. The reality is that cattle on the ranch do look almost like clones. "A successful branding programme is based on the concept of singularity. It creates in the mind of the prospect the perception that there is no product on the market quite like your product". A brand must singularly represent a product. Hanging multiple products on a name are

likely to cause confusion. A brand represents a position, an idea, a concept and a product. This is the way it should be.

In the product branding strategy the brand is promoted exclusively so that it acquires its own identity and image. The thrust is on making the brand acquire its 'own' set of associations and stand on it own. Product branding allows a brand to acquire differentiation and exclusivity. The brand does not share other products and does not take on company associations. The company's name is relegated to the back seat to fulfil the legal compulsions, which make it mandatory to identify the manufacturer. The product does not get benefits from the company name. The identity is not shared. The greatest advantage in favour of product branding is that a brand can be targeted accurately to a distinct target market or customers because its positioning can be precise and unambiguous. Customers connect easily with product brands since what the brand represents to them tends to be clear (see Fig. 5.1).

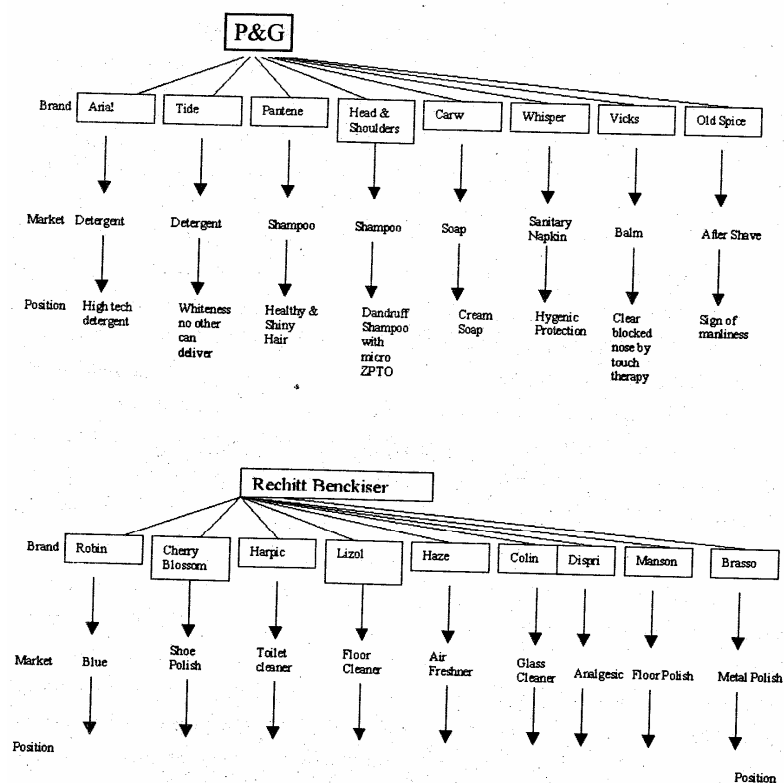


FIGURE 5.1: PRODUCT BRANDING STRATEGY

As is evident from the figure, P & G and Reckitt have been followers of the product brand strategy. A mega company like Hindustan lever also has been an adherent of product branding. It uses individual brand names to promote a product with an intention to provide it a distinct position. For instance, in the toilet soap category, HLL has brands like Lux, Lifebuoy, Rexona, Pears and Liril.

In terms of positioning, Lux has been a 'toilet soap of film stars, Lifebuoy has always taken the position of a soap that fights germs hidden in the dirt and promotes health. It has been the only soap exclusively directed at the male user. Rexona occupies the platform of a gentle soap with natural oils to have a good effect on skin. Liril enjoys the position of a 'freshness' soap. In HLL's portfolio there have been three brands of detergent powders- Surf has been positioned as an up market detergent, Sunlight caters to the middle rung and Wheel is the mass economy brand (Sunlight has been withdrawn from the market). The shampoo brands are Sunsilk and Clinic. Sunsilk occupies the position of a beauty shampoo, which makes hair soft, shiny and bouncy, while Clinic brand is a shampoo for vitamin nourishment or for preventing dandruff. In the last couple of years, HLL appear to have abandoned its pure product brand approach. The company instead has pursued the strategy of exploiting the power of its brands to the fullest scale by leveraging them. It aims to make most of the investments made in the preceding decades to cultivate some of the world's most powerful brands.

The cigarette industry presents another example where carving out a distinct position is imperative. At the product level most cigarettes tend to be the same. The other reality is that customers tend to exhibit strong brand preference for their brands. The brand fixedness is a norm with cigarettes, especially in the up market segments. Loyalty is a function of differentiation of a brand on dimensions valuable to the customers. Hence, a cigarette company faces an uphill task of establishing a distinct

position in a prospect's mind in order to succeed. The differentiation has to be in the mind. The product does not provide much scope for this to happen. It is for this reason that cigarette companies tend to favour product branding. Take for example ITC. The brand portfolio of ITC includes: India Kings, Benson & Hedges, Classic State Express, Gold Flake Kings, Wills, Berkeley, Capstan, Scissors, and Hero. In some cases like Wills and Scissors, the brands are line extended, to that extent the strategy has been diluted. Each of these brands is highly differentiated and occupies a distinct position. Off late even ITC seems to have jettisoned .pursuance of product branding. Its very powerful Wills brand now has gone out of its category to adorn a range of clothes.

Out of the four companies mentioned, except for P&G rest of the three companies do not follow the product brand strategy exclusively. These companies have made a distinct shift in favour of other branding options. One thing common among them is the tendency to leverage an established brand into areas outside its product category. In fact, too few companies follow product branding, making it difficult to cite examples of this approach. Why are companies drifting away from the once very popular product branding? Without going into a systematic analysis, it appears that market forces are making it a difficult or unviable policy in the current environment. May be the negatives associated with pure product branding outweigh the advantages that it delivers.

Product branding delivers a number of benefits to the firm following it. First, with an identifiable brand uniquely positioned and directed at a segment, the firm is able to cover an entire market spectrum by making multiple brand entries. For instance, HLL's detergent brands-Surf Excel, Rin, and Wheel offer all possible price points, benefits and utilities linked to different submarkets. With exclusive brand creation, the firm leaves very little scope for market confusion. It is a customer-friendly approach. Customers know what to look for when a specific need

is triggered. For instance, what do you do when you need stain remover- 'Surf Excel hai na'. And when need is to find an economical solution, customer knows to look for Wheel. Contrast it with Henko's policy. Finding differences between Henko Stain Champion and Renko Compact is not easy. Does it mean that Henko compact does not offer effective stain removal or is it that Henko Stain Champion is technologically an inferior product? These are the thoughts, which would occur in a customer's mind that considers Henko. Appreciating brand differences is much easier when product branding is followed, especially when the products are similar, e.g., detergents. Nothing much is perceptible.

Shared branding has an effect of making the firm less innovative and risk averse. When a new product takes on an existing brand's reputation and image, the firm would like to launch it only when it is hundred per cent sure. Doubts would not allow it to experiment because at stake is not only the new product but an existing well established brand. The product branding in this regard is a superior option. A new product is not likely to send negative feedback and associate the brand with the burden of failure. For instance, HLL's peanut bottle (Blue Seal) failed. People did not even know it was from HLL.

Consider the strategic business units of P&G. These include baby care, beauty care, feminine care, health care, fabric care, home care, food and beverages and tissues and towels. The immediate reaction is how can a company venture into so many unrelated fields. P&G has been an ardent follower of the product brand strategy. Its brands are standalones; people don't know that they all share a common root in P&G. Such level of operational flexibility stems from its branding policy. The company does not share a common identity. So customers do not exclaim: Oh! How can a company like P&G make Pringle Potato Chips, it is a detergent company (if source of Ariel is made a part of its identity). A company

following product branding is better positioned to venture into unrelated areas of activity without being a subject of market scrutiny.

The drawbacks of product brands are essentially cost based. Creating individual brands is a costly exercise. Launching of successful brand in a country like India costs anywhere between Rs 5 Crore to Rs 50 Crores. The new brands do not exploit existing strengths of a company or its brands; the demand for funds for investment tends to be very high. Only the firms, which have deep pockets and long staying power, can adopt this strategy. It is not meant for everyone in the marketing game. In order to recoup the investments, the brand must capture some minimal threshold of the market so that breakeven is achieved. Capturing market is easier in introducing and growth stage of product like cycle. Launching a brand in a product category, which has already hit the end of the growth or maturity, is not a good proposition. It is so because the market tends to be already divided among existing players and no growth is forthcoming. Displacement of players, which have firm roots, is difficult but is not impossible. The additional investments needs to achieve the same would send the break-even point even further.

### **5.3 LINE BRANDING**

Line in the context of product mix refers to various product lines that a firm may have in its total portfolio. For instance, Philips has product lines like television, video and audio, personal care, communication and household appliances. Gillette India has three product lines- oral care, batteries and personal care. The basic idea in line is how the firm organises its product portfolio. Each line is headed by a line manager; whose, primary responsibility is to constantly monitor health, profitability and performance of the line. This organisation simply reflects some similarity among the products- either marketing or manufacturing- on the basis of this structure.

Line branding in the context of a branding organisation does not have the same meaning. Sometimes a brand is launched with a distinct concept, e.g., Lakme (“source of radiant beauty”) Winter Care Lotion. The brand appeals to a distinct market segment that appreciates and like the brand concept. The core idea is that brand connects with a consumer group. Now the customers do not tend to be contented with one product, which the brand offers. Rather they want additional products, which go hand in hand with the brand concept or application. For instance, the Lakme user wants the brand to offer all complementary products which enhance beauty- body lotion, deep pore cleansing lotion, lipsticks, nail enamels, eye make up. Line brands start with a product but later extend to other complementary products. Complementary products combine to form a complete whole. The products in the line draw their identity from the main brand. They enhance the brand by reinforcing each other. Marketing products as a line under a common brand improves the brand’s marketing power rather than selling them as individual brands.

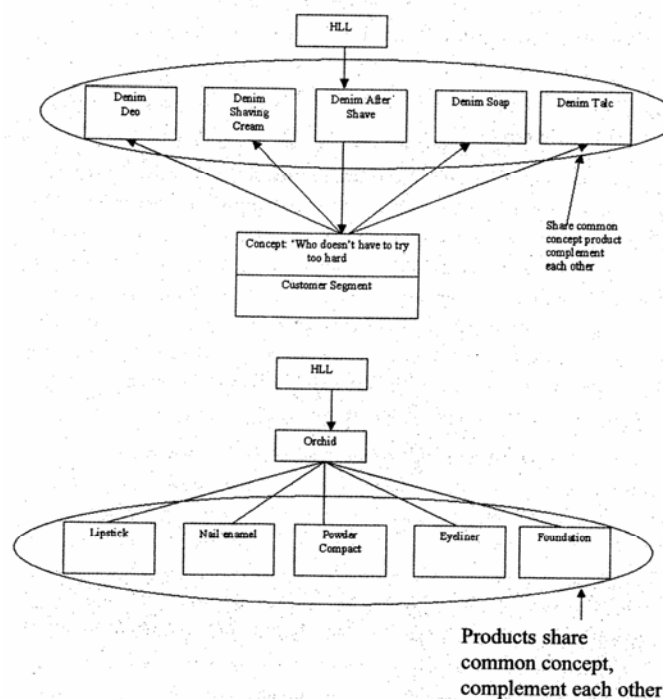


FIG 5.2: LINE BRANDING STRATEGY

Line branding strategy illustrates how a well-cultivated brand can be extended on to a host of related products under a common concept. This strategy seeks to penetrate the customer rather than penetrating the market. It seeks to fulfil all complementary needs that surround a basic need. The clues to extend the brand come from the customer side as they wish the brand to take care of the total need rather than serving it in a fragmentary manner.

Why do firms tend to branch their brand into complementary products? The chief motivation behind such moves is the ratio between marginal cost and marginal gain. The firm only promotes the main product and its concept; the complementary products do not require additional investment. They just ride piggyback on the original brand's concept and marketing. The complementary products are not supposed to become stand-alone brands. Hence, the brand could be extended without much cost. Line brands as a complete team reinforce and strengthen brand concept among its users.

Sometimes the lure of line branding can be so tempting that firms may fall victims to its trap. The ease with which complementary products permit their launch may force overextension of the line. This may potentially weaken the brand instead of strengthening it. The bottom line for line branding is to stick to the narrow immediate space of a brand. How would it influence new product activity in the firm? It may dampen the firm's inclination to make a non-linear jump. Sticking closely to a brand may affect a firm's fortune in the long run.

#### **5.4 RANGE BRANDING**

Line branding restricts the brand's expansion into nearby territories of complementary products, which, complement or support the main product's usage. On the other hand, Range branding, is not restrictive in this sense. Brands can move beyond product



complementarities. However, the bottom line is that products must emanate from some area of competence. That is, firms can develop expertise and capability in some area over time. The firm in launching different products could use the same expertise. The nature and façade of products may differ from the outside, but they all share some common competence. Range brands encompass many products under a single banner. All the products share a common promise, which stems from the firm's or range brand's area of competence. The products are tied together by a single brand concept. For instance, Nestle uses its Maggi brand for its range of fast foods- Maggi noodles, sauces, super seasonings, Tonite's special, dosa mixes, soups (see Fig. 5.3).

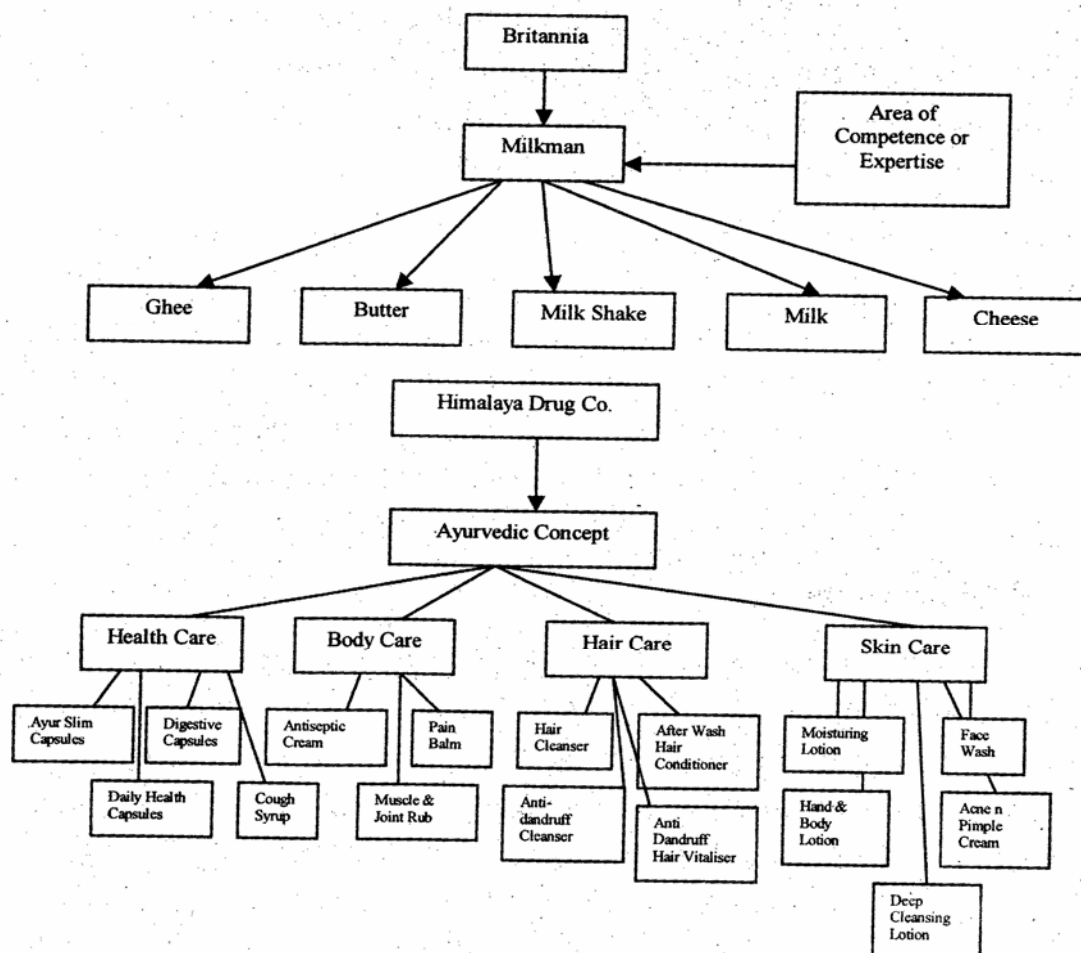


FIG 5.3: RANGE BRANDING STRATEGY

One of the benefits of the range brand strategy is the formation of brand equity. Many products under range branding share a common name. Accordingly, one brand is promoted as in the case of Ayurvedic Concepts. This helps in preventing brand building efforts from getting dissipated in different directions. Secondly, the brand can easily embrace other new products, which are consistent with the brand. This reduces the cost of introducing a brand in the market place. The Ayurvedic Concept can be passed on to new products, which share its idea without much additional expenditure. On the flip side, once a brand tends to hang a large Brand Management number of products on it, it has a tendency to become weak due to over stretching. It's meaning may get diffused in the perception of the market.

## **5.5 UMBRELLA- BRANDING**

The companies of the East have particularly favoured umbrella branding. For instance, Japanese and Korean companies enjoy the distinction of pursuing umbrella branding. For instance, the Korean giant LG uses its name on products like microwaves, refrigerators, computer monitors, televisions, and air conditioners. The Japanese firm, Mitsubishi uses its name on all the products and services it sells. Its name embellishes products like semi-conductors, automobiles, consumer electronics, space equipments, etc. Hyundai's business interests go into areas like microprocessors, telecommunication satellites, cars, commercial vehicles, subways, construction projects, LNG carriers, turnkey engineering. All these diverse businesses are under the common banner of Hyundai. The other followers of umbrella branding include Philips, GE and Canon Indian business houses like Tata, Bajaj and HMT, also follow umbrella branding (see Fig. 5.4).

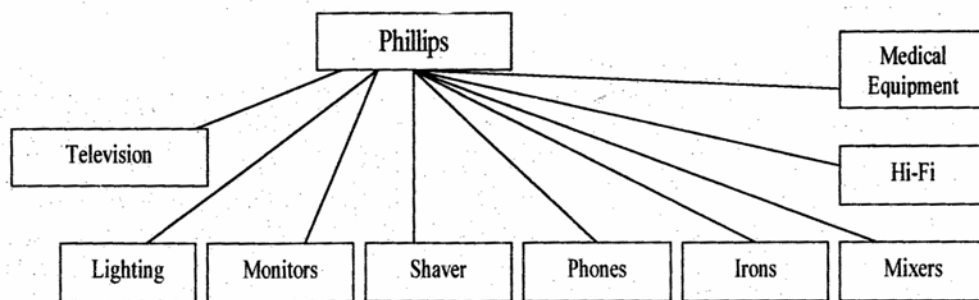


FIGURE 5.4: UMBRELLA BRANDING

Umbrella branding, scores well on the dimension of economics. Investing in a single brand is less costly than trying to build a number of brands. By leveraging a common name across a variety of products, the brand distributes its investment. Hence umbrella branding works out to be an economical strategy. Using an umbrella brand to enter into new markets (e.g., Tata making a foray into the automobile car market) allows considerable savings. The brand gives the new product advantages of brand awareness, associations and instant goodwill. That is, the product inherits all these from the brand pool simply by taking on the umbrella name.

Umbrella branding may even make sense in the current marketing environment characterised by information overload and brand proliferation. The brand and the media scene have become cluttered to the extent that most consumers suffer from excessive bombardment of information. In a situation of information explosion, registering a brand in a consumer's mind may be near impossible. Building brand awareness would be difficult because the customers, in order to cope with information assault, would shut their receptors. Consumers filter a great deal of information directed at them. Umbrella branding in this context makes sense, because the brand already enjoys awareness and image advantage over new brands. The product can get these awareness and image association simply by putting umbrella brand on it.

Tata is an old brand. It has been primarily into the old economy business like steel, cement, trucks, etc. With time the brand associations also age and lose relevance in current times. When Tata launched Tata Indica, it signified Tata's foray into a new field. When the new product shares the umbrella brand name, it automatically sends feedback. The result, the umbrella acquires new associations. The result will be a new, contemporary, up-to-date and modern image. This way a brand revives itself.

Umbrella branding appears to be an ideal branding practice, but it is not. Umbrella branding suffers from a number of disadvantages. The strongest criticism against umbrella branding is that it is not a market or consumer consistent strategy. Despite the numerous cost advantages that a single brand allows a company to reap, umbrella brands do not earn better profits. If it is a low cost strategy, it also is a low revenue-earning model. When we compare the companies in the United States and Japan (Umbrella branders), in terms of profitability, the latter score poorly. The top hundred US companies made a profit, on an average, of 6.3 per cent of sales and the top Japanese hundred companies made a profit, on an average, of just 1.1 per cent of sales. The profitability figures do not favour umbrella branding.

Umbrella branding may be appropriate when markets operate at a higher level of aggregation. With time, markets fragment and get divided into smaller sub-segments. Each segment presents its own unique structure of needs and buyer preferences. The results, a host of specialists join the market with precise targeting. This creates a difficult situation for the umbrella brander- the generalist. A generalist may win the major battle, but in niche fights what is needed is specialisation. An umbrella brand represents 'many things about many products, but in the age of specialisation what is needed is, 'everything of something'. From the customers' point of view a specialist brand makes more sense than a

generalist brand. For instance, if you want to buy a mid-size car which one would you buy, Santro, Esteem, Accent or Indica. Mind you, the first three are specialists, while Tata Indica is a generalist. The brand conjures up images of LCVs, HCVs and a host of other associations.

Another danger associated with umbrella branding is that since many products share the common name, a debacle in one product category may influence the products because of shared identity. The product linkages tend to be stronger. For instance, if Samsung refrigerators discovered to be faulty, the message about its defects would travel to other quarters, impacting the brand's performances in categories like air conditioner, televisions and monitors. The products are not insulated from one another. A great deal of caution is needed. Companies following umbrella branding must consider the limits of this strategy. Umbrella brands are difficult to stretch vertically. For instance, Maruti Suzuki's attempt to go to the upper segment with its 'Baleno' range did not yield good results. Similarly, a prestige brand like Omega ventures into lower end watches, it is likely to damage the core brand. The firm following umbrella strategy must take vertical movements with utmost care and caution.

Horizontal extensions are somewhat less threatening. Umbrella brands can easily adopt a variety of products in a category. For instance, all Sony products, which range from Walkman to music system to computer floppies, embrace the same concept.

## **5.6 SOURCE/DOUBLE BRANDING**

Source brand strategy combines the firm's name with the product brand name. It is a hybrid of umbrella brand and product brand strategy. The product is given a brand name and it is combined with the name of the firm. This is also called double branding. For instance, Chetak is the name of the scooter and Bajaj is the company behind it, the brand

accordingly becomes Bajaj Chetak. Both the names enjoy equal importance and are given equal status in the brand's communication. Firms, which follow double branding, include Johnnie Walker. Its brands are Johnnie Walker Red Label, Johnnie Walker Black Label, and Johnnie Walker Blue Label.

What is unique in source brand strategy? What is discernible in the branding practiced by Maruti and Bajaj? The brand names are two tiered. Like cooperate umbrella branding, the name of the firm is common to all products. For instance, Bajaj is common to all of its brands and so is Maruti. But beyond umbrella branding, each product also carries its own name or description to create a source or double brand (see Fig. 5.5).

Source branding by combining a firm's name with product name seeks to achieve two objectives. First, the firm's name brings its equity to the product. The product stands to benefit from what the company has been able to cultivate in terms of awareness, expertise, and attribute and reputation associations. For instance, when Bajaj name is added to a new brand like legend, immediately Bajaj's repertoire of associations is transferred onto the product. Secondly, the second name, the name of the product (e.g., legend) provides the opportunity to add something unique to the brand. This is an opportunity for customisation or personalisation. That is, the brand can stand for something over and above what Bajaj stands for. The brand can acquire its own image within the broad framework of corporate image. This way the brand can reach new customer groups or market segments.

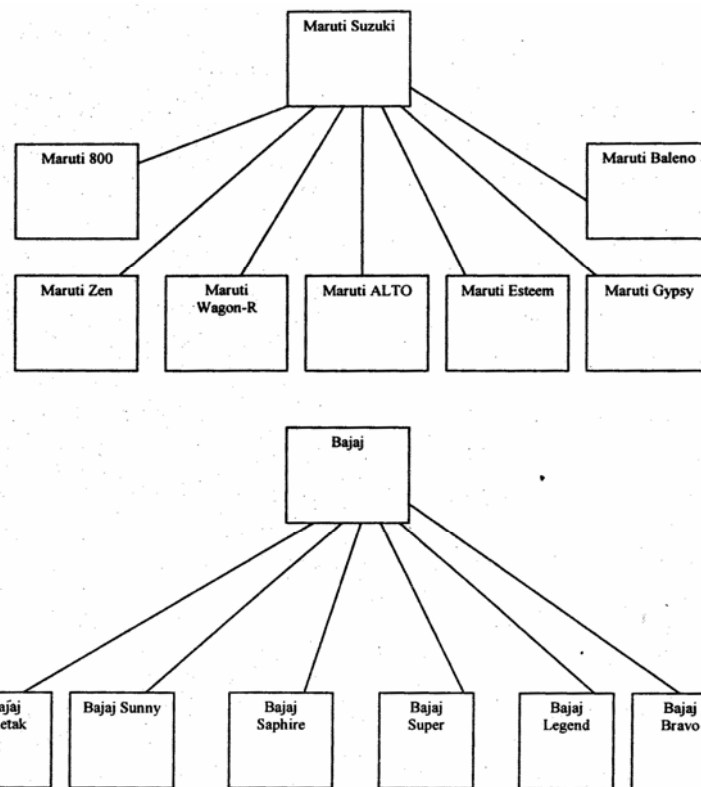


FIG 5.5: SOURCE/DOUBLE BRANDING STRATEGY

The Johnnie Walker Red label does not go in the same market as Johnnie Walker Blue label. The two brands/share a common identity and heritage, but at the same time they are different from one another. The second name allows building up of this difference or distinction. Kelloggs employs both umbrella branding strategy and source branding strategy. In its range of Kelloggs rice flakes, wheat flakes, corn flakes, umbrella branding is employed. But when Kelloggs name is combined with an independent name to create a new brand, the strategy becomes double branding. The examples include Kelloggs Cocos and Kelloggs Frostries. Maybe the firm seeks to reach out to slightly different segments, which necessitates the use of an additional name to achieve greater image modification. Another follower of source branding in the automobile sector is LML. Its brands like LML T5, LML Prithvi, LML Alpha and LML NY are all double brands.

Double branding is somewhat an extension of the umbrella strategy. Each brand tends to share something common- the identity and image of the source company behind the brands. The company image becomes the limiting factor in this branding approach. How far a double brand can go is restricted by the external constraint imposed by the company's field of experience, expertise and know-how. The brands need to be consistent with the activity or expertise domain of the firm. If a brand makes a bid to go beyond the limits imposed by the firm's image, it would become a burden instead of gain. Motorcycles or three-wheelers are product categories, which enjoy greater consistency and expertise similarity. A double brand by way of Bajaj Kawasaki or Bajaj Boxer, or Bajaj Challenger is fine. But when the product field is not consistent, e.g., cars or computers, double branding may not be the correct strategy. Furthermore, when a brand wishes to go away from original field of activity, more is the need to build an independent brand. It is important to note here that the activity distances need to be read from a customer's perspective. The perceptions of managers and customer may be significantly different from one another.

## **5.7 ENDORSEMENT BRANDING**

Endorsement brand strategy is a modified version of double branding. It makes the product brand name more significant and the corporate brand name is relegated to a lesser status. The umbrella brand is made to play an indirect role of passing on certain common generic associations. It is only mentioned as an endorsement to the product brand. By and large, the brand seeks to stand on its own.

Unlike the product brand where the brand is made an independent entity without any reference to its maker, the endorsement brand discloses the identity of the maker, making it a small part of the brand. The brand gets an endorsement that it belongs to specified company, e.g.



Kit Kat gives a signal that it is Nestle's product. Cinthol's communication stresses that it is a Godrej product and Dairy Milk is Cadbury's brand (see Fig. 5.6). Most people would be able to identify that Marie, Good Day, Snax, Fifty-Fifty, Cream Treat and Bourbon are Britannia's brands. Though these brands enjoy their unique independent image but somewhere in their image the maker's association is also a part.

Endorsement branding strategy allows the brand the freedom to take an independent direction. Unlike the source brand strategy where the corporate name is an integral and equal part of the brand, in endorsement strategy the firm's name sits back as an assurance of quality. It rubs off the brand in a positive and generic way. The idea is not to pass on specific associations on to the brand. The brand is expected to carve out its own image. It acts more or less as an independent entity. For instance, in the case of Cadbury's and Nestle, the brands mentioned above have their own unique position and image. Cadbury's or Nestle support the brands to the extent that they transfer certain qualities or associations, which enhance customers' trust. Brands are identified by their own name. Customers do not ask for Cadbury's Bournvita or Nestle's Cerelac. Rather the products brand name is used in transactions.

While the company name does sit at back of the mind, people tend to be visually familiar with Nestle and Cadbury's signage. The company name does form an integral part of the brand's visual symbol.

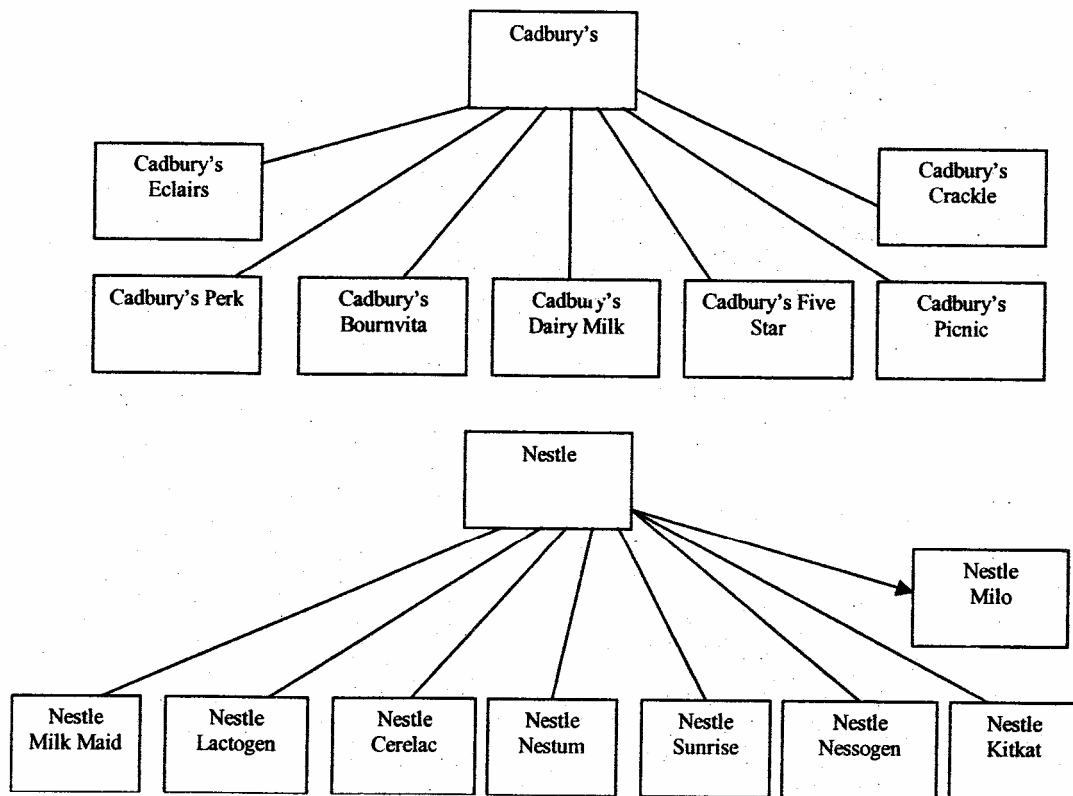


FIG 5.6: ENDORSEMENT BRAND STRATEGY

Endorsement brand strategy can be viewed as a step which is more towards product branding. By taking the corporate name from the status of equality to minority, the product name is provided greater opportunity to be on its own. This strategy is less expensive in comparison to product branding. The endorser brand allows access to the repertoire of associations, which it has accumulated over time. For instance, the recent launch of Fair Glow, fairness soap stands to gain a lot from the Godrej image once it is called Fair Glow from Godrej. Similarly, Vatika shampoo has been able to make considerable gains in the tough to crack shampoo market. Creating a successful product brand would have needed more investment and time. Dabur endorses Vatika brand. In the visual signage the Vatika name dominates but Dabur does appear in it as an inseparable component. The result, both the Fair Glow and Vatika brands have gained from the corporate name rub off. A certain level of trust, quality, assurance and expertise associations have gone into these brands. To that extent brand awareness and acceptance is facilitated.

The Dabur name guarantees brand's efficacy because it is a well-established name in ayurvedic formulations, while Godrej is a well-known and respected player in the soaps category. In order to test whether the strategy followed is endorsement branding or double branding, one needs to explore how brands are mentioned in daily conversations. People ask for Vatika and not Dabur Vatika. In the same fashion the soap is called Fair Glow, not Godrej Fair Glow. Here lies the distinction. The brands have acquired their own status and image.

Thus, endorsement branding strikes a delicate balance between umbrella and product branding. The marketers can subtly transfer the corporate brand's equity and at the same time enjoy the freedom to venture beyond immediate product boundaries. For instance, Johnson & Johnson, ICI and Bayer endorse brands in diverse areas. Brand stretchability in this strategy is not as good as in product branding. Therefore, while endorsing a product brand, care must be exercised in finding consistency. Otherwise, the endorsement may just be perceived as hollow, e.g., Nestle burnt its fingers when it launched Mithai Magic. The product failed, as it did not go down well with the Nestle endorsement.

## **5.8 FACTORS FOR CHOOSING A BRANDING STRATEGY**

The six strategies discussed above can be labelled as generic strategies of branding. Each one is driven by its own internal structure and logic. The benefits and constraints flow accordingly. One cannot make a blanket judgement about any strategy being the best. Each strategy comes with its own pros and cons. Therefore, "the branding strategy decision cannot be automatic. It must be preceded by 'a systematic analysis of a brand's strategic challenges and a firm's strengths and weaknesses. It must be understood that these strategies are not mutually exclusive. Firms can adopt multiple branding strategies

depending upon their requirements. For instance, Nestle adopts, by and large, an endorsement branding strategy for all its products. Within the endorsement framework, Maggi takes as an umbrella brand role for its range of products like sauces, noodles, macaroni, cubes and curries. All Godrej brands Cinthol, Fair Glow, No 1, Ganga, Crowning Glory, etc., are endorsed by the company name. However, in the electrical appliances business, Godrej becomes an umbrella brand for its refrigerators and air conditioners.

It is hard to generalise as to which branding strategy is appropriate. But the choice of the strategy needs to be based on a thorough understanding of what each of the branding strategy stands for and what are its intentions. A summary of the strategies is given in Figure 5.7.

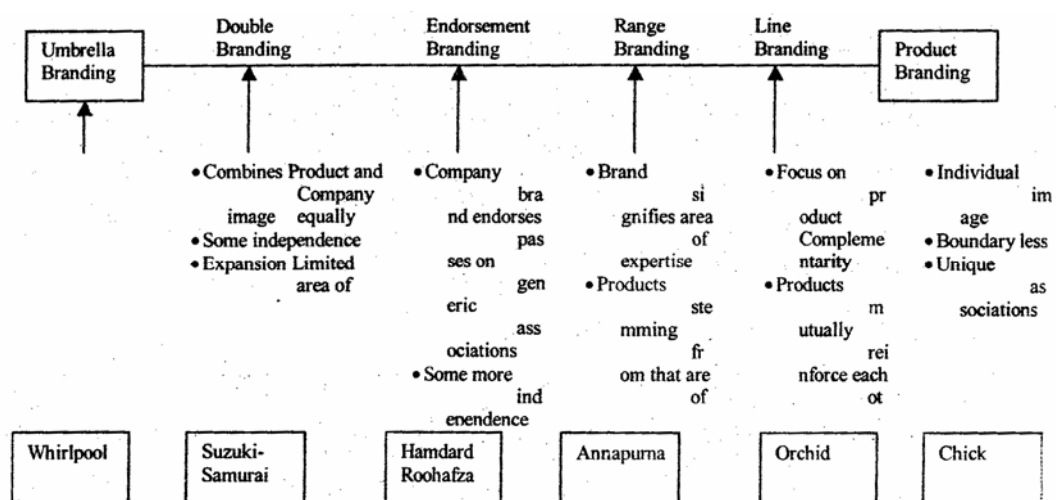


FIG 5.7: BRANDING STRATEGIES

The choice of a branding strategy is a complex task. The firm needs to adopt a situational perceptive in order to arrive at a strategy which is best suited to the needs of the firm. The following factors may be taken into consideration while selecting a branding strategy:

**Market Size:** Product branding strategy is a high fixed cost intensive strategy. Some minimum investments have to be made to get a

brand to the threshold of awareness and image formation. Recouping the expenditures incurred in the initial phases of establishing a brand would necessitate acquisition of a critical mass in the market. In large and growing markets such acquisition is relatively easier. The primary demand builds up and a brand does not really have to displace existing competitors. However, when market size is smaller and is not growing, achieving critical mass is difficult. This would enhance the payback period. In such situations a branding strategy, which takes assistance from an established name, may be more desirable. Shared brands reduce brand-building costs, and thereby allow brands to enter in the profit zone even at smaller market size levels.

**Competition:** Competition implies how fiercely the market is contested. When competition is less intense, the marketers are not motivated to brand the product. Simply manufacturer's identification would be sufficient. This was the case with most firms in India prior to liberalisation. Brand building was not really a priority. Brands were labels to identify the products. Branding in the primitive sense prevailed.

Competition forces marketers to focus on markets or customer side of the equation. The critical challenge is how to win the customers and outsmart the rivals in the fray. Brands need to shift from generality to specialty. Specific customer benefits or personality focus needs to be achieved. Accordingly, branding strategies, which are tilted in favour of individual brands identity creation, may be more appropriate. Firms can choose between product branding, endorsing branding and double branding depending upon the resources at the disposal.

**Resources:** Product branding is definitely not an option for a resource starved firm. Product branding firms like P&G, HLL, RCI (earlier), Coke and Pepsi are all deep pocketed. They have the resources to create and support product brands. Building a common equity has not

been on their agenda. While firms in Eastern side of the globe, heavily banked upon umbrella branding. May be it has something to do with resources, which were at their disposal. These firms, instead, created a common equity pool to be used and exploited by products in their portfolio. Toyota created the Lexus product brand after monopolising the American and European markets for several decades.

**Product Newness:** Today's market environment is characterised by brand proliferation. As brands crowd the shelves at the retail outlets, distinctiveness is lost. Customers tend to club all brands into categories. This simplifies decision-making. Brand multiplication tends to work counter to brand individuality.

When a marketer wants to add a new product, which is characterised by its own uniqueness in terms of benefits or attributes, using a common brand name is not desirable. A shared name would induce customers to generalise the product on the basis of similarity and ignore its distinction. Rather the marketing challenge is, how to make customers focus on a brand's distinctive features. The appropriate branding strategy under these circumstances is not to follow umbrella branding, but to move towards product branding which concentrates on differentiation. Brands can evolve a mid-route by combining company name with product name to avoid confusion and establish clarity of image.

**Technology/Innovativeness:** Product innovations sometimes embody new technology. Innovations bring uncertainty, both for the firm and the customers. From the firm's point of view, innovations imply uncertainty about success and risk of potential failure. For instance, when Sony launched Betamax or RCA launched Selectavision, the companies were doubtful whether the products would be commercially successful or not. Firms marketing an innovation have to attend to two

tasks: first, to insulate brand equity in case the innovation fails. Second, to communicate its innovativeness, i.e., its uniqueness. Both of these concerns favour branding strategies more towards product branding. Firms can choose double or endorsement branding strategy. DuPont relies on endorsement branding when it launches its innovative products. Its brands include Kevlar, Nylon and Lycra. All innovations bear the endorsement of Du Pont.

## **5.9 SUMMARY**

It has been observed that companies start with one product but overtime as they accumulate manufacturing and marketing capabilities they tend to become multi-product. As the number of products handled by a company increases, it raises the questions. What kind of branding relations would they have among themselves? Companies differ in their approaches to branding. Western companies seem to favour product branding while the companies in the east practice mega brand approach. A company can choose from a variety of branding strategies.

## **5.10 KEYWORDS**

**Brand:** A name, term, symbol, special design, or some combination of these elements that is intended to identify the goods or services of one seller from those of other sellers.

**Product branding:** The brand is promoted exclusively so that it acquires its own image and identity.

**Marketing strategy:** A firm's approach toward its market that exactly specifies its target market and its marketing mix.

**Source branding:** It combines the firm's name with the product brand name.

**Product:** The needs-satisfying offering of a firm.

### **5.11 SELF ASSESSMENT QUESTIONS**

1. What is branding? Explain its terminology in Indian context.
2. Explain different branding strategies and their pros and cons.
3. Which factors a firm must consider at the time of selection of a brand strategy?
4. Distinguish product branding and corporate branding.

### **5.12 REFERENCES/SUGGESTED READINGS**

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## **LESSON NO. 6**

### **BRANDING CONCEPTS**

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*“Uniformity is the mother of branding.”*

#### **STRUCTURE**

- 6.0 Objective
- 6.1 Introduction
- 6.2 Evolution of Brands and Historical Perspective
- 6.3 Definition and Conceptual clarity
- 6.4 Brand Identity
- 6.5 Brand Identity Levels
- 6.6 Brand Dimensions
- 6.7 Brand Equity: Definition and Meaning
- 6.8 Brand Awareness
- 6.9 Brand Image/Constellation
- 6.10 Brand Loyalty
- 6.11 Summary
- 6.12 Keywords
- 6.13 Self Assessment Questions
- 6.14 References/Suggested Readings

#### **6.0 OBJECTIVE**

The present chapter discusses the brand concepts and its evolution, identity, image and equity in detail. Furthermore, a number of aspects related to the brand have been examined in this chapter.

After reading this chapter you will be able to understand:

- the meaning of brand
- identity of brand

- dimensions of identity of brand
- brand equity
- brand loyalty and brand image

## **6.1 INTRODUCTION**

Brands have been around for many years, though they existed silently. For long, managers did not accord due respect to branding when the product was developed, priced, and packaged. Branding was a later decision or not much significant for the marketers, who felt that the product was more important. Branding meant passively assigning names to pre-manufactured products. But in the last two decades the brands have got out of their slumber. They are the hot spots in total marketing process. Among the manager's chief concerns, brands reign at the top. Brands are not universally acknowledged as drivers of financial performance of a company. Not any more, are they cynosures of marketing people; they constantly figure in financial strategy and valuations.

The star brands, which rule the roast in the global markets, are the objects of desire for marketers who still lack powerful brands. Brands like Marlboro, Sony, Kodak, Coca Cola, BMW leave the managers drooling. These brands are outcomes of careful and well-crafted branding strategies. To achieve this end, the managers need to approach branding cautiously and with dedication. But the process of branding cannot be approached correctly if confusion surrounds the concept of brand. The need is to confront the critical issue: What is a brand and what it is not.

## **6.2 EVOLUTION OF BRANDS AND HISTORICAL PERSPECTIVE**

Branding has been around much before the term entered in the jargon of modem marketing. It can be traced to ancient civilizations. The Greeks and Romans and people before them employed various ways to

promote their products. These were wines, ointments, pots, or metals. Messages would be written informing the public that this man, at this address, could make shoes and that the man who lived over there, at that address, was a scribe. The Greeks also used town criers to announce the arrival of ships with particular cargos.

Brands are particularly linked to uniformity or homogeneity. As long as, something remains single or unique, there would be no need of branding. For instance, Taj Mahal or Qutub Minar. No one has difficulty in separating them from the others. It is the uniqueness of these structures that sets them apart from the rest. They are easily identified. But difficulties would arise if we have more than one identical Taj Mahals or Qutub Minars. A qualifier would be required to set one thing apart from the others.

Naming individuals is the branding practice followed to differentiate one person from the others. In the early twentieth century, the agriculturists employed a variety of tools to brand their produce. Branding becomes an imperative when identity is lost due to homogeneity. If one traces the etymology, the word 'brand' has its origin in the Old Norse word 'brandr'. It means 'to burn'. In the early times, the farmers used to burn a mark or a symbol on the animals to identify one's livestock. This practice is common even today.

Branding has always been an important aspect of marketing. In the sixteenth century distillers used branding in their own way. They burned or branded their name on the wooden containers. Its purpose was that the whiskey of one distiller could be identified from that of others. It also prevented tavern owners from substituting cheaper versions. Consumer identification with the product and protection continues to be guides of branding practices even today. The concept of branding evolved further in the eighteenth century. Earlier the producers' names identified the

products. It was some kind of corporate umbrella branding. In fact, the identity of the producer used to be the brand name. For instance, Smirnoff vodka takes its name from Smirnoff family, which went into the vodka business in the year 1818, Ford automobiles adorn the name that came from Ford family.

### **6.3 DEFINITION AND CONCEPTUAL CLARITY**

The concept of brand in its present form is of recent origin. Creating brand is the ultimate aim of marketing endeavour. The AMA defines it as: “A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.” There are two aspects of this definition. Firstly, it focuses on ‘What’, of the brand. Secondly, it emphasizes on what the brand ‘does’ (see Fig. 6.1). A brand can be any combination of name, symbol, logo or trademark. Brands do not have fixed lifetimes. Under the trademark law, the users are granted exclusive rights to use brand names in perpetuity. The economists view of branding “various brands of a certain article which in fact are almost exactly alike may be sold as different qualities under different names and labels, which will induce rich and snobbish buyers to divide themselves from poorer buyers.”

The marketers use a brand name because it plays an important role for them. It identifies the product or service. This helps consumers to specify, reject or recommend brands. This is how string brands become part and parcel of a consumer’s life. Secondly, brands help in communication. Brands communicate either openly or subconsciously. For instance, the brand ‘Fair and Lovely’ communicates what the product does. Similarly, a brand like Johnson and Johnson is a symbol of expression of a mother’s love. Finally, a brand becomes an asset or property, which only the owner has the right to use if brand property is

legally protected. All the registered names are the valuable assets of the owners. Coca-Cola brand name is perhaps the most valued asset of Coca-Cola Corporation.

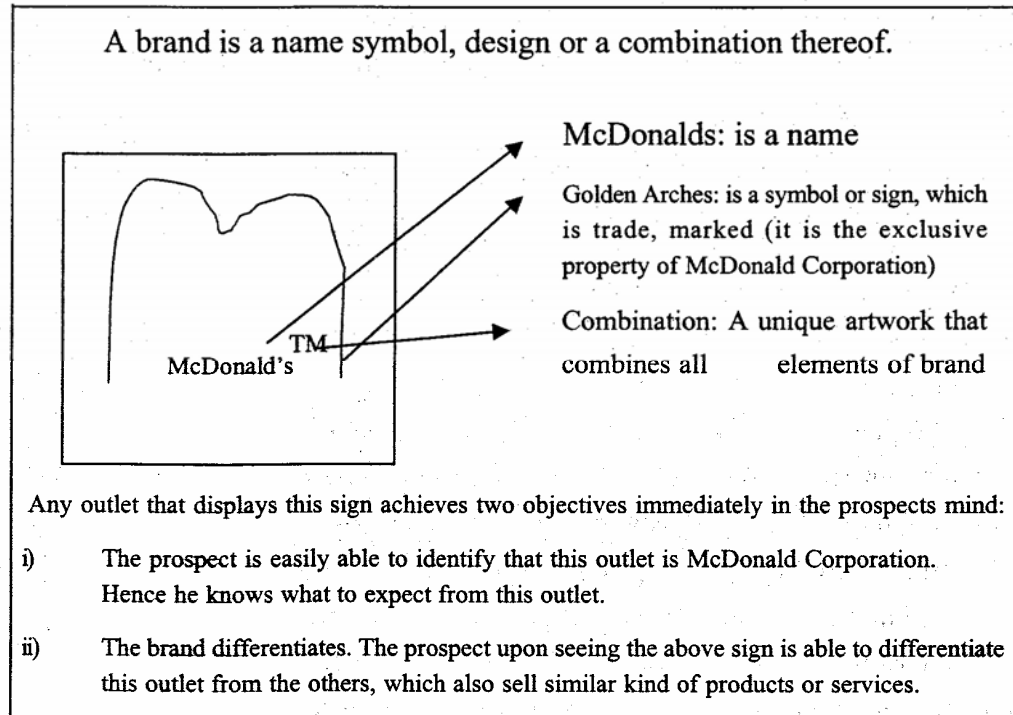


FIG 6.1: WHAT IS A BRAND AND WHAT IT DOES?

Conventionally brands were viewed myopically. They were seen to perform identification and differentiation functions. But, mere identification may not be a sufficient condition for survival in a competitive marketplace. For instance, the brand Premier identified the automobiles with the Premier Automobiles Limited very well. At the same time the 'Premier' brand distinguished these cars from rest of the competitors like Hindustan Motor's Ambassador, Maruti, and others. Yet the brand went out of the market. Now Premier cars are not even manufactured. What is essentially missing in the conventional brand concept is consumer. Brands do not exist for the sake of identification and differentiation.

They exist because of and for customers. The value dimension is key to any kind of brand to be there in the marketplace. Branding must

not be confined to the process of passively assigning a name or symbol to a product. Branding done in this manner may not be able to lift the product into a higher plain.

The product may be equal to brand and brand may be equal to product. The purpose of branding is to transform the product. It must add value that consumers covet for transforming a commodity like product into customer satisfying value added propositions is the essence of branding.

## **6.4 BRAND IDENTITY**

The Oxford dictionary defines identity as “the fact of being who or what a person or thing is;” “the characteristics determining this.” The concept of identity has been widely used in the context of humans. Identity card is particularly employed as a device to establish the identity of the owner. It describes who the person is. Military history is replete with instances where spies were sent to enemy territories to uncover battle plans and dig enemy strengths by hiding their identities. They attempted to establish in the enemy’s territories what they were not- by adopting their dresses, accents, languages, mannerisms, etc. The key consideration to their success was how effectively they established what they were not. The whole establishment of spying is based on a critical understanding of who you are- the real identity and what you want to be perceived as- the identity purported to be received by the receiver.

In other instances, the task is exactly opposite of what we have in spying endeavours. Now-a-days, in offices, where a large number of people work, identity becomes an important issue. It is for the safety and proprietary reasons that only legitimate persons should be allowed to gain entry. Establishing what/who a person is can be done in a number of ways- dress, language, code, mannerism, identity card, palm scanning and other electronic mechanisms. Here, in these instances, the idea is to

establish congruence between who you are (not, who you are not in spying) and what you are perceived as.

Appreciation of this is critical because it draws a separating line as to what a person or thing is not. Accordingly it is easier to determine what is 'in' and 'in sync' with the identity and what is not. Many a time decision makers responsible for navigating the brand do not have any idea as to what the brand is. The result- they end up taking decisions that impact the brand adversely for they lack ideas about what is legitimate and what works in the interest of the brand. Some cases are discussed here in the following paragraph.

Cinthol, once a very powerful brand has been subjected' to severe damages because of typical mistakes that brand, managers commit. It is the absence of understanding, may be, about what the brand is that has led to the present situation. The soap was initially positioned as containing a deodorizing agent, which would boost the confidence of the user. In the first moves, Cinthol changed its track and want on to acquire a masculine image with up market hero/hunk user profile. The brand ambassadors hired for the job were Imran Khan, Vinod Khanna and later Akshay Khanna. As usually happens, the brand got entangled with HLL's rival Liril. The rising popularity of Liril forced Godrej to position its Cinthol head on with Liril as a 'freshness' soap with lime associations. In fact, the brand communications depicted a slice of lime and a waterfall, which were very similar to those conveyed by Liril for years. If one removed the brand name from the advertisements and television commercials it would have been near impossible to identify the true sponsor. The brand further saw a spate of extensions- Cinthol Cologne, Cinthol Lime, Cinthol International. The focus shifted from brand user to brand ingredients and attributes. It seems that the brand suffered because of the absence of a charter guiding brand decisions. The actions of the managers have left the brand weak and vulnerable.

## **6.5 BRAND IDENTITY LEVELS**

The identity decisions begin with understanding the brand's fundamentals. The task of assembling brand elements in a cohesive whole cannot be accomplished unless one knows what the brand is and what it stands for. What is the core value proposition it intends to make to strike a chord with the customers? The most powerful brands on earth can be characterised to have well-articulated or defined identities while the brands, which do not leave any mark, are victims of the lack of it. Identity is essentially an issue that is in the hand of the brand steward, creator or manager. An observation of brands around us would reveal that brand identity has two levels: the central or fundamental identity and the peripheral identity (see Fig. 6.2).

### **Central Identity (Inner Core)**

The identity is the soft core of the brand, which is normally enveloped, with layers of peripheral identity elements. It represents the essential core of the brand. What is the brand actually meant for? What is the potion or essence of the brand? The central identity indicates the reasons why the brand has been brought into existences. It envelops within it the brand's unique selling appeal or preposition. For a brand to have sustainable identity, analyses of customers, competitors and self-appraisal of company's strengths and weaknesses is essential. It is not a cold-blooded rational exercise. Great brand identities are sometimes, based on the creator's gut feel or perception. Often a brand becomes what the man behind it is. It acquires a system of values that dominate the creator's mind. Brands for them, to begin with, tend to be not as much a business entity but an emotional creation. IBM brand greatly took its essential character from Sir Watson, which ultimately determined its identity and translated itself in to a key compelling value proposition.



## Outer Core of the Brand

The inner core of brand identity is about the spiritual centre. It is qualitative and philosophical. The brand manifests itself in brand identity elements like the product, symbol, user profile, personality, slogans, endorsers, characters, name, and packaging. All the brand elements get combined to make up brand identity. The outer core of the brand completes the picture and provides it meaning. It suggests what the brand stands for more tangibly in an easy to grasp fashion. It is somewhat operationalization of the inner core of the brand. Managing a brand would involve conscious decisions about picking up brand elements in a manner that a cohesive whole is created as intended by the brand's core identity. The brand's core sometimes may be too philosophical or abstract, which may pose difficulty in decoding a brand's intentions. It for this reason, tactically, the outer identity may be used to provide direction and meaning to the element selection.

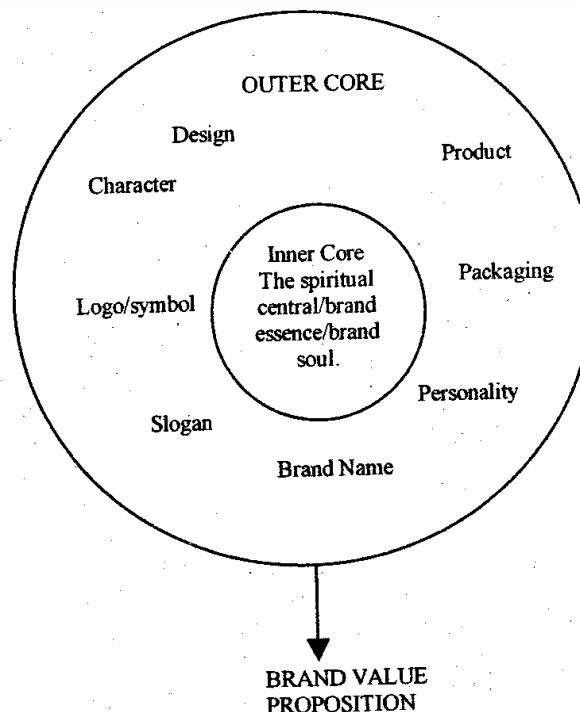


FIG 6.2: BRAND'S INNER AND OUTER CORE

**Brand Identity:** Liril

**Inner core:** Freshness, fun and spirit.

**Outer core:**

Product scope : Soaps, perfumes, talcum powders.

Personality : Youthful, spirited, mysterious, charming, energetic, indulgent.

Extensions : Liril Rain fresh, Liril Talc.

User : Young girls, urban.

Association : Waterfalls, excitement, lime.

Slogan : Liril freshness (la, la, la, ra, la ...)

**Value proposition:**

Feeling of freshness, youthfulness and energy.

## 6.6 BRAND DIMENSIONS

Brand identity provides long-term perspective and thereby makes the brand durable; it guides communications so that coherent and consistent signals flow to the outside world and finally, the brand remains realistic. Brand identity, therefore, provides defense against the moves, which may render the brand image fickle or opportunistic. There are six dimensions of brand identity: physique, reflection, relationship, personality, culture and self-image.

### ***Brand Physique***

The physique dimension of the brand refers to the physical aspects. For instance, the physique of a brand like IBM would be data systems, computers, servers, etc. The physical aspects are usually rooted in the product. These include salient objective features, name, colours, logos, and packaging. The brand's physique is its backbone. It is tangible value added to the brand. The brand structure is usually built upon the physique. It is the tangible basis of its creation. A brand in absence of physical attributes would be unoccupied and get lost in

unconsciousness. The conventional brand concept relied too much on product/attribute aspects. The brand was equated with its physical aspects. However, the brand is much more than this. The physique is the starting point in brand creation. It involves reflecting upon issues like: What does it do? What are its attributes? How does it perform? How does it look like? At the heart of top-quality, German cars lay superiorly engineered engines. It very strongly defines what the brand does- the ultimate driving pleasure. The unique BMW and Mercedes grills are an important physical element of their identity. It is for this reason; there has been an evolution in their grills over the years yet there is continuity. It is an inseparable part of a brand's identity. Similarly, Coke's bottle seems to be a part of Coke's identity. It has always remained same, which shows its continuity. The brand has resisted the change.

### ***Personality***

A brand by design or by default develops a character of its own. People tend to describe brands in terms of traits as if they were living persons. It is not uncommon to hear people using adjectives like 'young' 'energetic' 'rebel', 'funny' in the context of Pepsi. Brands often acquire personality traits because of spokespersons or endorsers who are used in communications. For instance, the Hundai Santro's spokesperson, Shah Rukh Khan has passed on his traits-smart, fast, innovative, number one, and energetic over to the endorsed brand. In the current parity marketing environment, marketers frequently resort to developing a unique brand personality as the basis of forging customer relationships.

### ***Culture***

Culture consists of rites, rituals and values. In every brand's background lies a system/network of values. These values drive the brand. Just as the culture is one of the important forces behind consumer preferences, prejudices and behaviours, the culture of the

brand also manifests various aspects of the brand like the product it carries, its uniqueness, and its communication. Brand is an inspired manifestation of its culture. For instance, how does a computer brand like IBM differ from Apple? Apple very clearly provides the cues about the culture it has roots in. It is symbolised by simplifications, friendliness, and iconoclastic values. In fact, Apple's symbol (the bitten apple) suggests the inherent value of not following the herd culture. Culture is increasingly used by service companies as an important element of the brand. Emphasis is placed on building a unique culture to make it an important element in the brand identity structure. The case in point is upscale retailer Nordstrom, British Airways, LL Bean, Walt Disney. Each of these brands embodies the organisational culture values, which are carefully cultivated. Nordstrom personifies ultimate service and British Airways symbolises the customer focus in all its operations. It is these values that set these brands apart from the rest in the pack, which may try to neutralise these brands on the aspects of physique and personality, but the system of the values that is the essential core of their identity is virtually impossible to copy. Often brands draw their system of values from the countries they originate in. For instance, Mercedes personifies German values of engineering excellence, Perrier represents French, Coca Cola is quintessential American and Rolex represents Swiss craftsmanship.

### ***Relationship***

How a brand is different from a product? One of the key differentiators is the ability of the brand to forge an emotional bonding with the customers. The product is a faceless commodity, which lacks identification; but the brand is much more than this. It carries various hooks on which the bonds are created. Therefore, brand is a relationship. Why does a customer like Nike, because it may symbolise individuality and success and blind action ('just do it'). Brands forge relationships on

the basis of emotional, functional or aspirational delivery. For instance, the chewing gum brand 'Big Bubble' seeks to portray itself as a 'friend who always helps and protects'. The brand accordingly becomes a friend you do not want to lose. Brands may seek to create relationships on the basis of their ability to convey style, wealth, affection and esteem. The high luxury brands like Louis Vuitron, Cartier, Dior, Rolex envelop the customer with the image they want to signal to their social surrounding. HLL' s Annapurna brand attempts to strike connection with mothers by becoming a companion who helps them to be good, caring and providing mothers. The basis of the relationship is emotional.

The relationship aspect is particularly important in service environments. Services, unlike goods, are essentially relationships. Therefore, the service marketers must define their brands on the basis of relationship with the customers. This identity element would be the key driver of a brand's image. For instance, ICICI bank intends to present itself to its customers as a friend who makes complex financial matters (in fact life) easy. The Global Trust bank has tried to reach to its customers as someone who gives individual attention and makes them feel valued. In the recent communications of ABN Amro, the bank has been called 'your kind of bank' . It seeks to cultivate a relationship on the basis of identity, that is, reflecting the values that customers have.

### ***Reflection***

A brand's reflection refers to the image of its buyers who it seeks to address. It is the reflected image of its target customers in its communications. The reflection is not difficult to find. For instance, the discussion about Pepsi boils down to the fact that it is meant for typical young drinkers who seem to have a carefree attitude. What is the reflection of a brand like Whirlpool? Its visual communication portrays a

young couple, upper middle class, just married, setting up home (probably), urban. The result, this is the perceived customer type.

Reflection and target market may not be the same. Sometimes they may be at variance from one another. For instance, in the whirlpool case the target set of customers may be much wider to include existing refrigerator users, old people, people in urban areas, institutions. Thus, reflection of a brand may just be a smaller portion or segment of the intended target customers/market. For instance, Allen Solly brand's positioning reflects its user to be the typically young executive, but it is not to suggest that the brand is meant for them only. The target for the brand represents a greater market. The brand managers must take care of the potential hazard of reflecting customers as they are. The customers do not wish to be portrayed as they actually are, rather they would like to be depicted as 'someone they would like themselves to be'. The reflection should be of a transformed customer- as a result of using the product/brand. For instance, girls wish to be reflected, as they would be after using a lipstick or perfume, rather than as they actually are. It is portrayal of beauty and centre of attraction.

### ***Self Image***

Self-image refers to how a customer sees himself in relation to the brand. Reflection is target customers' outward facade, and self-image is internal reflection. Brands often become the basis of our inner relationship with outer selves. For instance, the customer buying a CFC free air conditioner may feel expressing his concern for the environment or settling for a cosmetic brand, which does not use animal ingredients. He may see himself as exhibiting sensitivity to ecology/animals. Self-image is a customer's own self-perception. It has two dimensions: the current and the desired. The current self image refers to 'how I see myself to be' we either try to conform to our existing self or move to the desired

self by brands which symbolise the same. Customers buy aspirational brands to establish their desired self concepts. For instance, by buying Louis Philippe shirts, customers wish to establish to themselves that they are part of the select 'upper crust' group. Similarly, sometime back American Express (Am Ex) positioned its credit cards as exclusive. The Am Ex brand communication hammer that 'Quite frankly, American Express card is not for everyone'. It is meant for only a few privileged ones. The customers essentially drove toward Am Ex Cards for being what they wanted to be in their perception. Am Ex customers always felt proud in displaying their card for it confirmed to the public that they are a part of that elite group who owns Am Ex Cards (see Fig. 6.3).

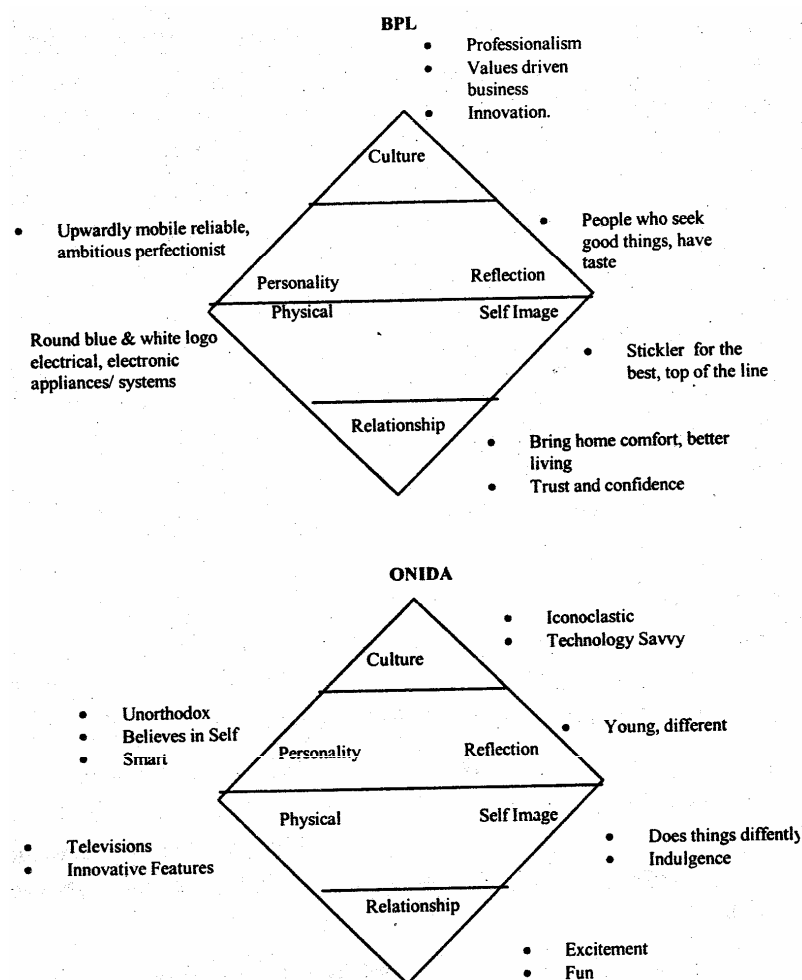


FIG 6.3: BRAND IDENTITIES OF BPL AND ONIDA

The brand identity framework is valuable in developing a comprehensive understanding about the brand. The identity element could be filled with a rich description so that all possibilities of confusion may be avoided. The brand identity elements though an individual are interrelated. Together they form a composite whole- what the brand is. This provides immense service by bringing cohesion and consistency in brand building efforts. The six elements of this framework represent three sides: the sender, the receiver and the connection. Brand personality and physique represent the sender, the brand as it is inside the firm, while reflection and self-image reflect the receiver, the target audience of the brand. Brand culture and relationship act as a bridge between the two.

## **6.7 BRAND EQUITY: DEFINITION AND MEANING**

Brands are valued for their equity. Everyone in the marketing profession agrees that brands can add substantial value. It is also true, sometimes, that brands become a burden. The brand can be a value enhancer or decreaser. A variety of opinions exist about brand equity. Some of these are as follows:

“Brand equity can be thought of as the additional cash flow achieved by associating a brand with the underlying product or service” (Biel, 1992).

“Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers” (Aaker, 1991).

“Brand equity as the totality of the brand’s perception, including the relative quality of products and services, financial performance, customer loyalty, satisfaction and overall esteem toward the brand. It is



all about how consumers, customers, employees and all stakeholders feel about the brand” (Konapp, 2000).

“Brand equity is defined in terms of marketing effects uniquely attributable to the brands- for example, when certain outcomes result from the marketing of a product or service because of its brand name that would not occur if the same product or service did not have the name” (Keller, 1993).

The marketing literature is laden with works, which explore, interpret, and ‘expose’ the concept of brand equity. The advantages of brand equity direct the academic and the managerial attention to its measurement and management. There appears to be a broad consensus on the value of brand equity but it comes with a slight area of darkness around it. At the most fundamental level differing views guide our understanding as to what it is.

The best way to achieve this is by conceptualising the brand equity in terms of the input-throughput-output model. The product and its attributes both tangible and intangible- are the inputs to the equity model. It is the brand, which is the basis of equity or value. In the absence of a brand, achieving equity is impossible. It is the fundamental core/block. The value that a brand generates is not itself generated. A brand generates more value as a result of discriminating responses that customers exhibit in favour of a brand or the willingness to pay more for a brand. All these are outcomes. It is monetisation of these that is called financial worth or value that is added by the brand. But the most crucial link between the input and output is the consumer- the consumer’s mental framework to be more precise. It is the consumers’ knowledge structure or image or perceptions that a customer has about the brand that drive the outcomes. Operationally, it is the brand and its

constellation of knowledge structure in a customer's mind that a brand manager needs to manage to achieve desired equity (see Fig. 6.4).

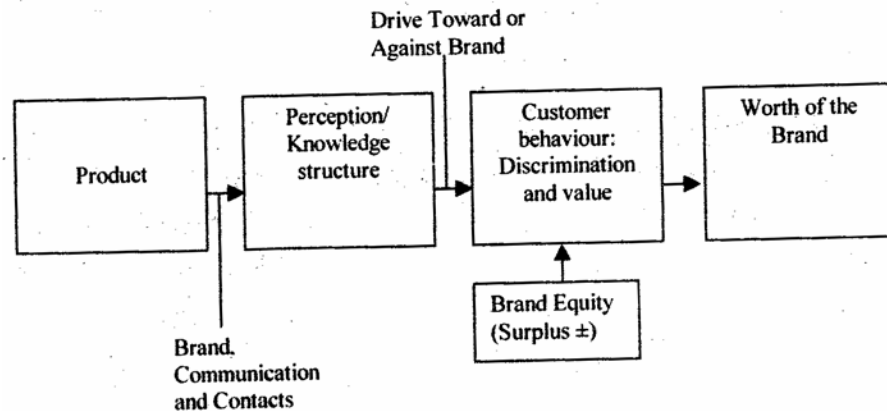


FIG 6.4: CONCEPTUALISING BRAND EQUITY

A brand's ability to draw customers, again and again and command premium is directly related to what it stands for in a customer's mind. The brand perception or image is the key driver of brand pull and push away. A brand's strength lies in this intervening variable. A powerful brand symbolises a loyal customer base. It is this, which leads to financial benefits and reduced costs. At the heart of brand equity is the customer equity and an unwavering customer franchise, which stands by the brand. A brand adds value in two ways: for the customers and the marketers.

### ***Value to Customers***

Brand equity assets can enhance or decrease value for customers. A brand's equity is valuable to customers because:

It helps customers in information processing. A brand is useful in aiding customers in interpreting, processing, and storing information about the products and the brands. It simplifies this process. Brands are considered by customers as chunks of information, which can be easily decoded (drawn meaning thereof) and stored in a proper order (classification). It considerably reduces chaos possibilities that may occur

in the absence of branding. Brands allow customers to store great quantities of information about brands without getting any confusion.

A Brand's assets enhance customer confidence in the purchase decision. One feels more confident in purchasing a brand (imagine buying an unbranded product e.g., like tooth paste). It happens because of familiarity with a brand. Familiarity creates confidence. Brand stands for consistency and assurance. It provides guarantee of promised delivery.

The final value to customer comes in the form of usage satisfaction. For instance, satisfaction from drinking Nescafe is different from drinking an unbranded coffee. Brands transform customer experience. The brand associations and quality move the product beyond its 'thingness' boundary enveloping it with images that customers value.

### ***Value to Marketer***

Brand equity also plays a critical role in enhancing value for the marketer. A firm benefits from the equity in the following ways:

The brand equity assets increase the effectiveness and efficiency of marketing programmes. The expenditure associated with a brand to achieve a goal generally tends to be less than an unbranded product aiming to achieve the same goal. For instance, retaining a customer is much costlier than retention when a product is unbranded; it may partially happen due to lack of brand loyalty and preference. Similarly, launching of a new product with extensions may be much simpler, easy and less costly.

Brand equity dimensions allow a firm to have greater customer loyalty. The customers can exhibit preference and commitment to a brand only. A greater number of loyal customers in the basket automatically reduce the expenditures that need to be incurred in

maintaining a customer base. Fewer customers would need to be replaced. The expenditure would be lesser accordingly.

Brand equity allows a firm to change premium. That is, a customer may willingly support a brand in spite of greater sacrifice that needs to be made. In fact, brands, which enjoy strong equity in the market, command a premium price.

Brand equity provides great opportunities for growth. In fact, most of the firms now are relying on brand extensions- to achieve growth rather than launching new brands. Brand equity makes growth easier for the firms. It is how the value is added. For instance, RCI has grown into many product categories by relying on the brand equity of Dettol. Dettol soap is a very strong player in a highly competitive bathing soap market.

Brand equity is a good source of achieving leverage in distribution channels. It is easier to get access in the distribution chain when the brand has equity. The trade partners exhibit disbelief in dealing with a brand without equity because of the uncertainties it brings along with it. Brand equity is an implicit assurance of success. Therefore, channels welcome brands with equity and give access to point of purchase displays, shelf space, etc. Channel Corporation is achieved easily when the brand enjoys equity.

Finally, brand equity is a provider of competitive advantage. It imposes barriers on the entry of competitors. Brands can build equity occupying positions and attribute associations in a pre-emptive fashion. Once these become proprietary to a brand, other brands are at a disadvantage. For instance 'Dettol' has so strongly entrenched itself with 'antiseptic' that other competitors are just notable to make a dent in its market. Johnson & Johnson's 'Savlon' is hardly able to compete in the market. It may be true for 'Fair and Lovely' in the fairness cream market.

A strong brand equity blocks entry of rivals in a customer's mind on the same turf.

Brand equity holds immense potential to create economic value for the markets. The advantages listed above make compelling reasons in favour of creation, protection and enhancement of equity of a brand. It can only be done once it is understood what drives brand equity.

## **6.8 BRAND AWARENESS**

Brand awareness is the second brand equity asset. It includes brand recognition and brand recall. Brand recognition is the ability to confirm prior exposure ("yes I've seen it earlier") and recall is the ability to remember the brand when a product category is thought about. The awareness is essential for a brand to be able to take part in the decision process. Brand awareness may exist at three levels: brand recognition, brand recall and top of the mind recall for a brand to be able to take part in the decision process. Brand awareness may exist at three levels: brand recognition, brand recall and top of the mind recall.

Brand recognition is at the bottom level of the awareness pyramid. When person is able to confirm prior exposure, the brand said to have been recognised. It is gauged by aided recall measures. Brand recognition is particularly important under low involvement buying situations, especially when the decision is taken in stores or at the point of purchase. Recognition means some sense of familiarity, which sometimes is sufficient in choice decision. Still higher level of awareness is reflected in a person's ability to recall a brand without any aid when a cue about a product class is given. (e.g., "mention brands of tyres"). It indicates stronger brand position in the mind. Still at a higher level of awareness is the top of the mind recall.

The top of the mind awareness indicates the relative superiority a brand enjoys over others. Sometimes a brand is able to achieve such a dominant position that it becomes the only recalled brand in the product category. Brand dominance competitively is a popular state, which every marketer would like to achieve. A dominant position prevents other brands from getting in the buyer's mind. Hence, dominant brand is the one that is only brand considered while making a purchase. Very few brands are able to achieve dominance. The cases may include Johnson & Johnson baby powder, Dettol antiseptic, Band Aid. Once upon a time Dalda and Colgate also enjoyed this status.

How does brand awareness create value? It does so in at least four ways. First, brand name acts as the central node to which other associations can be attached. It is therefore, the first communication task. Brand recognition must be created first without which other associations cannot be established. Brand awareness allows easy access to these associations. Awareness acts as an anchor to which other associations can be attached (e.g., attributes and benefits). It is for this reason that the marketers first establish a brand name and then expand its scope by incorporating various attribute and benefit associations. Second, recognition and confirmation of prior exposure- imply familiarity, which sometimes leads to liking. Brand recognition is particularly important in low involvement conditions when the customer is not motivated to engage in extensive product evaluation. Brands may simply be bought on the strength of familiarity. Third, awareness also acts as a substitute for a firm's commitment and substance.

A brand, which enjoys recognition, may imply extensive advertising support, long standing of the firm, brand success, etc. It suggests that a firm supports a brand. The perception of substance and commitment of the firm to the brand, sometimes influences buying in high involvement conditions. Final source of value from awareness is a brand's ability to be

considered in the decision process. Brand awareness is a crucial determinant of its participation in the consideration or evoked set. Generally, when a brand is not able to get recall it is not included in the consideration set. Recall is essential for finding membership in the evoked set. Recall sometimes may also be an adequate condition to survive, especially in low involvement buying. The mind share (top of the mind recall) often leads to market shares.

## **6.9 BRAND IMAGE/CONSTELLATION**

Brands reside in a customer's memory in the form of a network of associations. Brand name represents the central node to which a variety of informational nodes are connected. The nodes connected to brand name store information about attributes, benefits, typical user profile, etc. Hence the brand name is more than simply a label employed by the marketer to differentiate a product among a plethora of others. "It is a complex symbol that represents a variety of ideas and attributes. It tells the consumers many things, not only by the way it sounds (and its literal meaning if it has one) but more important, via the body of associations it has built up and acquired as a public object over a period of time". Thus, brands acquire public image- a facade- which resides in a customer's mind and which may be more important for the overall market performance of the brand than the technical aspects of the product. The meaning or perception that is contained in this memory network determines buyer behaviour towards a brand. Brand image can be defined as "perceptions about a brand as reflected by the associations held in consumer memory". It can also be conceptualised as "culture of attributes and associations that consumers connect to the brand name". Brand image is totality of associations that surround the brand. It is a perceptual concept. What is contained in a brand's image may or may not be a result of marketing efforts. It represents how a brand lives in a customer's very personal, subjective world. A consumer may develop a

set of beliefs about a brand as to where it stacks up in terms of, e.g., attributes or benefits. It is this set of beliefs that a customer holds about a brand that make up the brand image. The image that consumers hold about brands does not tend to be uniform. Brand image is a perceptual construct. It varies depending upon the receiver's (customer's) own 'looking glass' or perceptual filter. Accordingly image may not be as intended or not as clear. According to Gardner and Levy, "the image of a product associated with the brand may be clear cut or relatively vague; it may be varied or simple; it may be intense or innocent. Sometimes the notions of people have about a brand do not even seem very sensible or relevant to those who know what the product is 'really' like. But they all contribute to the customer's decision whether or not the brand is the one 'for me'.

Brand equity is the value side of the brand. Most often, this value is monetised and defined as economic terms. The incremental cash flows; which, could be traced to the brand name. How can brand name alter the nature and quantum of cash flows associated with a product? So long as a brand is taken as a label or a name passively, it does not offer much opportunity for value enhancement. A brand needs to be taken as something more than a name. A brand is a constellation of meanings and associations. These are not in the product that a brand enrobes; rather they are all engineered in the prospect's mind. They live, grow and die in the mind. They also add or subtract value. A brand is what it stands for in the consumer's perceptual space. It is an identity, which is at the core of equity creation. Brand name is just a cue. A subtle trigger makes a brand surface in the mind.



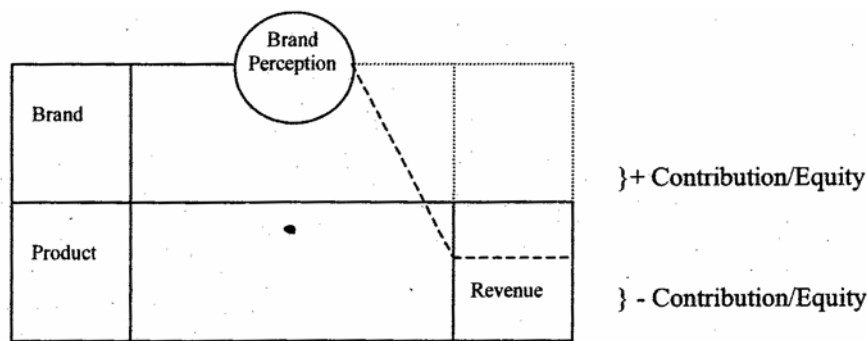


FIG 6.5: BRAND ALTERS REVENUE

The key concept between the brand and the equity is the brand image. It is an intervening variable. As depicted in the Figure 6.5 the perception of a brand can adjust brand value upwards or downwards. For instance, a bottle of white petroleum jelly commands some monetary price that customers would be willing to pay. Now put a label on the bottle indicating 'Vaseline'. It would immediately adjust the jelly's worth upwards. What causes this alteration? It is the brand name. Upon getting the cue (name) a constellation of visual and verbal dimensions springs up in the customer's mind that acts as an intervening concept causing the value to move upwards.

Strong brands perform radical alterations while weak brands do marginal ones. Imagine radical value enhancements that brands like Rolex, Cartier, Mont Blanc, and Armani create. What drives their value? These alterations are affected by their image in the customer's mind. The brand image is the driver of brand equity. Imagine a customer who is not familiar with a brand like Rolex. This customer would assess the brand's worth on the basis of 'thing' rather than a brand. It is so, because 'Rolex' represents nothing to him and hence, does not alter this valuation much. It does not exist as a perceptual entity. There is no intervening variable between the brand and the valuation. Brand image is a customer concept. It is what drives customer behaviour (see Fig. 6.6).

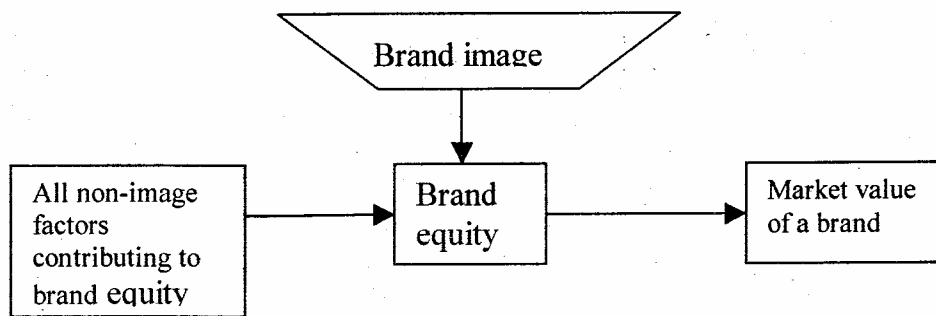


FIG 6.6: BRAND IMAGE/BRAND EQUITY RELATIONSHIP

Brand equity is based upon the attitudes that customers hold about a particular brand. Attitude is a very important concept in consumer behaviour. The movements in a brand's performance signal attitudes that customers have toward it. For instance, a brand, which is experiencing declining sales indicates that customers are not holding a good attitude towards it. Attitude represents our evaluations of brand. The term attitude has come from the Latin word for "posture" or "physical position". 'Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way'. Attitudes determine how a person would behave. They are experiences to action. Consumers hold attitudes towards product categories: 'I do not like potato wafers', consumers also hold attitudes towards brands: "I like to buy Pepsi, every time I feel like having a soft drink". It is this hidden attitude that determines whether a customer would turn toward or away from the brand in question.

In the context of brand management, customer behaviour or action tendencies have typically engaged brand marketers. The feelings and evaluations that customers hold about a brand are critical. The feelings and evaluations cannot occur in vacuum. That is, how a customer evaluates or feels about a brand depends on the, knowledge he or she has about the brand, how the brand is placed in cognitions. "From the customers' perspective, brand equity involves a strong, positive brand attitude (favourable evaluation of the brand) based on consistent meanings and beliefs which are accessible in memory (easily activated)".

Therefore, the beliefs or cognitions- what a customer thinks about a brand- are determining variables. A customer may think about a brand in terms of its attributes, benefits, ingredients, users, etc. The issue is what is associated with the brand in the customer's mind? This is the fundamental driver of brand equity, and each driver of brand equity is called brand image.

## **6.10 BRAND LOYALTY**

Brand equity assets can add or subtract value for the customer and the firm. They add value to customers by providing help in information interpretation, processing and storage. The customers are able to process brand information faster and store a greater quantity. Brand equity assets (e.g., perceived quality and associations) can boost confidence in a buy decision and provide user satisfaction. Brand equity assets also provide value to the firm by way of their ability to charge premium, leverage brands into extensions, channel support and corporation, customer brand loyalty benefits, etc. Brands are valued depending upon the kind of assets and liabilities they represent. The brands like IBM, Ford, Boeing, Intel, and McDonald are perhaps the most valuable assets of their respective companies. These companies are able to generate wealth not because of conventional assets but for the brands they own. Their source of revenue stream lies not in factories or the machines rather it is the name and/or symbol that they put on their products.

Loyalty is at the heart of equity and is one of the important brand equity assets. What happens when customers pay very little or no attention to the brands and buy on the basis of other considerations? It suggests that a brand lacks hold on the customers. Brand is not the basis on which buying is done. A situation like this exhibits no equity creation by the brand. Brand loyalty is one of the important bases of

equity creation. When customers show commitment to the brand, it creates equity. Brand loyalty has been one of key concerns of the marketers. It is valued for its ability to have a dramatic impact on a firm's marketing performance. Loyalty provides insulation against competitive assaults. It also allows the opportunity to command a premium. Earlier brand loyalty was viewed purely from the angle of a customer's response or behaviour. Now behavioural angle is combined with attitudinal dimension in defining loyalty. "Brand loyalty is the biased (i.e., non random) behavioural response (i.e., purchase), expressed over time by some decision making unit, with respect to one or more alternative brand out of a set of such brands, and is a "function of psychological (decision-making, evaluative) processes". Another definition of loyalty is proposed as "consisting of repeated purchases prompted by a strong internal disposition". Thus loyalty has both behavioural and attitudinal dimensions to it.

Brand loyalty is not a dichotomous construct. It may operate at different levels. Five levels of brand loyalty can be distinguished: from committed buyer at one extreme to switcher or indifferent buyer at the other extreme. The other three are in between states. Each state implies a different type of brand equity asset and different types of marketing challenges. At the lowest level, the indifferent buyer does not attach any importance to the brand. The buying is done on a basis other than brand like availability or price. These buyers are switchers and are indifferent to the brand. The second category is satisfied buyers of a particular brand (absence of dissatisfaction). These buyers have no reason to switch but may actually switch given the stimulation from the competitors. These can be called habitual buyers. They are vulnerable and can succumb to benefits offered by the competition. The third category of buyers is satisfied with the brand and they have switching costs in terms of time, money, and risk. This category is a little safe because they would switch only when competition is able to overcome switching costs for them. This

set can be called switching cost loyal customers. In all these categories of customers a virtually negligible element of attitudinal commitment to the brand is visible. They all signify different shades of behavioural loyalty.

The fourth category of loyalty implies that the buyers like the brand. They tend to have some sort of emotional attachment to the brand. This attachment may get developed as the result of prolonged relationship (usage over a long period of time) or use experience or perceived high quality. People in this category consider a brand as a friend. It is an affect driven loyalty. At the next level of loyalty, the customers tend to be committed to the brand. The commitment is “an enduring desire to continue the relationship and to work to ensure it continuance”. Customers get committed to a brand when the brand achieves personal significance for them. It happens when buyers perceive it to be a part of them. They identify with the brand. It becomes a vehicle of self-expression. The strong identification may be based on functionality or images/symbolism that it signifies. A case in point could be Coke as a ubiquitous symbol of what America is all about or Harley Davidson, which portrays something about the Harley rider which words, cannot express. The committed buyers are not usually available to the competition. They become a solid asset base. The committed buyers spread a lot of good word around about the brand and thereby generate a market for it.

Loyalty implies customers who would continue to buy the brand. It represents a future revenue stream. It also implies lesser loss of customers by way of defection or attrition. Hence firms with greater loyal customers would have relatively lesser marketing costs (lower advertising costs) and greater revenue (from increased purchases, price premiums). Brand loyalty is generally a function of product usage experience whereas other brand ‘equity assets like awareness, associations, and perceived quality may not be related with usage experience. However these

dimensions also contribute to loyalty, All brand equity dimensions tend to have causal relationships among each other. One may cause the other (e.g.,. perceived quality may be based on associations or association with a symbol may affect the awareness). The key premise is that for brand equity to exist the customers need to be loyal to the brand. When customers are not loyal to the brand, the equity is not likely to exist.

Customer loyalty is of strategic importance to the firm. It is an asset. Loyalty adds value in four ways. First, loyalty reduces marketing costs of the firm because it costs much less to do business with repeat customers than attracting new ones. Loyalty also imposes entry barriers on potential competitors, as customers are not easily available to be captured. Secondly, loyalty provides trade leverage. It is much easier to gain shelf space, trade cooperation when a brand has a loyal customer base. Thirdly, it allows a marketer to attract new customers because loyal customers signify and communicate assurance, confidence and faith in the brand to other prospective customers. A prospect can much easily be converted into a customer when a brand has loyal followers. Finally, loyal customers provide the firm with lead-time to respond to competitive moves (e.g., product improvement). Loyal customers do not move quickly to such competitive endeavours. Hence the firm gets the much-needed time to effectively counter competitive moves.

## **6.11 SUMMARY**

The marketers in order to evoke positive feelings and customer patronage connect their brands with a variety of concepts or associations. This is done with an assumption that these set of associations are related with customer loyalty, customer beliefs about positive brand value and a willingness to search for a brand. A positive image makes customers favourably inclined towards brand promotions and resist competitive activities. A closer look at the marketing efforts like advertising,

promotions, distribution, event sponsorships, etc. would reveal a brand manager's design to create appropriate sets of associations linked to the brand. The brand equity, which implies greater profits, more cash flows and market share, hinges on brand image that resides in the customer's mind and drives behaviour.

## **6.12 KEYWORDS**

**Brand equity:** Additional cash flow achieved by associating a brand with the underlying product or service.

**Consumer behaviour:** Acts (actions and reactions) of individuals directly involved in obtaining and using economic goods and services, the preceding decision process that determines these acts and the processes that follow, and the influences on experience obtained from such acts.

**Label:** That part of the product that carries verbal information about the product or the seller.

**Consumer:** A person or persons who have wants and needs that can be satisfied by some other social entity.

**Attitude:** A combination of feelings, beliefs, and tendencies to act in particular ways which is directed toward persons, objects, or events.

## **6.13 SELF ASSESSMENT QUESTIONS**

1. What is brand? Explain its concepts.
2. Define brand identity and its levels.
3. Define brand image as an asset of a firm.
4. Explain brand equity. What are the benefits of it to the society?

5. Distinguish brand equity and brand image.

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## **LESSON NO. 7**

### **BRANDING DECISIONS**

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#### **STRUCTURE**

- 7.0 Objective
- 7.1 Introduction
- 7.2 Selecting a brand name
- 7.3 Brand Extension Decision
- 7.4 Family Vs. Individual Brand Name
- 7.5 Multiple Branding
- 7.6 Private vs. national branding
- 7.7 Summary
- 7.8 Keywords
- 7.9 Self Assessment Questions
- 7.10 References/Suggested Readings

#### **7.0 OBJECTIVE**

After studying this lesson you should be able to understand-

- Various aspects of branding decisions.
- How to select a brand name.
- Concept of multiple branding.
- Brand extension decisions.

#### **7.1 INTRODUCTION**

Consumers perceive a brand as an intrinsic part of the product and branding can add value to the product. For example most consumers would perceive a bottle of 'Old Spice' as a high quality, expensive aftershave lotion but the same product presented in an unmarked bottle may be viewed as lower in quality even though fragrance and antiseptic

properties are identical. These branding decisions are an important aspect of product strategy.

The most important skill of marketing professionals is ability to create, maintain, protect and enhance their brands. A brand is a name, term, sign, symbol, design or a combination of these that identifies the maker or seller of a product or service.

The importance of branding can be gauged from the fact that today hardly anything goes unbranded. Even common man's salt is packaged in branded containers. Parts of an automobile-spark plugs, tyres, filters etc.-are all branded bearing a brand name different from that of automaker.

Branding is not a waste of resources but it helps the buyers in many ways as follows:

- Brand names help consumers in identifying the products that might help them.
- Brand appraises the buyer about product quality because a buyer who repeatedly buys the same brand knows that he will get the same features, benefits, and quality each time he buys.

Branding is also advantageous to the seller as follows:

- Brand names become basis on which the product's special qualities can be advertised.
- The seller's brand name and trademark provide legal protection for unique product features that otherwise might be copied by competitors.
- Brand help the seller in segmenting the market. For example, Maruti is available with different brand names for different income classes.
- A good brand helps in building the corporate image.

The major branding decisions are described in following section.

## **7.2 SELECTING A BRAND NAME**

Once the idea of a product or service turns into the actual product or service, the next major issue becomes choosing the right name. Having the right brand name can be as important as having the right product.

Some brand names are so powerful that they become the generic names of their product categories. For example, 'Xerox' generally refers to photocopy. Some products have to work hard to be noticed at all.

### **Brand name selection process**

A typical brand name selection process includes the following steps-

- Firstly, the company identifies the objective or criteria for the brand name. Selecting a brand name begins with a careful review of the product and its benefits, the target market and proposed marketing strategies.
- Secondly, the company generates a list of potential brand names.
- Thirdly, screening is done to shortlist names that seem to be most appropriate for further testing. Often the company assigns to a team the task of generating and screening potential brand names. The team may include product managers and other company marketing people, advertising agency people and outside brand name consultants.
- Fourthly, the company obtains consumer's reaction to the screened brand names. It may conduct surveys or focus group interviews to find out which names would best project the desired product concept, and which are the most easily understood, remembered and linked.

- Fifthly, the company conducts a search for the trademark to be sure that each of the screened brand names can be registered and legally protected.
- Finally, the company selects one of the surviving names as the final name for the product.

### **Desirable Qualities of a Brand Name**

It is very difficult to find the best brand name. The desirable qualities for a brand name are as follows:

- a) It should suggest something about the product's benefits and qualities e.g. Aquaguard, Freshwrap foil and Vacuum Cleaner etc.
- b) It should be easy to pronounce, recognize and remember. Short names are helpful in this. e.g. Tide, Fena, Maruti, Cake etc.
- c) It should be distinctive e.g. Kodak, Santro etc.
- d) It should translate easily into foreign languages.
- e) It should be capable of registration and legal protection, e.g. the name should be unique as it can not be registered if it infringes on existing brand names.
- f) It should be adoptable to packaging/labelling needs.
- g) There should not be any undesirable imagery.
- h) It should not go out of date.
- i) It should be adaptable to any advertising medium.

- j) It should be capable of being pronounced in only one way. For example General motor's Nova car. The car was introduced in South America. It seemed like a sensible decision because Nova is the Spanish word for Star. However, Nova also sounds the same as the Spanish word for 'no go'. Consumers were not interested in a no go car, and sales didn't pick up until General Motors changed the name.

### **7.3 BRAND EXTENSION DECISION**

A brand extension decision strategy is any effort to use a successful brand name to launch product modifications or new products. A successful brand is like a powerhouse containing enough energy to illuminate distinct territories. Such a brand name holds enormous appeal for consumers. It has stood the test of time and competition. This is the driving force behind brand extension-the huge accumulation of consumer-pulling power which can be harnessed beyond the brand's traditional market boundaries e.g. extension from Ivory soap, to Ivory shampoo, from Dettol antiseptic to Dettol soap, from Pond's Dream flower talc to Pond's Dream flower soap and from North Star shoes to North Star Apparel.

The other driving force is the present day high cost of launching an altogether new brand. With increasingly competitive markets and escalating media costs, it makes sound financial and marketing sense to use the inner force of a respected brand for launching a new brand.

A brand extension, also, gives a new product instant recognition and fast appearance.

#### ***Line Extension Vs. Brand Extension***

Line extension refers only to additions to an existing product line of a company in a given category i.e. 'fill out' the line, e.g. Marvel was an

addition the Godrej toilet soap line which already included Cinthol and Fresca. Wheel was a line extension to Hindustan Lever's line of detergent bars which already had Rin.

### ***Criteria for Brand Extension***

- a) The category chosen for the brand extension must be seen as compatible with the nature of the parent brand and the expertise it represents. There must be a fit. Management judgement acts as the first screen. Consumer survey can be used for further screening.
- b) There should be consistency in the value perception of the brand in the new category as compared to its parent brand. For example Dettol represents trusted, hygienic household and personal care product. Using this brand name for a beauty cream would be entirely out of character. That is not the distinguishing value of the brand name.
- c) The extended brand must have some inherent quality perception which gives it an edge in the new category. This might be the case if Dettol were to launch a shaving cream or Complan a nourishing tasty biscuit for the school kids lunch box. Shaving does lead to nicks and cuts. Dettol antiseptic shaving cream would approach the consumer with a built in edge. The Complan-aware mother asked to choose between established biscuits brands and the new Complan biscuits, would probably perceive Complan to have an edge in terms of greater nourishment.

## **7.4 FAMILY VS. INDIVIDUAL BRAND NAME**

Manufacturer's, who brand their product, face several further choices. At least four brand name strategies as follows can be distinguished:

- a) Individual brand names for all the products are there. This policy is followed by Hindustan Lever Limited as they have different brand names for different products e.g. Lifebuoy, Lux, Rexona, Breeze, Liril and Pears.
- b) Blanket Family name is there for all the products This policy is followed by Bajaj and General Electric.
- c) There are separate family names for all the products. This policy is followed by Sears. For example Sears has brand name Kenmore for appliances, Kerrybrook for women's clothing and Homart for major home installations.
- d) Company trade name is combined with individual product name. This policy is followed by Priyagold e.g. Priyagold biscuits and Priyagold pickle etc.

### **Advantages of Individual and Family Brand Names**

Advantage of individual brand name strategy lies in the fact that the company does not tie its reputation to the product's acceptance. If the product fails, it does not compromise the manufacturer's name.

Use of blanket family name for all the products helps in lowering the cost of introducing the product as there is no need for 'name' research, or heavy advertising expenditure to create brand-name recognition and preference. Furthermore, sales will be strong if the manufacturer's name is good.



Strategy of having separate family names for all the products proves advantageous in a situation where a company produces quite different products. In such a situation use of blanket family name may prove to be disadvantageous.

Strategy of company trade name combined with individual product names is also used by some manufacturers, who want to associate their company name along with an individual brand name for each product. The company name legitimizes, and the individual name individualizes, the new product.

## **7.5 MULTIPLE BRANDING**

Multiple branding strategy consisting of seller's developing two or more brands in the same product category. For example Kelvinator produces four main brands of refrigerators- Kelvinator, Leonard, Gem and Tropicana. Each of these brands is positioned somewhat differently in the consumers mind. The strategy has contributed considerably to Kelvinator maintaining its leadership in the market.

The multibrand approach is the logical consequence of a differentiation strategy and as such can not co-exist with a low cost policy, in view of reduced economies of scale, technical specialization, specific sales networks and necessary advertising investments. In order to take advantage of productivity gains, there is a tendency to fragment the production chain in the case of differentiation at the last possible moment, thus exploiting the benefits of the learning curve. Maruti' s policy of having several car brands makes the most of all possible production and corporate communication synergism and breeds the loyalty of the customer which progresses from one model to another within the same make.

## **Reasons for Adopting Multiple Branding Strategy**

- a) No single brand can develop a market on its own. Even if it forms the sole presence at the outset, once the brand has created the market, its development requires several brands, whether from a single company or different companies. The collective presence of a number of brands helps to promote a market and injects growth in the market.
- b) Multiple brands allow for the best market coverage. No single brand can cover a market units on its own. As market matures there is a need for differentiation and it becomes necessary to offer a wider range i.e. the market becomes segmented. A single brand can not be targeted at several different qualities at the same time without running the risk of losing its identity. In any case, consumers and retailers themselves will object to further brand ascendancy.
- c) Multiple brands offer a tactical flexibility which also enables one to limit a competitor's field of extension.
- d) A multibrand policy can stop any new competitors entering a market. A strong entry barrier to a market can be created by offering a complete range to retailers, with a brand name for each sector of the market.
- e) A multibrand policy is necessary to protect the main brand image, when the success of an innovation is not certain, it is not advisable to risk associating it with a successful brand. For example, Procter and Gamble launched their first liquid detergent under the brand name Vizir and not under the name of leading market brand, Ariel.

- f) The distributive trades also play a part in the brand multiplicity in a market. Each type of retailer has a specific function and is aimed at the clientele which shops there precisely because they do not want to go elsewhere. Loyal perfumery customers are looking for the atmosphere which is to be found there, far removed from the perfumery corner in a supermarket. The identity of these distribution channels is partly created by the selection of products which are unique to each one.
- g) Multiple branding helps in minimizing the risks of price competition between retailers selling the same product.
- h) In a sophisticated market, one brand can not meet all the demands of the customers without leading to confusion.
- i) Multibrand strategy helps in avoiding the dilution of the strength of the company's main brand.
- j) A brand portfolio makes it possible to cover the different price sectors without affecting the reputation of each brand.

### **Constraints of multibrand strategy**

- a) A multibrand strategy only makes sense if, in the long term, each brand has its own territory. This is not always the case- companies hang on to brands whose images are not different enough to justify the economies of the multibrand policy. Each brand must have its own clear meaning. This calls for a disciplined approach in handling out innovations among the brands of a portfolio. Huge resources are needed for all this. Each company may not have so much of resources.

- b) The second constraint is linked with cost management. Even though the multibrand logic is not part of a competitive price strategy, but aims at a better adaptation to specific market needs, the price factor cannot be ignored.

Productivity gains are a constant necessity. To achieve the maximum overall savings, in spite of brand differences, manufacturers incorporate identical features in their brands as far as 'desirable'. 'Desirable' is preferable to 'possible' in this respect. Indeed, there have been too many dummy brands which have differed only in their packaging, destroying the belief in brand differences. Similarity between products should not reach the point where it endangers the brand's capital.

## **7.6 PRIVATE VS. NATIONAL BRANDING**

In deciding to brand a product, the manufacturer has three options with respect to brand sponsoring

- a) The product may be launched as a manufacturer's brand, which is also called a national brand.
- b) The manufacturer may sell the product to middlemen, who put on a private brand label. This is also called as middlemen brand distributor brand or dealer brand.
- c) The manufacturer may produce some output under its own brand names and some that is sold under private labels. For example, Whirlpool produces output both under its own name and under distributor's name.

### **Challenges to middlemen in sponsoring their own products**

- a) They have to hunt down the qualified suppliers who can deliver consistent quality.
- b) They have to order large quantities and tie up their capital in inventories.
- c) They have to spend money promoting their private label.
- d) They have to take the chance that if their private-label product is not good, the customer will develop a negative attitude toward their other products.

### **Reasons for middlemen in promoting their own brands**

- a) It is a profit making venture because middlemen can often locate manufacturers with excess capacity, who will produce the private label at a lower cost. Other costs, such as advertising and physical distribution, may also be low. This means that the private brander is able to charge a lower price and often make a higher profit margin.
- b) Private brands also give middlemen exclusive products that can not be purchased from competitors and allow them to build greater store traffic and loyalty. For example, if K mart successfully promotes Canon Cameras, other stores that sell Canon products will also benefit. Further, if K mart drops the Canon brand, it loses the benefit of its previous promotion for Canon. But if K mart promotes its private brand of Focal Cameras, K mart alone benefits from the promotion. And consumer loyalty to the Focal brand becomes loyalty to K mart.

### **Advantages of private branding over national branding**

- a) Retail shelf space is scarce, and many manufacturers, especially the newer and smaller ones, can not introduce products into distribution under their own name.
- b) Middlemen take special care to maintain the quality of their brand, thus building consumer confidence. Many shoppers know that the private-label brand is often manufactured by one of the large manufacturers anyway.
- c) Private brands are often priced lower than comparable national brands, thus appealing to budget-conscious shopper, especially in times of inflation.
- d) Middlemen give more prominent display to their own brands and make sure they are better stocked. As a result, the former dominance of national brands is weakening.

### **National brands manufacturer's dilemma**

Manufacturers of national brands are very frustrated as they spend a lot of money on consumer directed advertising and promotion 'to maintain strong brand preference. Their price has to be somewhat higher to cover this promotion. At the same time, the mass distributors exert considerable pressure on them to put more of their promotional money into trade allowances and deals if they want adequate shelf space. Once manufacturers start giving in, they have less to spend on consumer promotion, and their brand leadership starts slipping. This is the national brand manufacturer's dilemma.

## **7.7 SUMMARY**

Branding decisions are an important aspect of product strategy. A brand is a name, term, sign, symbol, design or a combination of these that identifies the maker a seller of a product or service. Branding is helpful to both the buyer and the seller of goods service.

A typical brand name selection process consists of identification of objectives or criteria for the brand name, generation of a list of potential brand names, screening, obtaining consumer's reaction to the screened brand names, searching for the trademark and final selection.

The brand name should suggest something about the product's benefits and qualities. It should be easy to pronounce, recognize and remember. It should be capable of registration and legal protection. It should be adaptable to any advertising medium.

A brand extension strategy is any effort to use a successful brand name to launch product modifications or new products. It helps in instantaneous product recognition at very low cost. Whereas line extension refers only to additions to an existing product line of a company in a given category, brand extension refers to using an existing brand name to enter another product market altogether. For the success of a brand extension strategy, the product category must be seen as compatible with the nature of the parent brand and the expertise it represents. There must also be consistency in the value perception of the brand in the new category as compared to its parent brand.

Important brand name strategies are– (i) using individual brand names (ii) using blanked family names for all products (iii) using separate family names for all the products and (iv) Using company trade name with individual product names. Different strategies are advantageous in different categories.

Multiple branding strategy consists of the seller's developing two or more brands in the same product category. The strategy helps in market development, complete market coverage, limiting a competitor's field extension, stopping any new competitor entering the market, protecting the main brand image and minimizing the risks of price competition between retailers selling the same product. Huge resource requirement and large cost of production are some of the important constraints in a multibranding strategy.

When the product is launched as a manufacturer's brand, it is called as national brand, whereas when the manufacturer sells the product to middlemen, who sells it under his own brand name, it is known as private branding. Quite often it is a profit making venture for the middlemen as total cost to him is low.

## **7.8 KEYWORDS**

**Brand extension decision:** Any effort to use a successful brand name to launch product modifications or new products.

**Packaging:** A general group of activities in product planning that involves designing and producing the container or wrapper for a product.

**Advertising:** Non-personal forms of communication conducted through paid media under clear sponsorship.

**Multiple branding:** Strategy consisting of seller developing two or more brands in the same product category.

**Services:** Intangible 'for hire' activities that may benefit, support or satisfy the consumer.

## **7.9 SELF ASSESSMENT QUESTIONS**

1. Discuss the importance of branding.



2. Explain the process of brand name selection. Also explain the desirable qualities of a brand name.
3. What are different brand name strategies? Explain.
4. Explain the concept of multiple branding.
5. What prompts a middleman to have his own brand name and what are challenges before him in doing this?
6. Write short notes on following:
  - i) Brand extension vs. line extension
  - ii) National manufacturer's dilemma

#### **7.10 REFERENCES/SUGGESTED READINGS**

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