LOVELY PROFESSIONAL UNIVERSITY

Product and Brand Management

Edited By

Ashwani Panesar

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SYLLABUS

Product and Brand Management

Objectives: The focus of this course is on decisions about how a company can build and manage its products so that they are profitable to the company and at the same time adequately meet target customers' needs and wants. The course aims to synchronize product and brand management processes.

S. No.	Description
1.	**Introduction to Product & Product Related Concepts:** Product Management & Scope **Marketing Organization & Types, Marketing Planning:** Components of Marketing Plan **Defining the Competitive Set:** Levels of Market Competition, Methods for Determining Competitors **Category Attractiveness Analysis:** Aggregate Market Factors, Category Factors, Environmental Analysis
2.	**Competitor Analysis:** Sources of Information, Assessing Competitors' Current Objectives & Strategies, Differential Advantage Analysis **Customer Analysis:** Purpose, Segmentation Criteria
3.	Market Potential & Sales Forecasting, Methods of Estimating Market & Sales Potential
4.	Developing Product Strategies, PLC, Product Strategies Over the Life Cycle Managing New Product Development ,Product Modification, Line Extension & Brand Extension
5.	Brands & Brand Management, Branding Challenges & opportunities, Concept of Brand Equity
6.	**Strategic Brand Management Process:** Introduction & Phases
7.	**Identifying & Establishing Brand Positioning:** Building A Strong Brand, Positioning Guidelines
8.	**Planning & Implementing Brand Marketing Programs:** Criteria for Choosing Brand Elements, Options & tactics for Brand Elements, Use of IMC for Brand Building, Leveraging Secondary Brand Associations to Brand building
9.	**Measuring & Interpreting Brand Performance:** Developing A Brand Equity Measurement & Management System, Measuring Sources of Brand Equity & Outcome of Brand Equity
10.	**Growing & Sustaining Brand Equity:** Designing & Implementing Branding Strategies Managing Brands Over Time

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Unit 1: Introduction to Product Management

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Objectives

After studying this unit, you will be able to:

- Learn the Concept of Product
- Explain the Concepts related to Product
- Discuss the Definition and Scope of Product Management
- Understand Marketing Organisation
- Illustrate the Types of Marketing Organisation

Notes

Introduction

Product Management is becoming an important function of marketing. With the passage of time, product management has undergone many changes. It is no more a department of churning out promotional materials but is has now become the nerve center of the organization.

Effective product management is a practical, purposeful and positive approach of improving the company results, through the efforts of a competent and committed team, coordinating manufacturing, marketing and sales. In short, it can be said that product management involves.

1.1 Product

The word "product" can be defined in many ways. The definitions differ according to the difference in the connotation in which it is being used.

Technically, a product can be defined as anything that is produced, whether as the result of generation, growth, labor, or thought, or by the operation of involuntary causes; as, the products of the season, or of the farm; the products of manufactures; the products of the brain.

In manufacturing, products are purchased as raw materials and sold as finished goods.

In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project.

In marketing, a product is anything that can be offered to a market that might satisfy a want or need.

Notes Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market.

From all the above connotations, we can say that in general usage, product may refer to a single item or unit, a group of equivalent products, a grouping of goods or services, or an industrial classification for the goods or services.

1.2 Concepts related to Product

The world of products has many important concepts related to it that are very popularly prevalent in the industries world over. Let us understand each of them one by one.

1.2.1 Product Development

Product development is the process of designing, building, operating, and maintaining a good or service. Product development adds things like pricing, marketing, and customer support to the technology to create a complete product.

The companies world over, use a product development process to ensure that they are not just manufacturing a product that people will want to buy but also one that people would like to continue to use. To be sure, a base technology is at the heart of the product, but product development ensures that the customer's voice is not lost in the rush to an exciting technology.

Product development is performed by a multi-disciplinary team whose goal is building, operating, and maintaining the product. Team members may include product managers, product developers, project managers, product operations engineers, customer support managers, quality

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assurance managers, user interface design engineers, marketers, financial personnel, graphic artists, etc.

1.2.2 New Product

The dynamics of markets, technology, and competition have brought changes to virtually every market sector and have made new product development one of the most powerful business activities. The monumental changes that constantly impact commerce have forced companies to innovate with increasing speed, efficiency, and quality. In turn, this has made new product development one of the most complex and difficult business functions. However, firms must innovate in order to survive. The power of innovation is revealed in numerous studies, which show that companies leading their industries attribute about half of their revenues to products developed in the most recent five years. By comparison, companies at the bottom of their industries achieve approximately one-tenth of their sales from new products. A new product can be defined as a product that is new to the market.

Example: Sony introduced Walkman

GE introduced Light

HLL's adult diapers, DEPEND, in Indian market.

There are five categories of new products.

1. New-to-the-world products or services are new inventions.

Example: In-line skates and health maintenance organizations.

2. New category entries are products or services that are new to a firm

Example: Sport utility vehicles

3. Additions to product lines add products or services to a firm's current markets.

Example: When a powder laundry detergent offers a liquid version it is considered a line extension.

4. Product improvements are another type of new product and are common to every product category.

Example: Product improvement made in Lifebuoy Soaps (as shown through Figure below)

Figure 1.1

5. Repositionings target products to new markets or for new uses.

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Case Study

Repositioning Maggi

Nestlé India Ltd. (NIL), the Indian subsidiary of the global FMCG major, Nestlé SA, introduced the Maggi brand in India in 1982, with its launch of Maggi 2 Minute Noodles, an instant noodles product.

With the launch of Maggi noodles, NIL created an entirely new food category – instant noodles – in the Indian packaged food market. During the 1990s, the sales of Maggi noodles declined, and this was attributed partly to the growing popularity of Top Ramen, another instant noodles product. In order to improve sales and attract more consumers, NIL changed the formulation of Maggi noodles in 1997. However, this proved to be a mistake, as consumers did not like the taste of the new noodles. In March 1999, NIL reintroduced the old formulation of the noodles, after which the sales revived.

Over the years, NIL also introduced several other products like soups and cooking aids under the Maggi brand. However, these products were not as successful as the instant noodles. In the early 2000s, Maggi was the leader in the branded instant noodles segment, and the company faced little serious competition in this segment.

In the early 2000s, NIL started introducing new 'healthy' products in accordance with the Nestlé Group's global strategy to transform itself into a health and wellness company. NIL also adopted the same strategy for the Maggi brand with the launch of the Maggi Vegetable Atta Noodles (Vegetable Atta Noodles), a 'healthy' instant noodles product made of whole wheat flour and vegetables (instead of refined flour), in 2005. The Dal Atta Noodles were another variant of Maggi's healthy instant noodles.

Because of its first-mover advantage, NIL successfully managed to retain its leadership.

Questions

1. Analyse three benefits that NIL derived by repositioning Maggi.
2. What do you learn from the case above?

Source: www.icmrindia.org

Firms can obtain new products internally or externally. External sourcing means the company acquires the product or service, or obtains the rights to market the product or service, from another organization. Internal development means the firm develops the new product itself. This is riskier than external development because the company bears all of the costs associated with new product development and implementation. Collaborations, which include strategic partnerships, strategic alliances, joint ventures, and licensing agreements, occur when two or more firms work together on developing new products.

1.2.3 Product Life Cycle

We have all heard about the product life cycle can be divided into four phases namely introduction, growth, maturity and decline. On the basis of these stages, product planning is done. The life cycle concepts on which a product planning team works are shown in Figure 1.2.

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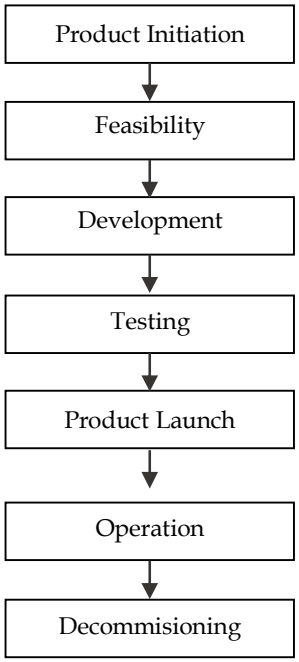
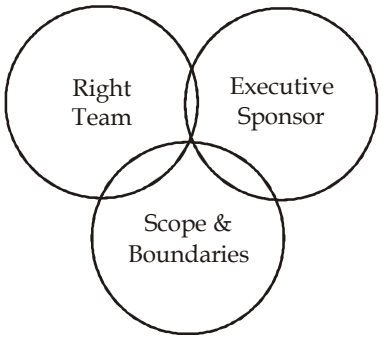
Figure 1.2



1. ***Product Initiation Phase:*** In the Initiation Phase, Product Management, Engineering, or Operations submits a request for a new service or modification to an existing service.

Figure 1.3



These requests are received and prioritized by the Program Management Office (PMO). Once prioritized, the requests are reviewed by various management teams to assess the impact and viability of the request in the context of business needs and the organization's strategy. If approved, the request is given necessary funding and resources in order to proceed to the Feasibility Phase.

2. ***Feasibility Phase:*** The Feasibility Phase is where an idea is explored in more depth in order to determine the feasibility of engineering the requested service within the scope of the business needs. The request that has been approved during the initiation phase by the Governing Committee is evaluated at the engineering and product management level.

From an engineering perspective, the service is evaluated for technical feasibility. The preliminary Technical Service Description outlines the general architecture of the proposed

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service. The Feasibility Analysis and stable Business Case are also developed during this phase. These documents summarize time and cost estimates and other investment information necessary for deciding whether to continue the product development process or not.

3. ***Design and Plan Phase:*** In the Design & Plan Phase, the cross-functional team documents all detail pertaining to the development of the service. While core documents, such as the Marketing Service Description, Technical Service Description, and Design Specifications, are stabilized, other groups, including Operations, QA, and Customer Care begin to specify their requirements for supporting the service. All of these documents are approved and signed off by the project team and the Design & Plan Checklist is presented to the Governing Committee for final approval before moving into the Development Phase.

4. ***Development Phase:*** In the Development Phase, the actual engineering of the service is completed. As the service is being developed, other functional groups continue preparatory work for the Testing and Introduction Phases. Much of the documentation to support Customer Care, Training, Vendors, and Clients is created during this phase. Also, the Quality Assurance (QA) Group prepares for the testing handoff by documenting Test Plans and Test Specifications, and configuring the test environment. In this phase, a decision gate ensures that all pieces required for testing have been completed. The following are requirements to pass through the decision gate:

   (a) Ready for Testing Phase from a System Integration Test perspective

   (b) Documentation Complete

   (c) Test Environment Complete

   (d) Code Complete

   (e) Vendor Requirements met

   (f) Integration Testing & Results Complete.

   Once the Project Team has approved the readiness of the service, the Development Checklist is compiled and presented to the Governing Committee for approval to move the service into the Testing Phase.

5. ***Testing Phase:*** The majority of the Testing Phase is spent certifying the hardware and software changes involved in the service. The service will undergo a number of readiness tests in a Lab Environment. An operation also performs necessary system and network tests to ensure operational readiness prior to deployment. Once QA Test Results and Operations Readiness Test Results are completed, the service may undergo field trials as directed by product management. The Testing Phase Decision Gate is based on the QA Test Results, Operations Test Results, Field Verification, Change Requests, and Business Needs. A 'go' decision at the gate authorizes the launch of the service.

6. ***Product Launch Phase:*** The Product Launch Phase coordinates the deployment of the new or modified service. As the service is enabled by Operations, the supporting organizations initiate support processes to maintain the service. Once deployed a service check is made by the Project Team and Program Management Organization to ensure that the Service is available. If the service is found to be unsuccessful, a predetermined un-launch process will be executed. If the service is launched without incident, the Project Team then evaluates the stability of the release and the service is transitioned to the Life Cycle Management Process.

7. ***Operation Phase:*** The Operation Phase is typically the longest of the phases since once a product is developed, it may be operated for quite some time before it is updated or

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decommissioned. The operation phase requires an organization that can manage the product, track problems and bugs, and respond to customer issues regarding the product in a timely and cost effective manner. A multi-tiered product support model is used to ensure that products are operated in a way that leads to RASM (reliability, availability, security, and manageability).

8. ***Decommissioning Phase:*** The Decommissioning Phase occurs at the end of the product life cycle. While it may seem like the decommissioning phase is something that can be safely ignored since there will likely be larger problems if the product is decommissioned, the truth is that many products are taken out of service. Even when a company is in bankruptcy, the rational, orderly closing down of a product or service is important to managing the company's assets.

Caution The distinction between a new product and a minor modification to an existing product is not always clear. Certain products have a product life cycle in which the supply and demand for the product increases then decreases over time. The demand for certain food products such as bread will tend to increase with population, but the supply and demand for a specific brand of bread may decline over time.

1.2.4 Product Upgrade

When a customer is finished using a product, he can be upgraded to a follow a product that meets their needs or deprovisioned. The product upgrade path is desirable because it keeps the customer and reduces customer reacquisition costs. Customers frequently outgrow products or their needs change. If a company has a well managed product portfolio, a product more suited for the customer's current situation will be waiting for them.

Did u know? **What is Deprovisioning?**

Deprovisioning a customer may seem like an issue that need not be dealt with: the customer stops using the product and nothing more need be done. However, in many cases, particularly where service with a recurring billing has been provided, if the customer is not properly deprovisioned, there will be future costs resulting from either providing service that is not being paid for or from billing a customer who is not receiving service. In either case there are likely to be costly customer support calls and an unhappy customer. Customer deprovisioning, where appropriate, should be planned for and built into the product from the beginning.

Self Assessment

Fill in the blanks:

1. Effective …….is a practical, purposeful and positive approach of improving the company results.
2. A commodity can also be anything widely available in the ……..market.
3. The product ……..path is desirable because it keeps the customer and reduces customer reacquisition costs.
4. The dynamics of markets, technology, and competition have brought changes to virtually every market sector and have made ……..development one of the most powerful business activities.

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1.3 Product Management: Meaning

Product management is an organizational life cycle function within a company dealing with the planning or marketing of a product or products at all stages of the product life cycle. Product management and product marketing are different yet complementary efforts with the objective of maximizing sales revenues, market share, and profit margins.

Product Management Process starts with the type of company one works for. There may be companies that are:

1. Technology-driven
2. Company driven
3. Sales-driven
4. Market-driven

Product Manager's primary role is to serve as the "voice of the customer". Thus product management includes indirect management and cooperation with other members of various groups other members of various groups. The day to day work revolves around executing four main tasks:

1. Developing the market requirements document
2. Managing the product feature list
3. Coordinating activities of different functional groups
4. Participating in and/or running the launch and post-launch marketing activities for a product.

The goal of product management is to:

1. Ensure a market-driven "whole" product offering
2. Establish competitive and profitable pricing models
3. Ensure the existence and support of product distribution
4. Create effective marketing promotions that generate revenue.

1.4 Aspects of Product Management

Depending on the company size and history, product management has a variety of functions and roles. Sometimes there is a product manager, and sometimes the role of product manager is held by others. Frequently there is Profit and Loss (P&L) responsibility as a key metric for evaluating product manager performance. In some companies, the product management function is the hub of many other activities around the product. In others, it is one of many things that need to happen to bring a product to market.

1.4.1 Product Planning

Product Planning is the ongoing process of identifying and articulating market requirements that define a product's feature set.

Defining New Products: It is important to define the products and services you want to promote. Ideas for new products can be obtained from basic research using a SWOT analysis and/or brainstorming of new product, service, or store concepts.

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Gathering Market Requirements: This is helped by analyzing market and consumer trends, competitors, focus groups, corporate spies, trade shows, or ethnographic discovery methods.

Task Find out the meaning of ethnographic method. What do you analyse about the consumers of Indian fashion industry using the ethnographic study. Enlist all the points of your analysis.

Building Product Roadmaps, Particularly Technology Roadmaps: A great roadmap walks the fine line between being too narrow ("a one-trick pony") and too wide ("all over the map"). Demonstrate focus by building your plan and presentation to spend the most time on your initial products. Size the markets conservatively, and pick realistic penetration rates. Roadmaps are always subject to change.

Product Life Cycle Considerations: The idea of a product life cycle acknowledges the fact that designing and selling a product is only part of the story. In fact, every product goes through a series of steps between the time it is first conceived and the time the manufactured product is retired or discarded.

Product Differentiation: Product differentiation (also known simply as "differentiation") is the process of distinguishing the differences of a product or offering from others, to make it more attractive to a particular target market. This involves differentiating it from competitors' products as well as one's own product offerings.

1.4.2 Product Marketing

Product marketing deals with the first of the "4P's" of marketing, which are Product, Pricing, Place, and Promotion. Product planning, as opposed to product management, deals with more outbound marketing tasks. Product Marketing is based on identifying, anticipating and satisfying customer needs effectively and profitably. It encompasses market research, pricing, promotion, distribution, customer care, your brand image and much more.

Example: Product planning deals with the nuts and bolts of product development within a firm, whereas product marketing deals with marketing the product to prospects, customers, and others.

1. ***Product Positioning and Outbound Messaging:*** Positioning is a process that focuses on conveying product value to buyers, resulting in a family of documents which drive all outbound communications. Yet in recent years, it seems as if positioning has 'devolved' into a document of vague superlatives that convey nothing as they attempt to trick the customer into buying the product. The best positioning clearly states how the product will solve specific customer problems.
2. ***Promoting the Product Externally with Press, Customers and Partners:*** Launching a new product on the market, to gain sales and exposure for it can be a challenge. There are many other ways to promote and sell a new product, but the most important of them all include packaging, trade shows, exhibitions, promotional videos, internet marketing, etc. Each of the marketing method includes liaison with press, customers and partners.
3. ***Monitoring the Competition:*** The old adage, "keep your friends close, and your enemies closer", is applicable not only to personal relationships but business relationships as well. While it does not mean that you befriend your competitors, it is important that you are cognizant of your competitors' business ventures and methods. There are several ways to

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conduct successful stealth competitive intelligence operations. While it is fanciful to imagine yourself as a secret agent or spy, none of these techniques are difficult, hidden or secretive. In fact, most of them are tools or services available to all businesses.

Self Assessment

Fill in the blanks:

5. …….. is the process of distinguishing the differences of a product or offering from others.
6. Product planning, as opposed to product management, deals with more …….. tasks.

1.5 Product Management: Scope

Product management as a discipline is about what the product should be. Product managers are advocates for the customer's needs and desires. A large product might have numerous product managers working towards its success at a variety of levels, all the way from the junior product manager writing specifications about single feature sets to a product strategy director who has overall responsibility to executive management for the product direction. A product manager's responsibilities include the following:

1. Defining and planning product lines and product enhancements
2. Managing product contracts and sales. Setting strategic direction based on customer needs and business goals
3. Interpreting strategic goals into operational tasks
4. Making proposals to senior management regarding implications of proposed plan
5. Serving as a representative to internal and external clients. Taking the leading establishing tactical plans and objectives
6. Developing and implementing administrative and operational matters ensuring achievement of objectives
7. Evaluating risks and trade-offs
8. Proposing contingency plans
9. Analyzing business processes and creating applications to improve or support those processes
10. Branding
11. Working with graphic designers to create look and feel
12. Defining navigational flow and user experience
13. Defining feature sets and scooping releases.

People not familiar with the discipline of product management frequently get a product manager confused with other players. It's useful to look at what a product manager is not. A product manager is not:

A developer – Developers are focused on the technology and not the overall product. Some great product managers are former developers, but it is difficult to do both at once. There is a natural tension between developers and product managers that should be maintained to create a balanced product. A software manager – the software manager is a functional manager and usually not focused on the product or the customers. A project manager – project managers are

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about how and when, while the product manager is about what. Project managers work closely with product managers to ensure successful completion of different phases in the product life cycle. Marketers – while product management is usually seen as a marketing discipline, marketers are focused on the marketing plan and are usually not driving the overall product direction.

Product managers are accountable to executive management for overall product direction, key decisions, product budget (and sometimes even the complete product P&L), ensuring that final product meets specifications, and evangelizing product to internal and external stakeholders. Product managers also have accountability to users for feature sets, navigation, quality, and overall experience.

Self Assessment

Fill in the blanks:

7. Developers are focused on the technology and not the overall …….. .
8. A ……..organization is in constant touch with the customers.

1.6 Marketing Organisation

Marketing Organization is an organization that markets one or more systems, applications, and/or components produced by a development organization to potential customer organizations. The typical responsibilities of a Marketing Organization are to:

1. Market applications to the customer organization(s).
2. Provide change requests based on customer feedback to the development organization.
3. Act as a source of requirements during the performance of the requirements identification task.

Faced with increasing demand for accountability and greater pressure from a changing media landscape, marketers are being asked by senior management as never before to address organizational issues: Is your marketing organization set up for success? Are you aligned with key stakeholders across the business? Can your organization provide the nimble response you'll need to be able to manage your marketing investment? A lot of the problem can be explained in how marketing organizations are structured and how they manage.

1.6.1 Characteristics of a Good Marketing Organisation

A good marketing organization should have following characteristics:

1. It should be flexible so as to allow the managers to use any type of marketing structure.
2. It must give possible future growth and acceptable philosophy to the whole concern.
3. Personnel in marketing department must be willing to take various job assignments.
4. Connected with the problem of flexibility is the growth potential. With the change of market positions new products are introduced in place of old ones. So, the provisions are required for the growth of new products and segments in concern in future.
5. There should be a central philosophy or tradition prevailing in the concern that should be intimated to all. This forms the whole objective of the marketing. Some concerns pay more heed to middle and lower income group. In this way while policies and programmes change, the central philosophy remains guide to the future action.

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1.6.2 Types of Marketing Organisation

Marketing organizations may be of various types. The most important of them all include:

1. Function Oriented
2. Market Oriented
3. Product Oriented
4. Customer Oriented
5. Combined Type

Let us understand each of them one by one.

1. ***Function Oriented:*** This is the most simple and common type of organization. Under this type, the activities are grouped on the basis of function, such as production planning, marketing research, advertising and sales. There are separate managers for specific functions and each of these functions is further subdivided into various sub functions like product planning, marketing research, advertising, sales promotion, physical distribution, customer service, etc.

> *Notes* The number of sub functions varies from organization to organization taking into account, its nature, size and area of operation.

   The main advantages of function oriented marketing organization are increased efficiency and elasticity in the organisation.

2. ***Market Oriented:*** This type of structure is used by big companies who serve a large number of customers spread over very large territory. The structure is divided into regional basis and specific areas are assigned to different persons.

   Each region may be under a supervisor whose numbers depend on the characteristics and requirements of a particular region. Each supervisor is given a number of salesmen under his control. Thus the market is fragmented into sale territories which may be a district, division or region.

   The main advantage of this type of marketing structure is that it enjoys all the advantages of being functional. Additionally, such an organization is in constant touch with the customers. It comes to know the changing habits, fashion and needs of the customers of every region and therefore can make necessary changes in their products in a short span of time. Also, the responsibility can be fixed in such an organization very easily for any lapse.

3. ***Product Oriented:*** Big companies as well as smaller concerns exist side by side in the field of production. The smaller companies have another popular form or structure which assigns to product managers and brand managers with the responsibility for marketing decisions of particular products or groups of products. Advertising, sales promotion, marketing research, etc. can be centralized activities. The product manager takes decisions and executes decisions regarding advertising and sales promotions after taking necessary suggestions from the advertising manager and sales promotion manager respectively.

   This type of structure is best suited to industries producing different products or brands. Every department can be controlled efficiently by the department in charge, rendering thereon, an additional benefit of making it possible for evaluation and comparison of the performance of the different departments.

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4. ***Customer Oriented:*** Under this type of structure, concentration is on the type of customers. Separate groups are designated responsible for marketing classes of their different classes of customers such as:

   (a) Distributors

   (b) Retailers

   (c) Customers

   Under this type of organization, full attention can be paid to each class of customers and their problems can be well understood by the organization. As an organization comes in contact with the customers regularly, it is easier to estimate their demand and satisfy them.

   Although the customer satisfaction is the main aim of the structure, but it is suitable in those organizations only where the nature of customers is different.

5. ***Combined Type:*** The four types discussed above are basic concepts regarding organization structures. Any structure in its pure form is rarely found in an organization.

   In practice, one normally comes across a combination such as:

   (a) Functional with territorial structure, or

   (b) Functional with product oriented structure, or

   (c) Market oriented with product structure.

Task Analyse different types of marketing organisations and find out their disadvantages. Enlist each with reasons.

Self Assessment

Fill in the blanks:

9. ……..structure is used by big companies who serve a large number of customers.

10. Every marketing organization should possible future growth and acceptable philosophy to the …….. .

11. In ……..marketing organization, separate groups are designated responsible for marketing classes of their different classes of customers.

1.7 Organizational Structure

Organizational structure depends on the product to be developed.

1. Wheelwright and Clark define a continuum of organizational structures between two extremes, functional organizations and project organizations.

   (a) *Functional organizations* are organized according to technological disciplines. Senior functional managers are responsible for allocating resources. The responsibility for the total product is not allocated to a single person. Coordination occurs through rules and procedures, detailed specifications, shared traditions among engineers and meetings (ad hoc and structured). Products that need a high level of specialized knowledge require a functionally organized structure.

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A light-weighted matrix organization remains functional and the level of specialization is comparable to that found in the functional mode. What is different is the addition of a product manager who coordinates the product creation activities through liaison representatives from each function. Their main tasks are to collect information, to solve conflicts and to facilitate achievement of overall project objectives. Their status and influence are less as compared to functional managers, because they have no direct access to working-level people.

A heavy-weighted matrix organization exists of a matrix with dominant the project structure and underlying the functional departments. The product manager has a broader responsibility. Manufacturing, marketing and concept development are included. The status and influence of the product manager, who is usually a senior, is the same or higher as compared to the functional managers, because they have no direct access to working-level people.

(b) *A project organization* exists of product oriented flows: project and teams. The project members leave their functional department and devote all their time to the project. They share the same location. The professionals are less specialized and have broader tasks, skills and responsibilities. The functional manager is responsible for the personnel development and the more detailed technology research in the functional groups.

2. Another way in which companies can be classified is the nature of the projects undertaken. We characterize projects by the number of employees needed to perform the tasks, or workload, and the number of tasks that are fundamentally different in nature. An example of the latter aspect is PCB development and structural design.

Another way to classify organization structure is by one of the following four categories:

(a) *The product to be developed is comprehensible for one person.* One person is likely to have all the knowledge needed to develop Manufacturing and Assembly. The development departments in companies that undertake these kinds of projects are usually very small. If a company consists of more than one department, it is usually structured as a functional organization.

(b) The product to be developed has a fairly low complexity, but total work is high. These kinds of products are likely to be developed within one functional department. Employees are involved on a full-time basis. Tasks may be performed concurrently. The sequence can be determined using the Design Structure Matrix.

(c) The product to be developed consists of a lot of different elements, such as software, PCB, power supply and mechanical structure. The product is however in the engineering phase, i.e. it is clear what needs to be done to get the product into production. Various disciplines perform their own tasks. These tasks have mostly a low workload. Employees cannot work full-time on one project. This creates a complex situation that may be compared to a job shop situation in production logistics. Though the comparison between manufacturing and product development is not accepted by all product development managers, it may yield good results. Studying each step in the Product Development Process and fluctuations in workloads reveals ways to reduce variation and eliminate bottlenecks. It is necessary to view the Product Development Process as a process and not as a list of projects. Three important findings regarding this are:

(i) Projects get done faster if the organization takes on fewer at a time.

(ii) Investments to relieve bottlenecks yield disproportionately large time-to-market benefits.

Notes

(iii) Eliminating unnecessary variation in workloads and work processes eliminates distractions and delays, thereby freeing up the organization to focus on the creative parts of the task.

Creating cross-functional concurrent engineering teams is the right way to develop products. However, the pitfall is too many project at the same time, so that key people from engineering, marketing and manufacturing work at five or more projects at once. This results in congestion. Striving to work at 100% of the product development capacity lengthens product development lead times enormously. A more realistic percentage is 80%. Attention must be focused on bottlenecks, these days most commonly found at the software development side of the project.

(d) *The product is complex.* Total work is high. Employees can thus participate on a full-time basis. A project organization is the most appropriate organizational structure for these kinds of products.

Self Assessment

Fill in the blanks:

12. In marketing, a …….. is anything that can be offered to a market that might satisfy a want or need.

13. ……..are accountable to executive management for overall product direction.

1.8 Role of Product Manager

A product manager plays an utterly important role in an organization. Being at a very responsible position, he/she has to guide a team that is charged with a product line contribution as a business unit. This extends from increasing the profitability of existing products to developing new products for the company.

A product manager builds products from existing ideas, and helps to develop new ideas based on the industry experience and his contact with customers and prospects. He possesses a unique blend of business and technical savvy; a big-picture vision, and the drive to make that vision a reality. He spends time in the market to understand the problems of the customers, and finds innovative solutions for the broader market.

The role of a product manager also becomes important because he has to communicate with all areas of the company. The product manager works with an engineering counterpart to define product release requirements. At the same time, he works with marketing communications to define the go-to-market strategy, helping them understand the product positioning, key benefits, and target customer. He serves as the internal and external evangelist for his product offering, occasionally working with the sales channel and key customers.

A product manager's key role is strategic, not tactical. The other organizations will support your strategic efforts; you won't be supporting their tactical tasks.

The key responsibilities of a product manger may include:

1. Managing the entire product line life cycle from strategic planning to tactical activities

2. Specifying market requirements for current and future products by conducting market research

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3. Driving a solution set across development teams (primarily Development/Engineering, and Marketing Communications) through market requirements, product contract, and positioning.
4. Developing and implementing a company-wide go-to-market plan, working with all departments to execute.
5. Analyzing potential partner relationships for the product.

Self Assessment

Fill in the blanks:

14. ……..is an organization that markets one or more systems, applications, and/or components produced by a development organization to potential customer organizations.
15. ……..is the most simple and common type of marketing organization.

1.9 Summary

- A product can be defined as anything that is produced.
- Product management is an organizational life cycle function within a company dealing with the planning or marketing of a product or products at all stages of the product life cycle.
- Product Management is becoming an important function of marketing.
- Product development is the process of designing, building, operating, and maintaining a good or service.
- Product development adds things like pricing, marketing, and customer support to the technology to create a complete product.
- The power of innovation is revealed in numerous studies, which show that companies leading their industries attribute about half of their revenues to products developed in the most recent five years.
- Depending on the company size and history, product management has a variety of functions and roles.
- Product Planning is the ongoing process of identifying and articulating market requirements that define a product's feature set.
- Product management as a discipline is about what the product should be.
- Product managers are advocates for the customer's needs and desires.
- Product marketing deals with the first of the "4P's" of marketing, which are Product, Pricing, Place, and Promotion.
- Marketing Organization is an organization that markets one or more systems, applications, and/or components produced by a development organization to potential customer organizations.

Notes

1.10 Keywords

External Sourcing: The company acquires the product or service, or obtains the rights to market the product or service, from another organization.

Product Planning: The process of producing a specification or chart of the manufacturing operations to be performed by different functions and workstations over a particular time period. Production scheduling takes account of factors such as the availability of plant and materials, customer delivery requirements, and maintenance schedules.

Product Manager: Person responsible for overseeing all activities and functions associated with a particular product or product family. Also called brand manager in case of consumer goods or services.

1.11 Review Questions

1. Discuss the scope of product management in marketing environment?
2. What do you think are the bases upon which a marketing organizational structure can be built? What factors do you think should be taken into account while designing the organisation?
3. Examine the potential advantages of various types of marketing organisations.
4. Make an analysis of your favorite marketing organisations companies in (a) India (b) Abroad and find out which type they belong to.
5. Product managers are accountable to executive management for overall product direction. Why so?
6. Examine the scope of product management.
7. Effective product management is a practical, purposeful and positive approach of improving the company results. Comment.
8. If you are made a product manager of a company, which would be the type of marketing organization you would suggest for your organization and why?
9. What do you think can be the ways to generate ideas for new products?
10. Illustrate the concept of deprovisioning through appropriate example.
11. What is a product? Does every product go through the same stages of product life cycle? Why/why not?

Answers: Self Assessment

1.	Product management	2.	Open
3.	Upgrade	4.	New product
5.	Product differentiation	6.	Outbound marketing
7.	Product	8.	Market oriented
9.	Market oriented	10.	Whole concern
11.	Customer oriented	12.	Product
13.	Product managers	14.	Marketing Organization
15.	Function Oriented		

Notes

1.12 Further Readings

Books

Harvard Business Review on Brand Management, Harvard Business School Press, 1999.

Linda Gorchels, *The Product Manager's Handbook: The Complete Product Management Resource*, McGraw-Hill, 2000.

Scott Bedbury, *A New Brand World: Eight Principles for Achieving Brand Leadership in the Twenty-First Century*, Penguin, 2003.

Online links

http://www.tcs.com/industries/manufacturing/end-to-end/npi_plm/Pages/default.aspx

http://www.teeled.com

http://managementhelp.org/productdevelopment/

Unit 2: Marketing Planning

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Introduction

2.1 Components of Marketing Plan

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2.3 Category Attractiveness Analysis

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2.3.3 Environmental Analysis

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2.6 Review Questions

2.7 Further Readings

Objectives

After studying this unit, you will be able to:

- Discuss the various Components of marketing plan
- Define the competitive set
- Identify the Levels of market competition
- Explain the Methods for determining competitors
- Discuss the Category attractiveness analysis
- Describe the Aggregate market factors
- Explain Category factors and environmental analysis

Introduction

In most organizations, "strategic planning" is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

To be most effective, the plan has to be formalized, usually in written form, as a formal "marketing plan." The essence of the process is that it moves from the general to the specific; from the overall objectives of the organization down to the individual action plan for a part of one marketing program. It is also an interactive process, so that the draft output of each stage is checked to see what impact it has on the earlier stages - and is amended.

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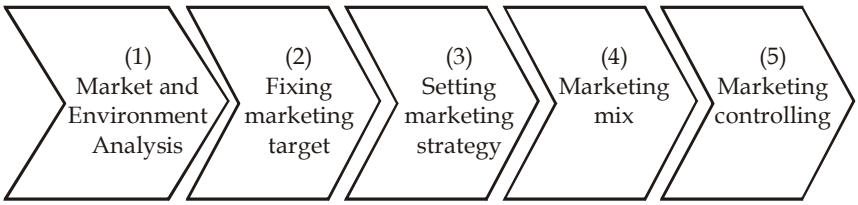
Figure 2.1: Marketing Process Model



Behind the corporate objectives, which in themselves offer the main context for the marketing plan, will lay the "corporate mission"; which in turn provides the context for these corporate objectives. In a sales-oriented organization, marketing planning function designs incentive pay plans to not only motivate and reward frontline staff fairly but also to align marketing activities with corporate mission.

2.1 Components of Marketing Plan

Marketing plans vary by industry, by size of company and by stage of growth. The form isn't as important as the process of preparing it. Preparing a marketing plan is a process that makes you think about your business goals and what your marketing strategy will be to achieve those goals.

This is an outline of a typical marketing plan. Your marketing plan may contain all or just some of these components, depending on your company type, stage of growth, and goals.

1. ***Executive Summary:*** The executive summary introduces your company and explains the major points of your plan

   Things to do:

   (a) Briefly describe the nature of your business and the products or services you offer.

   (b) State your mission and company objectives.

   (c) Describe your management and marketing team, and the structure of your organization.

   (d) Summarize the marketing objectives and strategies contained in the plan.

2. ***Current Situation:*** This section provides information about your location, target market and competitive environment. Also, identifies key issues your company faces.

   Things to do:

   (a) Describe your current or planned business location.

   (b) Describe you target market.

   (c) Include a brief competitor and issues analysis.

3. ***Competitor and Issues Analysis:*** This section includes the details of the competitor and issue analysis.

   Things to do:

   (a) Include information about other individuals or companies (competitors) who offer similar products and services as you.

   (b) List key business issues that are potential challenges, such as new legislation or the impact of an impending technological advance in your industry.

Notes

4. ***Marketing Objectives:*** As the name suggests, this section states your marketing objectives, including the time frame for achieving them.

   Things to do:

   (a) List key objectives that you want to achieve through your plan.

   (b) Include the time frame against each objective

   Caution Be as objective as possible in this section.

5. ***Marketing Strategy:*** The section including marketing strategy describes how you plan on achieving your marketing objectives.

   Product: Describes your product or service in detail, including product features and benefits.

   Price: Describes your pricing strategy and payment policies.

   Promotion: Describes the promotional tools or tactics you will use to accomplish your marketing objectives.

   Place: Describes how and where you will place your product so customers have access to it and how you will make the sale.

6. ***Action Programs:*** Describes what will be done, when it will begin or be completed, and who will accomplish the tasks.

7. ***Budget:*** Lists the cost of the marketing activities you are describing in the marketing plan.

8. ***Measurements:*** Describes numerical targets that will measure the results of implementing your marketing plan, including time limits for achieving your goals. For example, increase sales by 10 percent in 12 months.

9. ***Supporting Documents:*** Include any supporting documents referenced in other plan sections here, such as resumes of key personnel, spreadsheets, and market research results.

Case Study

Marketing Plan: American Technology

Our new marketing focus, made explicit in this plan, renews our vision and strategic focus on adding value to our target market segments, the small business and high-end home office users, in our local market.

American Technology will change its focus to differentiate itself from box pushers and improve the business by filling the real need of small business and high-end home office for reliable information technology including hardware, software, and all related services. Our marketing challenge is to position our product and service offerings as the high-quality, high value-add alternative to box pushing in a vacuum.

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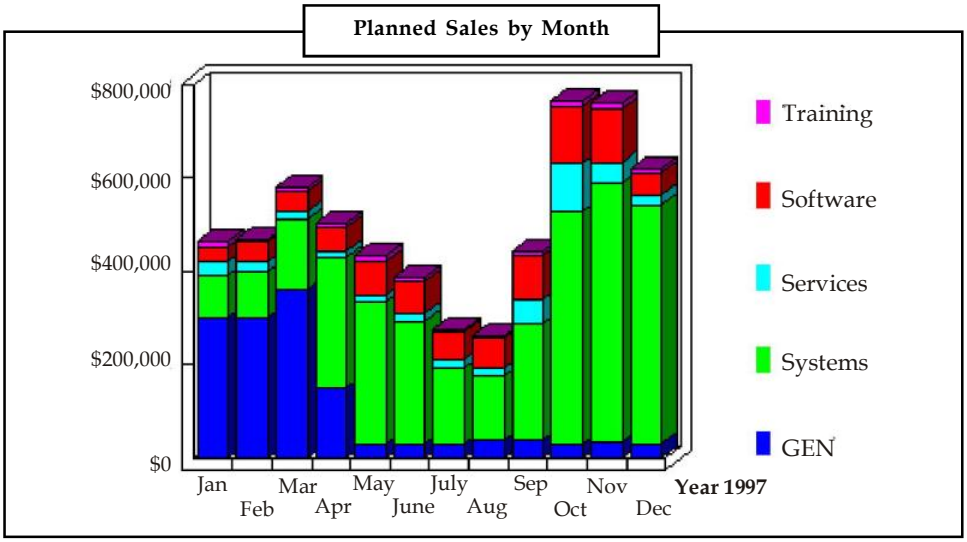
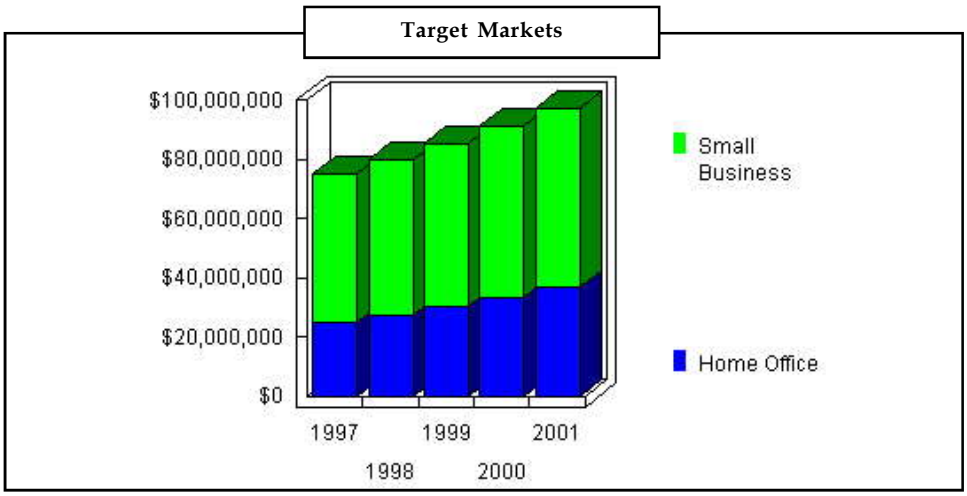


Product	1997
GEN	$1,372,500
Systems	$3,293,500
Service	$380,000
Software	$799,250
Training	$113,000
Totals	$5,958,250

Vision

AMT is built on the assumption that the management of information technology for business is like legal advice, accounting, graphic arts, and other bodies of knowledge, in that it is not inherently a do-it-yourself prospect. Smart business people who aren't computer hobbyists need to find quality vendors of reliable hardware, software, service, and support. They need to use these quality vendors as they use their other professional service suppliers, as trusted allies.



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AMT is such a vendor. It serves its clients as a trusted ally, providing them with the loyalty of a business partner and the economics of an outside vendor. We make sure that our clients have what they need to run their businesses as well as possible, with maximum efficiency and reliability. Many of our information applications are mission critical, so we give our clients the assurance that we will be there when they need us.

Objectives

1. Increase sales by 20%.
2. Increase gross margin to more than 25%.
3. Increase our non-hardware sales to 65% of the total.

Target Markets

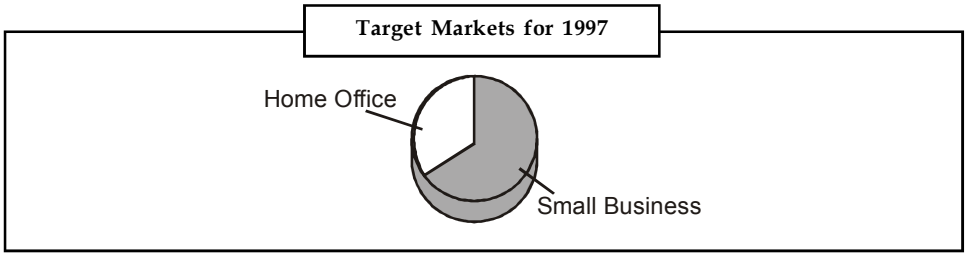
AMT focuses on small business in the local market, with special focus on the high-end home office and the 520 unit small business office.

Market	1997	1998	1999	2000	2001	Total
Home Office	$25,000,000	$27,500,000	$30,250,000	$33,275,000	$36,602,500	$152,627,500
Small Business	$50,000,000	$52,500,000	$55,125,000	$57,881,250	$60,775,313	$276,281,563
Totals	$75,000,000	$80,000,000	$85,375,000	$91,156,250	$97,377,813	$428,909,063

Market Definition and Segmentation

We have broken our markets into groups according to standard classifications used by market research companies: home offices and small business.

Exact definitions of these market segments is not necessary for our marketing planning purposes here; general definitions will suffice. We know our home office customers tend to be heavy users, wanting high-end systems, people who like computing and computers. The low-end home office people buy elsewhere. We also know that our small business customers tend to be much less proficient on computers, much more likely to need and want handholding, and much more likely to pay for it.



Target Market Segment Strategy

We cannot survive just waiting for the customer to come to us. Instead, we must get better at focusing on the specific market segments whose needs match our offerings. Focus on targeted segments is the key to our future.

Therefore, we need to focus our marketing message and our product offerings. We need to develop our message, communicate it, and make good on it.

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Target Market: Home Office

The home offices in Tin town are an important, growing market segment. Nationally, there are approximately 30 million home offices, and the number is growing at 10% per year. Our estimate in this plan for the home offices in our market service area is based on an analysis published four months ago in the local newspaper.

Home offices include several types. For our plan, the most important are the home offices that serve as the only offices of professional firms. These are likely to be professional services such as graphic artists, writers, and consultants, also some accountants and the occasional lawyer, doctor, or dentist. There are also individuals who maintain home offices for part-time use, including "moonlighters" and hobbyists. This segment is not who AMT wishes to sell to; our marketing focus consists of professionals and entrepreneurs who maintain a full-time office. In this plan, we will refer to customers in the home office segment as HOs.

Needs and Requirements: Our target HOs are on average as dependent on reliable information technology as any other businesses. They care more about reliable service and confidence than about the rock-bottom lowest price. They don't want to rely solely on their own expertise, so they choose instead to deal with us with our promise of service and support when needed.

Our standard HOs will be one system installations, no networks, much more powerful systems than the average small business. Fax modems, voicemail, and good printers are likely. They tend to be interested in desktop publishing, accounting, Internet, and administration software as well as their job specific software needs.

It's important that we realize we won't be selling to the price oriented HO buyers. We'll be able to offer an attractive proposition to the service oriented and security oriented buyers only.

Distribution Channels: Unfortunately, our HO target buyers may not expect to buy with us. Many of them turn immediately to the superstores (office equipment, office supplies, and electronics) and mail order to look for the best price, without realizing that there is an option that provides greater value for dollars.

Competitive Forces: Our focus group sessions indicated that our target HOs consider price but they would buy on quality service if the offering were positioned correctly. Price is the message they're exposed to again and again; they have been trained to shop on price. We have very good indications that may would much rather pay 10–20% more for a relationship with a long-term vendor providing backup and quality service and support; they end up in the box pusher channels because they aren't aware of the alternatives.

Availability is also very important. The HO buyers tend to want immediate solutions to problems. Consequently, they can be subjected to high-pressure, under-trained salespeople who may not be able to factor in all of a customer's needs.

Communications: One of the best places to reach the target HO is the local newspaper. Unfortunately, that medium is saturated with pure price only messages, and we'll have to make sure that our message is accurately stated.

Radio is potentially a good opportunity. Our HO target buyers listen to local news, talk shows, and sports. Sponsoring a technology discussion/calling talk show is a possibility.

Seminars are a tough sell. The target HO buyer rarely has time for seminars. They think most seminars are low content sales pitches, and many times they are correct. The challenge here is to communicate how our information adds value to their enterprise while selling our organization in a subtle, indirect fashion.

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Keys to Success: The main key to success with HO buyers is making the product and marketing positioning clear. Many potential buyers would much prefer our offering to the box only offerings of the chain stores and mail order sources, if only they possessed adequate information to conduct a value-add cost/benefit analysis.

Word of mouth is critical in this segment. We will have to make sure that once we gain a customer, we never lose them. To help accomplish this, we must work to reinvigorate relationships through successful database marketing, among other means.

We must always remember to sell the company, not the product. They have to understand they are taking on a relationship with AMT, not just buying boxes. Boxes they can get cheaper elsewhere.

Target Market: Small Business

Small business in our market includes virtually any business with a retail, office, professional, or industrial location outside of someone's home, and fewer than 30 employees. We estimate 45,000 such businesses in our market area.

The 30 employee cutoff is arbitrary. We find that the larger companies turn to other vendors, but we can sell to departments in larger companies, and we shouldn't be giving up leads when we get them.

Needs and Requirements: Our target SBs is very dependent on reliable information technology. They use the computers for a complete range of functions beginning with the core administration information such as accounting, shipping, and inventory. They also use them for communications within the business and outside of the business, and for personal productivity. They are not, however, large enough to have dedicated computer personnel such as the MIS departments in large businesses. Ideally, they come to us for a long-term alliance, looking to us for reliable service and support to substitute for their in-house people.

These are not businesses that want to shop for rock-bottom price through chain stores or mail order. They want to be sure they have reliable providers of expertise.

Our standard SBs will be 520 unit installations, critically dependent on local area networks. Backup, training, installation, and ongoing support are very important. They require database and administrative software as the core of their systems.

Distribution Channels: The SB buyers are accustomed to buying from vendors who visit their offices. They expect the copy machine vendor, office products vendors, and office furniture vendors, as well as the local graphic artist, freelance writer, or whoever, to come visit their office to make their sales.

There is usually a lot of leakage in ad hoc purchasing through local chain stores and mail order. Often the administrators try to discourage this, but are only partially successful.

Competitive Forces: The SB buyers understand the concept of service and support, and are much more likely to pay for it when the offering is clearly stated.

There is no doubt that we compete much more against all the box pushers than against other service providers. We need to effectively compete against the idea that business should buy computers, the heart of their business, as plug-in appliances, that don't need ongoing service, support, and training.

Communications: One of the best places to reach the target SB is the local newspaper. Unfortunately, that medium is saturated with pure price only messages, and we'll have to make sure that our message is excellently stated.

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Radio is potentially a good opportunity. Our SB target buyers listen to local news, talk shows, and sports. Sponsoring a technology discussion/call-in talk show is a possibility.

Seminars are a good marketing opportunity with SBs. Employees are often happy to leave their normal routines for a day to learn something new.

Keys to Success: The main key to success is making the product positioning clear. Many potential buyers would much prefer our offering to the box only offerings of the chain stores and mail order sources, if only they knew the trade-offs.

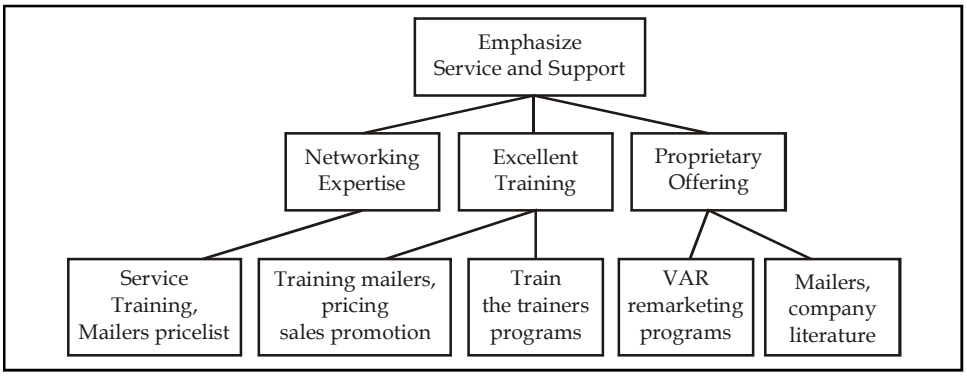
Word of mouth is critical in this segment. We will have to make sure that once we gain a customer, we never lose them.

We must always remember to sell the company, not the product. They have to understand they are taking on a relationship with AMT, not just buying boxes. Boxes they can get cheaper elsewhere.

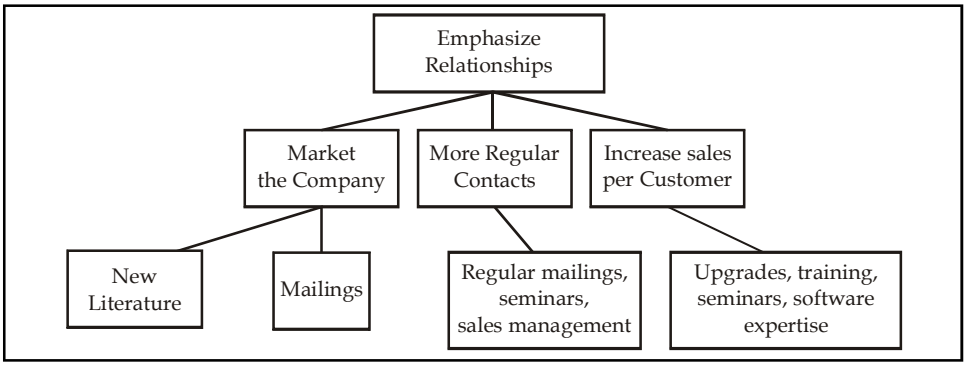
Marketing Plan Strategy

AMT will change its focus to differentiate itself from box pushers and improve the business by filling the real need of small business and high-end home office for reliable information technology including hardware, software, and all related services.

Emphasize Service and Support: We must differentiate ourselves from the box pushers. We need to establish our business offering as a clear and viable alternative, for our target market, to the price only kind of buying.



Emphasize Relationships: We need to focus our offerings on small business as the key market segment we should own. This means the 520 unit system, tied together in a local area network, in a company with 550 employees. Our values training, installation, service, support, knowledge are more cleanly differentiated in this segment.



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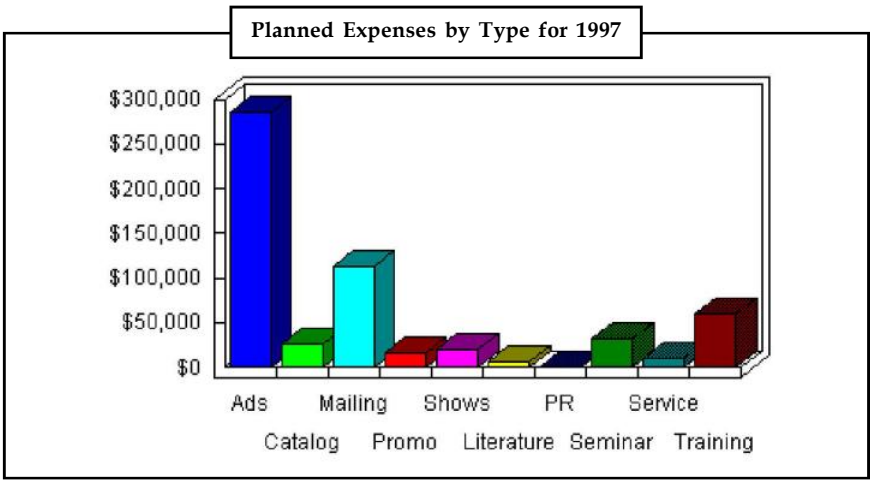
As a corollary, the high end of the home office market is also appropriate. We do not want to compete for the buyers who go to the chain stores or mail order, but we definitely want to be able to sell individual systems to the smart HO buyers who want a reliable full service vendor.

Expense Budget Summary

The following marketing budget comes to a total of less than $450K. This is actually a decrease over the $485K we spent this year on the marketing budget. We believe we can get more effective marketing with less money, because we are managing the marketing better with the Marketing Plus software by Palo Alto Software.



Type	1997
Ads	$285,000
Catalog	$25,000
Mailing	$113,300
Promo	$16,000
Shows	$20,200
Literature	$7,000
PR	$1,000
Seminar	$31,000
Training	$60,000
Service	$10,250
Totals	$568,750

Expense Budget by Manager: As the following table and chart show, the largest budget piece is the $151K (almost entirely advertising budget) managed by Ralph.

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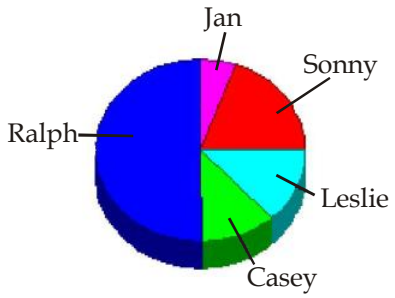
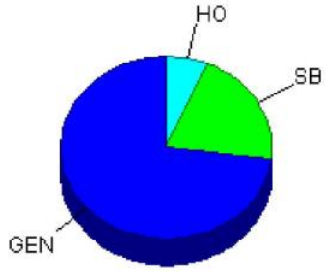
Planned Expenses by Manager for 1997



Manager	**1997**
Ralph	$286,000
Casey	$65,700
Leslie	$75,000
Sonny	$111,050
Jan	$31,000
Totals	$568,750

Expense Budget by Markets: Most of our budget falls into the general category that applies to both target markets. This is because much of the spending is impossible to divide into specific market categories. Of the portion of the budget that is specific, by far the largest share falls into the small business market, because this tends to lead the market.

Planned Expenses by Markets for 1997



Markets	**1997**
GEN	$414,200
SB	$118,550
HO	$36,000
Totals	$568,750

Expense Budget by Type: The largest single expenditure program is advertising, at $150K This is actually $30K less than we will have spent this year. The second largest is mailing, which is a priority because of its importance to our database marketing strategy.

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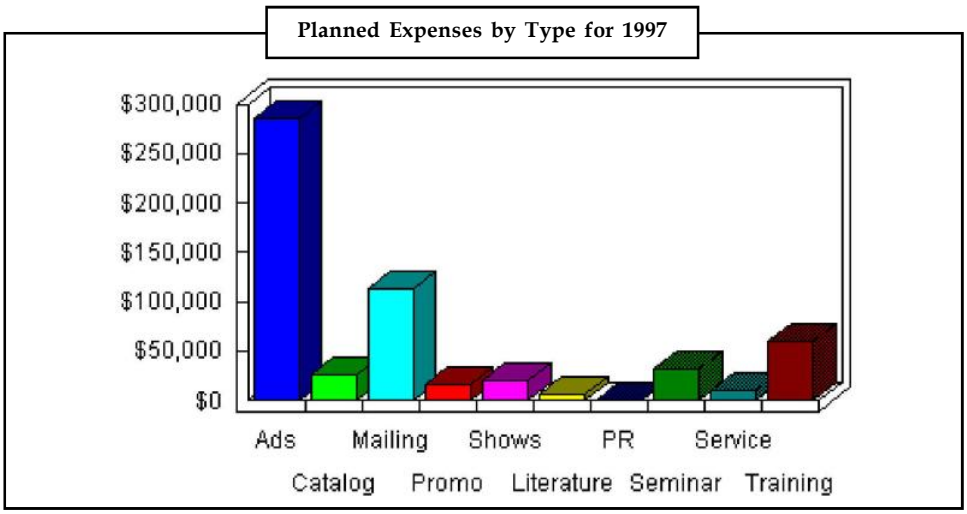
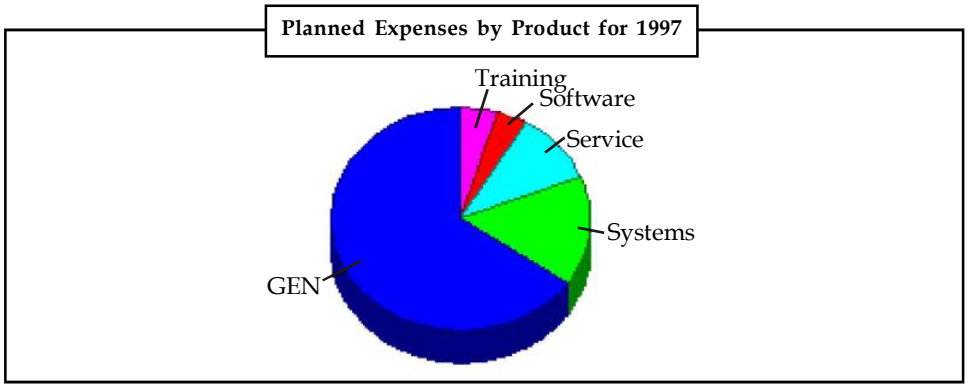


Type	1997
Ads	$285,000
Catalog	$25,000
Mailing	$113,300
Promo	$16,000
Shows	$20,200
Literature	$7,000
PR	$1,000
Seminar	$31,000
Service	$10,250
Training	$60,000
Totals	$568,750

Expense Budget by Product: The non-specific product spendings amount to the largest total, $235K of the total $423K. The least is the training spending, at only $26K. The non-specific spending on product makes sense, because it is related to general training and development of our business expertise.



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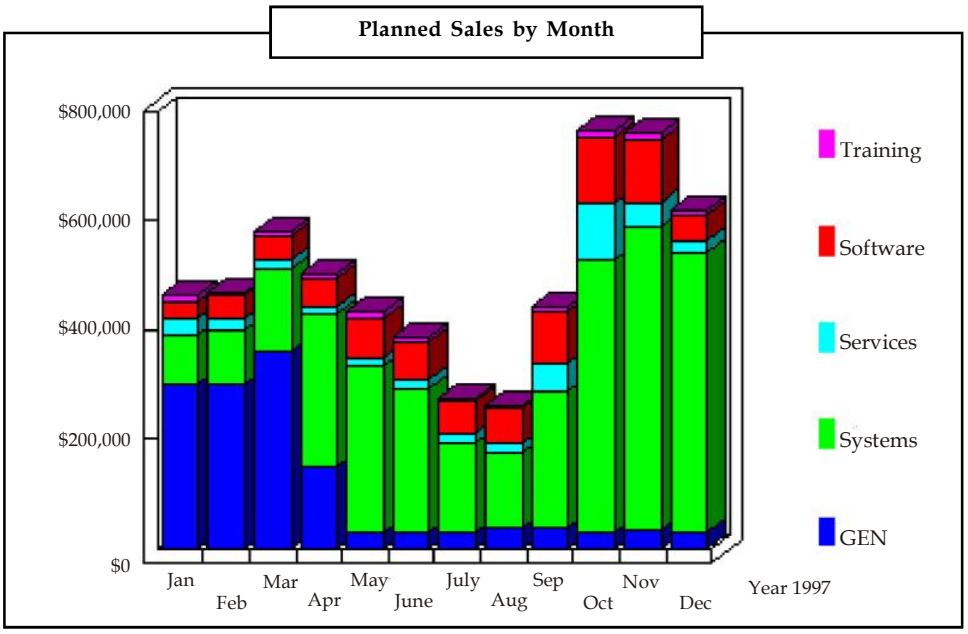
Product	1997
GEN	$371,200
Systems	$90,000
Service	$59,750
Software	$22,000
Training	$25,800
Totals	$568,750

Sales Forecast

The $6 million sales forecast is shown in detail in the tables and charts to follow. This represents a 20% increase over the present year. We believe it is a conservative forecast, and we are sure we can make our numbers this year as a result of more effective marketing.



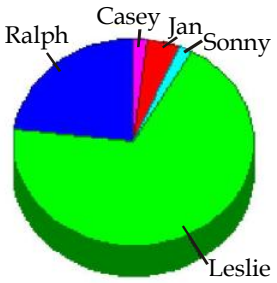
Type	1997
Ads	$1,372,500
Shows	$82,500
Service	$0
Mailing	$427,750
Sales	$3,693,000
Seminar	$272,500
Promo	$100,000
Catalog	$10,000
Totals	$5,958,250

Contd...

Notes

Sales Forecast by Manager: As might be expected, Leslie has by far the largest sales quota to manage. This is suited to our strategy of putting Leslie in charge of the sales force, and tracking sales through the sales force. Details follow:

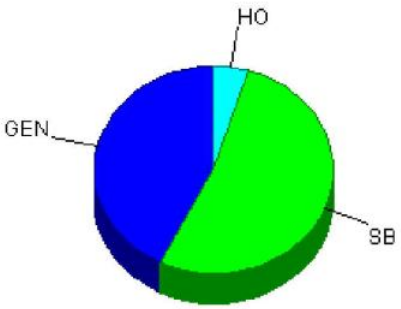
Planned Sales by Manager for 1997



Manager	1997
Ralph	$1,372,500
Leslie	$4,100,750
Sonny	$110,000
Jan	$272,500
Casey	$102,500
Totals	$5,958,250

Sales Forecast by Markets: Our most important market, by far, is the small business market. The sales forecast shown in the following table and chart is a superb reminder of why we need to focus on the specific target markets.

Planned Sales by Markets for 1997

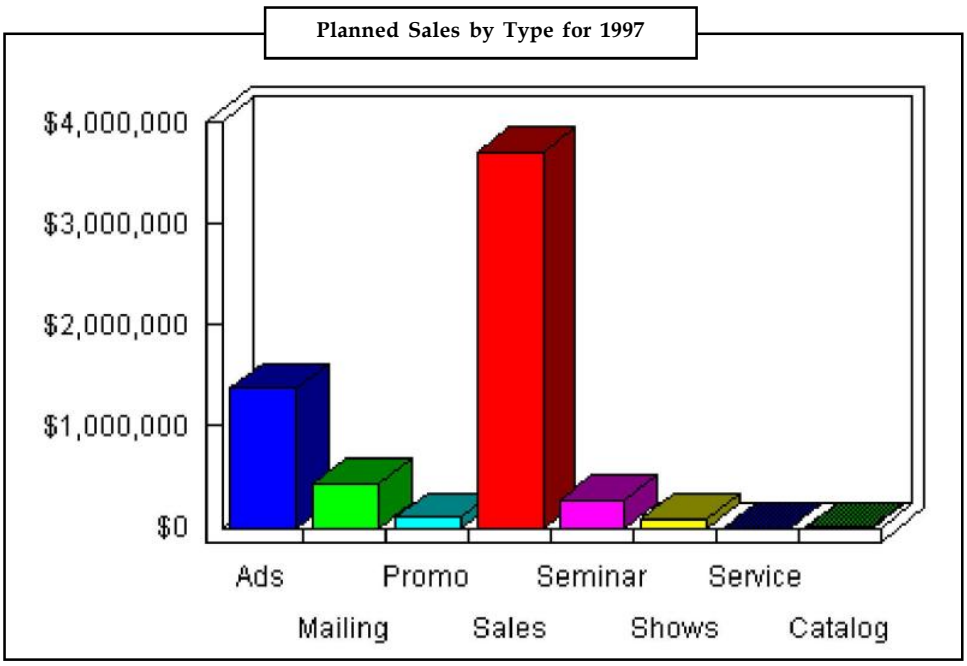


Markets	1997
GEN	$2,543,000
SB	$3,133,750
HO	$281,500
Totals	$5,958,250

Contd...

Notes

Sales Forecast by Type: The data shows that we are still unable to attribute our sales in any significant way to our sales and marketing program. The "Sales" type shown here is the general sales coming in that is not tied to a specific type of program. This is obviously by far the largest portion of our projected sales. Advertising comes second. This doesn't indicate a problem with the plan or our implementation; it is just a fact of life. Much of our marketing activity generates sales in ways that don't allow us the luxury of tying it back directly to a specific program.

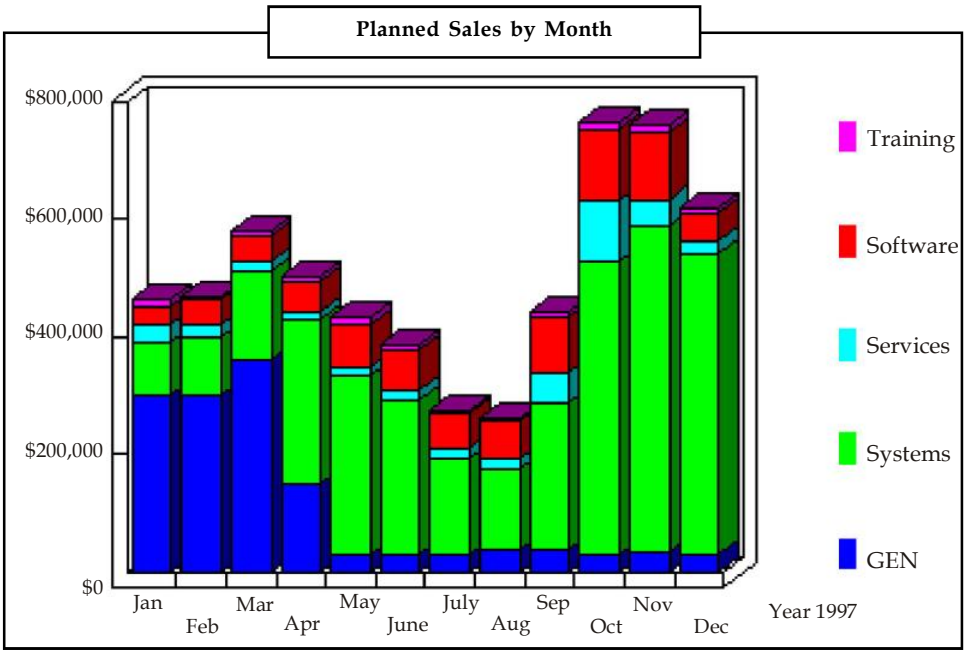


Type	1997
Ads	$1,372,500
Mailing	$427,750
Promo	$100,000
Sales	$3,693,000
Seminar	$272,500
Shows	$82,500
Service	$0
Catalog	$10,000
Totals	$5,958,250

Sales Forecast by Product: The $6 million sales forecast is shown in the following table and chart. As always, our largest single sales item is the sales of systems. The next largest item is the general, non-specific sales, which of course will also be mostly systems. The details follow:

Contd...

Notes



Product	1997
GEN	$1,372,500
Systems	$3,293,500
Service	$380,000
Software	$799,250
Training	$113,000
Totals	$5,958,250

Measurement and Comparison

Overall, we plan to spend 7.28% of sales on sales and marketing expenses, which seems about in line for our plan, and for our industry. That breaks down to 3.78% of sales for home offices, 12.79% for small business, and 10.98% for expenses not tied to either one. As broken down by products, we spend about 3% of sales on software and systems, and 16% on service and 23% on training. This breakdown makes sense for our marketing, because of the impact on software and systems of better training and better service.

Marketing Organization

AMT is still a small company, despite our recent growth.

Ralph, President, is responsible for general management. He specifically manages the advertising budget, but otherwise is responsible for sales and marketing as the head of the organization.

Leslie, our sales manager, is responsible for managing the in-house and the outbound sales forces. We have also put the mailing programs under Leslie, because they must be carefully coordinated with the follow-up of the sales force.

Contd...

Notes

Casey, our marketing manager, is responsible for marketing programs including sales literature, trade shows, the catalog, etc.

Jan, who reports to Casey, will take the key role in the seminar marketing programs.

Sonny, who manages service, will also manage the marketing programs related to service.

Critical Issues

1. ***Tracking and follow-up:*** will we have the discipline, as an organization, to track results of the marketing plan and make sure that we implement?
2. ***Market segment focus:*** how can we be sure we have the discipline to maintain the focus?
3. ***Saying no:*** can we say no to special deals that take us away from the target focus? Can we say no to unprofitable deals?

Self Assessment

Choose the appropriate answer:

1. Marketing plan objectives, strategies, and mix decisions are influenced by the firm's:
   (a) mission (b) objectives and strategies
   (c) policies and resources (d) all of the above
2. A marketing plan is a written document for all the below reasons except:
   (a) produces disciplined thinking
   (b) gets the plan out of the marketing managers head
   (c) to publish externally
   (d) vehicle of communication across internal functional areas
3. In reality, which of the following is often overlooked or at least given minimal effort in the marketing plan process?
   (a) Talking with other marketing managers
   (b) Competitor, Industry and Customer analysis
   (c) Working on the marketing mix
   (d) None of the above
4. When identifying competition, product managers usually focus the current competition or product form of competition. Why is this a significant issue?
   (a) It leads the product manager to overlook other potentially serious competitors.
   (b) It leads the product manager to focus on generic competitors.
   (c) It leads the product manager to focus on how competitors are pricing.
   (d) They are lazy.
5. Which of the following is not a category factor?
   (a) Bargaining power of suppliers (b) Bargaining power of buyers
   (c) Pressure from substitutes (d) Pressure from international agencies

Notes

2.2 Defining the Competitive Set

A thorough study of your potential competitors is essential to the successful positioning of your property. Choosing your "competitive set," is a step by step task. Data has to be gathered on each step before the analysis can be preceded further.

Notes While gathering data, keep in mind that some of the information may be outdated or not specific enough for the web.

1. One has to define one's competitors in terms of primary and secondary importance.

Example: For a Fitness club or Spa, the primary competitors may be comparable properties (such as upscale day spas within a fifty-mile radius), while the secondary competitors could be any similar product competing for the same consumer dollars-such as fitness clubs, full-service beauty salons and community-based wellness centers.

2. List the bases of competition and key success factors for industry success—in descending order of importance. Then define competitive characteristics in terms of:
   (a) Market segments
   (b) Products offered
   (c) Prices/rates
   (d) Advertising programs
   (e) Distribution Channels

Did u know? **What are the bases of Competition?**

Bases of competition are known characteristics that customers use to choose among competitors. They include location, price, product/service offering, quality, and reputation.

2.2.1 Levels of Market Competition

The level of competition can also vary. At various levels, competition can be in

1. Product form
2. Category
3. Generic
4. Budget

Let us understand each of them one by one.

Product form: In this level one has to convince the customers his brand is better than others.

Category: This level involves one to convince customers that his product form (like small refrigerator) is best in a particular category (of refrigeration).

Generic: Generic level of competition involves the marketers to convince customers that a particular category (refrigeration) is best way to satisfy needs (of providing safe food).

Notes

Budget: Under this level of competition, the customers are convinced that generic benefits (of refrigeration) are best use of income compared to TV, washing machine, etc.

2.2.2 Factors Determining Competition

In 1965, IBM faced 2,500 competitors for all its markets. By 1992, it faced 50,000. And IBM is not alone in feeling outside pressure. Whole industries that were sheltered from significant competition, such as transportation, utilities, communications, health care, defense contracting, legal services, and even some quarters of government, now face growing competition. Stable industries have become dynamic. For example, insurance was once a stable industry with a distribution system of local insurance agents. Now it's undergoing significant change, with competition emerging from foreign companies, banks selling insurance, and agent-less competitors.

1. ***Price:*** It is a very easy to understand the concept the relationship between price of a product and the competition it can generate in the market. If the prices of the product of a particular firm are substantially high, it is very likely to generate a price war among competitors. The competitors in such a case would very easily come up with similar products (that may even be low quality goods) with low or relatively very low prices. This would result in a very fierce competition.

   If the price of a product is already quite low, it is likely to attract few competitors since the resultant profit margins are also likely to be low only.

2. ***Cost of Production:*** Cost of production per unit is the costs associated with production divided by the number of units produced. Is a case, where the factors of production are low priced, it would mean the cost of production is also low. This might give rise to a possibility of the determination of price level at a high level and a subsequently significant profit. This would in turn lead to attract a higher number of competitors in the market.

   The competitors would adapt all means to reduce their costs of production to a level as low as possible. Also, they would like to increase the cost of production – price gap so as to increase the profit margins.

   On the contrary, if the cost of production of a particular good is high, it would have a high selling price in the market. At the same time, the profit margins may not be very high as the customers might not be interested/willing/able to pay such high prices. In such a situation, the producers have to decrease their profit margins so as to sustain as many customers as possible and capture as much market as possible. Having a possibility of a low profit margin will definitely pose a restriction in the minds of the potential competitors of the industry and they would think a hundred times before taking a plunge into it.

3. ***Demand in the Market:*** Demand comes out as a very important factor of determining competition. It is a quite well understood fact that the higher the demand of a product in the market, the higher is the willingness of the customers to pay for it. For a product with an inelastic or near inelastic demand, the customers most often than not pay even high prices. Again the higher the prices that can be charge from the customers, the higher are the chances of the profit being huge in such transactions. So the competition in such cases is very strong.

   In a situation where the demand of a product is low, or highly elastic, the customers would not like to pay for it at higher level of pries and the sellers are left with no choice else than to cut profit margins and sell the goods at a low price level. In such a situation, not many competitors like to plunge into the market until and unless the market size is so huge as to compensate for the opportunity cot that they bear.

Notes

4. ***Availability of Substitutes:*** There is a likeliness of having a smaller number of competitors in the market if a particular product has a large number of substitutes. Obviously, the moment a seller would try to increase his profit margins, the consumers would shift to a more satisfactory substitute.

5. ***Number of existing Players in Market:*** If the market of a particular product witnesses a huge number of players in teak market, it is not very likely to attract more competitors. But the situation may be opposite if each or most of the market players are making good profits.

   On the contrary, if the number of market players in a particular industry is low and the product is a new introduction with good potential, it would always attract a strong competition. Similarly, if the product is an old and well accepted in market with a low number of players, the competition will be strong.

   The competition can also be strong if the number of existing players in the market is high but the product comes up with a huge possibility of innovation. Many potential competitors can come up with varied innovations in the package to allure the customers and the competition might become very strong henceforth.

6. ***Barriers to Entry:*** Barriers to entry are designed to block potential entrants from entering a market profitably. They seek to protect the monopoly power of existing (incumbent) firms in an industry and therefore maintain supernormal (monopoly) profits in the long run. Barriers to entry have the effect of making a market less contestable.

Example: ***Patents:*** Giving the firm the legal protection to produce a patented product for a number of years.

Limit Pricing: Firms may adopt predatory pricing policies by lowering prices to a level that would force any new entrants to operate at a loss.

Cost advantages: A lower cost, perhaps through experience of being in the market for some time, allows the existing monopolist to cut prices and win price wars.

Advertising and Marketing: Developing consumer loyalty by establishing branded products can make successful entry into the market by new firms much more expensive. This is particularly important in markets such as cosmetics, confectionery and the motor car industry.

Research and Development expenditure: Heavy spending on research and development can act as a strong deterrent to potential entrants to an industry. Clearly much R&D spending goes on developing new products but there are also important spill-over effects which allow firms to improve their production processes and reduce unit costs. This makes the existing firms more competitive in the market and gives them a structural advantage over potential rival firms.

Presence of Sunk Costs: Some industries have very high start-up costs or a high ratio of fixed to variable costs. Some of these costs might be unrecoverable if an entrant opts to leave the market. This acts as a disincentive to enter the industry.

International Trade Restrictions: Trade restrictions such as tariffs and quotas should also be considered as a barrier to the entry of international competition in protected domestic markets.

Sunk Costs: Sunk Costs are costs that cannot be recovered if a business decides to leave an industry.

Notes

The larger the number of barriers to entry the market, and the stronger the barriers, the weaker would be the competition presented by the rival firms.

Apart from the factors discussed so far, increased competition is being driven by many factors, including the emergence of a global marketplace, the increased number of firms, new technology that makes it easier for firms to enter new markets, and ever-increasing pressure from securities markets to raise shareholder value. In particular, the frenetic atmosphere of mergers and acquisitions, coupled with the increased number of large institutional investors, has meant that firms that do not cut costs and improve financial performance face swift action in equity markets. This competition has meant that companies are less able to insulate workers (like, keep wages or the number of employees higher than the market can allow), or invest in "public goods" such as basic research or employee training.

2.2.3 Methods for Determining Competitors

Out of the many methods for determining the competitors, the most important and prevalent ones are discussed under:

Substitution in Uses: This focus group exercise focuses on generating substitute uses for the target use. Then product/service substitutes can be brainstormed for the identified uses. Generates a lot of potential competitors.

Perceptual Mapping: This method does a pair wise comparison of two brands. They are then rated on being similar or dissimilar. This leads to a mapping of brands along identified vectors. Brands close together are similar. Brands far apart are deemed dissimilar. Clusters of brands are looked at as competitors.

Levels of Competition: Looks at identifying competition at four levels: Product form, Product category, Generic and Budget. Within each level appropriate competitors are identified. The trick here is to determine how many levels to analyze. To few, means missing competitors. To many, means having an overwhelming number to analyze.

Brand Switching: Looks at actual consumer buying patterns over time. It shows the percentage of consumers who purchase the same or different products after purchasing the current product. Customers who do not switch to other products will be identified with low or zero percentages (not competitors). Larger percentages indicate competitors.

Managerial Judgment: Brainstorming by managers who know the product category. It is framed along two axis: same or different markets, and same or different products. This is a quick method, but may miss competitors not previously seen.

Geographic: Looking at the geographic reach of competition. Those firms with a sales reach into where we are located is our competition.

Porter's 5 forces: This method looks at five potential sources of competition. Potential entrants, Buyers, Suppliers, Substitutes, and current Competition. This method recognizes value chain competition along with more common competition. It can generate a large amount of competitors including potential competitors.

Task Make a competitors' analysis in the market of FMCG goods in and around your city.

Self Assessment

Notes

Choose the appropriate answer:

6. Environmental factors attempt to take into account and analyze factors that are not in the companies control when assessing category attractiveness.
   (a) The statement is TRUE.
   (b) The statement is FALSE.
   (c) This statement is unrelated to the topic.
   (d) This statement is true in certain conditions and false in others.
7. Competitor analysis utilizes many methods of analysis to help predict competitor future strategies and programs.
   (a) The statement is TRUE.
   (b) The statement is FALSE.
   (c) This statement is unrelated to the topic.
   (d) This statement is true in certain conditions and false in others.
8. Market potential and sales forecasting attempt to quantify sales. In general, which of the following is true?
   (a) Sales forecasting leads to larger sales estimates than Market potential.
   (b) They both lead to the same sales estimates.
   (c) Sales forecasting leads to smaller sales estimates than Market potential.
   (d) None of the above.
9. Developing marketing strategies do which one of the following?
   (a) They enhance coordination among functional areas of the organization.
   (b) Defines how resources are to be allocated.
   (c) Leads to superior market position.
   (d) All of the above.
10. After product positioning themes are identified, they need to be screened. Two for the four uses for screening questions are to ensure the positioning is meaningful to customers, and are they competitively sensible.
   (a) The statement is TRUE.
   (b) The statement is FALSE.
   (c) This statement is unrelated to the topic.
   (d) This statement is true in certain conditions and false in others.

2.3 Category Attractiveness Analysis

An essential component of the marketing planning process is an analysis of a product's potential to achieve a desired level of return on the company's investment. Thus the category analysis is done to define the set of competitors against which one most often competes on a daily basis.

Notes

Analysis of this type not only assesses financial opportunities but also provides ideas about how to compete better under the given structural characteristics of the category. The characteristics of a product category rarely all point in the same direction. Consequently, the categories that some firms find attractive will be of little interest to others.

Example: In automobile industry, most observers think that the luxury car segment is over populated because of the presence of so many cars with so small a group of customers to buy them. However, Ford still chose to purchase Jaguar because of the brand equity in the name and because the Ford Management believed the brand gave the company an instant entry into the luxury car field.

Also, as we know, more channel members particularly retailers are interested in category management. They give more space and/or selling time to those categories that are attractive which means faster inventory turnover, greater total profits, and less space for categories that are unattractive.

Category attractiveness analysis examines the main areas of enquiry including business aggregate factors related to the major participants and environmental factors. Let us see each of them one by one.

2.3.1 Aggregate Market Factors

Aggregate market factors include those factors that are determinant of the entire market segment.

Category Size: Category Size is an important determinant of the likelihood that a product will generate revenues to support a given investment. That is why, in general larger markets are better than smaller ones. Besides, having more market potential large categories usually offer more opportunities for segmentation than smaller ones. Therefore both large firms and entrepreneurial organizations might find large markets attractive. Large markets however tend to draw competitors with considerable resources thus making them unattractive for small firms.

Category Growth: While analyzing the category growth as a crucial factor, it has to be remembered that fast growing categories are almost universally desired due to their ability of support high margins and sustain profits in future years. However the faster the growth the category has, the higher is number of the competitors the category is likely to attract.

Stage in Product Life Cycle: This makes a very interesting stage of the category attractiveness analysis. In the introductory phase, both the growth rate and the size of the market are low, thus making it unattractive for most potential participants. When market growth and sales start to take off, the market becomes more attractive. In the maturity phase the assessment is unclear; while the growth rate is low, the market size could be at its peak. This is a classic pattern for many consumer packaged goods (esp. eatables).

However, the phases do not guarantee the category attractiveness. While the introductory phase despite having low growth rate can be attractive for a participant with long-term perspective, the growth stage can very easily witness failure.

Example: AT&T had a big problem in the home segment of the personal computer market even though it was at its growth stage.

Sales Cyclicity: Many companies experience cyclicity in demand of their products.

Example: Air conditioners are more in demand in the summers.

Notes

High capital intensive businesses suffer through peaks and valleys of sales as GDP varies. Agricultural goods vary in accordance with the rainfall and similar natural phenomena. Such a category would obviously not be considered to be attractive.

Profits: While profits vary in products and brands in category, large inter-industry differences also exist. The higher the profit margin, the higher is the category attractiveness for the potential participants in that category.

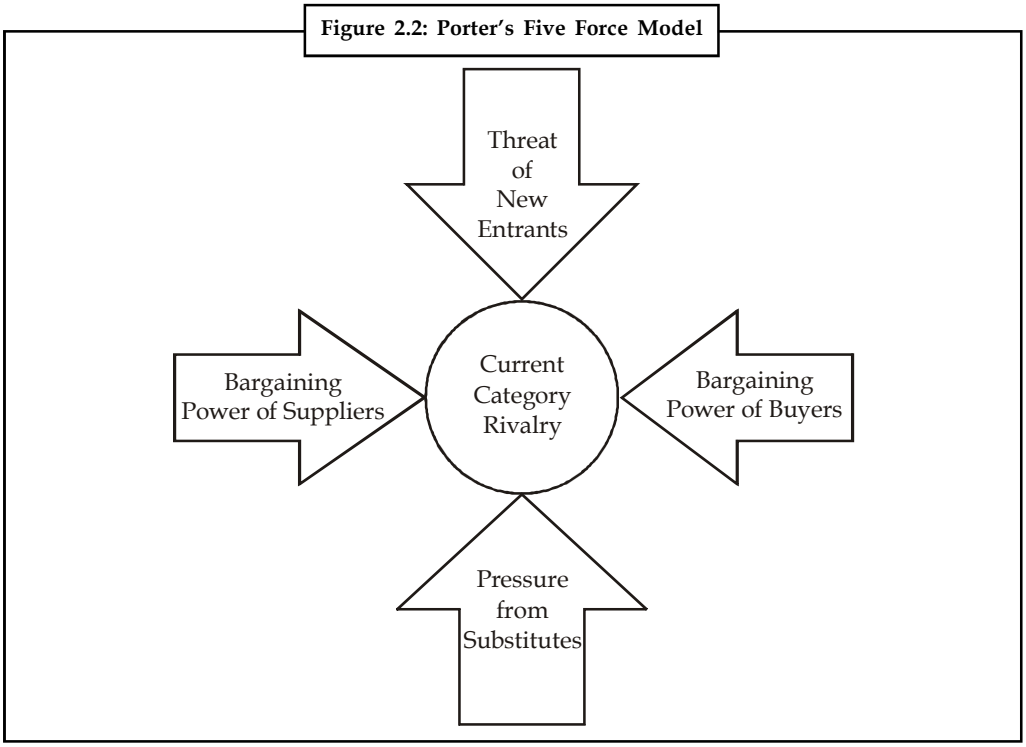
2.3.2 Category Factors

Although the aggregate factors are important determinants of the category attractiveness, they do not show the underlying structural factors affecting the category. Porter developed a five force model to assess the structure of the industries.

1. Threat of New Entrants
2. Bargaining Power of Buyers
3. Bargaining Power of Suppliers
4. Current Category Rivalry
5. Pressure from Substitutes

Let us understand each of them one by one.

Figure 2.2: Porter's Five Force Model



Threat of New Entrants: The competition in an industry will be the higher, the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry.

Notes

The threat of new entries will depend on the extent to which there are barriers to entry. These are typically:

1. Economies of scale (minimum size requirements for profitable operations),
2. High initial investments and fixed costs,
3. Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets,
4. Brand loyalty of customers,
5. Protected intellectual property like patents, licenses, etc.
6. Scarcity of important resources, e.g. qualified expert staff,
7. Access to raw materials is controlled by existing players,
8. Distribution channels are controlled by existing players,
9. Existing players have close customer relations, e.g. from long-term service contracts,
10. High switching costs for customers,
11. Legislation and government acts.

Bargaining Power of Buyers: Similarly, the bargaining power of customers determines how much customers can impose pressure on margins and volumes.

Customers bargaining power is likely to be high when:

1. They buy large volumes, there is a concentration of buyers,
2. The supplying industry comprises a large number of small operators,
3. The supplying industry operates with high fixed costs,
4. The product is undifferentiated and can be replaces by substitutes,
5. Switching to an alternative product is relatively simple and is not related to high costs,
6. Customers have low margins and are price-sensitive,
7. Customers could produce the product themselves,
8. The product is not of strategic importance for the customer,
9. The customer knows about the production costs of the product,
10. There is the possibility for the customer integrating backwards.

Bargaining Power of Suppliers: The term 'suppliers' comprises all sources for inputs that are needed in order to provide goods or services.

Supplier bargaining power is likely to be high when:

1. The market is dominated by a few large suppliers rather than a fragmented source of supply,
2. There are no substitutes for the particular input,
3. The supplier's customers are fragmented, so their bargaining power is low,
4. The switching costs from one supplier to another are high,

Notes

5. There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins. This threat is especially high when the buying industry has a higher profitability than the supplying industry,
6. Forward integration provides economies of scale for the supplier,
7. The buying industry hinders the supplying industry in their development (e.g. reluctance to accept new releases of products),
8. The buying industry has low barriers to entry.

In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship to powerful suppliers can potentially reduce strategic options for the organization.

Current Category Rivalry: This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins, and hence, on profitability for every single company in the industry.

Competition between existing players is likely to be high when:

1. There are many players of about the same size,
2. Players have similar strategies,
3. There is not much differentiation between players and their products, hence, there is much price competition,
4. Low market growth rates (growth of a particular company is possible only at the expense of a competitor),
5. Barriers for exit are high (e.g. expensive and highly specialized equipment).

Pressure from Substitutes: A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products.

Similarly to the threat of new entrants, the treat of substitutes is determined by factors like

1. Brand loyalty of customers,
2. Close customer relationships,
3. Switching costs for customers,
4. The relative price for performance of substitutes,
5. Current trends.

To the above five factors as given by Porter, one more factor is added, that is the factor of category capacity.

Category Capacity: Chronic overcapacity of a category is not a positive sign for profitability. When a category is operating at capacity, its costs stay low and their bargaining power with buyers is normally high. Thus a key indicator of the health of a category is whether there is a consistent tendency toward operating at or under capacity.

Notes

2.3.3 Environmental Analysis

Environmental factors include those factors that are outside the control of the firm and its industry. These factors can be divided into five categories *viz.*:

1. Technological
2. Political
3. Economic
4. Regulatory
5. Social

Let us understand each of them one by one:

1. ***Technological:*** Product categories that are weaker on the technology dimension are particularly vulnerable to competition both from new products and from foreign competitors that have ventured the industry and the category.

   Obviously it follows from above that attractive product categories are strong in invention, innovation, or diffusion of new products and services.

2. ***Political:*** The political/legal system creates the rules and frameworks within which business operates. Government policy supports and encourages some business activities e.g. enterprise, while discouraging others.

3. ***Economic:*** The monetary system facilitates business exchange. Monetary activity is based around earning, spending, saving and borrowing. Money has been likened to the oil that lubricates the wheels of commerce. Monetary activity involves businesses in a web of relationships involving financial institutions (e.g. banks and building societies), creditors, debtors, customers and suppliers. A key monetary influence for business is the interest rate. Higher interest rates increase business costs and act as a break on spending in the economy. Almost all capital goods industries are sensitive to interest rate fluctuations since their high costs to buyers are often financed at short-term interest rates.

4. ***Regulatory:*** Government and other agencies have an impact on category attractiveness through regulations. Some product categories might become less attractive over time because of laws that restrict product manager's abilities to market certain categories in ceratin markets.

5. ***Social:*** The social system is the fabric of ideas, attitudes and behavior patterns that are involved in human relationships. In particular businesses are influenced by consumer attitudes and behaviours which depend on such factors as the age structure of the population, and the nature of work and leisure.

For consumer products, a key question is whether the product category under consideration is well positioned to take advantage of current trends. Moreover, the social trends also determine the attractiveness of a category.

Example: The tendency of more time spent during working in office and less time left for family and household cores has given way to the attractiveness of restaurant category.

Self Assessment

Notes

Choose the appropriate answer:

11. Which of the following are good criteria for customer segmentation?
    (a) The segment is of relatively large size.
    (b) The segment is reachable.
    (c) The segment members are stable over time.
    (d) All of the above.
12. If little attention is paid to a brand by the firm, which of the following is most likely for brand equity:
    (a) it is hard to build and hard to harm.
    (b) it is easy to build and hard to harm.
    (c) it is hard to build and easy to harm.
    (d) it is easy to build and easy to harm.
13. Marketing strategies, especially basic customer strategies, will most likely stay the same over the entire product life cycle.
    (a) The statement is TRUE.
    (b) The statement is FALSE.
    (c) This statement is unrelated to the topic.
    (d) This statement is true in certain conditions and false in others.
14. Which of the following is not a environmental factor?
    (a) Technology
    (b) Social customs
    (c) Regulatory practices
    (d) Marketing plan
15. Which of the following is not a reason for supplier bargaining power to be high?
    (a) The market is dominated by a few large suppliers rather than a fragmented source of supply
    (b) There are many substitutes for the particular input
    (c) The customers are fragmented, so their bargaining power is low
    (d) The switching costs from one supplier to another are high

Notes

Case Study

Life's Good for LG

LG Electronics India's market share dropped in January 2005 — for the first time since the company was set up in 1997. But Managing Director Kwang-Ro Kim isn't worried.

"The dealers must have met their targets in December itself, so they took it easy in January," he explains.

Were it any other company, the managing director's insouciance would appear to border on foolhardiness. But this is LG, a company that can afford to take it easy.

Even after the blip in sales in January — LG's market share in refrigerators fell fractionally from 28.6 per cent the previous month to 28.1 per cent — the Korean consumer electronics brand is still the preferred white goods brand in India — across categories and sub-categories.

Whether it is refrigerators, air-conditioners, washing machines or colour televisions — LG's dominance over the white goods market is complete.

In volume term LG	No.		2 player
Refrigerators	27.22	-	1.2 (Whirlpool)
Colour TVs	25.5	-	15.1 (Samsung)
Microwave ovens	41.4	-	19.7 (Samsung)
Washing machines	34.0	-	13.8 (Whirlpool)

That's pretty decent going for a company whose first experience in the Indian market was nothing short of disastrous. In its earlier *avatar*, the Korean company came to India as Lucky Goldstar.

This was in the early 1990s, and the rules at the time didn't permit foreign companies to start independent ventures. So Lucky Goldstar took on not one, but two joint venture partners. The first partnership ended acrimoniously while the second one never got off the ground.

In 1997, the Foreign Investment Promotion Board finally gave the Korean company permission to set up its own factory to make washing machines and refrigerators.

Rechristened LG Electronics, the new company — a 100 per cent subsidiary of the Korean 'chaebol — swung into action and set up a state-of-the-art manufacturing facility at Greater Noida, Uttar Pradesh.

There's been no looking back since then. In October 2004, LG set up a second manufacturing facility at Ranjangaon, near Pune, which makes white goods as well as cellular phones — the first GSM handset manufacturing facility in India.

Another facility, exclusively for GSM handsets, is being set up and will start operations in August. Turnover is also on the upswing: starting from ₹ 150 crore in 1997, LG registered a turnover of ₹ 6,500 crore last year and is targeting ₹ 9,000 crore in 2005.

So, what went right?

Perhaps the most important step was to leave behind the baggage of the past.

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As Lucky Goldstar, the company's biggest fault was that it did precisely what other white goods brands of the 1990s were doing: some half-hearted advertising and pushing the products only when the consumer entered the store.

Activities that "pulled" potential buyers into showrooms were conspicuous by their absence. Once it got the permission to operate as a wholly owned subsidiary, though, all that changed. Within just five months, LG products were available across the country compared to the average two years competitors took for a nationwide launch.

An advertising blitzkrieg followed. And the momentum hasn't let up since. LG is one of the most aggressive advertisers in the white goods industry, spending close to 5 per cent of its revenue on marketing activities — that's ₹ 130 crore last year.

A close tie up with cricket ensured the brand building exercise would score well on consumer recall — apart from signing on leading Indian cricketers, LG also launched a cricket game on one of its television models. Points of sales promotions were also extensively advertised to ensure customers were tempted to visit the stores.

Importantly, for LG, a nationwide launch meant just that. A penetrative distribution strategy ensured that products were available even in smaller towns and cities, breaking the chain of urban dependency that plagues most white goods manufacturers.

More than 65 per cent of last year's ₹ 6,500 crore revenue came from non-urban sources; up from under 60 per cent the previous year. And what was the industry average? It was between twenty-five to 30 per cent. Add the fact that the rural markets accounted for a remarkable 30 per cent of total sales and it's clear that LG's strategy is working. "We push rural marketing," agrees Kim.

How does it do that? LG reaches into the hinterland through a pyramidal sales structure. Branch offices in larger cities set up Central Area Offices (CAOs) in smaller towns; these in turn reach out to even smaller towns and villages through Remote Area Offices (RAOs) — at last count, the company had 51 branch offices, 87 CAOs and 78 RAOs.

Each RAO has servicing, marketing and sales teams at its disposal and an individual budget for marketing activities in its territory. The executive in charge has independent decision-making powers — he can decide the tenor and scale of brand promotions in his area, without having to cross check every little detail from the head office.

Technology, too, is being used to the hilt to ease their jobs. The RAOs and CAOs are all electronically connected through a V-SAT and Intranet network.

And where earlier decisions about putting up large hoardings could be approved only after a visit from the head office, LG has provided all its branch managers digital cameras — now they just click images of suitable locations and get them approved electronically.

For customers, though, the direct approach is preferred. The advantage of an extended distribution network is that marketing executives can keep a finger on the pulse of the market. Promotions and finance schemes are designed to suit the needs of local customers.

In a small town in Uttar Pradesh, for instance, last year LG offered select households a free 15-day trial of a 50-inch flat screen television during the cricket season. The TV set costs close to ₹ 1 lakh, but several families took the bait and considered buying the TV — at which point the showroom staff offered them carefully planned finance schemes.

Of course, it's not just the finance schemes that are tailor-made. LG has been careful right from the start to offer customers a "value-plus" proposition.

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Explains KSA Technopak Principal Harminder Sahni, "LG has always taken the stand that 'We're selling the AC, not the remote. The remote comes as part of the package." "Which is why, he adds, the company does not qualify as a "budget" models company." "LG does not sell no-frills products; it gives you all the bells and whistles," Sahni says.

LG recognised the need to do that early on. Kim — who's been with LG India since 1997 — points to a basic characteristic of Indian consumers: "They are very price sensitive. They want the best quality at reasonable prices." Accordingly, LG introduced its economy range in the country, which Kim predicted would be "easily accepted".

The company was ready to do battle on two flanks: it offered modern, features-packed products, at the same time keeping its margins wafer-thin. Even competitors accept the merit of the tactic.

"LG has been a price warrior while retaining its brand equity," points out Ajay Kapila, vice president, sales and marketing, Electrolux India. "Our success is the result of hard work and commitment. There's no miracle involved," says Kim.

The hard work was on the features, which were carefully chosen — and adapted — to appeal to Indian audiences. For instance, Kim points out that consumers in southwest India prefer big sound and big bass outputs.

Accordingly, LG India created Ballad, a flat screen television model that sells only in the subcontinent and comes equipped with 2,000 watt speakers.

Similarly, refrigerators in India have smaller freezers and big vegetable compartments — Indians prefer fresh food and a significant proportion are vegetarian. Colours, too, are chosen keeping market preferences in mind. White refrigerators, for instance, don't sell well in Kolkata and Punjab — while the sea air in Bengal corrodes the paint, the masalas used in Punjabi cooking discolour the fridge.

So LG offers a range of bright colours in these markets. The cricket game in TV sets wasn't the only "go local" innovation: LG also offered on-screen displays in five languages and large capacity semi-automatic washing machines that would suit Indian families.

The research for these adaptations and innovations is done in-house. LG invests significantly in local R&D — last year the company spent over ₹ 100 crore on research.

"We want to be independent of Korea," states Kim. It's working towards that: already 70 per cent of its product line is produced locally, with the rest imported from China, Korea and Taiwan. In refrigerators, 95 per cent of the components are localised. All of which also help keep prices down.

But that was in the past. "Economy" and "value-for-money" are no longer going to be the cornerstones of LG's India strategy. In the next five years, says Kim, the company will concentrate on building itself as a premium brand, targeting 10 per cent of its earnings from super-premium products.

That includes products like the Whisen range of wall-mounted air-conditioners (₹ 50,000 and above), Dios refrigerators (₹ 65,000 and above) and X-canvas plasma TVs (₹ 1 lakh and above).

LG has already set up 75 exclusive showrooms for these products, which were launched earlier this year, with more in the pipeline. This year it will spend upward of ₹ 20 crore promoting the super-premium sub-brands. "High-end products need high-end outlays," smiles Kim.

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Perhaps, but industry analysts have their doubts whether exclusive showrooms for such big-ticket items will bring in the bucks. "When it comes to consumer durables, people prefer comparison shopping. I will be surprised if the stores make money," comments KSA's Sahni.

Meanwhile, there's the imminent departure of the man who built up LG India to its present height. Kim, who was last year promoted as head of LG South West Asia, is likely to move up within the parent organisation some time soon. "I am preparing to leave," he admits. Will that make a difference to LG's growth curve? Kim doesn't think so.

"The system is working, so things will continue as they are," he says. That thought finds an echo in Sahni, who points out "Kim may be leading from the front, but LG couldn't have achieved what it has without a strong team."

The challenge now will be to integrate the new incumbent's working style with the existing culture of the organisation — and work on the new marketing strategy. If LG meets that head on, then, like its tagline says, Life's Good.

Questions:

1. Study the case and identify significant issues.
2. Conduct a SWOT analysis of LG.
3. What marketing strategies did LG adopt to be so successful in India?

Source: www.bsstrategist.com April 5, 2005

2.4 Summary

- To be most effective, the plan has to be formalized, usually in written form, as a formal "marketing plan."
- The essence of the process is that it moves from the general to the specific; from the overall objectives of the organization down to the individual action plan for a part of one marketing program.
- Marketing plans vary by industry, by size of company and by stage of growth.
- The form isn't as important as the process of preparing it.
- A thorough study of your potential competitors is essential to the successful positioning of your property.
- Choosing your "competitive set," is a step by step task.
- The level of competition can also vary. At various levels, competition can be in Product form, Category, Generic and Budget.
- Out of the many methods for determining the competitors, the most important and prevalent ones are Substitution in Uses, Perceptual Mapping, Levels of Competition, Brand Switching, Managerial Judgment, Geographic and Porter's 5 forces.
- An essential component of the marketing planning process is an analysis of a product's potential to achieve a desired level of return on the company's investment.
- Thus the category analysis is done to define the set of competitors against which one most often competes on a daily basis.

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- Category attractiveness analysis examines the main areas of enquiry including business aggregate factors related to the major participants and environmental factors.

2.5 Keywords

Economy of Scale: Reduction in cost per unit resulting from increased production, realized through operational efficiencies. Economies of scale can be accomplished because as production increases, the cost of producing each additional unit falls.

GDP: The abbreviation for Gross Domestic Product. The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

Law of Diminishing Returns: The tendency for a continuing application of effort or skill toward a particular project or goal to decline in effectiveness after a certain level of result has been achieved.

2.6 Review Questions

1. List and describe two methods for determining who competition may be. If you could only choose one method to use, which method would you choose and why would you choose it?
2. Discuss the aggregated market factors, their impact on category attractiveness and give a specific source for where you'd get the information for each of them.
3. What would be those 7-8 questions that you would consider necessary to answer before making your marketing strategy and implementation summary?
4. In your opinion, what should a marketing plan address?
5. In your opinion, which environmental variables shows effect on marketing plan? Justify your answer with reasons.
6. According to you, what are the qualities necessary for a marketing planner?
7. In which situations, the bargaining power of customers is low? Is it always useful for the producers?
8. "A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose". Examine this threat.
9. Evaluate the role of Porter's analysis in the category attractiveness analysis.
10. What would be the main factors on which you would base your decisions of choosing a category to enter as a new marketer and why?

Answers: Self Assessment

1.	(d)	2.	(c)
3.	(b)	4.	(a)
5.	(d)	6.	(a)
7.	(a)	8.	(c)
9.	(d)	10.	(a)

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11. (d)
12. (c)
13. (b)
14. (d)
15. (b)

2.7 Further Readings

Books

Angelo Kinicki, Brian Williams, *Management: A Practical Introduction*, McGraw-Hill/Irwin.

Jessie Paul, *No Money Marketing*, McGraw Hill.

Marc Gobe, *Emotional Branding*, Allworth.

Roger Kerin, Steven Hartley, and William Rudelius, *Marketing*, McGraw-Hill/Irwin.

Online links

http://inventors.about.com/od/licensingmarketing/a/in_marketing.htm

http://www.themarketingprocessco.com/marketing/marketing%20strategy/marketing_strategy.htm

www.marketingplanning.org/marketing-planning-process.html

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Unit 3: Competitor Analysis

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Objectives

After studying this unit, you will be able to:

- Explain the main aspects and limitations of Competitor Analysis
- Assesses Competitors Objectives and Competitors Current Strategies
- Identify the differential advantage analysis
- Explain the Customer Analysis Purpose
- Discuss the Customer Segmentation
- Illustrate the Criteria for Customer Segmentation

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Introduction

Competitor analysis is a critical part of a firm's activities. It is an assessment of the strengths and weaknesses of current and potential competitors, which may encompass firms not only in their own sectors but also in other sectors. Directly or indirectly, competitor analysis is a driver of a firm's strategy and impacts on how firms act or react in their sectors. Gluck, Kaufman and Walleck (2000) showed that competitor analysis is one of two components that give a firm a strong market understanding. This drives the formulation of a strategy and it applies whether a firm formulates a strategy through strategic thinking, formal strategic planning, or opportunistic strategic decision making. Competitor analysis, together with an understanding of major environmental trends, is a key input in strategy formulation and should be developed properly.

3.1 Competitor Analysis

Competitor analysis in marketing is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats. Competitor profiling coalesces all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment.

Given that competitor analysis is an essential component of corporate strategy, it is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives." As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis.

3.2 Sources of Information

The sources of competitor information can be neatly grouped into three categories:

1. Recorded data
2. Observable data
3. Opportunistic data

Recorded Data

This is easily available in published form either internally or externally. Good examples include competitor annual reports and product brochures.

Observable Data

This has to be actively sought and often assembled from several sources. A good example is competitor pricing.

Opportunistic Data

To get hold of this kind of data requires a lot of planning and organisation. Much of it is "anecdotal", coming from discussions with suppliers, customers and, perhaps, previous management of competitors.

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Possible sources of competitor data using Davidson's categorization are mentioned in the following table:

Recorded data	Observable data	Opportunistic data
Annual report & accounts	Pricing/price list	Meetings with suppliers
Press releases	Advertising campaigns	Trade shows
Newspaper articles	Promotions	Sales force meetings
Analysts reports	Tenders	Seminar/conferences
Regulatory reports	Patent applications	Recruiting ex-employees
Government reports		Discussion with shared distributors
Presentations/speeches		Social contacts with competitors

To gather the information about your competition that you need for the competitive analysis. This can be the hard part. While you can always approach your competitors directly, they may or may not be willing to tell you what you need to know to put together this section of your business plan.

You need to know:

1. What markets or market segments your competitors serve;
2. What benefits your competition offers;
3. Why customers buy from them;
4. And as much as possible about their products and/or services, pricing, and promotion.

There are good sources of information existing already in order to do a good competitor analysis. Possibly up to approximately 90% of the information needed for a proper competitor analysis and related assessment and decisions already exists in the public domain. The information can be organised across a number of different groupings. One way is to look at what the competitor presents about them and what other sources external to the competitor present about the competitor. Some examples of these are shown below:

1. ***Company reports:*** annual reports, regulatory filings (e.g. financials), investor presentations, patent applications
2. ***Company advertisements:*** TV and print advertisements, sales literature, company website, product literature
3. ***Company news:*** press releases, general news articles
4. ***External reports:*** equity/analyst reports (for public companies), ratings agencies reports (for credit-rated companies), industry associations, government publications
5. ***External, but common, network:*** buyers and suppliers, third-party affiliates, industry experts.

Most of the information mentioned above can be accessed through the internet already. The last point on external, but common, network is a source that will require interaction as this requires getting the viewpoints of other people. While this would comprise only a small part of the competitor analysis, this may actually prove to be quite insightful as different viewpoints are received from other people who would have had interaction as well with the competitor.

Task Before launch a new product in the market, what is the responsibility of organization?

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Self Assessment

Choose the appropriate answer:

1. Out of the following which one is the source of competitor information?

   (i) Observable data (ii) Experimental data

   (iii) Meaning data (iv) Search data

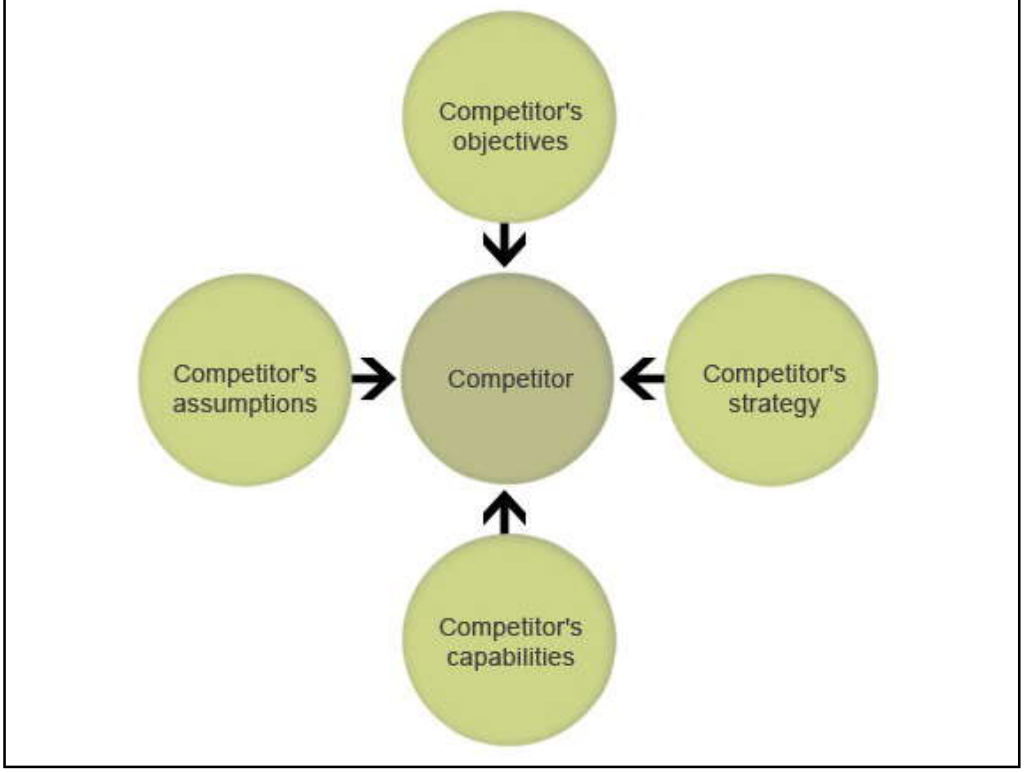
3.3 Main Aspects of Competitor Analysis

The key objectives in competitor analysis are to develop a greater understanding of what competitors have in place in terms of resources and capabilities, what they plan to do in their businesses, and how the competitors may react to various situations in reaction to what the firm does. Michael Porter has defined a competitor analysis framework that focused on four key aspects (Porter, 1980 cited in netmba.com): competitor's objectives, competitor's assumptions, competitor's strategy, and competitor's resources and capabilities. These four aspects of competitor analysis are the areas critical for a firm to understand and they should pursue this knowledge not only for current competitors but also for other potential competitors in the business.

There are other competitor analysis frameworks that firms can utilise.

Example: International competitor analysis framework presented by Garsombke (1989) but the foundations follow Porter's framework with additional components relating to the understanding of the "international" marketplace.

Figure 3.1: Porter's Framework



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Others focus on specific components and thus become a subset of the framework. For example, Slater and Narver (1994) looked at this through the value to customers and identified three components in the analysis: customer orientation, competitor focus and cross-functional coordination.

Rather than compare various competitor analysis frameworks, the focus from hereon is Porter's framework (see Figure 3.1) for competitor analysis. This framework is broken into two parts. The competitor's objectives and assumptions drive the competitor while the competitor's strategy and resources and capabilities define what the competitor is doing or is capable of doing. Together, these four aspects define a competitor response profile which gives the firm an understanding of what actions a competitor may take. Taking this analysis across a firm's key competitors will give the firm a viewpoint on where the sector is heading, and provides the firm with a basis for developing their strategy and actions. The key aspects of competitor analysis and the resulting competitor response profile are defined further below.

3.3.1 Competitor's Objectives

In competitor analysis there are two key factors to note in building knowledge of a competitor's objectives. The first factor is to know the actual objectives of a competitor. This could range from building market share in a specific market or overall business, entering a new market or even just maintaining profitability. This should also look at not only current competitors but also potential competitors.

Example: In Denmark's telecommunications sector in 2000, a new entrant Telmore targeted college students with a specific promotion catering to their requirements.

The second factor is to know if the competitor is actually achieving their stated (or sometimes unstated but implied) objectives. Looking at these two factors will provide a firm with an opinion on a competitor's potential actions to changes in the sector. As part of a comprehensive competitor analysis piece, firms should identify their key competitors and be able to define the objectives of each competitor and their likelihood of achieving their objectives.

Example: We can look at is Apple which recently launched its iPhone product. Knowing the innovation in Apple, one could sense that the eventual goal of Apple would be to have a product that combines the iPhone capabilities and the iPod features, or have an iPhone with other capabilities such as a global positioning system. With the recent success of Apple in various markets, there would be no doubt that Apple would be able to achieve this.

Some of the questions to ask for the competitor's strategic objectives are:

1. What are the short-term and long-term objectives?
2. What are the financial objectives?
3. Where is the competitor investing?

3.3.2 Competitor's Assumptions

Another key aspect in competitor analysis is an understanding of competitors' assumptions about the overall market (trends in the market, products, and consumers).

Example: Competitors could define their actions based on what their assumptions are on the growth of the market. In a cyclical industry (say pulp and paper or shipping sectors),

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investments decided by players in the industry should be driven by when competitors expect the industry to be at their peak, as timing is critical for players in the industry to meet demand. However, this is not what usually happens. Typically, shipping companies such as China Cosco (largest shipping line in China) tends to invest and order new ships when the industry is at its peak, and financing is not an issue (Stanley, 2006). As shipbuilding takes a number of years, by the time the ships are ready, the industry is at the other end of the cycle or in decline already.

For a proper competitor analysis work, the assumptions made by competitors on the industry and other players should be indicated, but as seen in the example, the validity of these assumptions should be challenged.

Federal Express is a good example to highlight. When FedEx considered overnight delivery, they assumed that demand would reach high levels and that it would change the mail-and-package delivery industry. FedEx turned out to be correct and this changed the industry with other competitors following suit to offer the same service. In this example, FedEx made a strong assumption on the industry behaviour and was able to establish a presence in overnight delivery quickly.

Some questions to address for this aspect include:

1. What is the competitor's viewpoint on the market and development?
2. Who are the key consumers or clients who the competitor feels will be most profitable?

3.3.3 Competitor's Strategy

A third aspect in competitor analysis is the understanding of a competitor's strategy. In most cases, this strategy will be defined and stated, particularly for public firms. In other cases, it may not be openly stated what competitors' strategies are but these can be understood by utilising a number of sources available to firms from analysing a competitor's behaviour in certain situations to discussing with industry experts to get their viewpoints.

Examples:

1. Bookmaker Ladbrokes has clearly been expanding their international presence through joint ventures in other markets. This strategy was pursued after the firm split from the Hilton Group in 2006. By observing Ladbrokes' activities, one can determine what the firm's strategy has been since the split.
2. Southwest Airlines, which pursued a "no-frills, point-to-point service and which turned out to be a highly innovative, industry-changing and value-creating strategy".

These two examples indicate the value of having an understanding of competitors' strategies and their focus.

A number of questions that need to be addressed are:

1. What are the strategy and plans of competitors in their key markets?
2. Which markets and products will the competitor focus on?

3.3.4 Competitor's Resources and Capabilities

Finally, a competitor analysis should also include an understanding of a competitor's resources and capabilities as these would give a firm an idea of how a competitor can achieve its strategy and objectives, and also give a firm a timeline for when it would expect competitors to pursue

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certain activities. For this aspect, a large part of information can be gleaned from press articles and news.

Examples:

1. The increase in orders of the Airbus A380, the largest commercial aircraft in the world, by Dubai-based Emirates Airlines from the current 55 to double the number. This indicates several thoughts: (1) Emirates Airlines has large funding capability, and (2) Emirates Airlines will be expanding its international business and presence once these aircraft are received.
2. Lanier Business Products. A leading manufacturer of dictating machines, the firm leveraged its marketing strength to successfully expand into another product, word processors, which they sourced from another firm (Bales *et al.*, 2000). This shows how important it is to understand a competitor's resources and capabilities, and their strengths.

Several questions that can be raised in this respect are:

1. What is the level of resources available to the competitor for their investments?
2. What are the areas of strength for the competitor?

Self Assessment

Choose the appropriate answer:

2. Which one is not the part of Porter's competitor analysis framework?
   - (i) Competitors objectives
   - (ii) Competitors assumption
   - (iii) Competitors strategy
   - (iv) Competitors condition

3.4 Limitations of Customer Analysis

The limitations of competitor analysis are linked to the information gathered from various sources and the interpretation of the information. Also, with the exception of a few information sources (e.g. patent applications, forecast financial statements), most of the other printed information shows historical information and may not necessarily give a good indication of a competitor going forward. This is particularly the case if there are a lot of structural changes happening in a sector and all players are expected to have dynamic strategies to capture their market.

Self Assessment

Fill in the blanks:

3. ..... is an activity that is or should be performed by organizations.
4. ..... is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on.

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3.5 Assessing Competitor's Objectives

The company has to make efforts understand what drives each competitor's behavior. Normal microeconomic assumption is that every firm attempts to maximize their profits. However, in actual practice, companies differ in the weights they put on short-term versus long-term. Hence, each firm pursues a mix of objectives, current profitability, market share growth, cash flow, technological leadership, service leadership, etc. with different weights attached to them.

A critical step in a competitor analysis is to assess what the current objectives are for the major competitor products. An assessment of current objectives provides valuable information concerning the intended aggressiveness of the competitors in the market in the future. It also provides a context for assessing the capabilities of competitors, i.e., does firm marketing brand A have the resources to successfully pursue such an objective?

When discussing objectives, it is important to define them precisely for many different types of objectives exist. In the context of marketing planning, three basic business objectives can be identified.

1. ***Growth Objective:*** A growth objective usually implies increasing unit sales or market share, with profit conditions being secondary.
2. ***Hold Objective:*** The hold objective could also be termed a consolidation objective. A hold scenario might be logical for a brand that is losing market share in that a reasonable first step in reversing its fortunes is to stop the slide.
3. ***Harvest Objective:*** Finally, a harvest objective, also referred to as milking, describes a situation in which profit is paramount relative to market share. At the corporate level, return on investment or other, more aggregate statistics becomes more relevant.

3.6 Accessing Competitor's Current Strategies

Resourceful competitors revise their strategy through time. Companies have to monitor the strategies of companies that fall in their strategic group more closely.

A group of firms following the same strategy in a given target market is called a strategic group. A company needs to identify the strategic grouping in which it competes. It has to monitor efforts of even potential new entrants into this strategic group. Also it has to monitor efforts of companies in adjoining strategic groups.

The two elements of a strategy are the segments it appeals to and the core strategy. For industrial products, both can be easily determined by examining three sources of information: product sales literature, the company's own sales force, and trade advertising. The former provides information about the core strategy because brochures usually detail the point of difference the competitor wants to emphasize. Even if the sales literature does not present a product features chart, it should indicate the brand's major strengths. Physical brochures are not often needed today; most industrial firms website's provide a wealth of technical and positioning information that help to determine the core strategy. A firm's own sales force can provide some data concerning targeted companies or industries, much of it resulting from informal contacts, trade show discussions, and the like. Finally, differential advantage being touted. One can determine the differential advantage directly from the ad copy and the target segments at least partially by the location (publication) in which the ad appears.

For consumer goods or other products targeted toward a large audience, simply tracking competition's ads, either yourself or by using one of the services provides most of the necessary information. Television ads can be examined for their messages and for the programs in which

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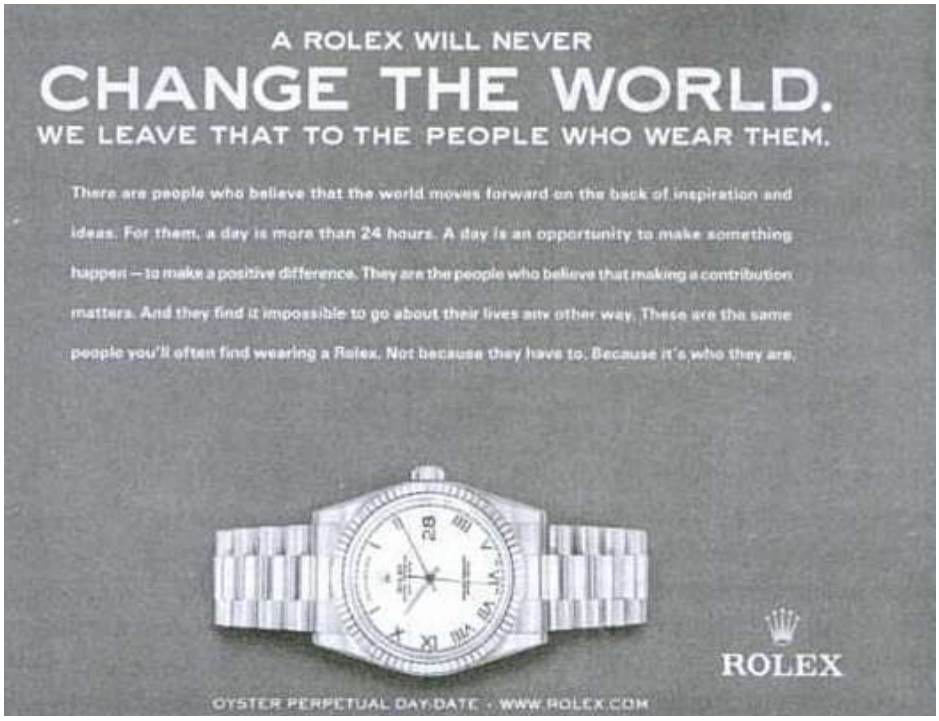
they appear. TV advertising is quite useful for determining the core strategy because the nature of the medium prohibits communicating all but the most important message. Similarly, print advertising can provide equivalent information, but with greater elaboration of the core strategy.

Example: Consider the copy for a print as in Forbes for Rolex watches, shown in Figure 3.2. From data obtained from Mediamark Research's Magazine Total Audiences Report, Spring 2003, we know that 73.8 percent of the readers are 18 to 49 years old, 38.8 percent have household income over $75,000, and 83.3 percent either attended or graduated from college. It is probably not a surprise that readers are businesspeople with high incomes. Looking at the copy itself, the ad copy says nothing about the physical characteristics if the watch, only the people who wear them: people in leadership positions.

Notes There is no explicit mention of the competition. Of course another key factor is the price of the ad; these data are obtainable from publication such as Marketer's Guide to Media.

Figure 3.2: Current Strategies



Information about implementing current strategies is also easily found. Pricing information can be obtained from basic market observation: Distributors, salespeople, customers, advertising agencies, or even firm's own employees acting as customers on their own behalf can be the sources of pricing data. Promotion, distribution, and product information can be obtained from similar sources. In other words, as in determining competitors' objectives, it takes market sensitivity rather than sophisticated management information systems to assess much of the competitive activity.

Notes

Both customer and stakeholders get special mailing and information that make strategy assessment easier. Furthermore, personal use of competitors products often gives one a feeling for them that does not come through even the best-prepared research. Thus, policies that forbid or discourage the use of competitive products are usually foolish.

Task Explain the relation between organizations with customers.

Self Assessment

Fill in the blanks:

5. A ……..usually implies increasing unit sales or market share, with profit conditions being secondary.
6. The two elements of a strategy are the segments it appeals to and the …….

3.7 Differential Advantage Analysis

Several frameworks have been proposed to indicate what information to collect about competitors. A useful way to examine competitors capabilities is to divide the necessary information into five categories that include the competitors abilities to conceive and design, to produce, to market, to finance, and to manage. You might need information from both the corporate parent are important in determining the amount of money that could support a specific product.

Examples of Competitor Information to Collect:

Ability to Conceive and Design

(a) ***Technical Resources***

- (i) Concepts
- (ii) Patents and copyrights
- (iii) Technological sophistication
- (iv) Technical integration

(b) ***Human Resources***

- (i) Key people and skills
- (ii) Use of external technical groups

(c) ***R&D Funding***

- (i) Total
- (ii) Percentage of sales
- (iii) Consistency over time
- (iv) Internally generated
- (v) Government supplied

(d) ***Technological Strategy***

- (i) Specialization

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(ii) Competence

(iii) Source of capability

(iv) Timing: initiate versus imitate

(e) ***Management processes***

(i) TQM

(ii) House of Quality

Ability to Produce

(a) ***Physical Resources***

(i) Capacity

(ii) Plant

- Size
- Location
- Age

(iii) Equipment

- Automation
- Maintenance
- Flexibility

(iv) Processes

- Uniqueness
- Flexibility

(v) Degree of integration

(b) ***Human Resources***

(i) Key people and skills

(ii) Workforce

- Skill mix
- Union

(c) ***Suppliers***

(i) Capacity

(ii) Quality

(iii) Commitment

Ability to Market

(a) ***Sales force***

(i) Skills

(ii) Type

(iii) Location

Notes

(b) ***Distribution Network***

(i) Skills

(ii) Type

(c) ***Service and Sales Policies***

(d) ***Advertising***

(i) Skills

(ii) Type

(e) ***Human Resources***

(i) Key people and skills

(ii) Turnover

(f) ***Funding***

(i) Total

(ii) Consistency over time

(iii) Percentage

(iv) Reward system

Ability to Finance

(a) ***Long-term***

(i) Debt/equity ratio

(ii) Cost of debt

(b) ***Short-term***

(i) Cash or equivalent

(ii) Line of credit

(iii) Cost of debt

(c) ***Liquidity***

(d) ***Cash flow***

(i) Days of receivables

(ii) Inventory turnover

(iii) Accounting practices

(e) ***Human Resources***

(i) Key people and skills

(ii) Turnover

(f) ***Systems***

(i) Budgeting

(ii) Forecasting

(iii) Controlling

Notes

Ability to Manage

(a) ***Key people***

(i) Objectives and priorities

(ii) Values

(iii) Reward systems

(b) ***Decision making***

(i) Location

(ii) Type

(iii) Speed

(c) ***Planning***

(i) Type

(ii) Emphasis

(iii) Time span

(d) ***Staffing***

(i) Longevity and turnover

(ii) Experience

(iii) Replacement policies

(e) ***Organization***

(i) Centralization

(ii) Functions

(iii) Use of staff

Ability to Conceive and Design

This category measures the quality of competitors new product development efforts. Clearly a firm with the ability to develop new products is a serious long-term threat in a product category. The use of such procedures as total quality management or six sigma generally improves product design capabilities.

Ability to Produce

This category concerns the production capabilities of the firm. For a service firm, it is the ability to deliver the service. A firm operating at capacity to produce a product is not as much of a threat to increase sales or share in the short run as is a firm that has slack capacity, assuming a substantial period of time is required to bring new capacity online. Product quality issues are important here.

Ability to Market

How aggressive, inventive and so on are the firms in marketing their products? Do they have assess to distribution channels? A competitor could have strong product development capabilities and slack capacity but be ineffective at marketing.

Notes

Ability to Finance

Limited financial resources hamper effective competition. Companies with highly publicized financial problems (such as the low defunct airlines Eastern, Pan Am, and Braniff), firms going through LBOs, and companies or divisions for sale become vulnerable to competitors in their product lines.

Example: When Procter and Gamble announced in 2001 that it was selling its Jif peanut butter and Folgers coffee brands, competitors took notice. While financial ratios are key pieces of information, how the competitor allocates its resources among products is also critical.

Ability to Manage

In the mid-1980s, Procter and Gamble replaced the manager of its U.S. coffee business with the coffee general manager from the United Kingdom. This new manager has a reputation for developing new products in a 15-month period.

Example: He oversaw the launch of four new brands, above average for the company. The message to competitors such as General Foods was clear. New products were likely to be a focus of the Folgers division.

A stronger emphasis on marketing at RJR Nabisco's tobacco division emerged in 1989 when a former senior manager who had a reputation for building brands was named CEO. He was in charge when the controversial but successful "Joe Camel" advertising campaign was developed.

Self Assessment

Choose the appropriate answer:

7. Which one concerns the production capabilities of the firm?

   (i) Ability to produce (ii) Ability to finance

   (iii) Ability to market (iv) None

3.8 Customer Analysis Purpose

Customer analysis is an activity that is or should be performed by organizations. The Customer Analysis section of the business plan assesses the customer segments that the company serves. In it, the company must:

1. Identify its target customers
2. Convey the needs of these customers
3. Show how its products and services satisfy these needs.

Task Why most of the organizations more emphasis on segmentation of customer with their needs? Discuss.

Notes

Self Assessment

Fill in the blank:

8. …….is an activity that is or should be performed by organizations.

3.9 Customer Segmentation

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on. Using segmentation allows companies to target groups effectively, and allocate marketing resources to best effect. According to an article by Jill Griffin for Cisco Systems, traditional segmentation focuses on identifying customer groups based on demographics and attributes such as attitude and psychological profiles. Value-based segmentation, on the other hand, looks at groups of customers in terms of the revenue they generate and the costs of establishing and maintaining relationships with them.

Customer segmentation procedures include: deciding what data will be collected and how it will be gathered; collecting data and integrating data from various sources; developing methods of data analysis for segmentation; establishing effective communication among relevant business units (such as marketing and customer service) about the segmentation; and implementing applications to effectively deal with the data and respond to the information it provides.

Customer segmentation means analysing our customers and identifying groups of individuals with similar requirements, preferences or competencies. This helps us to tailor our services to ensure that we are inclusive and meet the requirements of all of our customers. Understanding more about our customers helps us to design and deliver appropriate clusters of services in ways that are most convenient for different groups. It can also help us to deliver services in more effective and efficient ways.

Example: We will be able to target our marketing and communications activities more effectively.

Customer segmentation and associated provision of service will be driven through the council's work on equalities. One of the aims of the Corporate Equality Plan is:

"We are committed to addressing disadvantage and discrimination to ensure that all communities are able to access our services and employment opportunities and be involved in what we do."

We can easily identify certain segments of customers who may have specific requirements, and these can then be sub-divided into further segments.

Customer segments could include:

1. Different age groups – e.g. children, 16-24 year olds, elderly, etc.
2. Gender
3. People with a disability
4. People from black or minority ethnic backgrounds
5. People with children
6. People who do not speak English
7. People with basic skills requirements
8. Community groups
9. Businesses

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3.9.1 Criteria for Customer Segmentation

The criteria of customer segmentation depend on the market segmentation.

Markets are such a heterogeneous place that unless we get to understand each part of it we remain ignorant of the market. There are people buying Mercedes cars and in the market, people are also buying low cost bicycles as a means of transportation. Marketers of Mercedes communicate with the rich elitist class to sell their product. These people reside in certain section of the town; visit one club or the other and read a few business magazines like Business India, Business Today and India Today. The cycle buyers go to cinema halls for low cost entertainment. Cycle sellers can show film advertising clips and slides to communicate to the segment. Both elite class and lower class persons would get the right message without too much clutter and in a language understood by them. Therefore, market segmentation helps both, namely the buyers and sellers.

Market segmentation is done on the following lines:

1. Geographic factors
2. Demographic factors
3. Psychological factors
4. Socio-cultural factors
5. Use related
6. Benefit segment
7. Combination of some of the above mentioned factors.

Geographic Segment

Geographic segment is for the region like south northwest and east of the country. Each region has its own peculiarities in customer needs and therefore consumer behaviour too is different for each. In each region there are Metro large areas, large cities and smaller towns, besides villages. Urban, semi-urban and rural divide provides a market segment.

Demographic Segment

Demographic segment is by age, sex, marital status, income, education and occupation. Age segment is important as with growing population of senior citizens and a large teenage group, product needs for these segments are increasing. Health care products and vacation time products are needed for elder citizens. Teens need coffee bars, discos and video game parlours.

Income separates people in their buying pattern and product groups. Marketers can decide to cater to one income group or the other, make products needed by them and then advertise in the media those that are most seen and read. Low cost readymade garments for low-income segment can be advertised best on radio and local language press. Likewise, Rolex watches for the rich segment can be advertised in business magazines and TV channels such as Star Plus.

Male and female customers have some specific products for each, like shaving creams for men and lipstick for women. With age the use of cosmetics change for women and marketers can make use of this change by offering products of their need. Young girls need cosmetics to enjoy mutual attraction with boys and for flirtation. Married women use cosmetics to keep their husbands happy and senior ladies use them to feel young.

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Psychological/Psychographic Segment

People's needs like shelter, food, safety, affection and self-actualization makes for different segments. These are the hierarchy of needs as per Maslow. The person who is self-actualized will have graphics given below demonstrating that he has different needs than others.

Psychological/Psychographic segment divides customers around their mindsets. People need ego boosting and certain products like fashion garments, designer watches and accessories make them feel good when they can have their head in cloud nine. People can be motivated to buy a car just because they have been selected to test drive it. Today's business executive is extremely busy and his/her involvement in buying daily need products is low. The target customer therefore is the buyer and not the user, may be the servant or some retired member of the family. The involvement increases with the value of purchase or some personal preference. Please buy only Godrej shaving cream for me is a way in which the involvement manifests itself.

Socio-cultural Segmentation

Family: When they start life, the young persons may be unmarried. They need household goods, like cleaning equipment washing machines, cooking equipment and TV set. Married couples initially need to go on a honeymoon and later according to their status and income, their needs keep adding to include car, house and soon baby foods, diapers. Once the children grow then music system, books, games and sports equipment are needed. As the children start their own life, the aging parents may require health product and medicines.

Society: Social groups originate from parity in income, occupation and education. Lots of purchases especially of consumer durables are made because the neighbour has purchased it. "Keeping up with the Jones" is the phrase used to describe this tendency of copying and is quite common in the social segment. Advertising based on targeting one social group becomes easy as the group members speak the same language, understand the same subtleties, the same comic situations and have the same attitudes and beliefs.

Cultural and sub-cultural segmentation: Our country boasts of unity in diversity. Cultural differences are quite pronounced as we travel from north to south and east to west. In the north for instance, when guests are visiting, offering them anything which is three in number is considered inauspicious, while in the south, it is the done thing. Traditional women keep their heads covered in the north on auspicious occasions and in the south they have their heads uncovered.

Sub-cultural segments come from areas like the north Punjabi culture with exuberant dances, music and an extrovert life-style, as compared to the Rajasthani segment, which is more conservative and traditional, although they also have their own dances and music. Each area in India has a vast reservoir of cultural heritage, which drives that particular segment's members to behave in a certain manner. Durga Puja sees Bengalis buying dresses, decoration material and the like.

With Global marketing becoming important in India, cultural diversity round the world, has to be learnt. Simple things like favourite colours become important; cycles exported to Iran can come back to India if they do not come in Iran's favourite green colour.

Segmentation on the basis of usage

Imagine a person who buys a cell-phone and uses it only to see the number calling him and then goes to the nearest land phone to call back. Another guy uses cell-phone the whole day, making STD and ISD calls to his foreign clients and collaborators. Or, a person stays in a five star hotel

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only for one day in a year, eats out and just pays for the room rent of about ₹ 6000, as against the person who stays at least for a week in a month, throws parties, uses the hotel facilities and his yearly bill exceeds ₹ 1,000,000. While it is understood that the customer is king, we can now see that some customers are emperors, others are kings, some are princes and yet others are just buyers. That is why to lure big buyers firms have special treats for them, including the frequent flyer programme of many airlines, room upgrades of big hotel users. It may however be remembered that today's prince can become tomorrow's emperor and hence firms can ill afford to neglect to provide the best possible service to him.

Usage situation segment: Situational usage is prevalent for greeting cards, flower and gift items that are given on occasions like Christmas, Deepavali and Eid. Card maker's gift suppliers focus their advertising effort towards customers.

Benefit Segment

People are looking for benefits all the time, like the calorie conscious person who wants tasty food with low calories and insurance people who sell insurance promising life long benefits. In fact the entire marketing is based on making customers aware of the benefits the firm's products provide as value for money and which are unique.

Segmentation of customer also depends on the following:

1. Customer attitude
2. Customer needs and degree of self-sufficiency
3. Different degree of value added
4. Customer behavior and their buying practices.

Customer Attitude

In simple terms attitude refers to what a person feels or believes about something. Additionally, attitude may be reflected in how an individual acts based on his or her beliefs. Once formed, attitudes can be very difficult to change. Thus, if a consumer has a negative attitude toward a particular issue it will take considerable effort to change what they believe to be true.

Example: Attitude, is an enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspect of our environment. Consumer form attitude towards a brand on the basis of their beliefs about the brand. For example, consumers of Sony products might have the belief that the products offered by Sony are durable; this will influence those customers to buy any products due to this attitude towards the brand.

Marketing Implications

Marketers facing consumers who have a negative attitude toward their product must work to identify the key issues shaping a consumer's attitude then adjust marketing decisions (e.g., advertising) in an effort to change the attitude. For companies competing against strong rivals to whom loyal consumers exhibit a positive attitude, an important strategy is to work to see why consumers feel positive toward the competitor and then try to meet or beat the competitor on these issues. Alternatively, a company can try to locate customers who feel negatively toward the competitor and then increase awareness among this group.

Customer Needs

Customer needs are the expectations of the product buyers. There are several needs of customers in this open market and it is also seen that its very difficult to measure the exact needs and demands from customers.

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Well somebody had mentioned that it is not possible to understand the customer's behaviour. To some extent we have to agree on this because the expectations are the subset of many factors (Environment, competition, nature, attitude etc.) which keeps on changing and nobody in this world can define 100% correctly.

Here we broadly categorise the customer expectations/needs into:

1. ***General Needs:*** General needs are the needs which are related to the product which is being purchased and used. Let us take the example of Automobiles. If customer has purchased a car from a showroom, then his general (technical) needs would be good service, New Products display at dealerships, Workshop to be equipped with all latest tools and machines, no repeat failuresm, etc.
2. ***Emotional Needs:*** Emotional needs can be defined as needs which are related to customer inner feelings and are non-technical in nature. Nowadays, emotional needs are considered as more important than General needs. Some of the examples related to car customer can be good customer waiting room, Free tea and snacks arrangement, Some lockers to be provided to keep his belongings, etc.

Notes It is for sure that if we provide such amenities to our customers, we can reach to a level of customers satisfaction. These needs are now become the basics for the sellers (service providers), however if the sellers are doing over and above the customer expectations then it is called customer delight.

When a particular goal or need cannot be fulfilled, a substitute goal emerges. Similarly, after fulfillment a new goal or need arises. In any case needs can never be fully satisfied. When a person becomes Vice President of a firm, he changes his goal to becoming the President. Product updates and newer technologies help the firms to use this urge as a spring board for launching innovative products.

Once the basic needs are fulfilled, people want to achieve higher goals. After getting a good house to live, people would like to be community leaders.

As the saying goes, "Nothing succeeds like success." Success gives an extra fillip to people for going to a higher level of goals. Failure, on the other hand make people redefine their goals, by either lowering the standard or taking a different road altogether. Goal substitution occurs on non-attainment of goal. If you cannot buy a Honda City car, buy a Maruti 800. Some people go into a dream world which is devoid of reality.

Non-achievement causes people to go into depression, which can result in behavioural changes like sulking and going into a shell, anger or rationalisation of failure, which is bad as it makes a person complacent and frustrated.

Customer Behavior and their Buying Practices

Consumer behavior refers to the mental and emotional process and the observable behavior of consumers during searching, purchasing and post consumption of a product or service.

Consumer behavior involves study of how people buy, what they buy, when they buy and why they buy. It blends the elements from psychology, sociology, socio-psychology, anthropology and economics. It also tries to assess the influence on the consumer from groups such as family, friends, reference groups and society in general.

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Buyer behavior has two aspects: the final purchase activity visible to any observer and the detailed or short decision process that may involve the interplay of a number of complex variables not visible to anyone.

Task What is the effect of segmentation by product usage in the market? Discuss.

Factors Affecting Consumer Buying Behavior

Consumer buying behavior is influenced by the major three factors:

1. ***Social Factors:*** Social factors refer to forces that other people exert and which affect consumers' purchase behavior. These social factors can include culture and subculture, roles and family, social class and reference groups.

Example: By taking into consideration Reference group, these can influence/affect the consumer buying behavior. Reference group refers to a group with whom an individual identifies herself/himself and the extent to which that person assumes many values, attitudes or behavior of group members. Reference groups can be family, school or college, work group, club membership, citizenship, etc.

Reference groups serve as one of the primary agents of consumer socialization and learning and can be influential enough to induce not only socially acceptable consumer behavior but also socially unacceptable and even personal destructive behavior.

Example: If fresher student joins a college/university, he/she will meet different people and form a group, in that group there can be behavior patterns of values, for example, style of clothing, handsets which most of group member prefer or even destructive behavior such as excessive consumption of alcohol, use of harmful and addictive drugs, etc. So, according to how an individual references him/herself to that particular reference group, this will influence and change his/her buying behavior

2. ***Psychological Factors:*** These are internal to an individual and generate forces within that influence her/his purchase behavior. The major forces include motives, perception, learning, attitude and personality.

3. ***Personal Factors:*** These include those aspects that are unique to a person and influence purchase behavior. These factors include demographic factors, life-style, and situational factors.

Example: Life-style is an indicator of how people live and express themselves on the basis of their activities, interests, and opinions. Life-style dimension provide a broader view of people about how they spend their time the importance of things in their surroundings and their beliefs on broad issues associated with life and living and themselves. This is influenced by demographic factors and personality.

Example: A CEO or Manager is likely to buy more formal clothes, ties and shoes or PDAs and less informal clothes like jeans as compared to a Mechanic or Civil engineer. So according to their life-style and profession, the buying behavior of people differ from one another.

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Possibly the most challenging concept in marketing deals with understanding why buyers do what they do (or don't do). But such knowledge is critical for marketers since having a strong understanding of buyer behavior will help shed light on what is important to the customer and also suggest the important influences on customer decision-making. Using this information, marketers can create marketing programs that they believe will be of interest to customers.

As you might guess, factors affecting how customers make decisions are extremely complex. Buyer behavior is deeply rooted in psychology with dashes of sociology thrown in just to make things more interesting. Since every person in the world is different, it is impossible to have simple rules that explain how buying decisions are made. But those who have spent many years analyzing customer activity have presented us with useful "guidelines" in how someone decides whether or not to make a purchase.

Case Study

Parle Agro Mineral Water

In 1993, when Prakash Chauhan's Parle Agro entered the mineral water market with its brand, Bailley, market analysts thought it fit to keep their fingers crossed about its prospects. For one, the concept of bottled mineral water was not well established, with usages restricted to foreign tourists and jet-setting Indians. On the other, for whatever the market was worth, it was firmly within the stranglehold of Bisleri, owned by brother Ramesh Chauhan's Parle Exports. Bisleri enjoyed a clear first-mover advantage and was on its way to assume the generic brand status in a 3.5 million-case market (estimated at ₹ 36 crores).

For Prakash Chauhan, however, the market presented a very clear opportunity. Parle Agro had two well-entrenched brands in its portfolio, Frooti and Appy, which occupied leadership positions in the tetra packed fruit drinks market with a combined share of over 90 per cent. That meant that the distribution system was already in place and the new brand of bottled water from the same stable would have a readymade network of outlets throughout the country. Second, with very little investment required in terms of technology or infrastructure, the entry barriers were not very difficult to overcome.

However, as a new entrant, Bailley's task was formidable. Through the 1970s and 1980s, the mineral water category was a virtual, with only a handful of players catering to the sporadic demands of an equally small audience comprising travellers and a few affluent consumers. According to some estimates, travellers then accounted for 80 per cent of the sales volume. Research findings corroborated the fact that people associated the consumption of mineral water with foreign tourists, who were wary of consuming contaminated water. But for the average traveller, the price tag of ₹ 8-9 for a 1-litre bottle appeared unreasonable for a product which could be had for free and for which he had no clear need. Instead, most travellers carried their own water bottles. In any case, even though the concept of water filters had made its way into people's homes, the idea of carrying hygienic drinking water outside of home was accorded very low priority. Instead, travellers were quite content to consume tap water at railway stations or restaurants located near bus stops.

The biggest barrier was the high recall that Bisleri enjoyed. So much so that consumers who went to buy mineral water would actually walk up to the retail counter and say: *"Ek Bisleri Dena."* (Give me a bottle of Bisleri). Or even when the consumer did ask for a particular mineral water brand, the retailer would fish out whichever brand he had in

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stock and hand it over to the consumer. In essence, the brand awareness was low, and apart from localised competition, the small size of the market did not grant enough space for another national player to join the fray.

To thrive in such a scenario, the company had to expand the market. Here, new entrants and relatively smaller players were at a disadvantage because freight costs claimed a large part of the operating expenses, at times as high as 30–40 per cent of the total cost. Maintaining an efficient delivery system required both high volumes and investment in infrastructure. But raking in the volumes in a category where the scope for brand differentiation was low presented another formidable barrier.

Despite these barriers, when Parle Agro began exploring the market in detail, it realised that with increasing health consciousness the market was poised for a take-off. Added to that was the prospect of increasing tourist traffic, both domestic and foreign. But the existing capacities were not quite enough to serve the steadily increasing demand.

Since Parle Export's Bisleri was so strongly identified with the category, Parle Agro took great care to brand its new product carefully. Without being radically different, the company chose a name that was slightly anglicised to project a more upmarket image. The company also figured that the consumer took a little more time to articulate the name, which in turn made sure that recalling the name would be so much easier. But more than just the brand name, the company realised that to penetrate the market effectively, an efficient distribution system and competitive freight costs were important.

Bailley had learnt important lessons from the Bisleri experiment. Parle Exports' distribution system started out with its bottling plant in Mumbai. Later, it went ahead and added 11 more franchisees who had their own bottling plants in the metros and a few mini-metros. While this restricted the spread, it also resulted in a lopsided cost structure because the freight and handling costs to survive in the interior markets proved sufficiently prohibitive.

Parle Agro had a very clear game plan from the beginning. One thing was clear: distribution was the key to success. Mineral water being a logistics business and a voluminous item, transportation was expensive. Therefore, it was essential to locate plants across the country. But that was an expensive proposition. Also, differing sales tax, excise, and octroi rates across states makes it difficult to have uniform national pricing. A network of franchisees that was widely spread out was the only way to things would work.

Parle Agro established franchisees near the markets that it identified to attack. This meant they had to limit their focus to only a few markets initially. But that was fine for the company, as long as the freight cost was kept to the barest minimum. This structure also ensured that Bailley had shorter replenishment cycles and lower inventories for the plants. While Bisleri reverted to the same route later, Parle Agro simply doubled the number of franchisees. This allowed Bailley to penetrate the market quickly. All these franchisees were expected to set up *PET* bottle manufacturing facilities at the bottling plant as well. This was because packaging costs – bottle, pilfer-proof cap and so on – made up some 40 per cent of the total costs. This also did away with the uncertainty of bottle supply.

Parle Agro also decided to differentiate Bailley in terms of bottle design, since there was very little scope for differentiation in the product itself. Mineral water bottles, irrespective of brand, are made through the process of blow moulding. Since the preform-supplier of all those bottles was the same, all the mineral water brands available in the market had an identical design. To stand out, Parle Agro decided to standardise preform and cap designs for Bailley. The company set up a preform plant at Silvassa, which produced these moulds from *PET* granules that it buys from Reliance. These moulds are small test-tube like structures, which are sent to bottling facilities where they are blown, filled, and despatched.

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Initially, the company introduced two pack sizes. 500 ml bottle was priced at ₹ 5 and was meant to induce trials, and was also most convenient for the individual traveller. The 1-litre bottle was initially meant to spell safety and security for 'integrated consumers' who were genuinely into health and fitness. Thereafter, it was placed on the prestige platform for the achiever segment – those who like to make a fashion statement by drinking mineral water. The prestige aspect was fully exploited when the Bailley team hit upon the idea of exploring the wedding market. While caterers had reservations about whether the host would pick up the tab for water, Bailley salesmen did a fair amount of direct servicing to set the ball rolling. This has now turned out to be one of the fastest growing segments.

Side by side, Parle Agro's sales team also established franchisee networks in relatively inaccessible places such as Guwahati, Palghat, Jaipur, and Belgaum, which gave the company access to remote markets.

Another advantage was that while attacking these markets, the threat of any immediate retaliatory action from Bisleri was minimised. That was mainly because Bisleri was quite well established in the metros and such low-volume fringe markets were of very little interest to the company. Moreover, at the time Parle Exports was determined on paring down its investments on the mineral water brand and was content to let it piggyback on its existing soft drinks network. After the task of cracking the market open was through, Parle Agro devoted all its energies to exploit the non-traditional routes of increasing distribution width. It tied up with various long-distance bus operators who kept stocks of Bailley on board. A small incentive was given to bus operators and conductors to push the brand. The company also sought out restaurants or *dhabas* on Mumbai–Pune and Nasik–Pune route which had been neglected by other players. The company encouraged stockists to service these outlets, especially restaurants at which buses made their day or night-time halts.

Typically, the interior markets had far more players than could be accommodated. To fight the regional players, Parle Agro used a two-pronged approach at the outlet level. It offered better service cycles and better product quality.

In some cases, the company also resorted to an ingenious retail monitoring system, the Agro Retail Barometer to identify those outlets where competitive brands were not moving fast, so that the company could seize the opportunity to persuade the retailer to stock Bailley instead and push it.

Despite its aggressive stance, the Delhi market eluded Bailley for a long time. That was because it faced major problems in getting its franchisee set-up in Delhi right. While Bailley was widely available in the markets of Jammu and Uttar Pradesh, till December last year Parle Agro was not able to fix a big enough franchisee which would be able to service Delhi and adjacent towns. Despite that, till about a year back, Parle Agro was able to command a 20 per cent share nationally (against Bisleri's 45 per cent) with its persistent attempts to crack the areas that the leader wouldn't dare.

The company's aggressive marketing strategy seems to have paid off. For one, it successfully broke the monopoly of Bisleri and is now the leader in a number of regions including Maharashtra (especially Mumbai), Gujarat, West Bengal, Karnataka, and Goa, and a close second in many others. With a total production capacity of 120 million bottles per year, Parle Agro has mainly targeted towns with populations of more than one lakh, although Bailley is also available in towns with populations less than 50,000. Being a low-margin business, the company hasn't spent any money and effort on mass media advertising

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but has concentrated on educating consumers on the use of pure, hygienic water through direct mailers and other media. Participation in corporate events also gives it a lot of mileage and the brand is patronised by corporates such as the Taj Group of Hotels and Jet Airways.

But the main reason for Bailey's success has been the strength of its franchisee network. Following the example of the West, the company realised that the best growth strategy is not one that entails extra space, capital investments and added manpower, but franchising. Franchised operations provided it a quick expansion route, while keeping costs low and profitability high, and at the same time ensured deeper penetration and easy accessibility. Parle Agro now has a network of 18 franchisees. With regular monitoring of its decentralised operations and strict checks on quality, Parle Agro provides the overall expertise, cashing in on the local franchise's understanding of his area.

Today, the mineral water business has grown to a healthy ₹ 500 crore and is growing at a phenomenal rate of more than 50 per cent. Of this, unorganised sector players constitute about 40 per cent. Till four years ago, the market had only two national players; today, more than 168 are jostling for shelf space.

According to industry sources, a new label is launched every three months and one existing player recedes into oblivion. For all practical purposes, Bisleri and Bailley today dominate the organised sector. Bisleri leads the pack with a 40 per cent share by value. Bailley is a 60-crore brand and is the No. 2 player with a share of 22 per cent. In percentage terms, the brand is growing faster than the category, claims the company.

But the fact remains that even to this day, about 76 per cent of the mineral water consumption in the country is by travellers, and bottled water hasn't made inroads into middle class homes yet. For Bailley too, the biggest segment of consumers is that of travellers, followed by institutions and tourists. According to the company, the mineral water consumer is attracted by the benefits of easy accessibility, purity, and hygiene and only a small segment of consumers have evolved to the level of being loyalists of good brands.

The mineral water consumer is typically in the 25–35-years age group and is an educated, evolved person from *SEC* A and B.

The consumption pattern is changing, though. Mineral water is now served on trains, airlines, and parties. Besides the standard I litre bottle, Parle Agro has introduced bigger pack sizes to cater to a variety of needs. Bailley is available in I litre, 1.5 litre and 500 ml bottles, 20 litre jars and 200 ml glasses. The one-litre bottle sells the most.

While new players are making a beeline for this industry every day, hygiene continues to be the main plank of most brands. Worldwide, mineral water stands fortified with genuine minerals. However, it is different in India, since the Bureau of Indian Standards hasn't laid down any specifications. So what is predominantly available is purified water. Even techniques such as ozonisation and reverse osmosis are used only by a handful.

Questions:

1. Study the case and identify major issues related to studying competition, as Parle Agro did.
2. What weaknesses of the competitor helped Parle Agro establish Bailley?
3. What is the typical profile of a mineral water consumer?
4. How do consumers shop for mineral water? What implications does it have for its distribution?

Notes

Self Assessment

State whether the following statements are true or false:

9. Customer needs are the expectations of the product buyers.
10. Consumer behavior does not involve study of how people buy, what they buy, when they buy and why they buy.
11. Segmentation by sex is related to geographic segmentation.

3.10 Summary

- Competitor analysis is an important part of a firm's development of its strategy.
- Its importance lies in the understanding of competitors, their strategy, and resources and capabilities.
- More specifically, competitor analysis also allows a firm to assess its own firm versus competitors and plan for what competitors' actions may be as a reaction to actions the firm may take.
- A competitor analysis provides a firm with the knowledge to leverage its strengths and address its weaknesses and, conversely, take advantage of weaknesses of competitors and counter their strengths.
- Finally, competitor analysis also gives a firm a better understanding not only of the competitors but also their overall sector and where the emerging opportunities may be.
- Consumer buying decision process is the processes undertaken by consumer in regard to a potential market transaction before, during and after the purchase of a product or service.
- Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on.

3.11 Keywords

Consumer: A term used to describe two different kinds of consuming entities: personal consumers and organizational consumers.

Consumer Behavior: The behavior adopted by consumers display in searching for, purchasing, using, evaluating and disposing of services and ideas.

Geographic Segmentation: Geographic segment is for the region like south northwest and east of the country.

Segmentation: Customer segmentation means analyzing our customers and identifying groups of individuals with similar requirements, preferences or competencies.

3.12 Review Questions

1. Competitor analysis is helpful or harmful for organization. Explain.
2. Segmentation of customer by geographic segment is more successful or by the behavior of customer?
3. Why sub-cultural segmentation is necessary? Comment.

Notes

4. Discuss Porter's framework of competitor analysis.
5. You are a product manager in FMCG company, your company assign a job to you to segment the entire country according the previous experience of segmentation of market. Describe.
6. List some limitations of competitor's analysis with example.
7. Why any organization access competitor's current strategy?
8. What do you mean by customer segmentation?
9. How does consumer behavior affect the market strategy?

Answers: Self Assessment

1	(i)	2.	(iv)
3.	Competitor analysis	4.	Customer Segmentation
5.	Growth objective	6.	Core strategy
7.	(i)	8.	Customer analysis
9.	T	10.	F
11.	F		

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Notes

Online links

www.en.wikipedia.org

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Unit 4: Market Potential and Sales Forecasting

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Objectives

After studying this unit, you will be able to:

- State the Market Potential
- Identify the uses of Market Potential
- Formulate Sales Forecasting
- Discuss the Estimation of Market Potential and Sales Potential

Introduction

In this unit we will discuss market potential, primarily market analysis, sales forecasting, and sales analysis, it is desirable to give specific meaning to each. Market potential analysis will apply to those studies of individual markets that seek to determine the sales potential within them. Sales forecasting will be used to mean the prediction of sales of a particular product, company, branch office, or other unit for a given time period.

Sales forecasting is a difficult area of management. Most managers believe they are good at forecasting. However, forecasts made usually turn out to be wrong! Marketers argue about whether sales forecasting is a science or an art. The short answer is that it is a bit of both.

Notes

4.1 Market Potential

Marketing management is interested in obtaining sales potentials for each of the geographic markets it serves to help determine the amount of sales effort that should be allocated to a specific market. Market or sales potential must be stated for a given product or group of products for given area for a given period of time, usually a year. The sales potential for product A in a given geographical area for 1988 is the maximum amount that can be sold in that area by all sellers of product A in that year. Area potentials can be expressed in both absolute terms and as a percent of the total market.

Since most products are similar to a number of others, consumers often engage in considerable substitution; therefore, the degree of substitution, as well as the conditions under which it takes place, must be considered in the development of potentials. The decision on whether to include or exclude closely related substitutes will often have a pronounced effect on estimated sales potentials.

Example: In considering the relative sales potential for canned peas one would have in consider the possible sales of frozen peas, since the two can be viewed as close substitutes for each other.

Market potentials and sales forecasts are not the same thing, although the two are sometimes used interchangeably. Market potentials typically refer to total sales possibilities. Several different potentials may be considered depending on what conditions are assumed. One potential could have to do with the conditions of use.

Example: The amount of toothpaste that would be used if all persons using toothpaste brushed after every meal.

Another potential could be one based on brushing only once a day, and so on. Thus the word potential has specific meaning only in terms of the assumptions used when making the calculation.

4.2 Uses of Market Potential

There are three main uses of market potential and these are:

1. Allocation of marketing resources
2. Defining sales techniques
3. Setting sales quotas.

Allocation of Marketing Resources

The primary use of information on market potentials has been in the allocation of marketing resources, especially the allocation of salesmen. It is difficult to estimate a market-response function, i.e. the way a given group of potential customers will respond to various combinations of marketing inputs under ideal conditions, resources will be invested in each market until the incremental returns for each unit of resources invested is equal in each market and until further investment will yield a return smaller than could be obtained by investing elsewhere.

All setting effort sales force, advertising, and non-advertising promotion should be allocated only after a consideration of potentials. In the simplest situation, a market with 10 percent of the total potential should most simple situation; a market with 10 percent of the total potential should receive 20 percent of the sales effort. If New York has twice as much potential as Chicago, New York should receive twice as much sales effort as Chicago.

Notes

Task According to you a new product is very successful in Metro what is the potential of that product into the rural market.

Defining Sales Territories

A sales manager typically tries to develop sales territories that are equal in sales potential and in workload so that each salesman has an opportunity to make sale. A study of the literature in the field found that four territorial characteristics were typically used in defining territories. Market potential was used in every case, while concentration, dispersion and workload were used to lesser degrees. Potential was found to have a positive effect of sales in almost all instances and concentration, the extent to which potential was concentrated in a new accounts, also tended to have a positive relationship to sales. Geographical dispersion and worked were not found to be strongly related to sales, but this may be partially the result of the fact that only proxy measures were available to measure them.

Caution Before setting the sales quotas for a particular region. Organization clarifies the capability of the market as well as sales representative.

Setting Sales Quotas

Sales quotas should be set after market potentials have been derived and sales territories established. The potential for each territory is then known; but sales quotas must also consider past sales performance changes to be made in the amount of supporting sales effort during the coming year, and anticipated activities of competitors. Quotas are usually set for each sales territory and for each sales representative. They are ordinarily not the same as potentials or even of the same relative size. One market may have twice the potential of another, but may have local competitor that take so large a share that a given firm's quotas may be smaller there than in as area with less potential.

Sales quotas set in light of sales potential furnish a much better basis for measuring the efficiency of sales representatives than do quotas set by the old rule of thumb, last year's sales plus 5 percent. If two sales representatives turn in the same annual sales volume, they are usually paid about the same and are held in equal esteem by the sales manager. If market analysis shows that representative A has a territory with far less potential than sales representative B, the sales manager may wonder if representative A may not actually be superior. A shift of the two might lead to an improvement in total sales. The following table illustrates.

Table 4.1

	Sales Representative A	Sales Representative B
Sales last year	500,000	635,000
Territory potential	2,000,000	4,000,000
Percent of potential	25.0%	15.9%

As noted above, however, market potential and sales representative effectiveness are but two of the basic determinants of sales result in a territory. To measure sales representative performance, it is necessary to take into account some of the other factors which influence sales results. One study of a national sales organization found that six factors explained 72 percent of the variation in sales among territories. These factors and the methods of measuring them were the following:

Notes

Table 4.2

S.No.	Factors	Method of Measurement
1.	Market potential	Industry sales in territory
2.	Territory workload	Weighted index based on annual purchases and concentration of accounts
3.	Experience of sales representative	Length of time employed by company.
4.	Motivation and effort of sales representative	Aggregate ratings by field sales manager on eight dimensions of performance.
5.	Company experience	Weighted average of market share past four years Market-share trend same period
6.	Company effort	Advertising dollar expenditure in territory.

While sales potential is a key factor in establishing sales quotas, and other measurable factors such as those listed above also pay a role, it should be remembered that the setting of quotas also involves a complex interpersonal relationship between the sales manager and the salesman. The best quota is the one that stimulates the best effort by the salesman. Since salesman varies in personal reaction to the challenge and risk implied by quotas, the successful manager is one who can adopt the objectively determined quota to each individual salesman.

Self Assessment

Fill in the blanks:

1. ..... should be set after market potentials have been derived and sales territories established.
2. ……typically refer to total sales possibilities.

4.3 Sales Forecasting

Sales forecasting is the process of organizing and analyzing information in a way that makes it possible to estimate what your sales will be.

A sales forecast is a prediction based on past sales performance and an analysis of expected market conditions. The true value in making a forecast is that it forces us to look at the future objectively. The company that takes note of the past stays aware of the present and precisely analyzes that information to see into the future.

Conducting a sales forecast will provide your business with an evaluation of past and current sales levels and annual growth, and allow you to compare your company to industry norms. It will also help you establish your policies so that you easily can monitor your prices and operating costs to guarantee profits, and make you aware of minor problems before they become major problems.

Task How sales forecast play vital role for making strategy of company sales and production? Discuss.

The Importance of Sales Forecasting

Sales forecasting is a self-assessment tool for a company. You have to keep taking the pulse of your company to know how healthy it is. A sales forecast reports, graphs and analyzes the pulse

Notes

of your business. It can make the difference between just surviving and being highly successful in business. It is a vital cornerstone of a company's budget. The future direction of the company may rest on the accuracy of your sales forecasting.

Companies that implement accurate sales forecasting processes realize important benefits such as:

1. Enhanced cash flow
2. Knowing when and how much to buy
3. In-depth knowledge of customers and the products they order
4. The ability to plan for production and capacity
5. The ability to identify the pattern or trend of sales
6. Determine the value of a business above the value of its current assets
7. Ability to determine the expected return on investment (This can be very helpful if the company is trying to obtain financing from investors or other lending institutions).

The combination of these benefits may result in:

1. Increased revenue
2. Increased customer retention
3. Decreased costs
4. Increased efficiency

For sales forecasting to be valuable to your business, it must not be treated as an isolated exercise. Rather, it must be integrated into all facets of your organization.

What Information is Needed to Prepare a Sales Forecast?

Since the forecast is based on your company's previous sales, it is necessary to know your dollar sales volume for the past several years. To complete a thorough sales forecast, you also need to take into consideration all of the elements, both internal and external, that can affect sales.

Mathematically, it is possible to forecast sales with some precision. Realistically, however, this precision can be dulled because of external market and economic factors that are beyond your control. The following are some of the external factors that can affect sales:

1. Seasonality of the business
2. Relative state of the economy
3. Direct and indirect competition
4. Political events
5. Styles or fashions
6. Consumer earnings
7. Population changes
8. Weather
9. Productivity changes

Notes

Sales forecasting requires sufficiently detailed analysis of both the external and internal factors related to the sales function. Internal factors that can affect sales are somewhat more controllable, such as:

1. Labor problems
2. Credit policy changes
3. Sales motivation plans
4. Inventory shortages
5. Working capital shortage
6. Price changes
7. Change in distribution method
8. Production capability shortage
9. New product lines

The following internal data will be scrutinized and analyzed when conducting a sales forecast. Therefore, this data must be prepared on a consistent basis:

1. Accounting records
2. Financial statements
3. Sales-call reports
4. After-sales service demands from clients

It is significant to note that if you sell more than one type of product or service, you should prepare a separate sales forecast for each service or product group. The more focused your sales forecast is, the more precise its outcome will be.

How Long and How Often should One Forecast?

A sales forecast needs to be performed, reviewed and compared with actual performance results on a regular basis. Think of it as a routine tune-up that keeps the gears of your business running smoothly so your company can achieve a higher performance record.

Although every business owner's comfort level may be different, sales forecasts should be conducted monthly during the first year, and quarterly after that. The more often you forecast, the better your chances of weeding out extreme variations in year-to-year sales. It will also possibly identify a trend or level of variations that is more realistically oriented to probable future sales patterns.

Although any forecast has a percentage of uncertainty, the farther into the future you project, the greater your uncertainty. As a rule, there are three lengths of time for sales forecasting:

1. Short-range forecasts are for fewer than three months. They are used to make continual decisions about planning, scheduling, inventory and staffing in production, procurement and logistics activities.
2. Intermediate forecasts have a span of three months to two years. They are used for budgetary planning, cost control, marketing new products, sales force compensation plans, facility planning, capacity planning and process selection and distribution planning.
3. Long-range forecasts cover more than two years. They are used to decide whether to enter new markets, develop new products or services, expand or create new facilities, or arrange long-term procurement contracts.

Notes

Perhaps the simplest method is to assume that the percentage increase (or decrease) in sales will continue and that no market factors will influence sales performance more in the future than in the past.

How Sales Forecasting Applies to a New Business?

Statistics show that 80 percent of new business start-ups never survive the first three years. 9 out of 10 of those business failures are caused by poor management decisions. Implementing sales forecasting forces a new business to base decisions on facts rather than hunches. Since you have no historical information on your new business, i.e., past sales, you need to look elsewhere.

You need to consider the following:

1. How well does your competition satisfy the needs of its potential customers?
2. Note the population and economic growth in your location.
3. Develop a customer profile.

Experienced business people will tell you that a good rule of thumb is that 20 percent of your customers account for 80 percent of your sales. If you can identify this 20 percent, you can begin to develop a profile of your main markets.

After you've identified your primary markets, then you need to determine trends in your industry. Now you need to know the approximate size and location of your planned trading area. Your trading area is how far your average customer will travel to shop, as well as how far you are prepared to distribute and promote your product or service. It is helpful to recognize the personality of your trading area, which can be found by talking to other neighborhood business owners, contacting the Chamber of Commerce, and reading the local papers.

At this point, you should be able to estimate your sales on a monthly basis for a year. The basis for your sales forecast could be the average monthly sales of a few similar-sized competitors that are operating in a similar market.

To estimate their sales, you have to list, profile and study your competitors. This is accomplished by visiting either their stores or the stores where their products are offered. You need to analyze their customer volumes, the location, hours of operation, traffic patterns, busy periods, quality of their goods and services, prices, product lines carried, promotional techniques, positioning, product catalogues and other handouts. If possible, talk to customers and sales staff.

Software as a Tool for Sales Forecasting

Projections become even more precise when software programs written specifically for sales forecasting are utilized. Investing in a simple but effective forecasting package can also free up the time of valuable personnel. All basic sales forecasting software packages evaluate the history of your business, extrapolate pertinent information, and offer a forecast of your company's future.

When shopping for a good software package, look for the following features:

1. Capability to adjust for special factors, i.e., promotion and price changes
2. Documents underlying forecasting assumptions
3. An effective management review and communication step
4. Historical data-tracking and plotting of current performance against past trends and future projections

Notes

5. Allows multiple parties (e.g., sales, marketing, manufacturing and logistics) to enhance, manipulate and use the forecast.

Unfortunately, such programs are not usually stocked in computer software stores. To locate the companies that produce this type of software, you can contact professional associations, check ads in your professional magazines, and talk with other businesspeople for recommendations. The Internet is a great additional source for seeking out these companies, and a simple search will bring up several choices.

As you research forecasting software you will find those that run the gamut of very affordable to very expensive. Some examples include: Strategic Planning Software ($29), Ward System Group's Neuroshell PREDICTOR ($395) and ParkerSoft Products' Exforecaster 1.0 ($99) and Fastcast ($600.00).

Before purchasing a program, it is advisable to either download or request a demo program for evaluation. Be aware that some software programs are not stand-alone and often require another program such as Excel and Oracle Personal Express to be installed on your computer.

Sales forecasting is an unwieldy and difficult process, yet doing it correctly is key to understanding what's in store for your business' future. The numbers you come up with will permeate almost every aspect of your company, making it all the more important to ensure accurate forecasts. By using the information presented here, you can develop a realistic projection for the future performance of your organization.

Task Are you aware of any software tool related to or used in sales forecasting? Discuss it.

Self Assessment

State whether the following statements are true or false:

3. Long-range forecasts not cover more than two years.
4. Intermediate forecasts have a span of three months to two years.
5. Statistics show that 80 percent of new business start-ups never survive the first three years.

4.4 Estimating Market Potential

Estimating the market or market potential for a new business or business expansion is critical in determining the economic feasibility of a venture. Estimating the market potential will determine if the market is large enough to support your businesses.

Estimating the market potential for a business is critical in evaluating its viability and provides an estimate of the maximum total sales potential for a given market. Once the estimated market potential has been calculated, it is possible to determine if the market is large enough to sustain your proposed business or sustain an addition competitor in the marketplace. It is important to remember that the estimated market potential sets an upper boundary on the market size and can be expressed in either units and/or sales. Unless there are no direct or indirect competitors, a business will capture a share of the total estimated market potential not all of it. The following provide the steps and data necessary to estimate the market potential.

Notes

Key Steps in Estimating Market Potential

The key steps in estimating market potential are:

1. Define your target market and market segments.
2. Define the geographic boundaries of your market.
3. Derive an average selling price.
4. Determine the average annual consumption.

Estimating the market potential for a business requires specific information on the number of people or potential buyers, an average selling price, and an estimate of consumption or usage for a specific period of time. Once this information has been collected, it can be plugged into the following formula to derive the estimated market potential.

Estimating Market Potential: MP = N x P x Q;

Where:

MP = market potential

N = number of possible buyers

P = average selling price

Q = average annual consumption

However, the better the information that is being plugged into the formula, the better the estimate of the market potential.

4.4.1 Retail Market Potential

If you are evaluating a retail establishment, a more refined method of calculating the retail trade area market potential is available. The market potential for a retail establishment provided an estimate of the maximum total sales potential for a specific retail operation in a given market. As with the general market potential estimate, the market potential sets an upper boundary on the market size and can be expressed in either units and/or sales. The following are the steps and information that are needed to estimate the retail trade area market potential.

Key Steps in Estimating Retail Market Potential

The key steps in estimating retail market potential are:

1. Define your target market and market segments.
2. Define the geographic boundaries of your market.
3. Derive average expenditures for the category.
4. Determine the average household income for the area and state.
5. Estimate market share.

As with estimating the market potential for any business, estimating the retail trade area market potential requires specific information on the number of people or potential buyers, an average expenditure figure for the retail category, area and state income figures, and an estimate of market share. Once this information has been collected, it can be plugged into the following formula to derive the estimated retail trade area market potential.

Notes

Trade Area Analysis is a mean of evaluating the potential retail sales for a specific retail operation can be estimated by using a standard formula:

ES = P x EXP x (ADI/MDI) x MS, where

ES = estimated sales

P = market area population

EXP = average expenditures for retail outlet category

ADI = area estimated average household disposable income

MDI = Georgia average household disposable income

MS = estimated market share

The following material will provide direction and information needed to estimate the market potential. There are a number of factors that need to be investigated in order to derive the best estimate possible.

4.4.2 Target Market

One of the most important components of estimating the market potential for a business is to determine its target market. A target market can be thought of as the customers who are most likely to buy from you and generally are described using demographic variables (gender, age, education) as well as psychographic variables (life-style and belief system variables). In many cases, a business may have more than one target market. Think about the automobile industry, automobile manufactures have a number of target markets, i.e., truck buyers, luxury car buyers, economy buyers. Your business should be able to develop specific profiles for each of your target markets using demographic and psychographic variables.

The first method of describing your target market segments is using a set of demographic descriptors like the following:

1. Age
2. Marital status
3. HH income
4. Gender
5. Race/Ethnicity
6. Family life cycle
7. Education
8. Religious affiliation

It is important to create a profile of your target market describing them with demographic variables like those listed above. Once you have created your demographic profile, you can determine how many people fit your profile using various demographic data sources. It is important to note that creating a demographic profile does may not provide specific enough information to accurately determine your market potential as it may be too general.

Task What is your opinion trade analysis is helpful for estimate market potential or not? Discuss.

Notes

The second profile is referred to as psychographic life-style and describes your target market segment by their activities (work and leisure), interests (family, animals, environment, home, and community), and opinions. The life-style profile is more important in predicting future patronage than the demographic profile because it will determine what type of experience they are seeking. Failure to meet these needs will result in loss of business. The following are a few psychological descriptors:

1. Political affiliation
2. Socially conscious
3. Cutting-edge
4. Family-oriented
5. Conformist
6. Power-wielding
7. Trend follower
8. Thrill seeker
9. "Green"
10. Fun-loving
11. Fashion-forward
12. Sports enthusiast

Psychographic information is more difficult to obtain than demographic information. As a result, it is less frequently used when determining a target market profile.

Example: An individual would like to convert his family farm into a hunting plantation. The farmer has done his research to determine both the demographic and psychographic profile of his target market, avid hunters and fishermen. Combining these demographic and life-style characteristics, you are able to develop a profile of one of your target markets below:

Demographic	Lifestyle
Race: White	NASCAR fan
Age: 25-54	Owns a Ford Truk
Education: High school	Camps and fishes
HH Income: $74,000	County Music
Martial Status: Married	Boat
Home Ownership: Mixed	Outdoor Life TV Show

4.4.3 Market or Trade Area

The market area can be thought of as the geographic area where the business intends to operate, i.e., a city block, between the rivers or the globe. Defining the market area is important because it defines the geographic area where potential consumers live and/or work. However, not everyone in the defined market area will be a customer. As a result, it is important to compare your target market profile, generally described using demographics, to the population in the market area. There are a number of ways to define a market area, some are easy and others are more difficult and require the services of a marketing professional.

Methods of Defining Market

A market area is generally defined by geography, radius, trade area or drive-time.

Notes

1. Geography is the simplest form of defining a market area. This method defines the market area by using landmarks or logistical barriers to define the market area. The following are easy-to-use geographical areas:
   (a) Neighborhoods
   (b) Zip codes
   (c) City or County Boundaries
   (d) Metropolitan Statistical Areas
   (e) State (multi state) Boarders
   (f) Nation
   (g) Continent
   (h) World
2. A ring or radius defined market area is performed by creating a circle a specified number of miles from a business location. The ring analysis allows a business to evaluate the demographics of people residing within a predefined distance from specific business location. The ring technique assumes a circular trade area with the business in the center. The ring analysis may cut through geographic obstacles and/or barriers (large bodies of water, mountains, railroad tracks) that may hinder or restrict access to a given location.
3. ***Drive Time Analyses:*** Drive time analysis is a more sophisticated analysis than the radius analysis as a number of variables are used to estimate the drive time to a given location. The analysis takes speed limits, road type, vehicle, time of days, and congestion values. Customers may be willing to drive 15 miles, but given traffic conditions the 15 miles may take 30 minutes to travel. A customer may be willing to travel 15 minutes but in a heavily congested area, that may translate into a considerably shorter actual distance. As a result, incorporating these driving-related variables, a drive time analysis may provide a better estimate of the market area than a ring study.

4.4.4 Market Size

Once the market area and target market has been defined, it is possible to determine the number of potential customers for your business. This will allow you to estimate the N (number of potential customers) in the market potential equation. This total market potential will typically have to be adjusted downward to account for non-users.

Example: An agri-tourism operation has decided its will target its market towards children under 9 years old. The business has concluded its market area is Wake County which has 101,768 children under 9 years old. Therefore, N = 101,600 potential customers. These numbers were obtained from the US Census Bureau.

However, not all children under 9 years of age will visit an agricultural facility. It is important to adjust these Figures to get a more accurate estimate of the actual market potential. A survey of elementary school teachers found that only 68% of kindergarten through 3rd grade teachers indicated they would take an agriculturally-related field trip in the next year.

As a result, the 101,600 kindergarten through 3rd graders should be adjusted downward by multiplying by 68%. This results in an adjusted market potential of 69,088 potential students.

Adjusted Market Potential = 101,600 × 68% = 69,088

Notes

4.4.5 Consumption or Usage

You need to determine how often your target market segment uses your product or service. This figure will have a significant impact on the estimated market potential. For instance, is the product purchased frequently, occasionally, or infrequently? Obviously the more frequently the product is purchased, the larger the market potential. Durable goods, products that can be used over a long period of time, are purchased less frequently than perishable items. As a result, the annual consumption of apples is greater than the annual consumption of television sets. There is an abundance of consumption information from the government as well as industry trade associations. For example, the USDA collects volumes of disappearance data for commodities that is converted into per capita annual usage estimates.

Example: It is important to determine how often these school groups will take an agriculturally based field trip. A study of elementary school teachers indicated that they will take an average of 1.25 agriculturally-based field trips per year. Therefore, we can use 1.25 as our usage or consumption of agriculturally-based field trips, (Q = 1.25).

Estimating Market Potential

$$MP = 69{,}088 \times P \times 1.25$$

Self Assessment

Fill in the blanks:

6. The ..... can be thought of as the geographic area where the business intends to operate.
7. A market area is generally defined by ……

4.5 Estimate Sales Potential

There are many methods used for estimate the sales potentials and these are:

1. Survey method
2. Expert opinion method
3. Market studied methods
4. Sales force opinion methods
5. Statistical methods

1. ***Survey Method:*** The survey method is based on the opinion of buyers and consumers it is useful with respect to industrial products, but not as far as consumer goods are concerned. According to this method, a company first of all selects potentials buyers/consumers. It then collects their opinions for sales forecasting.
2. ***Expert Opinion Method:*** According to this method, a company invites the opinions of executives and consultants who are acknowledged experts in studying sales trends. On the basis of their opinions, it forecasts future sales. This estimate is also made on the basis of past performance. However, the method suffers from the drawback of not taking into consideration changes in the future business environment.
3. ***Market Studies Methods:*** This method is commonly used by marketers for consumer goods. It is also known as the Market Test Methods. A market test provides data about

Notes

consumers and the marketing mix. Some people use this method as a market experiment method. According to this method, market experiments are conducted on changing consumer behaviour, prices, advertising expenditure, etc. This method lets the management know how the people might actually buy the product in question.

4. ***Sales Force Opinion Method:*** This method estimates the buyers intentions from experienced personnel in the sales force. They can easily forecast for their respective territories. Territory-wise forecasts are consolidated at the branch level, and the branch level forecasts are consolidated at the corporate level. This method can be used only when the firm has competent high-caliber sales personnel.

5. ***Statistical Methods:*** Statistical methods are considered to be superior techniques of estimate sales forecasting, because their reliability is higher than that of other techniques. Statistical methods divided into four different categories and these are:

   (a) Trend method

   (b) Graphical method

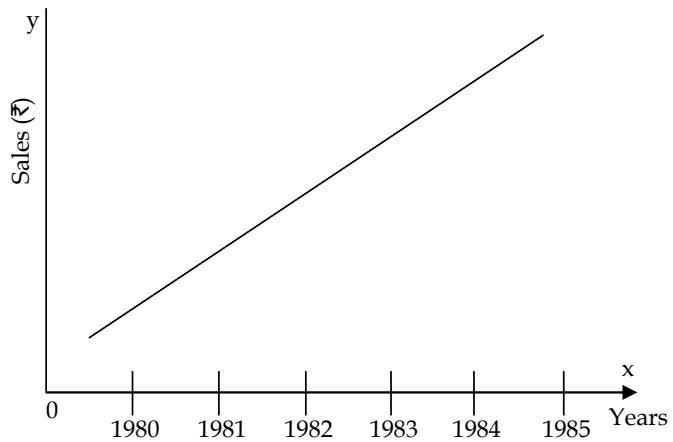
   (c) Time-series method

   (d) Regression method

   (a) *Trend Method:* This method provides a rough trend of the forecast on the basis of past experience. It does not, however, take into account the changing environment. It is a simple method for business forecasting on the basis of past performance.

   (b) *Graphical Method:* According to this method, sales data are plotted on graph paper and a graph is drawn for a number of years. This is a simple and inexpensive method.

Figure 4.1



   (c) *Time Series Method:* This method is used for long periods duly taking into account cyclical changes, seasonal variation and irregular fluctuation.

   "A time series may be defined as a collection of magnitudes belonging to different time periods, of some variable or composite variables, such as production of steel, per capita income, gross national product, price of tobacco, or index of industrial production."

   –Ya-uin-chou

Notes

The Time Series Method shows the future trends of sales. The various techniques that can be used for determining these trends are:

(i) Freehold or Graphical Method

(ii) Semi-Average Method

(iii) Moving Average Method

(iv) Method of Least Squares

(d) *Regression Analysis:* This is a branch of statistical theory, is popularly used on the principles of sciences. It helps determine the relationship among various variables. According to Ya-uin-chou, "Regression analysis attempt establishing the 'Nature of the relationship' between variables that is to study the functional relationship between the variables and thereby provide a mechanism for prediction, or forecasting".

Task Why organizations generally follow the statistical methods for estimate the sales potential?

Case Study

Pricing in an Explosive Market-Computers Ltd.

In November 1976, HCL announced a dramatic reduction in prices of their Personal Computers (PCs). The prices came down from ₹ 60,000 to ₹ 30,000 per PC. At that time CL wanted to introduce their PCs in the Indian market. Other players, like Wipro, DCM Data and PCL, were trying to match HCL prices. The market had just about started picking up and the growth rate was 6% per annum and likely to go up to 20% as per marketing gurus who had been watching the international market of PCs for a while.

Background: CL is a wholly owned subsidiary of Telecom and Electronics Ltd. (TEL)

TEL is a major firm dealing in electrical and electronic goods since 1960. They have been dealing in motors, generators, process control instruments, tape recorders and domestic appliances.

TEL exports motors to Australia, Asia and Africa markets, besides having 15% share in the domestic market. They have built brand equity in India and hope to make full use of it in the area of computers as a spin off.

Competitive Environment

Threat of new entrants is quite real as the world players including IBM and Compaq are eyeing the Indian market, as it gives the impression of being almost a virgin market. With government of India's support the MNCs will have easy entry and with their brand name alone they hope to take over a big chunk of the market.

Bargaining power of buyers is increasing with new players and local assemblers offering their product with marginal cost. Local assemblers have low overheads and can compete on price and personalised service. Buyers are at an advantage as they get the best deals at low prices.

Contd...

Notes

Bargaining power of suppliers is weak, as they want to sell in large volumes, which is possible only if they can cut down their prices of chips, motherboards connectors and other components.

Rivalry amongst existing players is increasing by the day as business growth has yet to reach expected levels and players have already set up manufacturing facilities. Known brands get an advantage with large firms, but the smaller buyers and individual buyers look for the latest product at downsized prices, which the assemblers are able to provide. They also resort to bundling the PC with software of the customers' choice, mostly pirated versions and offer site maintenance for the product.

Price Behaviour: As the average price of a branded product was ₹ 30,000, local, brands and assemblers were selling the product about 15-20% cheaper. With the local brand, the customer was usually in danger of losing technical support, as many players would close shop after they have made a profit and start again, perhaps at a new location with a new name to avoid problems with the pirated software. The assemblers could further reduce the price as they were getting components from overseas through dubious means.

CL wants to market their branded product at ₹ 26,000 and keep dealer margin at ₹ 3,000. They are able to get a gross margin of ₹ 4,000. However, should the necessity arise they can sell it even at ₹ 23,000.

CL believes that's since HCL has just reduced prices drastically, no further price cut would be possible by branded products.

CL has to decide on its pricing strategy. It can go for penetrating prices at ₹ 18,000 also if they want to capture a large share of the market, or keep to skimming price at ₹ 26,000. They can follow the medium pricing at ₹ 22,000. Depending on the market growth the profit situation for CL will be as follows:

The firm has to decide about the strategy, taking the optimum scenario or most likely future demand seeing the environment factors of today. In case of skimming prices, the firm can keep the option of heavy investment in brand building and other marketing inputs and still get a good market share.

Question:

1. Use the decision tree, or Delphi technique to find out the best possible price for the CL Computers. Will bundling with software help? Discuss the pros and cons of each type of pricing formulae. Also, looking at the Indian market, work out a promotional strategy for CL.

Self Assessment

Choose the appropriate answer:

8. Which one is not the method of estimate the sales potential?

   (i) Survey method (ii) Statistical methods

   (iii) Service methods (iv) Expert opinion methods

9. Which one is the main use of market potential?

   (i) Allocation of marketing resources (ii) Defining sales techniques

   (iii) Setting sales quotas (iv) All of the above

Notes

10. Out of the following which is not the key steps in estimating market potential.
    (i) Define the geographic boundaries of your market.
    (ii) Derive an average selling price.
    (iii) Unique Selling Proposition
    (iv) Determine the average annual consumption.

4.6 Summary

- Market potential analysis involves the development of potentials for individual markets.
- Market potentials are used in establishing sales territories, allocating marketing effort, and setting sales quotas.
- A sales forecast is a prediction based on past sales performance and an analysis of expected market conditions.
- Conducting a sales forecast will provide your business with an evaluation of past and current sales levels and annual growth, and allow you to compare your company to industry norms.
- A sales forecast reports, graphs and analyzes the pulse of your business.
- Estimating the market potential for a business requires specific information on the number of people or potential buyers, an average selling price, and an estimate of consumption or usage for a specific period of time.

4.7 Keywords

Estimate Market Potential: Estimating the market or market potential for a new business or business expansion is critical in determining the economic feasibility of a venture.

Market Potential: Market or sales potential must be stated for a given product or group of products for a given area for a given period of time, usually a year.

Sales Forecasting: A sales forecast is a prediction based on past sales performance and an analysis of expected market conditions.

Short-range Forecast: Short-range forecasts are for fewer than three months.

4.8 Review Questions

1. A country divided into the different territory is useful for market point of view. How it beneficial for organization?
2. How a organization setting sales quota to their sales manager or sales representatives? Explain in detail.
3. Forecasting is related to the future. What are the effect of forecasting in the organization strategy?
4. Discuss how sales forecasting is helpful for new or old business.
5. Market potential is the techniques to know the exact capability of market. Explain how we estimate market potential.

Notes

6. Describe the alternative methods of preparing a sales forecast. Which of these would you prefer to use in marketing forecast for a new personal computer?
7. What are the problems involved in using the sales force to forecast sale? How can these be minimized?
8. Is there a significant difference between a sales quota and a sales forecast? Discuss.
9. What do you think household income will affect the organization policy of marketing or sales of a product?
10. How you divide a country into the territory and sales region. Give a suitable example.

Answers: Self Assessment

1.	Sales quota	2.	Market potentials
3.	F	4.	T
5.	T	6.	Market area
7.	Geography, radius, trade area or drive-time		
8.	(iii)	9.	(iv)
10.	(iii)		

4.9 Further Readings

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Unit 5: Developing Product Strategies

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Objectives

After studying this unit, you will be able to:

- Recall the Developing of Product Strategies
- Discuss Product Life Cycle
- Describe Product Strategies over the Life Cycle
- Provide insight into Product Modification
- Identify Product Line Extension

Notes

Introduction

A product development strategy provides the framework to orient a company's development projects as well as its development process. There is no one right strategy for a company. The strategy takes into account the company's capabilities (strengths, weaknesses and core competencies), the competition's capabilities (strengths, weaknesses, core competencies and strategy), market needs and opportunities, goals, and financial resources.

You are aware of the fact that like all living beings, everything in the market place is presumed to be going through several phases from birth until its death. A product or a brand is launched, it grows, attains maturity, and starts declining, and is buried on its death. Product is basically a need satisfier. In reality there may be several products satisfying the need of a customer. For example, the need for document and producing multiple documents was existent since the human civilization started communication. As the civilization matured, the need for documentation has also grown. This change in the need level is captured by the demand life cycle. For every need cycle there is a sequence of phases starting with emergence, accelerating growth, decelerating growth, maturity, and decline.

A product is an embodiment of technology, and the technology in fact satisfies the need. The need for document was first satisfied by mud tablets, palm leaves, copper leaves, paper and now electronic pages. You would agree that the succeeding technologies normally satisfy the need better than the predecessor. Once you consider the need for multiple copies of the same information, the modern technology would suggest use of carbon papers, cyclostyling, photocopying, printing and so on.

5.1 Developing Product Strategies

As a starting point to develop a product development strategy, the company must determine its primary strategic orientation. A company must recognize that it cannot be all things to all people and that it must focus on what will distinguish it in the market place. There are six primary product development strategic orientations:

1. Time-to-Market
2. Low Product Cost
3. Low Development Cost
4. Product Performance, Technology & Innovation
5. Quality, Reliability, Robustness
6. Service, Responsiveness & Flexibility

Time-to-Market: This involves an orientation to getting a product to market fastest. This is typical of companies involved with rapidly changing technology or products with rapidly changing fashion. Pursuit of this strategy will typically will lead to trade-offs in optimizing product performance, cost and reliability. Technology development must occur on an independent path from product development and technologies inserted on a "modular" basis, often with frequent product upgrades to make this strategy work.

Low Product Cost: This orientation is focused on developing the lowest cost or highest value product. This is typical of companies with commodity type products, products reaching a mature phase in their life cycle, or where there is consolidation or a shrinking market. This orientation typically will require additional time and development cost to optimize product cost and the manufacturing process.

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Low Development Cost: This orientation focuses on minimizing development cost or developing products within a constrained budget. While this orientation is not as common as the other orientations, it occurs when companies are developing products under contract for other parties, where a company has severely constrained financial resources, or where a "stealth" development effort is being undertaken on a "shoestring". This orientation is somewhat compatible with time-to-market, but involves trade-offs with product performance, innovation, cost and reliability.

Product Performance, Technology & Innovation: This orientation focuses on having the highest level of product performance, the highest level of functionality or functions and features, the latest technology or the highest level of product innovation. This orientation can be pursued by companies in many industries or many products except commodity products. Pursuit of this strategy involves higher risks with newer technologies and accepts a trade-off of time and cost to pursue these objectives.

Quality, Reliability, Robustness: This orientation focuses on assuring high levels of product quality, reliability and robustness. This orientation is typical of industries requiring high quality because of the significant costs to correct a problem (e.g., recalls in the automotive or food processing industries), the need for high levels of reliability (e.g., aerospace products), or where there are significant safety issues (e.g., medical devices, pharmaceuticals, commercial aircraft, nuclear plants, etc.). This orientation requires added time and cost for planning, testing, analysis and regulatory approvals.

Service, Responsiveness & Flexibility: This orientation focuses on providing a high level of service, being very responsive to customer requirements as part of development, and maintaining flexibility to respond to new customers, new markets and new opportunities. This orientation requires additional resources (and their related costs) to provide this service and responsiveness.

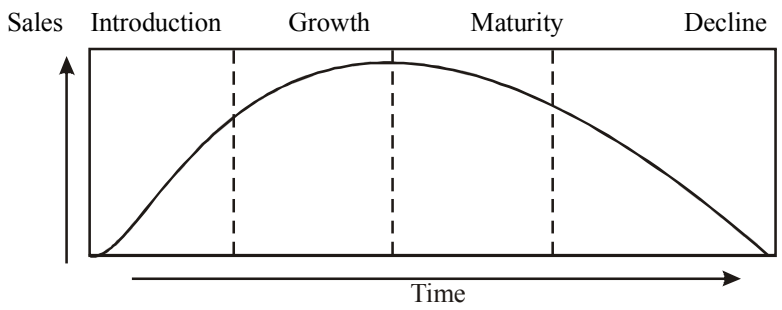
Task How quality, reliability and robustness affect the product development strategy?

5.2 Product Life Cycle

You are aware that a product or brand goes through several phases from birth until its death. Firstly a product is launched; it grows, attains maturity, then starts declining and finally is ironed out. Accordingly the product life cycle is explained by the following stages:

1. Introductory stage
2. Growth stage
3. Maturity stage
4. Decline stage.

Figure 5.1: Product Life Cycle



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5.2.1 Introductory Stage

The introductory stages of a product are believed to be relatively slow, even after its technical problems have been ironed out, due to a number of marketing forces and consumer behaviour factors. The major marketing obstacle to rapid introduction of a product is often distribution. Retail outlets are often reluctant to introduce new products, and may prefer to wait until a track record has been established before including them. In their stock.

Consumer acceptance of new products tends to be relatively slow. The newer the product, the greater the marketing effort required to create the demand for it. The length of the introductory period depends on the product's complexity, its degree of newness, its fit into consumer needs, the presence of competitive innovations of one form or another, and the nature, magnitude and effectiveness of the introductory marketing effort.

At this stage it is usually assumed that there are no competitors, the market structure is defined as 'Virtual Monopoly'. But there are very few really radical innovations with no existing substitutes. Most new products and services face considerable competition from existing products, and also experience severe competitive pressure from other new products.

There are many cases where two firms introduce similar products almost at the same time, which is possible if the two companies are working on similar technological developments. On noticing success of test market conducted by one company others may follow suit with similar products. If two or more firms introduce products at about the same time, the result is likely to be a shorter introductory period. The length of the introductory period is a crucial aspect of PLC. From managerial point of view, shorter this stage the better.

The consumers who buy the product in the introductory stage itself are called innovators, and those who buy later are called late adopters or laggards. This may be misleading, for example, a buyer who hears about a product for the first time two years after its introduction buys it at once. Can this individual be considered a laggard?

5.2.2 Growth Stage

The growth stage begins when demand for the new product starts increasing rapidly. Innovators are satisfied with the trial, they move to repeat purchase. They then influence others by word-of-mouth, which is often considered the most effective mode of communication. The product availability and visibility in distribution and in use (e.g., new cars on the road) tend to bring new tries into the market. At this stage, the entry of competitors increase the total demand for the product through their advertising and promotional efforts.

5.2.3 Maturity Stage

The maturity or saturation stage occurs when distribution has reached its planned or unplanned peak and the percentage of total population that is ever going to buy the product has been reached. Volume (reflecting the number of customers, quantity purchased, and frequency of purchase) is stable. At this stage it becomes difficult to maintain effective distribution, and price competition is quite common.

5.2.4 Decline Stage

Changes in competitive activities, consumer preferences, product technology and other environmental forces tend to lead to the decline of most mature products. If decline is for a product and not brand, producers may withdraw from that product category. The typical reason

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for a product decline is the entry of new products and decreased consumer interest in the specific product. One of the few options left for keeping a brand alive is price reduction and other drastic means that depress the profit margin and leads to product withdrawal.

Product decline occurs even when most customers no longer buy the product, only few loyal customers remain. The latter continue buying the product in spite of no advertising or promotional campaign. The company may decide to follow a 'milking strategy' i.e., retain the product with meager marketing support as long as it generates some sales. But this requires maintaining distribution of the product, which becomes less profitable.

Caution Before reading the product strategies over the life cycle student's please recall product life cycle concept again.

Self Assessment

Choose the appropriate answer:

1. The primary product development strategic orientation:
   - (i) Low Development Cost
   - (ii) Product Performance, Technology & Innovation
   - (iii) Quality, Reliability, Robustness
   - (iv) All of the above
2. Out of the following which one is not a stage of PLC
   - (i) Introduction stage
   - (ii) Maturity stage
   - (iii) Group
   - (iv) All of the above

5.3 Product Strategies over the Life Cycle

Product life cycle can be used is to conceptualize different general approaches to developing core strategies and tactics.

5.3.1 Product Development

Product development is a specialised activity, which may result in the creation of new products or in the modification of the existing production process to produce the same product. Developing new products and processes is risky. So, developing a new product is a major task which considers various factors. Development is necessary to fulfill the old and new wants as well as to adjust with the changes in the customers' demands or with an object of greater production efficiency and more profits. In other words, the aim of product development is:

1. Production of goods to meet market demand.
2. Adjusting with the variation in quantity required.
3. Right Pricing of the products

Notes

Categories of Product Development

Product development can be divided into mainly two categories:

1. Introduction of new products
2. Improvement of existing products

To Introduce New Products: There should be sufficient market research and development work before introducing any product in the market. It is essential because the chances of a new product failing in the market are very high. The company should properly evaluate the potential market for the product. The behavioural pattern of the market, *viz*. shift, change in technology, etc. should be carefully assessed for effective production planning. The new product should have the capability to replace the existing product/s. Proper designing and development of the product can accomplish this.

Improvement of Existing Product: Change is the law of nature. Similarly, every manufacturer continuously endeavours to bring about changes and improvements in his product. For example, around 1920, there were two-wheeler brakes like in sedans rood esters, etc. which were replaced within a short period, by four wheeler brakes with self starter. Gradually, by the 1950s, power brakes, power steering and stream lining were introduced. Over a period of time, a number of developments in the automobile industry took place. Air-conditioned cars with improved tires came into use. Similarly, refrigerators with larger freezing units; typewriters and quickly detachable bars and other electronic equipments developed with the passage of time. Probably, the most important factor contributing towards product development is the work going into the improvement of the existing product by way of improved ideas, systems, techniques, etc.

Stages of Product Development

Product development comprises of following stages:

Find Consumer Desire: Product development depends on the consumers' attitudes and desires with regard to the products. The product designer should keep this fact in mind while developing a new product.

Analysing Feasibility: The technical, operational and economical feasibility of developing the product should be considered while preparing plans for product development.

Design: The design of the product depends on the consumers' needs and it is also based on the report submitted by the research department.

Selection of Process and Production Systems: The type of process and production systems basically depend on the nature of the product.

Process Development: In this stage, the company has to select a suitable process by using different systems like production and control systems.

There are several general categories of new products. Some are new to the market (e.g. DVD players into the home movie market), some are new to the company (e.g. Game consoles for Sony), some are completely novel and create totally new markets (e.g. the airline industry). When viewed against a different criteria, some new product concepts are merely minor modifications of existing products while some are completely innovative to the company. These different characterizations are displayed in the following diagram.

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Process of New Product Development

There are several stages in the new product development process...not always followed in order:

1. Ideas for new products can be obtained from customers (employing user innovation), the company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or through a policy of Open Innovation. Ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.
2. Formal idea generation techniques can be used, such as attribute listing, forced relationships, brainstorming, morphological analysis and problem analysis.
3. Idea Screening with the objective to eliminate unsound concepts prior to devoting resources to them.
4. Concept Development and Testing to develop the marketing and engineering details.
5. Business Analysis to estimate likely selling price based upon competition and customer feedback; sales volume based upon size of market; profitability and breakeven point.
6. Beta Testing and Market Testing to produce a physical prototype or mock-up to test the product (and its packaging) in typical usage situations by conducting focus group customer interviews or introductions at trade show, making adjustments where necessary and produce an initial run of the product and sell it in a test market area to determine customer acceptance.
7. Technical Implementation including new program initiation, resource estimation, requirement publication, engineering operations planning , department scheduling, supplier collaboration, logistics plan, resource plan publication, program review and monitoring, contingency planning, what-if planning.
8. Commercialization including launch of the product, produce and place advertisements and other promotions, fill the distribution pipeline with product, critical path analysis is most useful at this stage.

These steps may be iterated as needed. Some steps may be eliminated. To reduce the time that the product development process takes, many companies are completing several steps at the same time (referred to as concurrent engineering or time to market). Most industry leaders see new product development as a proactive process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a reactive strategy in which nothing is done until problems occur or the competitor introduces an innovation). Many industry leaders see new product development as an ongoing process (referred to as continuous development) in which the entire organization is always looking for opportunities.

5.3.2 Introduction Strategies

Introductory stage in the life cycle has several characteristics.

1. There are often few competitors, perhaps only one.
2. Sales volume increases slowly due to the small number of firms marketing the product and the reluctance on the part of customers to purchase it.

Early on, selling and advertising focus on selling the generic product and the effort is on product form benefits. Distributors also have the power in the relationship because the product is still

Notes

unproven with customers, so securing distribution is a major issue. Price can be high or low depending on the entry strategy of the firms marketing the product.

What are the core strategy options at this stage? There are two well-known options:

1. Skimming
2. Penetration

The skimming strategy assumes a product feature-based differential advantage that allows the product manager to enter and stay in the market during the introductory period with a high price. Target customers are the least price sensitive, that is, the pioneers or early adopters of the product. A penetration strategy is just the opposite. The product manager uses a low-price core strategy and attempts to get as many customers and establish a significant market share position as quickly as possible. This is particularly beneficial if purchase by one customer makes the product more attractive to others.

A skimming strategy is useful when the cost structure of the product is largely variable costs, usually the case when the product is a manufactured good.

A high margin can be sustained because the product manager is not under intense pressure to cover large fixed costs. Distribution outlets should be limited to protect the high price. This strategy is most effective when high entry barriers exist because the high price and high margins make the category very attractive to potential competitors. The margins can then be used to fund investment in research and development, leading to new products which can be skim period when the inevitable competition arrives in the current product category.

A penetration strategy is more appropriate when fixed costs are high (e.g., many services, general purpose computer software). When a broad segment is being pursued it is important to obtain wide distribution and thus spend heavily on trade-oriented promotion. The product manager is also under pressure to make the market as larger as possible, which involves generic or product strategy marketing. This is a more expensive strategy due to the lower margins and higher marketing costs. The product manager should use a penetration strategy when the lead in the market will likely be short-lived.

There are strategic advantages to being first in a market and establishing a strong position early, consistent with a penetration strategy. Much empirical research shows that the first "mover" (or, more precisely the first to achieve substantial market position) in a category has an advantage (called not surprisingly, the first-mover advantage) in that it tends to maintain its lead through the product life cycle. Some of this advantage is obvious. Early movers get first access to distribution channels, establish awareness, and have the first opportunity to establish brand loyalty and create preference. However, followers often overtake leaders, so first movement itself is no guarantee of success.

Example: Illustrate the different core strategies available. Consumer electronics and industrial product companies almost always pursue a skimming strategy. When VCRs, camcorders, flat screen TVs, and similar products were introduced, they were priced high initially and then fell in price overtime. Since usually only one brand was on the market for some months and the early customers for such products (electronics nuts) are generally price insensitive, there was little rationale for pricing low initially. In addition, the product needed word of mouth to help spread information about their utility. Alternatively, penetration pricing is often used for consumer packaged goods because market share is very important for retaining shelf space in supermarkets. This is clearly evident in Internet strategies that give away the product for free, hoping to recoup costs with advertising revenue and future sales.

Notes

Task Discuss why the growth takes place slowly after growth stage.

5.3.3 Growth Strategies

The growth phase of the product life cycle encompasses two different kind of market behavior:

1. ***Early growth:*** The phase just following the introductory phase
2. ***Late growth:*** The phase in which the rapid increase in sales begin to flatten out.

The growth phase has several features beyond the obvious fact that product category sales are growing. First, the number of competitors increases. This puts pressure on product managers to hold distribution channels and changes the focus of sales and communications to the superiority of the product over others in the category. As customers become more knowledgeable about the product and the available options, this puts pressure on price. Finally, with the increased competition, market segmentation begins to be a key issue facing product managers.

The general strategic options relate to the product's position in the market, whether it is a leader or a follower. The leader can choose either to fight, that is keeping the leadership position, or to flee, which cedes market leadership to another product. If the leader chooses to fight, it can attempt to either simply maintain the current position or keep enhancing the product or service. Why would the leader flee? It is possible that the new entrants in the market are just too strong and raise the stakes for competing to a level the incumbent cannot sustain. Witness Minnetonka, which established the liquid soap category. When Lever Brothers and Procter & Gamble jumped in, Minnetonka sold out. Exit is always an option. Other options are to attempt to reposition the product so is can be strong number two or three brand, which can be accomplished through re-segmenting the market, or to retreat to a specific niche.

The follower also has a number of options the choice of which depends on the strength of the leader, its own strength, and market conditions. One option is to exit quickly and invest in some product that has better long-term potential. A follower can also be content to be a strong number two or three by fortifying its position. The riskiest move is to try to leapfrog the competition. Some companies do this successfully often pure marketing muscle and an imitative product.

Example: Johnson & Johnson often allows another company to establish the market and then becomes number one through superior marketing. Specially in over-the-counter yeast infection drugs: Schering-Plough established the market J&J followed with its Monistat 7 brand, which quickly obtained more than half of the market.

Other companies attempt to leapfrog through technological innovation. A good example is Docutel Corporation in the 1970s. Docutel was the first company to develop and market automated teller machines (ATMs) to banks in the United States. The company was very small at the time, with only $25 million in sales in 1974. The market for ATMs grew rapidly during the 1970s as banks discovered they use ATMs to differentiate themselves from other banks in a geographical area. However, new competitors entered the market, including mainframe computer manufacturers IBM, Burroughs, and NCR, as well as two firms in the bank vault and security information business, Diebold and Mosler. In addition customers became more concerned about cost savings from the machines as opposed to marketing advantages. Thus, Docutel, the market leader, had to make a fight-or-flight decision. Fighting would mean making substantial investments in marketing and product development, particularly in developing software compatible with banks computer systems. In addition the company would have to decide which

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market segments to target. Alternatively, the company could be a strong number two or three given the potential size of the market. Unfortunately, Docutel did not make a clear decision to pursue any strategy and was ultimately surpassed in the market by Diebold.

5.3.4 Maturity Strategies

The maturity stage of the life cycle is characteristic of most products particularly consumer products. Product categories exhibiting fierce battles for market share and access to distribution channels, large amounts of money spent on trade and customer promotion, and aggressive pricing are often in this stage of the product life cycle.

In maturity the sales curve has flattened out and relatively few new buyers enter the market. While some untapped market potential usually remains, it is difficult and/or expensive to reach. Buyers are sophisticated and well versed in product features and benefits where differential advantage can be obtained, it is usually through intangible benefits such as image or through the extended product concept.

The general strategies in mature markets are similar to those in growth markets, and depend on the relative market position of the product in question. A focus on key products and brands has been the hallmark of P&G rejuvenation at the beginning of the 21st century. However, leaders sometimes look at the time horizon for "cashing out" the product. If the product manager is committed to a product for an extended time period, the objective is usually to invest just enough money to maintain share. An alternative objective is to "harvest" the product, that is, set an product of gradual share decline with minimal investment to maximize short-run profits. Other firms have alternatives that depend on the leader's strategy. If the leader is harvesting the product, the number one position may be left open for an aggressive number two brand. If the leader is intent on maintaining that position for a long time, the follower may choose to be a profitable number two or to exit the category.

5.3.5 Decline Stage Strategies

In the decline stage of the life cycle, sales of the category are dropping. So is the number of competitors. Markets reach the decline stage for a variety of reasons. Perhaps the most obvious is technological obsolescence. The demise of the buggy whip is such a case. However, shifts in customer tastes also can create declining categories. The decline of brown alcohol consumption can be related to changing tastes for "white" alcohol such as gin and vodka, and subsequently for wine and microbrewed beer.

Perhaps the clearest strategy is to try to be the last in the market. By being last, a product gains monopoly rights to the few customers left. This, of course. Results in the ability to charge commensurately high prices.

Example: Lansdale Semiconductor was the last firm making the 8080 computer chip introduced by Intel in 1974. While most applications of computer chips are well beyond the 8080, the 8080 was still used in military systems that were typically built to last 20 to 25 years, such as the Hellfire and Pershing 2 missiles and the Aegis radar system for battleships. Where did the Department of Defense go when it needed 8080s? There was only one supplier: Lansdale.

Notes

Self Assessment

Fill in the blanks:

3. ..... occurs even when most customers no longer buy the product, only few loyal customers remain.
4. A ..... is useful when the cost structure of the product is largely variable costs, usually the case when the product is a manufactured good.
5. A ..... is more appropriate when fixed costs are high.

5.4 Product Modification

Product Modification is an attempt by companies to extend the length of the Product Life Cycle by making small, or big changed to a product to keep customers interested in the product, or cause them to buy accessory items to keep the product popular.

Extending the Product Life Cycle two things you can do
Market Modification → 1. Increase frequency of use by present customers
2. Add new users
3. Find new users
Product Modification → 4. Change product quality or packaging
Purpose to sell more product and cover original investment

In the first years of the new Millennium, we see a lot of examples of Product Modification.

What are the driving forces causing companies to seek new and weird ways to change the product so they can keep selling more?

1. ***The intensity of competition:*** The Competitive Environment, – in a globalized community of businesses all interlinked, it becomes easier and easier to copy other people's products, especially consumer electronics, so once you have launched a new product – there is a very short time before someone else will make a knock-off copy, or even make a slight improvement to capture your customers.
2. ***The continued advances in technology:*** The Technological Environment. Technology makes it easier and easier to copy other products. Also, advanced in technology make it more possible to have to features to add on to a product that is several months old.
3. ***The Economic Environment:*** The need for companies to make more money selling a product (maybe because the cycle was too short).
4. ***The Social/Cultural Environment:*** After the product has been used by the early adopters, it might the possible that other customer groups have slightly different uses, and this can be accommodated if the product packaging or features are altered slightly to make it more appealing to other demographics.

An important product strategy for firms in mature markets is value-adding modifications to existing products. Marketing information that reveals consumers' preferences, buying habits, and lifestyle is critical for the identification of such product modifications. We consider two types of value-adding modifications that are often facilitated by marketing information: retention-type modifications that increase the attractiveness of a product to a firm's loyal customers, and conquesting-type modifications that allow a firm to increase the appeal of its product to a competitor's loyal customers. We examine two aspects of the markets for product modification

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information: (1) the manner in which retention and conquesting modifications affect competition between downstream firms, and (2) the optimal selling and pricing policies for a vendor who markets product modification information. We consider several aspects of the vendor's contracting problem, including how a vendor should package and target the information to the downstream firms and whether the vendor should limit the type of information that is sold.

The effect of modifications on downstream competition depends on whether they are of the retention or the conquesting type. A retention-type modification increases the "effective," differentiation between the firms and softens price competition. Conquesting modifications, however, have benefits as well as associated costs. A conquesting modification of low impact reduces the "effective" differentiation between competing products and leads to increased price competition. However, when conquesting modifications are of sufficiently high impact, they also have the benefit of helping a firm to capture the customers of the competitor.

Self Assessment

Fill in the blanks:

6. A ..... is the use of an established product's brand name for a new item in the same product category.
7. ..... is a marketing strategy in which a firm marketing a product with a well-developed image uses the same brand name in a different product category.
8. ..... occurs when distribution has reached its planned or unplanned peak.

5.5 Product Line Extension

A product line extension is the use of an established product's brand name for a new item in the same product category.

The following seven important factors make companies pursue line extensions as a significant element of their marketing strategies:

1. Customer segmentation
2. Consumer desires
3. Pricing breadth
4. Excess capacity
5. Short-term gain
6. Competitive intensity
7. Trade pressure

5.5.1 Customer Segmentation

Line extension is perceived by managers as a low-cost, low-risk way to meet the needs of various customer segments, 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 depth of audience-profile information for television, radio, and print media has improved; managers can now translate complex segmentation schemes into efficient advertising plans.

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5.5.2 Consumer Desires

There is widespread volatility in the consumer behaviour and brand loyalty has taken more or less a back seat in many different categories of consumer goods and services. More consumers than ever are switching, brands and trying products they've never used before. Line extensions try to satisfy the desire for "something different" by providing a wide variety of goods under a single brand umbrella. Such extensions, companies hope, would fulfill customers' desires while keeping them loyal to the brand franchise.

Moreover, according to studies conducted by the Point-of-Purchase Advertising Institute, USA, consumers now make around two-thirds of their purchase decisions about grocery and health and beauty products on impulse while they are in the store. Line extensions, if stocked by the retailer, can help a brand increase its share of shelf spaces thus attracting consumer attention. When marketers coordinate the packaging and labeling across all items in a brand line, they can achieve an attention-getting billboard effect on the store shelf or display stand and thus leverage the brand's equity.

5.5.3 Pricing Breadth

Managers have found a novel way of increasing profitability through line extension. Managers often tout the superior quality of extensions and set higher prices for these offerings than for core items. In markets subject to slow volume growth, marketers can then increase unit profitability by trading current customers up to these "premium" products. In this way, even cannibalized sales are profitable – at least in the short run.

In a similar spirit, some line extensions are priced lower than the lead product.

Example: American Express offers the Optima card for a lower annual fee than its standard card, and Marriotte introduced the hotel chain Courtyard by Marriotte to provide a lower-priced alternative to its standard hotels. Extensions give marketers the opportunity to offer a broader range of price points in-order to capture a wide audience.

5.5.4 Excess Capacity

Line extension helps in utilizing the excess capacity of the production facilities of the firm. In the 1980s, many manufacturing operations added faster production lines to improve efficiency and quality. The same organizations, however, did not necessarily retire existing production lines. The resulting excess capacity encourages the introduction of line extensions that require only minor adaptations of current products.

5.5.5 Short-term Gain

Besides sales promotions, line extensions represent the most effective and least imaginative way to increase sales quickly and inexpensively. The development time and costs of line extensions are far more predictable than they are for new brands, and less cross-functional integration is required.

In fact, few brand managers are willing to invest the time or assume the career risk to introduce new brands to market. They are well aware of the following: major brands have staying power (almost all of the 20 brands that lead in consumer awareness were on that list 20 years ago); the cost of a successful new launch is now estimated at $30 million, versus $5 million for a line extension; new branded products have a poor success rate (only one in five commercialized new

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products lasts longer than one year on the market); and consumer goods technologies have matured and are widely accessible. Line extensions offer quick rewards with minimal risk.

Senior executives often set objectives for the percentages of future sales to come from products recently introduced. At the same time, under pressure from stock exchanges for quarterly earnings increases, they do not invest enough in the long-term research and development needed to create genuinely new products. Such actions necessarily encourage line extensions.

5.5.6 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, its overall demand for the category for new branded or private-label competitors and to drain the limited resources of third and fourth place brands. Close-up and Colgate toothpastes, for example, both available in more than 15 types and package sizes, have increased their market shares in the last decade at the expense of smaller brands that have not been able to keep pace with their new offerings.

5.5.7 Trade Pressure

The proliferation of different retail channels for consumer products, from club stores to hypermarkets, pressures manufacturers to offer broad and varied product lines. While retailers object to the proliferation of marginally differentiated and "me-too" line extensions, trade accounts themselves contribute to stock-keeping unit (SKU) proliferation by demanding either special package sizes to fit their particular marketing strategies (for example, bulk packages or multipacks for low-price club stores) or customized, derivative models that impede comparison shopping by consumers.

Example: Black & Decker offers 19 types of irons, in part to enable competing retailers to stock different items from the line.

Case Study

Volvo Case

Volvo adopted a new design approach in the 1990's. This update of the brand's product design, called "Revolvolution", provided a remarkable boost to brand perception. The influence of Revolvolution has been truly visible in the design of the recent Volvo models that incorporate consistent, easily recognisable, design features. But more than just focusing on a few details of the car, Revolvolution has concerned a considerable shift in thinking towards a more distinctive Volvo identity.

The new Volvo design approach has a strong strategic basis. On the one hand, the new design language marked a revolutionary shift in the Volvo design history from the era of "boxy" design emphasising functionality – that had became a trademark of the brand – to an approach stressing dynamical and emotional characteristics. On the other hand, and most importantly, the new approach is still grounded on the prevailing Volvo core identity attributes, safety and Scandinavian values, that have a long history and form a major part of the perception of Volvo brand. The new approach is yet another evolutionary phase in the Volvo design history.

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The design elements not only include physical references to certain historical Volvo models. The new design approach seems to preserve the brand heritage well and thus strongly maintain brand recognition. The corner stone of the brand, safety, has still been kept as the main point of focus. The key concept of Volvo design, "emotion with safety", is communicated through various design features and characteristics. Consistently used and strategy-driven design has strengthened the position of Volvo as one of the most distinctive brands in the automotive industry.

Questions

1. What are the factors behind Volvo adopt a new design approach in 1990's?
2. Emotional touch of consumer with the product will affect design and redesign of a product.

Self Assessment

Choose the appropriate answer:

9. The sales curve has flattened out and relatively few new buyers enter the market

   (i) Introduction (ii) Maturity

   (iii) Decline (iv) All of the above

10. Out of the following which one is not the type of brand extension

   (i) Product related extensions (ii) Recall extensions

   (iii) Unrelated Extensions (iv) All of the above

5.6 Summary

- A product is an embodiment of technology, and the technology in fact satisfies the need.
- The introductory stages of a product are believed to be relatively slow, even after its technical problems have been ironed out, due to a number of marketing forces and consumer behaviour factors.
- The consumers who buy the product in the introductory stage itself are called innovators, and those who buy later are called late adopters or laggards.
- The growth stage begins when demand for the new product starts increasing rapidly.
- Product decline occurs even when most customers no longer buy the product, only few loyal customers remain.
- A skimming strategy is useful when the cost structure of the product is largely variable costs, usually the case when the product is a manufactured good.
- Product Modification is an attempt by companies to extend the length of the Product Life Cycle by making small, or big changed to a product to keep customers interested in the product, or cause them to buy accessory items to keep the product popular.
- Line extension helps in utilizing the excess capacity of the production facilities of the firm.

Notes

5.7 Keywords

Adoption Process: The adoption process refers to the series of stages a prospective buyer goes through in deciding to buy and make regular use of a new product.

Diffusion: Diffusion of a new product is the process by which the innovation is spread through the marketplace over time.

Market Challenger: Market challenger is an organization that aggressively tries to expand its market share by attacking the leader, other runner-up firms, or smaller firms in the industry.

Market Follower: A market follower is a runner-up organization that chooses not to rock the boat, usually out of fear that it stands to lose more than it might gain.

Market Leader: A firm with the largest market share is known as the market leader.

Market Nicher: A market nicher is a smaller organization that chooses to operate in some part of the market that is specialized and not likely to attract the larger firms.

Price Penetration: To set a low price in order to avoid encouraging competitors to enter the market, and also to help increase demand of the product.

Price Skimming: To set a high price in order to recover developmental costs as soon as possible.

5.8 Review Questions

1. What are the strategic implications in maturity stage with highly sophisticated buyers?
2. How can firms keep gross margins high in the maturity stage?
3. When your product reach at decline stage as a product manager what's your responsibilities?
4. What is product life cycle? What are its characteristics?
5. When organizations get more profit? Early growth stage or any other stage explain.
6. What is the difference between skimming and penetration strategy?
7. Discuss some important factors of product development strategies.
8. What are the social and cultural effects on the product modification?
9. Brand extension really helpful for capturing the market. Explain.

Answers: Self Assessment

1.	(iv)	2.	(iii)
3.	Product decline	4.	Skimming strategy
5.	Penetration strategy	6.	Product Line Extension
7.	Brand Extension	8.	Maturity
9.	(ii)	10.	(ii)

Notes

5.9 Further Readings

Books

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Online links

www.en.wikipedia.org

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Unit 6: Extension

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Objectives

After studying this unit, you will be able to:

- Explain the concept of Line Extensions
- Describe Brand Extensions
- Identify the types of Extensions
- Discuss the Brand Extendability

Introduction

Hindustan Lever, the Indian marketing powerhouse, markets large number of brands. One of its oldest brands, Lifebuoy, the original carbolic soap which promised to wash away dirt, germs and bacteria 'for health' has evolved from being a ubiquitous 150 gm pink bar into a complete portfolio.

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Example: The Lifebuoy brand now represents different products and variants:

Lifebuoy	150 gm
Lifebuoy Liquid (Dispenser) 250 ml.	125 gm
Lifebuoy Liquid (Refill) 250 ml.	75 gm
Lifebuoy Family	75gm
Lifebuoy Gold	75 gm
	125 gm
Lifebuoy Plus	150 gm
	100 gm
	50 gm
Lifebuoy Total	Lifebuoy Active Red
	Lifebuoy Active Orange
	Lifebuoy Active Green
	Lifebuoy Plus

The Lifebuoy example illustrates the typical growth path a brand follows in the present day market conditions.

Brand explosion was once upon a time a powerful trend in the global marketing scene. The era now seems to be that of brand consolidation and brand leverage. Marketers are now finding it extremely difficult to create new brands. The brand building costs tend to be simply too high to afford. At the same time, developments on the demand side seem to create pressures on marketers to fine tune their offerings as per the unique customer needs. Accordingly, brand variants seem to be multiplying. The two trends which the Lifebuoy brand captures are: line extensions and brand extensions.

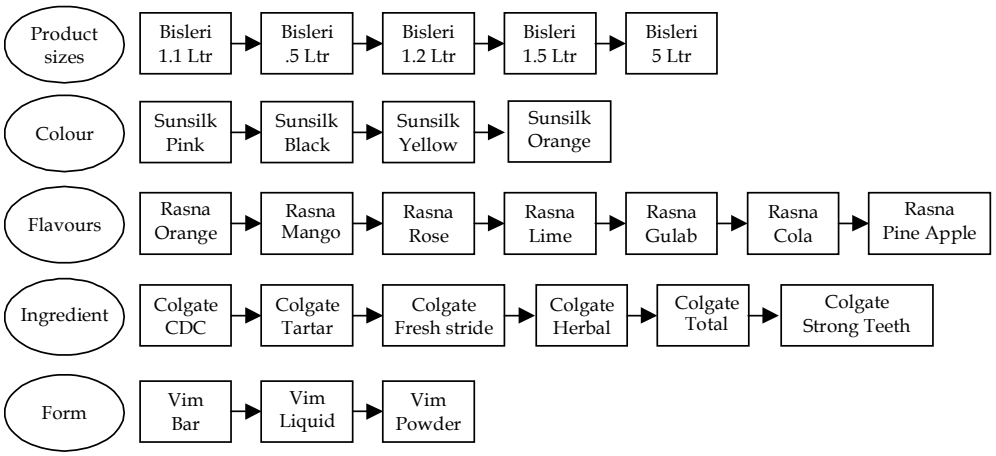
6.1 Line Extensions

Let us look at what has happened to the Bisleri brand of bottled water. Bisleri is the pioneering brand in the bottled water category. Originally, Bisleri used to come in a one litre bottle. It's one litre pack ruled the roost. Recently, Bisleri has exhibited a spate of innovations. The term 'innovation' generally conjures up an image of a product being made superior or more efficient. But Bisleri innovations were more of the marketing type. The brand launched bottles of different sizes or quantities. The Bisleri portfolio now includes one litre, half litre, 1.2 litre, 1.5 litre, and 5 litre bottles. The product line is now far more representative of customers' varying quantity needs of water. It suggests the presence of usage segmentation. That is, customers differ in terms of their usage quantities. The brand has now filled the whole spectrum with products as per the needs of various segments.

The Bisleri example suggests that the company has been vigorously pursuing the line extension strategy, which involves making entries into a brand's existing product category by using the same brand. These entries can come in the form of varying product sizes, flavours, colours, ingredients, forms, etc. The two things that remain constant in line extensions are: the brand name and the product category. The following examples (Figure 6.1) exhibit different types of line extension strategies followed by the marketers:

Notes

Figure 6.1



Case Study

Hero Honda: Leadership through Extensions

The Hero Group joined hands with Honda Motor Co. on 13 April 1984. The company started its first bike Hero Honda CD 100 with a strong value proposition 'Fill it, Shut it, Forget it'. This product established the Hero Honda brand firmly in the Indian market, while the other competitors who also forged ties with Japanese motorcycle giants struggled to find a toe-hold. Over the years, the Hero Honda brand name has evolved. The brand has been extended to cover all possible segments in order to realize the market potential:

Hero Honda Pleasure

Hero Honda Karizma

Hero Honda Super Splendour

Hero Honda Splendour +

Hero Honda Glamour

Hero Honda Passion Plus

Hero Honda CD Delux

Hero Honda CD Dawn

Hero Honda Achiever

Bajaj has been predominantly a two-wheeler scooter company. Its scooter brand ruled Indian roads for many decades. As the scooters market exhibited a downturn, Bajaj anticipated the future and gradually shifted to motorcycles. In a smooth switchover to motorcycles, Bajaj has emerged as another key player in this market. Bajaj achieved segment-by-segment victories by extending the product line gradually. Its motorcycle line once comprised the following models:

Bajaj CT 100

Bajaj Platina

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Bajaj Wind 125

Bajaj Discover

Bajaj Pulsar (150 cc and 180 cc)

Bajaj Avenger

Pursuant to the outstanding success of its *Pulsar* and *Discover* models, the other models have been discontinued.

6.1.1 Why Line Extensions

Line extension strategy has enjoyed considerable support of the managers. In most of the product categories including fast moving consumer goods, consumer durables and services, line extension has been the name of the game. It is an expansionist move. The firms seem to seek growth more vigorously. What lies behind the aggressive pursuit of line extensions? The following seven prominent reasons could be identified as to why firms seem to favour line extensions.

Customer Segmentation: The key difference between the marketing of yesteryear and today is that customer aggregation is becoming more and more difficult to hold and operate upon. Marketers are forced to climb down from mass marketing orientation to individual customer orientation.

That is, aggregate markets are now getting manifest into finer segments. It is relatively easier now to find segments on a more sophisticated basis. The marketing research allows so, and advances in marketing techniques allow easy operationalization of the same. In such a scenario, marketers find it easy to meet the needs of various emerging customer segments by line extensions. Line extension is a low cost and low risk strategy to more effectively meet the needs of customer segments. For instance, Colgate is able to focus on the herbal and children segments by launching Colgate Herbal and Colgate Strong Teeth (calcium) variants.

Notes **HP's Printer Line-Designed to Meet Requirements of Every Business**

Product line = customer segments and product variants

Photo-smart	Officejet	Business Inkjet	Laserjet	Laserjet MFP	Color Laserjet
PSC 1410 (₹ 4999)	ALL IN ONE 4255	1000 PRINTER (₹ 5999)	1020 PRINTER (₹ 8499)	3050 MFP (₹ 15999)	3800 PRINTER SERIES (₹ 49999)
1608 ALL IN ONE (₹ 69990)	5610 ALL IN ONE (₹ 99990)	OFFICEJE T PRO K550 (₹ 7999)	1320 PRINTER (₹ 19999)	3052/3055MFP (₹ 20999)	3000 PRINER SERIES (₹ 59999)
PHOTOSAM RT 3108 ALL IN ONE (₹ 14999)	7208 ALL IN ONE (₹ 15999)	DESIGNJET 110PLUS (₹ 59990)	2420 PRINTER SERIES (₹ 39250)	3390/3392 MFP (₹ 36999)	4700 PRINER SERIES (₹ 99999)
	9110 ALL IN ONE (₹ 24999)	500 PRINER (A1/ AO SIZE) (₹ 115999)	SCANJET 4370 PHOTOS SCANNER (₹ 6990)	SCANJET 5590 DIGITAL FLATBET SANNER (₹ 26990)	SCANJET 8290 DIGITAL ₹ 54990

Source: A HewlettPackard advertisement, Hindustan Times, April 17, 2006.

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Notes

One of the Hewlett-Packard's advertisements of HP exhorts the business managers to 'choose from the world's No. 1 range of printers and multi-functional products, specially designed to meet the requirement of every business—big, small or micro. So go ahead, give your office the best combination of black, inkjet and laserjet, personal and network printer. And watch your productivity take off'.

Customer Need for Variety: The emergent market conditions are at work to promote consumer promiscuity. Product standardization, and consistency in quality, is encouraging customers to try new products or brands. It is the result of a desire to get stimulations and break away from boredom. So if a customer has been using the Lux brand of toilet soap, he would now be tempted to look for 'something new' in a bid to get stimulated. Accordingly, he or she would look for 'something new' that he has not been exposed to. In such a situation, a company is likely to benefit which provides this customer with this option ('new'), or else the customer would be lost to competition. Line extensions come in handy to meet such challenges.

A firm by providing a number of variants under the same umbrella is better positioned to keep their loyal customers by meeting their desires to try something new.

Example: A customer having got satiated with 'Cinthol Lime' may look out for 'cologne' fragrance. So 'Cinthol Cologne' would fill the need without losing this customer to competition.

Caselet

Biscuits, and the Need for Variety

Historically, Britannia has been the market leader in the biscuit market in India. It faced a fierce challenger in Parle. In the last couple of years, the market has witnessed a lot action. On the one hand, various regional players are consolidating their positions. These include Bisk Farm, Priya Gold, Anmol and Duke. While on the other hand, big organized players have either made entry or are seriously contemplating it. Some of the players in this group are HLL and ITC. Most players offer different types of variants to keep a hold on the market. In some ways, experience shows that the biscuit market can be segmented along rural-urban, kids-adult, ordinary-special occasion, economy-premium, and household – business lines.

Most big players offer complete range or variety in order to keep hold or maintain their presence across various segments of the buyers. The type of preference often varies with use occasion, such as: tea accompaniment, food substitute, fills in- between meals snacks to curb hunger, health supplement, entertaining kids or guests, and making a style statement. This gives the marketers to launch biscuits to provide for variety of application. Similarly one customer may seek variety within a biscuit type to break monotony. The biscuits are therefore are marketed in the following variants, and each type tends to have various varieties.

Glucose (milk, fortified)

Marie (ordinary, lite, favored, fortified)

Cookies (pineapple, coconut)

Creams (milk, orange, pineapple, chocolate)

Crackers (salty, sweet & salty, small & big, flavored)

Contd...

Notes

The emergent regional warrior of the North, Priya Gold, markets the following variants of biscuits: Butter Bite, Crack N'n Cheers, Nice Day, Marie Lite, Kids.

Cream biscuits, Coconut Crunch, Glucose Extra, Magic Gold, Snacks Zig Zag, Cheese Bit, Jeera Top, Cashew, Cheese Cracker, and Butter Bite.

The challenger Parle's list of biscuits line include the following brands catering to the need for variety: Parle G, Parle G Magix, Parle G Milk Shakti, Krackjack, Monaco, Hide & Seek, Fun Centre, Monaco Bites, Jeffs, Sixers, Nimkins, Parle Cream, and Digestive Marie.

Pricing Breadth: Some time ago, Videocon launched 'Bazoomba' and BPL launched its 'QPF' series. What does this indicate? This exhibits marketers' desire to 'move up' the customers to a higher price point. Such a move allows the firm to generate more sales and profit per customer. The conditions propelling these extensions are the slowing down of volume growth in the colour television market. Hence, extensions provide excellent opportunities for profit increase and revenue multiplication by launching products at higher price points. In the same fashion, the marketer may launch a product at a lower price point than its core offering. For instance, Videocon once had its 'turbo' range. The idea behind this kind of extension would be to make its product available to customers in the lower price brand.

This kind of representation across various price brands is common in the credit card market. The cards line would usually consist of Platinum, Gold, Silver and Classic. Line extension therefore, provides greater pricing flexibility and opportunity to enjoy representation across a wider spectrum of consumers.

Capacity Utilization: Sometimes, firms are driven by the economic logic of building plant capacities which are efficient or world class. The investment in plant increases the fixed cost of operations. Accordingly, pressures emerge to maximize plant utilization in order to quickly recover the fixed costs and achieve efficient cost of operations. Sometimes marketers may seek refuge in extensions as a means of utilizing excess capacity. By effecting minor changes in the product and plant, the company can substantially improve its capacity and make up for the high fixed cost element in its operations.

Quick Gains: Line extensions provide an opportunity to achieve quick gains in sales performance. Launching a new brand may cost a firm five to six times the amount needed to launch an extension. Moreover, creation involves a lot of uncertainty and risk. It is a long drawn out process. Hence, managers see line extensions as a vehicle to generate more sales quickly and relatively inexpensively. The path of line extension is far more predictable. Unlike brand creation, line extensions depend less on cross functional integration.

Managers favour line extensions because dismantling or competing against existing brands is difficult for the staying power they enjoy. The cost of new brand launches tends to be phenomenally high; new brands have dismal success rates, and the technologies have matured and are accessible to everybody. These perceptions favour line extension strategy to achieve quick rewards without assuming the relatively greater risk of launching an entirely new product.

Competitive Reasons: A marketer with a more extensive product line up is usually in a better position to get access to the shelf space. This is the case with Hindustan Lever. You walk into any store and discover how much retail space is occupied by a brand which offers a number of variants in different forms, shapes, sizes and flavours. This obviously comes at to the expense of the competition: rival firms find it difficult to make their presence felt, putting their brand's future in jeopardy. Line extensions fill the whole spectrum. Under such conditions, new entrants and smaller firms usually find it difficult to make a successful foray into the market. The price of the minimum entry ticket goes up. The firm must offer some minimum line merely in order to get noticed. This is sometimes beyond the reach of many existing or new players.

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Trade Demands: Marketing environment has seen the emergence of new forms of trade partners and retail channels. The trade partners often exert pressures on marketers to extend the line by developing products which meet their unique marketing strategy needs. They may place demands for bulk packages, multi-packages, customized and derivative models. For example, once channel or store specialization occurs, a simple trouser manufacturer may be asked to develop different items in the line to meet special needs of premium stores, mass stores, speciality stores, custom stores line-ups, designer stores and frill-free (bargain basement) stores. The demand to extend the line may stem from the trade partners.

Counter Competition: Sometimes, a firm may be forced to extend the line because of competitive conditions. That is, extending the line may become imperative to counter competition. For instance, when a company launches free flow or sodium free salt like *Captain Cook*, the other company would need to counter this by adding these variations to its line or else it stands to lose.

Caselet

Countering Competition: The Nirma Way

Karson Bhai Patel introduced Nirma washing powder in 1969 as a sole product. This product created its own niche of economy value for money washing powders. The company extended its detergent and soaps line to both as a launching offensive and a defensive moves:

- In 1987, Nirma detergent cake was introduced in the territory that by and large belonged to Rin.
- 1990 saw another offensive move of Nirma when it debuted in the 'Beauty' benefit category of bathing soaps dominated by HLL's Lux.
- 1990 was also witness to a direct assault on Rin when Nirma launched Nirma Super detergent cake with premium positioning.
- Nirma Super variant was launched in 1992 to expand the category and thereby preempt competition.
- In 1995 came Nirma Popular, with the same intention to cater to a different niche of the washing powder market.
- Nirma Super washing powder was launched in 1995, that took the company portfolio to a still a higher level. The product was launched in the premium segment with intention the clear offensive intention of meeting Surf and Ariel's challenge head on.
- In 1998, the company took on arch rival HLL in the lime soaps category dominated by Liril and Jai Lime. Nirma brand with lime variant was launched to wrestle market share from the competition.
- 1999 was witness to another offensive. Nima Rose arrived in the market to counter HLL's Breeze. In the sandal fragrance category dominated by Wipro's Santoor, Nima descended with its own sandal variant.

A spirit to counter competition by and large guides the existing proliferation of line extensions in FMCG sector. In fact the moves tend to be so neck-to-neck that overnight variants are copied with an intention to neutralize competition. Colgate added Colgate Gel in order to meet the competitive challenge posed by the rising popularity of Close Up, and further it introduced Colgate Herbal to counter HLL's Aim.

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Image Benefits: Line extensions can recharge the image of the brand. If there is danger associated with unbridled extensions, there are gains which could be reaped by careful extensions. There is very real opportunity to build a positive image and renew it. A well-managed extension can bring enormous benefits. For example, Mercedes launched its 190 model in the 'eighties. This model allowed the company to reach the sub-luxury segment. Far from degrading the Mercedes image, the extension imbued its entire line with excitement and youthfulness. Similar benefits were achieved for Gallo name, when it introduced premium varieties under the same name. Gallo's original association with lower price did reduce the variety's line appeal, but the new line also rubbed off on Gallo positively.

6.1.2 Line Extension Risks

The lure of line extension has been so strong that managers push their lines beyond limits.

Example: Toothpastes like Crest (P&G) and Colgate (Colgate Palmolive) are available in over 35 variants. Kimberly-Clark's popular brand of tissue (Kleenex) has experienced a barrage of extensions. It created over twenty varieties of Kleenex tissues. Does this imply that line extension is a strategy free from any pitfalls? The answer is 'No'. Line extensions carry their own risks. There are several dangers associated with line extensions.

Line Confusion: Managers sometimes tend to be so enamored of line extensions that they add products to their line without sound logic and reasoning. This creates situations of expanded line but without any clear-cut role and goal being assigned to the products. This results in over segmentation of the market and blurred product vision. In these situations, retailers tend to be reluctant to carry the complete line. When some items are not carried, consumers get disappointed that their product is not available. On the whole, line confusion leads to confused customers and confused retailers, which may hurt the brand's owner company in the long run.

Encourage Variety Seeking: Brand loyalty is every marketer's dream. The essence of brand loyalty is the committed customer who buys the brand repeatedly. Line extensions imply various variations being attached to a brand. This may push the customer again to the cognitive thinking mode and seek variety. Line extensions seem to serve promiscuous customers but they also encourage promiscuity. Extensions encourage brand switching behaviours. Once that happens, the chances that customers would go to rival brands are heightened. This is particularly true when extensions diffuse the brand image by adding too many variants to the core brand. The loyalty is thus weakened.

Success Myopia: Many times, an idea may be grand enough to be converted into a full-fledged independent brand. But the lure of extension seems to be so strong that the ideas are brought into the market as line extensions. This approach may tally perfectly with the short-term scheme of things where managers are appraised on the basis of immediate performance, but it eventually implies loss of a winning asset in the long-term.

Strained Relations: When lines expand, marketers tend to pressurize their trade partners such as wholesalers and retailers to carry the complete line in accordance with their wishes. The pressure appears to be applied more intensely at the retail level. The marketers seek adequate shelf space, promotion and information. But at the retailers end, multiplying SKUs is not something that is desirable. They bring confusion and chaos. The result: -strained relations between the marketer and retailers.

Notes

Caselet

Extensions Often Fail to Excite

Many times, new SKUs are added to a product line without much strategic thinking and contemplation. Every item added to the line must have solid customer and competitive justification. Over-proliferated lines often act contrary to the very strategy of line extension. Before an SKU is added, the manager must pen down the customer and competitive opportunities and challenges providing stimulus to the extension decision. What ends or goals the extension seeks to achieve must be articulated, circulated and debated with marketing experts.

Managers often fall victim to the 'trend' towards brand extensions. Variants are added not because market gap demands it, but because managers tend to be overactive. This hyper approach to managing a product can act as a serious drain on company resources besides creating other risks.

Many FMCG companies' adventures in launching variants have left them anything but excited. The line extensions of their popular brands did not work as expected. These fatalities include the Lux Chocolate Seduction, Palmolive Aroma Therapy, Pepsi Café Chino, Vanilla Coke and Strawberry and Coconut Perk (now withdrawn).

The often-cited reasons for extensions of this type are: to keep the excitement and interest alive in the main brand, and secure shelf space on the retailing front. But experts opine that the failure to craft true identities for these variants is the prime reason for such lackluster market response. The fear of main brand cannibalization also causes the worry.

Source: Suchi Vyas, 'FMCGs' brand variants lack teeth', *The Economic Times*, May 12, 2006, p. 5

Line extensions do not seem to have positive effect on category demand creation. That is, the category demand remains more or less the same. For instance, customers do not brush their teeth more, nor do they buy or wear more clothes. The primary demand is not expanded. It simply creates a churn within the category. Further, the gains from the line extensions tend to be short lived. The *status quo* is quickly achieved. Finally, there are a lot of invisible costs associated with line extensions which are ignored by the managers. These include: effort fragmentation, image dilution, production complexity, distraction in research and development efforts.

One of the most powerful criticisms of line extensions comes from Al Ries and Jack Trout. Their argument is that line extensions make perfect sense from an insider's point of view. But line extensions do not gel with consumers' logic. They damage the brand by making it weak and vulnerable. This is what they refer to as the "line extension trap".

6.1.3 Line Extension Trap

Why do firms jump on to line extension bandwagon? The reasons are primarily economic. When customers prefer a brand, they would be just as willing to buy a different product carrying the same name. For instance, if customers prefer Lucas car electricals, they would be equally willing to patronize Lucas inverters, if the company started to manufacture them. Similarly, Exide is the market leader in batteries; the line extension logic would justify the launch of say, Exide inverters, or Exide automotive electricals. But the evidence in the marketplace proves the contrary. What appears to be logical to the managers performing these adventures tends to be illogical in the perception of customers. This is the reason why line extensions do not create mega successes.

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Line extensions do not work because they tend to go against the fundamental aspect of positioning. The core brand holds a strong position inside the prospect's mind.

Example: Exide is an automotive battery and Duracell is an alkaline battery.

Sometimes the position of the brand name is so strong that it becomes generic for the product. "From the prospect's point of view, line extension works against the generic brand position. It blurs the sharp focus of the brand in the mind." Line extensions tend to educate customers that product and brand are two different things. It is a fallacy that a brand is just a name that can be put on any product. This is a great mistake. It undermines and destroys the brand in a prospect's mind.

Marketers do great disservice to their most valuable and painstakingly cultivated assets by reckless extensions. One such move is to hang many of the similar products (within category) on the same name (Scott Towels, Scot Tissues, Scotties, Scotkins, BabyScott, etc). Scott perhaps began with a strong position but extensions diluted it. What does it exactly stand for now? The second is to use an existing brand name to promote a product in a different category, as Wills has done for instance, by moving into the readymade casual wear line. This is called *brand* extension. Brand extension strategy has attracted a lot of interest from marketers over the past decade. Marketers now seriously check out the path to grow by extending their brands.

Caselet

Line Extensions: Successes and Blunders

In 1992 HLL introduced 16 new products. Twelve of these were line extensions. Godrej soaps introduced twelve products; all of these were line extensions except two new brands- Ganga and Evita. The cost of launching a new product is forcing companies to rely on the extension route to enter into new market segments and fortify existing brands. The extension route can save as much as one third of the cost incurred in market entry. Godrej soaps saved about 33 per cent of the ₹ 3 crores proposed budget by extending the brand into Cologne lime variants as extensions.

Line extensions can arrest the declining market of a brand. Horlicks' brand was extended to Chocolate Horlicks. By this extension, SmithKline was able to move its market share up from 43 per cent to 46 percent in the highly competitive beverages market. The line extension solved a peculiar problem of the company. Horlicks, being a white beverage, was under considerable stress as the market for white beverages has been experiencing negative growth rate of about 7 per cent. It was not that the brown beverage market was growing rapidly. It also had a slow grow rate. But by this extension, the company was able to offset the decline of the parent brand.

Sometimes, line extensions become an imperative to counter the competition. J&J has always dominated the sanitary napkins market. It once sat on about 70 per cent market share. It offered two variants of its brand Carefree-belted and beltless category. J&J's strategy has been to cover various niches of the market by different extensions. It offered Stayfree in Regular, Compact, Double, Deodorant and Super varieties. Looking at the niche uncovered by J&J, P&G launched Whisper with 'dry feel' benefit. J&J has ignored the technology aspect in its products. The result: erosion in its market share. Whisper became a runaway success. To counter Whisper, J&J launched Stayfree Silky Dry head on against Whisper. It was successfully able to counter Whisper's movement. On the whole, J&J was able to protect its market share.

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Line extension can be employed to rejuvenate a mother brand which may be stagnating. Cinthol has always been a deodorant soap. But after the launch of Liril in the early 'eighties, it began to lose its market share. Liril - with its freshness image - was able to corner over 26 per cent of the premium soaps market. And it showed no signs of stopping. Godrej planned to enter in the premium market but not by launching a new brand because success was uncertain and costs would be very high. Cinthol was chosen for line extension. Its wrapper changed to green, product colour to a yellow green soap tablet, a new perfume was added and the image was transformed. Cinthol lime was born.

Cinthol was able to carve out substantial market share at the cost of Liril. Further, the brand was extended in cologne and sandal fragrances. Though sandal did not do well, cologne gave further fillip to the umbrella brand. The Lime version jerked Cinthol out of its stupor and made it a close competitor of Liril.

Line extensions do not always pay off. Sometimes, wrong extension decisions leave marketers nursing their wounds. Lack of consistency between the parent and the extension often causes failures. Cibaca (formerly Binaca, before Ciba-Geigy acquired the brand) was once an important player in the toothpaste and toothbrush market. It had strong associations with small animals and other cute little things which came in the pack as medallions. Ciba-Geigy decided to enter into the gel segment. Colgate Gel came in blue, Close Up in red. In order to differentiate, Cibaca chose green. Since green found associations with lime, the product was positioned as a squeaky new mouth wash. The result: not finding any consistency with the parent brand, the product bombed in the marketplace. The synergy between the parent brand and extension is not only important, it's crucial.

Unplanned extensions often end up leaving consumers confused. Colgate Palmolive ventured into the toilet soap business with Palmolive Extra Care and regular varieties. Palmolive Extra Care came in three colour variants depending upon skin type: white, pink and green for normal, dry and oily skins. Palmolive Extra Care carved out a niche for itself. As usually happens, competitor HLL reacted by launching Lux International extension in three colour variants, again based on skin types. Palmolive, in panic downgraded its Palmolive Regular in the popular segment to appeal to the masses. But surprisingly, it followed the same skin types to create three variants. The result: Palmolive Regular with three skin type variants left the customer confused. It was difficult to distinguish the two lines. Accordingly the brand suffered a setback.

Source: Nandini Lakshman, "Stretching the Leader Brands", *The Strategist Recollected* 1993-1994.

Task Line extensions are done to overcome barriers that prevent a product from finding acceptance in other segments of a market. Collect examples of firms or brands that have overcome these barriers by modifications of:

1. Colour
2. Form
3. Size
4. Fragrance
5. Packaging

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Self Assessment

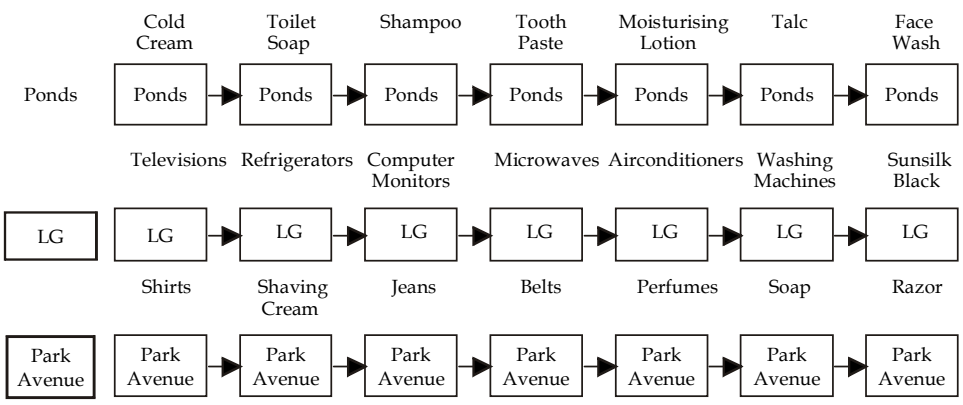
Fill in the blanks:

1. The two things that remain constant in line extensions are: the ……and the .....
2. ……tend to educate customers that product and brand are two different things.

6.2 Brand Extensions

Line extension strategy involves launching various product variants in the same category under the same brand name. The brand extension, on the other hand, involves using an existing brand name to launch a product in a different category. The key difference between the two strategies is the product category. In the extensions, product category remains constant whereas in brand extensions product category is a variable. This is evident in the examples (Figure 6.2) given below.

Figure 6.2



The companies in the western part of the world differed from their eastern counterparts, especially Japanese and South Korean with respect to branding policies. Procter & Gamble, Hindustan Lever and Reckitt & Coleman, etc., all favoured the branding policy by which individual products carried their own names. It was a product-branding strategy, whereas eastern companies seemed to favour some sort of umbrella branding. This involved launching different products under a common banner. Companies favouring this policy included Japanese giants like Mitsubishi, Toyota, Honda, and Korean Companies like Samsung, and Lucky Gold Star (now LG). But now the companies which followed product branding seem to be moving towards a policy of hanging products belonging to different categories on one brand name peg. Once supreme examples of product branding, Hindustan Lever and Procter & Gamble seem to have jumped onto the brand extension bandwagon.

Did u know? **Brand Extension: The Amul Way**

Amul is perhaps the greatest success story in the history of cooperative movement. Currently at ₹ 2258 crores, the Gujarat Cooperative Milk Marketing Federation has grown by leaps and bounds in its over 50 years of existence. Starting off with the basic dairy or milk products, the Amul brand now hangs on a variety of products. Initially concentrating on its main line milk products business, the brand is now being taken to non-dairy products. These include pizza, confectionery and coffee. It raises some fundamental questions: is it

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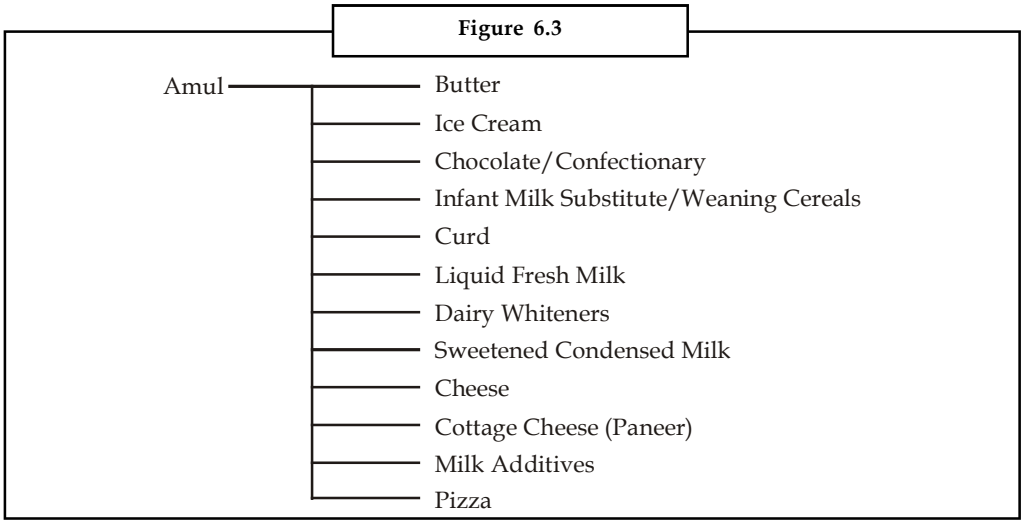
right to extend a brand to unrelated product categories? Would these moves strengthen or weaken the Amul brand name? The current product portfolio of the Amul brand is as follows:

Figure 6.3



Various authors tend to use different expressions to convey the essence of brand extensions. For instance, brand extension is defined as "the use of a brand name established in one product class to enter another product class." Another expert in the field views brand extensions as category extensions. And accordingly, the category extensions refer to a situation when the parent brand is employed to make an entry into a different product category. The new product category needs to be different from the category presently served by the brand.

The evidence that managers favour extension strategy is fast becoming bold and clear. There is an unambiguous shift towards leveraging the brand strategy both for seeking growth within the category and outside. In the United States, between the year 1977 and 1984, each year 120 to 175 brands were launched in supermarkets. Throughout these launches, approximately 40 per cent were in the form of brand extensions. That is, a substantial portion of new launches came in as extensions of existing brands. The 1990 evidence shows that 63 per cent of new product launches were line extensions and 18 per cent were category or brand extensions. This trend is indicative of potential advantages that managers are able to reap by brand extension strategy.

6.2.1 Why Brand Extension?

Brand extension strategy has found favour in the modern marketing world because of the advantages it has over the other new product launch options. The important benefits that it promises to deliver are as follows:

Cost of New Launches: The marketing environment of today is characterized by ups and downs. These shifts necessitate frequent introductions in the marketplace both as a defense against competition and desire to grow. A new brand costs anywhere between 50 to 100 million dollars to develop, hence the huge investments required to develop and launch a new brand act as a major deterrent. Brand extensions, therefore, present irresistible options in such situations. By extending a brand, the marketer can bring the costs down substantially while increasing the probability of success.

Promotional Efficiency: What happens when a company needs to support a large number of individual brands? Its promotion cost structure goes up. Also, investment in one brand does not help the other brands. When the Dettol brand of soap is advertised, it indirectly benefits other brands which share the same name. The extensions enhance promotional efficiency.

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Besides, at the time of new product launches, the marketer's task is reduced because the name awareness already exists. The brand awareness allows easy access to the mind, whereas when one needs to launch a brand name, the task is more difficult and complex. Evidence suggests that brand extensions need less advertising support in comparison with new brand launches.

Consumer Benefits: From the customer's point of view, brand extensions offer a less risky route to a new product category. What happens when a customer is familiar with a brand, e.g., Kelvinator? In such situations, the customer knows what to expect from the brand and can easily conclude the likely make up and performance delivery of the brand. This is based on what the customers already know about the brand. So when Kelvinator launches a new product, e.g., a microwave oven, customers would be more comfortable in the context of information, expectations and inferences. Familiarity with a brand name reduces the risk perceived by the prospect in a brand buying situation. Accordingly, customers may be more predisposed to typing a brand extension than a completely new brand.

Feedback Effects: Brand extensions are justified not only for what they deliver in terms of promotional efficiencies and consumer benefits, they also help the parent brand in many ways, the first benefit being the clarity in brand meaning that an extension can bring. Extension can broaden the product meaning.

Example: J&J is not about baby shampoo, it is about baby *care*. Similarly, IBM once claimed that it is not in the computers business but in the customer *solutions* business.

Extensions can resolve definitional issues and avoid the firm from being trapped in myopic tunnel vision. Secondly, extension can contribute to the parent brand's associations by either adding or strengthening these associations.

Example: Reebok watches may reinforce the image of professionalism in sports.

Returns: Over time, many brands, from being initially mono-product or mono-activity have evolved into a diversified structure.

Example: Walt Disney was focused on animation films for children during the 'fifties, but now it has branched into highly heterogeneous businesses.

These include publishing, films, television, theme parks, and cruises. A study9 exploring the returns connected with the brands found that strong brands are able to generate returns to shareholders 1.9 per cent above the industry average. Return comparison between focused and diversified brands revealed that focused brands like Dell and Levi's manage to earn merely 0.9 per cent higher than the industry average while diversified brands like GE, Disney, etc., earn no less than 5 per cent more than the industry average. These figures clearly demonstrate superior returns generating process of diversified brands.

What are the underlying factors that enhance ROI of diversified brands? Three factors probably drive the superior economics of such brands. First, leveraged brands are able to divide their support costs over a number of products. Second, the 'convergence' is throwing up new opportunities in many industries. Finally, the rising importance of relationship benefits for customers. Companies seem to work through loyalty programmes, better customer understanding and customers. Accordingly, leveraging a brand makes more sense in these conditions.

Notes

Task Choose a product category and find the firms that have predominantly banked upon a strategy of:

1. Line extensions
2. Brand extensions
3. Mix of both strategies
4. One brand

Self Assessment

Fill in the blanks:

3. The ……..involves using an existing brand name to launch a product in a different category.
4. The ……..refer to a situation when the parent brand is employed to make an entry into a different product category.

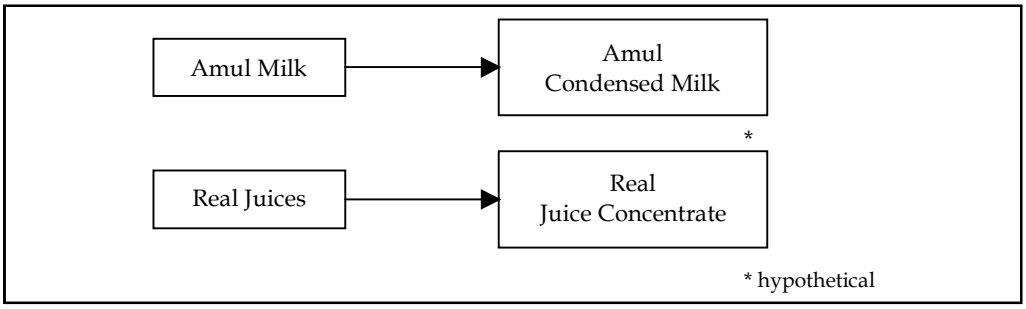
6.3 Types of Extensions

Brand extension essentially involves leveraging an existing brand to promote a product into a different category. The product category definition must be customer-perception based. If the extended product is perceived to be part of the existing brand category, the extension classification would change accordingly. The brand must venture into an unrelated category from a customer's behaviour point of view in order to qualify as brand extension. Brand extension can come in many forms. Some of them are given below:

Product Form Extension: A product launched in a different form usually means line extension rather than brand extension. But if a different product form constitutes an entirely different product category, it would be called a brand extension from a customer behaviour perspective.

Example: Liquid milk and dried milk may not be perceived as members of the same product category.

Similarly, chocolate bars and chocolate powder belong to different categories.



Companion Product: Brand extensions in the form of companion products are perhaps the most common. The idea perhaps is to capitalise on product complementarity. The consumer may view both products jointly and hence, provide scope for launching brand extension.

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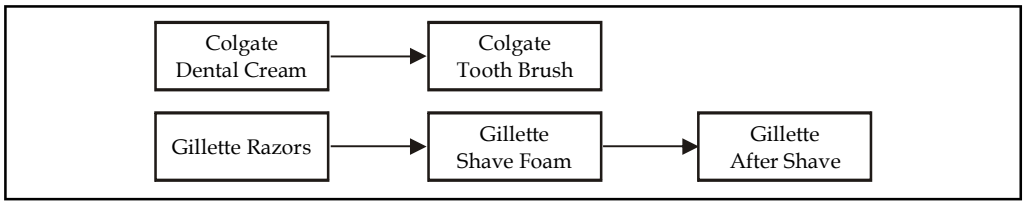
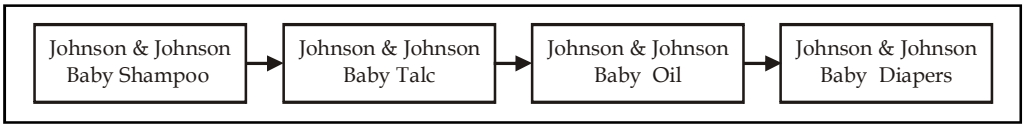


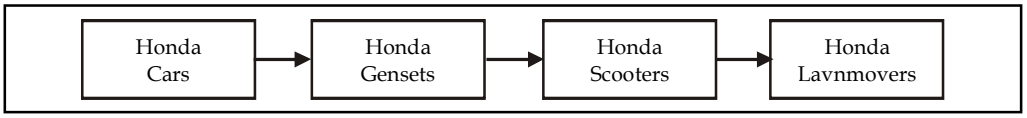
Customer Franchise: A marketer may extend a product range in order to meet the needs of a specific customer group.

Example: A company may launch a variety of products meant for, say, nursery school children.

The focus here is not customer base but the diverse needs of customers.

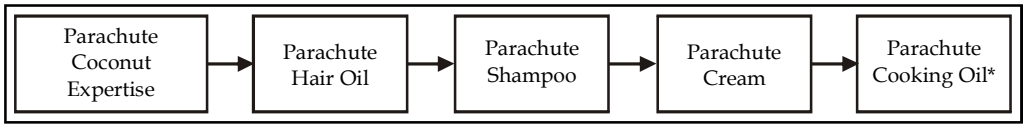


Company Expertise: Brand extensions often come in the forms of different product category introductions using a common name but emanating from a common expertise pool. This strategy is particularly seen in Japanese companies.



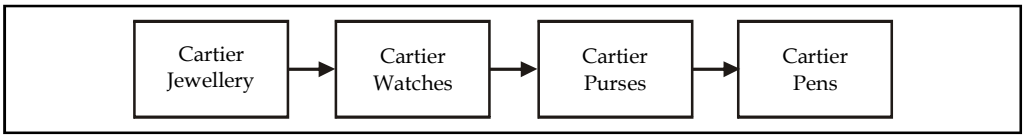
Brand Distinction: Many brands achieve distinction in the form of a unique attribute, benefit or feature which gets uniquely associated with the brand. In these situations, a company can work backwards to launch different products which essentially cash in on this distinction.

Example: Parachute may have expertise of 'coconut nourishment' in customers' minds over time. This would give Marico Industries, the brand owner, the opportunity to launch a variety of products exploiting this distinction.



Brand Image or Prestige: A brand extension may involve a foray into unrelated product categories based on a brand's exclusive image or prestige value. Brand exclusivity or prestige bestows great extension opportunities. This is particularly true of designer and *haute couture* brands.

Example: Cartier.



Distinctive Taste, Ingredient or Component: A brand may develop equity based on any and/or combination of taste, ingredient or component. When such a close association develops, a marketer can make entries into unrelated product categories capitalising on these properties. For instance, Nescafé enjoys proprietary association of distinctive taste. Accordingly, the brand could be leveraged in other product fields:

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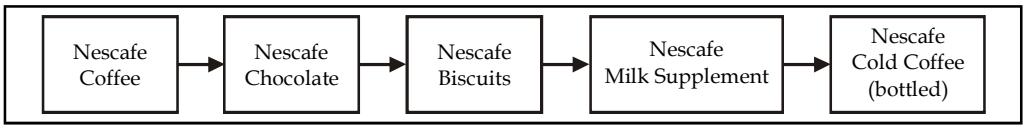

Good, Bad and Ugly Extensions: The primary lure of using a well established brand name to promote a product belonging to a different category is to exploit/leverage what the brand name stands for in the mind of the customer. A brand is nothing but a network of associations which drive consumer buying. The logic of brand extension is to transfer these associations in the extension context so that the desired outcome is brand equity. However, brand extensions do not always create desired outcomes. Five possibilities exist: the good, the better, the bad, the ugly…and the *more* ugly.

The Good Extensions: When the parent brand contributes positively to the extended product, it is called good extension. The parent brand can help the extension by providing brand associations, quality associations and recognitions and awareness to the extended brand. Making a foray into the toilet soap market is quite difficult because of overcrowding, consumers' low involvement, and product similarity. Dettol's extension into toilet soaps illustrates how the extension acquired Dettol's associations and became a successful soap. The parent brand may also help extension by providing quality rub off. Brands can bestow quality perception to extension. The Tata name in India stands for a fairly acceptable level of quality, if not exceptionally high quality. Extending the Tata name to its small car, Indica, meant that the car benefited from a quality rub off. Brand name awareness and recognition play a very crucial role in marketing under low involvement conditions. Brand extensions in such situations build awareness and recognition very efficiently for the extended product.

Example: Nirma gained in terms of these dimensions when it extended its name to toilet soaps.

More Good Extension: Sometimes, it is not just that the parent brand helps the extension; rather the extension also aids the parent brand by way of positive feedback. That is, the extension may enhance and strengthen the parent brand by increasing the brand visibility and supporting the core associations.

Example: The core associations of Dettol Brand are strengthened by launching products which are antiseptic oriented like plaster, shaving cream and toilet soap.

The Bad: It is not that the use of a brand or a product belonging to a different category is always a beneficiary. Sometimes the name does *not* help the extension. This may happen on account of two reasons: first, when the name does not add value and second, the name passes on negative associations to the extension.

Example: The Pierre Cardin name does not add value to its range of writing instruments.

The Ponds name also failed to add any value to its toothpaste extension. Similar was the fate of Nirma's foray into toothpastes. The value addition did not take place because these names do not have any expertise and credibility in the extension context. Also, extension may stimulate negative attribute associations. This happened when Levi's launched their tailored classic line. Tailored classics and Levi's strong association with off-the-shelf casual clothing conflicted violently.

The Ugly: Sometimes, the extension succeeds but its success comes at a cost. The extension damages the brand name by creating undesirable attribute associations, hurting quality perception, and altering its existing associations. All these indicate negative feedback to the parent brand by an extension which succeeds in the marketplace.

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An extension would create its own associations. But some of these associations may damage the brand.

Example: If a premium brand like Rolex enters into the mid-priced clothing line, it creates undesirable associations and hurts the parent brand.

However, the reverse transfer of associations is less likely if the parent brand associations are strong and there is distinct difference between parent and the extension. Brand extensions may also sometimes weaken the associations (making associations fuzzy and blurred). This problem can arise particularly when the brand's core associations are class related.

Example: Bisleri's water, or Amul's milk products

So when the brand is extended beyond its product class, its core brand association may get weakened. Imagine Amul launching aerated soft drinks! Further, brand extension may hurt the brand by affecting its quality image.

Example: Louis Philippe enjoys a quality image in India, but what would happen if it allows its name to be used on inexpensive, low quality toiletries for men?

Brand extension is a common route followed by the marketers. But commonness does not mean that extension is also a quick shortcut to launch new products and services. The above discussion clearly spells out the potential dangers associated with unplanned extensions. By simply putting a successful brand name to any product one cannot be assured of success. Instead, the brand extensions can backfire. This necessitates that the manager while planning for brand extensions, must systematically analyze the possible opportunities.

Task Visit the websites of various companies and identify the examples of extensions that could be classified as:

1. Good
2. Bad
3. Ugly
4. More good

Self Assessment

Fill in the blanks:

5. Many brands achieve …….in the form of a unique attribute, benefit or feature which gets uniquely associated with the brand.
6. A brand extension may involve a foray into unrelated product categories based on a brand's …….

6.4 Brand Extendability

Extensions involve transfer of associations from the parent brand to the extension. The nature of the parent brand is, therefore, a critical determinant of extension success. The question that strikes is whether all successful brands lend themselves to brand extensions? For instance, do

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the brands like Cherry Blossom, Captain Cook and Raymond have similar extendability? Or is it that the nature of the parent brand determines the extendability? When one thinks of extension, the strategist has to explore as to how 'different' or remote a product the brand can support. An observation of the marketing scene reveals that in some cars, the brands are extended within the narrow or immediate proximate brand boundaries, whereas in other cases the brands are successfully extended into far off remote product categories. The issue is what makes it possible? Why, in some instances, is a brand barely able to support products successfully in its 'cousin' categories while in other cases, the extension tends to be a hit in even other species categories?

A brand's extendability depends on its character. There are five types of brands. These are: product brand, formula brand, know-how brand, interest brand, philosophy brand.

The Product Brand: It is a situation where there is very little difference between the brand and the product. Brand is a close approximation of the product. Passively, the brand is used to identity the product, maybe for internal purposes. The brand does not play any role from the customer's point of view.

Formula Brand: Formula means a set procedure. A brand which comes in the formula category simply implies that a standard procedure has been used to make the product. This type of brand may be found in cooking oil categories (e.g., Kanodia brand of mustard oil once enjoyed a reputation for aroma and purity), food (a set procedure used to cook a particular cuisine), and pickles (a pickle formulation is used to give food a unique taste).

Know-how Brand: Know-how is an expertise that a firm develops in a specialized area of activity. **Example:** Sony is known to have expertise in miniaturization and robotics. Honda has know-how in engines. Amul has developed expertise in milk processing.

Interest Brand: A brand may be defined by its centre of interest. It may reflect its core spirit.

Example: Gillette brand maintains its focus on men's grooming in all its brands. They all are designed to make 'the best a man can get'. Nike's focal point is winning, i.e., to be on the cutting edge. Whirlpool's centre of interest is the home ('homemaker').

Philosophy: The brand at this level acquires more intangible character and orientation. The philosophy transforms the product in a realm altogether different from its physical reality. This generally happens in case of designers and artists.

Example: The Armani signature on the product completely transforms it to give it a higher philosophical meaning - a meaning proudly expressed in Armani's creatively styled products.

This categorization of brands has powerful lessons for extensions. Product, formula or know-how brands have limited flexibility in supporting dissimilar products.

Example: A formula brand like Kanodia mustard oil can be extended to the oil category only where the formula seems appropriate and valuable, whereas know-how brands have far greater flexibility.

The know-how can be appropriate across a variety of applications.

Example: The engine is a key component in a number of products like lawnmowers, outboard motors, motorcycles, scooters, cars, etc.

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Therefore, know-how brands have greater territorial expanse over which to support extensions. The ultimate extension capability lies with brands which have greater depth. The philosophy brand can support highly dissimilar products. It is for this reason that designer labels are often able to lend credibility and support to a variety of products which apparently do not have anything in common-provided that the underlying philosophy is closely hewed to. But what may ultimately bind philosophy brands together is the creative style or 'impression' of the artist.

Figure 6.4: Extendibility of a Brand

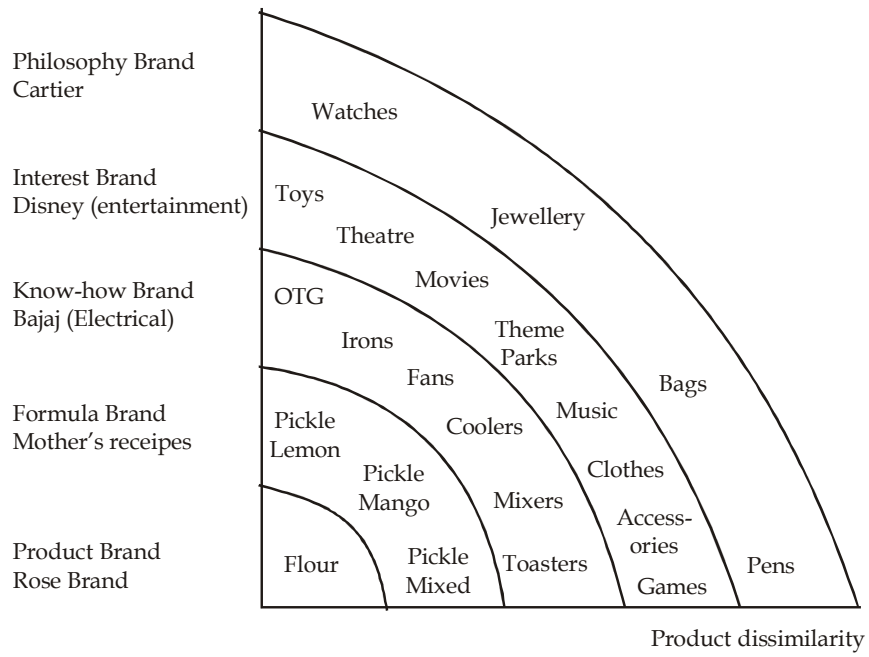
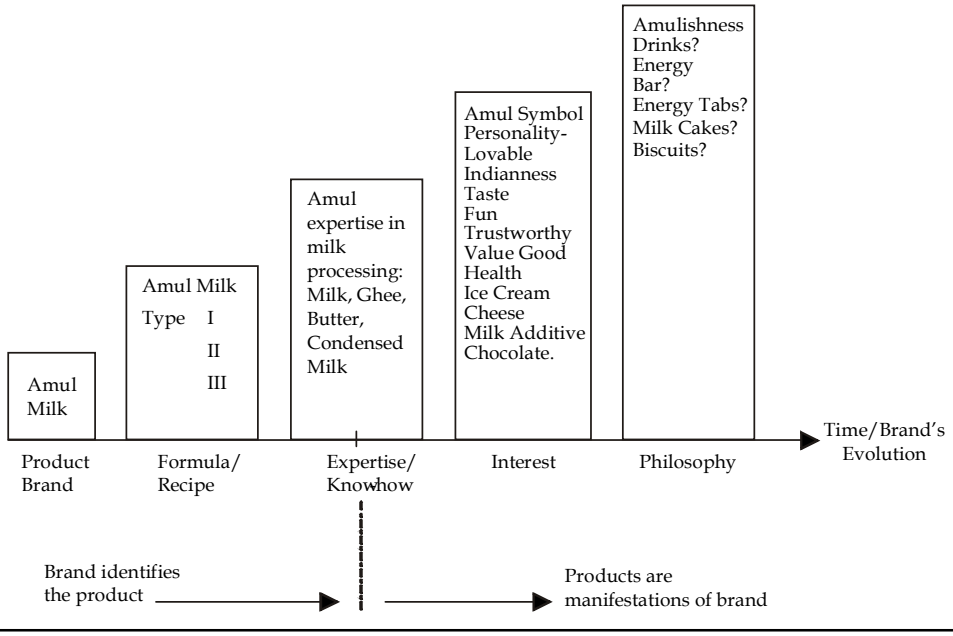


Figure 6.5



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The conventional role of a brand name is to designate or identify a product. Many brands start as product brands. A product is developed and then a word is assigned to it so that it is differentiated from others and also its creator or manufacturer is identified. At this level, the brand is limited to a single product. It cannot be used on other products. Over time, the product brand goes on to become the formula brand. The product brand may begin to signify a unique formula that goes into the making of a product. At the formula level, the brand enjoys the luxury of some degree of latitude in producing variants (type I, type II). The brand exhibits some line extension possibilities. Further the brand may begin to signify expertise in a particular field. This expertise may lend itself to related products. Accordingly, the brand could be extended into products related with its field of expertise or know-how. Up to this stage, the brand performs its conventional function. It merely acts as an identifier.

Sustained investments in the brand endow it with intangibles that accumulate around it. It acquires a character, a style, a way of existence. It begins to transcend the product boundaries. It emerges as an identity in its own right. At this level, the brand's relationship with the product is reversed. Rather than the brand being the conveyor of the product, the products become the manifestations of the brand. The brand becomes a 'transformer'. It can lend character, style, image and 'soul' to products which carry its name. At this level, when a brand has completely broken away from product limits, it enjoys great flexibility in terms of extension opportunities.

Brand extendability is a function of connections it enjoys in the minds of the customers. Some brands are too product focused. That is, the product drives the brand. The prospects may see little of the brand and more of the product. In such situations, the brand is not able to carve out an identity of its own. This is not to suggest that the brand is weak with fuzzy knowledge structures. Rather, the brand is well defined, concrete and tangible. But the issue is: what are its associations? The associations are product oriented. The attributes dominate the associative network. What happens when you think of 'MDH'? It is masala. What is ACC? It is a bag of cement. What is Harrison? It is a lock brand. Think of 'Vim', 'Ajanta', 'Maxima', 'Persil', 'Cherry Blossom', or 'Add'. All these brands are product confined. Their area of scope is limited. The brands have strong product connections. The product brands tend to be less flexible in terms of going beyond their narrow areas. Line extensions are a superior possibility. Brand extension possibilities *could* exist, but would be limited to the product category or attributes which may be relevant in a different product category.

Many brands break away from product orientation to reflect their customers. These reflections may consist of aspirations, images, emotions, values and experiences. What does a brand like 'The Body Shop' connote? The Body Shop is not a cosmetics brand. It is a powerful philosophy. Customers buy Body Shop products not because of their cosmetics but for the ideology behind the products. The connection here is one of intangible value. The brand could be extended into dissimilar categories. The 'Raymond' brand in India signifies 'The complete man'. As of now, it markets fabrics for 'the complete man'-and which man doesn't want to be one? The brand could begin to offer toiletries, furniture, writing instruments, books, even houses for the 'complete man'. The extension possibilities are greater in this case. But the key caveat is that the brand must not dilute its core essence. It must carry over its philosophy to different product categories with elegance, style and sophistication worthy of the image the brand enjoys in the public eye.

What is common between 'Benetton and Nike'? Are these brands about clothes and athletic shoes respectively? To view these brands in this manner is to miss their meaning. These are both brands with 'an attitude'. They present their customers with a new looking-glass. Brands connect with the inner urges of their customers. These brand types permit extensions into dissimilar categories. Such brands offer greater leverage flexibility; they can reach out to categories not lying within the narrow proximity of their traditional product domain if they reflect the customer. Benetton tackles age old conventions head on, and demonstrates how hollow they can be at times. A lot of people identify with 'Benetton's irreverent attitude.

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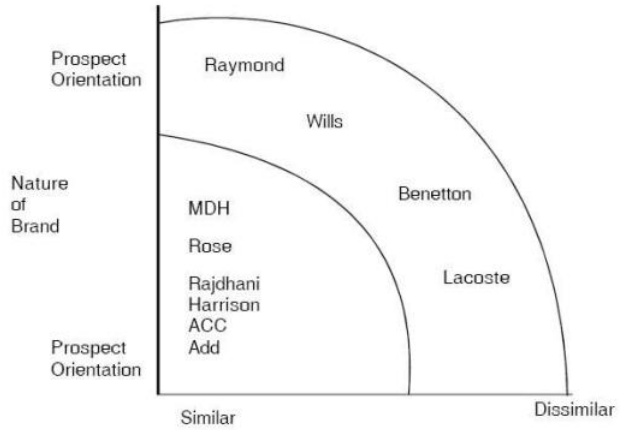
Figure 6.6: Product Category



Caselet

From Wills to Wills Sport

Wills has been in the cigarettes business for over three decades. It is one of the hottest selling cigarette brands in India from the ITC stables. The 'Made for Each Other' line is so closely tied to the brand that it gives the brand very high recall. In terms of visuals, Wills conjures up images of a couple-young and sporty (now)-in perfect harmony. The brand's advertising has always been driven by the projected lifestyle of the user. The Wills advertisements portray the couple in their moments of pleasure and happiness. In fact, if one removed the Wills cigarette pack from the advertisement, it could easily pass off as an advertisement for a brand of casual wear. Wills people always wore pastels - semantically balanced with the pack of cigarettes. Wills all along invested in brand property, not creating associations around the product it sold or its attributes, but around the typical Wills smoker - what he looked like, what activities he enjoyed, how he or she carried himself or herself, what their moment of happiness together were all about. Over time, Wills cultivated an image which was not product dominated but user oriented. It signified a polished, sporty, educated user image profile.

Globally, the cigarette industry is under strong pressure. Along with red meat, the cigarette industry seems to be racing downhill. With pressures from social and health activist groups, mounting worldwide, cigarette marketing and manufacturing is being subjected to harsh regulations. The campaign against cigarette smoking is making many people quit the habit. Also, cigarette smoking is no longer macho today. No more do stars in the cinema world rely on cigarettes to exude confidence and charm. In fact, in India, they are no longer allowed to do so, giving cartoonists, cynics and cigarette addicts much grist for their mills. Gone are the days of Humphrey Bogart, Marlon Brando or Gregory Peck smoking their favourite brands to convey a style which stole the hearts of many. Non-smoking is in. It is the health wave which is descending on the globe. For the new health conscious youth, cigarettes are no longer a symbol of either power or machismo.

Relying on the tremendous equity of the Wills brand, ITC launched Wills Sportswear in July 2000. The brand conveyed comfort, bright colours, typical Wills user activities, and an

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aura of spottiness. The result: within two weeks of launch, the stocks at New Delhi's Wills Sport outlet completely vanished. So phenomenal was the response that the company actually had to stop advertising. It demonstrated the power of a brand. If extended with care, a brand can draw from its equity to push a product which is far removed for its original category. Cigarettes are not in any way similar to apparels. Wills association with sports has been age old. The brand always appeared on shirts that the Indian cricket team wore. Also, the brand has to its credit the 'Wills Book of Cricket' which records the celebrated moments in Indian cricket history. Taking a cue from its heritage, the Wills Sport advertisement ran with head lines like 'soccer', 'goal keeper', 'warm up', 'team spirit', 'rely'. One of its early ads showed a visual of a young, urban, educated and smart man in a typical hitting-the-ball situation against the backdrop of (not playfield) an urban square with pigeons sitting on the pavement and people on the railings looking at the man. The ad copy ran 'fibre to fashion' as its headline, and a message reading, "A unique Wills sport philosophy that involves selecting the right grade of fibre, impeccable garment construction, comfort engineered fits and trend-spotting, to stay in touch with world fashion…ensuring that every single stitch adds to the joy of stretch - bend - jumping living'. The signoff read: 'Introducing Wills Sport, for men and women. Active relaxed wear that plays along with you!"

The brand communication and physical campaign used the sports lingo against the backdrop of a typical urban setting with typical urban people, both men and women. For instance, the ad with the headline 'rely' shows a woman crossing the street in a hurry (virtually running), while speaking on her cell phone and a young man passing on a packet to her (also on the move). The body text read "Work wear gets into stride as Wills Sport introduces professional chic. Streamlined fits, flat fronts and neat pleats make a compelling presentation. In polyester/viscose/spandex that stretches beautifully from nine to five and beyond". The brand urged its intended audience to 'be a sport'.

The Wills Sport campaign beautifully leveraged Wills brands sports associations into the apparel category by drawing a parallel between sports and modern living. The apparels are not designed as sportswear. Rather, they are demonstrated to have properties which would make the sport easy and joyful. But mind you, the sports here is not sports in the dictionary sense of the term. Rather, it is living in the modern environment-a jet set life style. The brand found a great connect with the people whose internal dreams to excel in sports perhaps could not be realized, the ones who appreciated sports only in their drawing rooms and office discussion, for their lives left very little time for actual 'sporting'. The brand subliminally provided them with an option to be sportsmen at last (!) and satisfy their much suppressed desires and urges, if not at a playfield, at the workplace. In fact, sportsmanship just got extended way beyond its traditional boundaries!

6.4.1 Extending a Brand

The increasing cost of creating a successful brand is making marketers look at the established brands in their portfolio to reach out to unrelated product categories. Brand extension is not as simple and straightforward as putting an established brand name on a new product and watching its soaring market take off. Brand extension is a route filled with risks. A misadventure may leave the brand damaged beyond repair. Moreover, when an extension misfires, the brand equity of the parent may also suffer irreparable damage. The risk is not just that some money would be lost in extension which fails to take off. Rather the grave danger is it may send reverse feedback, eroding the original brand's equity. Equity creation is not an overnight job. Some brands are what they are because of painstaking hard work spanning decades. Rome and Tatanagar were not built in a day.

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Some time back, Ponds India ventured into the toothpaste market by extending its Ponds brand name. This was way back in the 'eighties. The markets in India were not very competitive. Supply still ruled over demand. Brands on the shelf were few, and competition was not all that intense. The struggle to woo away the customer was not pressing. But despite pro-marketer conditions, the Ponds toothpaste sank in the marketplace without a trace. All this did not take much time. Customers were simply not interested. The result: the brand attracted very few trials and still fewer repeat purchase. What happened? Though toothpaste buying is characterized by low personal involvement and brand switching behaviours, customers simply refused to acknowledge its existence.

Extensions are not as simple as they appear to a layman. Consumers reject extensions when they do not make sense. That happens when the idea of a brand does not fit in the extension context. Here, the brand Ponds (what it stands for in the customer's mind, probably Cold Cream) did not fit the extension product category, toothpaste. The brand and product category perhaps brought together two irreconcilable associations creating dissonance. Customers escaped the cognitive inconsistency that Ponds toothpaste as a concept created, by simply refusing to confront the stimulus, leave alone buying. Brand extension is not a physical act of merging two products. It is a tough process involving marrying two cognitive or perceptual concepts in order to create a consistent entity. Therefore, it must begin with exploring the brand in a prospect's mind and meshing it together with a suitable category.

In order to uncover extension opportunities for a brand, the first step is to discover the brand itself. Brand has been defined in many ways but the core to any brand is the knowledge network that exists in people's mind. Brand is a central node to which various other nodes tend to be connected with varying degrees of strengths. Exploring the brand involves seeking answers to the following questions both qualitatively and quantitatively.

- What is a brand's awareness level?
- What are its recall and recognition levels?
- What are different attributes associated with a brand?
- What benefit associations are connected with a brand?
- What are a brand's personality associations?
- What are the symbols associated with the brand?
- What are a brand's user associations?
- What is the perceived essence of the brand?
- What is a brand's philosophy?

Assessment of a brand's perceived reality is an essential and very crucial starting point. Answers to all the above questions help the managers define what the brand is. A brand's tangible and intangible reality must be captured. Many times, a brand strategist may be tempted to take a shortcut by assuming that his personal assessment of a brand corresponds to the external reality. But this fiction may seriously jeopardize extension attempts. A manager's construction of a brand generally tends to be more rational, physical and technical. The lens through which the external public views and interprets the brand makes its reality considerably different from the concept held by insiders.

Example: The associations connected with the Ponds name could be given in the Figure 6.7.

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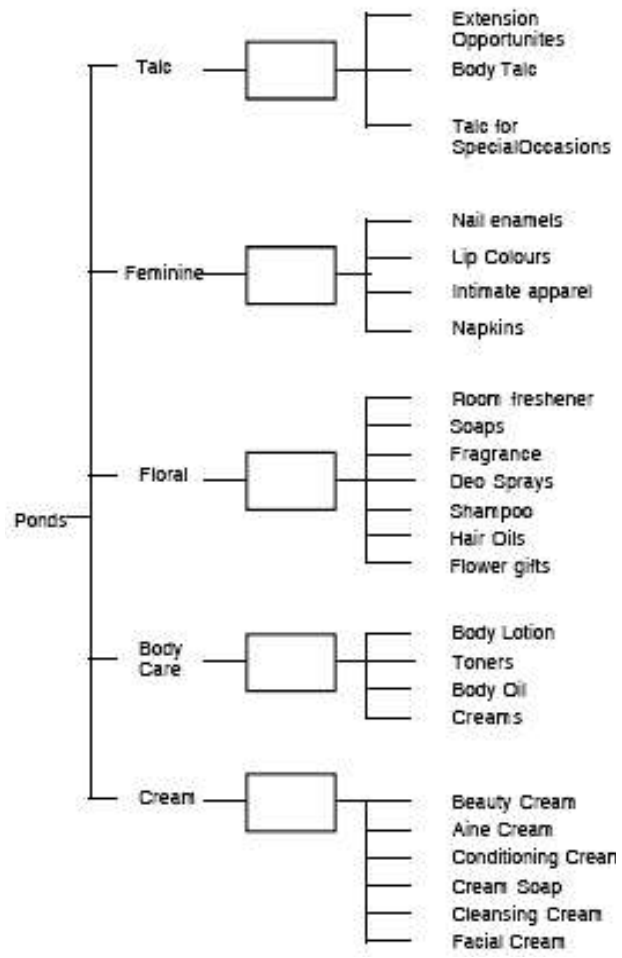
Figure 6.7: Strength of Associations – Ponds



Once the brand associations and their strengths are determined, the next task is to identify product areas where the brand could be extended. At this moment, the firm-specific marketing factors which might signify constraints should not be included in the analysis. That is, the analysis must proceed to identify extension opportunities with the assumption that the firm has no marketing, financial or human resources or any other constraint. The essential task at this stage is to generate a list of product categories which seem consistent with the brand's associations. At this point again, customer - manager dichotomy may set in. It is, therefore, preferred that extension candidate list is generated separately both by the customers and the managers. The key question to be asked at this stage is:

- Given this association (e.g., cream) what all product categories seem consistent with the brand? Or
- If the brand were to offer other products, what would these other products be?

For instance, if Horlicks has nourishment properties associated with the brand, the customers may be asked to state products which seem consistent with this association. The suggestion may come in the form of nourishment tablets, nourishment drinks, nourishment foods, nourishment ice-creams, nourishment soups, nourishment biscuits. Hindustan Lever's Rexona has strong associations with 'deodorizing'. The brand can find extensions in product categories where deodorizing could be an important ingredient. A simple 'associations' survey would reveal

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consistent products like soap, room spray, detergents, deos and perfumes. The product category list so generated at this stage tends to be tentative. It must be subjected to more systematic analysis so that categories which enjoy superficial consistency are pruned.

The extension list of products needs to be examined from the firm's resource point of view. Does the firm have – or can the firm develop – the required skills, competencies and resources to make a debut in a different product market. It is more of an issue of resource assessment. Simply finding a product category consistent with the brand does not become an opportunity realized.

For instance, Ponds may be in a products category favoured by women, but it may not have sufficient resources, nor be able to flex its resources successfully enough so as to market intimate apparel for women-a very different ball game. Sometimes, the market to be ventured into tends to be far removed from the assets and skill pool that a firm has generated over time. Managers must avoid euphoria. Emotions must be taken off the process. The assessment must be done on an objective basis.

The pruned list of products must be subjected to systematic customer analysis. The concern here is to firmly establish a product's suitability before it really goes on to the marketing stage. This can be done by directly probing the target market whether the proposed product fits with the brand in question. The researcher must attempt to explore below the surface responses for possible inconsistencies. The customer's response could be gauged by the following questions:

- Do you think it's okay if this brand offered product X?
- How would you react if this brand offered product X?
- What comes to your mind when you see this brand extension?

The above questions help the researcher establish the probable market response to an extension candidate. Sometimes, a marketer can even ask the prospects to name various products that a particular brand offers. The list so generated may reveal products which are not currently offered by the brand but when customers mention them, it reveals their perceived suitability. The sheer fact that customers mentioned these products signifies perceived product consistency with the brand.

Task Use the procedure recommended for generating extension opportunities for the following brands. Find out which brand can be extended far from its present product and which can just about move in the immediate boundaries. Present your findings in the form of a report:

- Old Spice
- Maxo Coils
- Calvin Klein
- Fast Track
- Pearl Pet

6.4.2 Making an Extension Successful

Aaker and Keller propose that there are many assumptions about consumer behaviour which are fundamentally responsible for the success of a brand extension. These are:

- The parent brand enjoys positive beliefs and favourable attitude in customers memory.

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- It is these preexisting beliefs and attitudes which help in the formation of positive beliefs and favourable attitude toward the brand extension.
- The negative associations are not transferred to the brand extension; also, these are not created by the brand extension.

The role of brand beliefs and attitude is critical in determining the fate of the brand extension. At the heart of this transfer is the concept of fit. The proposed extension must fit with the parent brand. And if the fit is perceived to be poor, the probability that associations would not get transferred is very high.

What would happen if a brand like Omega is attached to products like refrigerators or ice creams? Would the brand beliefs and attitude get transferred on to extensions? Right at the outset, the extensions seem not only jarring but quite ridiculous. The proposed product categories and the brand name do not seem to combine into a consistent, mutually reinforcing entity. Rather, they appear to be items imbued with mutually repulsive forces that are being forcibly brought together, ready to fly apart again at the earliest opportunity. The extension sends not-so-subtle signals of highly unpalatable combinations. The strategist must shun such misadventures. The fit between the brand and the extension must be firmly established.

A study found that transferability of skills and assets of the parent brand and complementarity between the extension and parent brand are two important fit variables. The complementarity indicates the extent to which consumers view brands and the extensions as complements (e.g., toothbrush and toothpaste). The transferability implies perceived ability of the brand manufacturer in making the extension product.

Example: HLL, the maker of Lux, also make Rexona

The study also included a third dimension: substitutability—the extent to which consumers saw two products as substitutes. Of the three variables, transferability and complementarity turned out to be the most important fit variables. That is, they are more important variables in explaining the variation in consumer attitude to the brand extension.

The implication of the above study is that the extension and the parent brand must enjoy a good fit. The perceived fit is the basis of transfer of brand beliefs and attitudes to extension. Besides transportability of skills and assets and complementarity, the fit can as well be based on functional or brand performance attributes on intangible associations. For instance, a brand which has strong attribute association, e.g., Bata for durability or HMT watches for enduring performance, could be extended into product categories which are consistent with the associations of durability and enduring performance (e.g., Bata tyres and machine tools). The intangible association could as well provide extension opportunities into product categories consistent with them. For instance, a brand like Cartier has strong associations with prestige, status and opulence. It successfully goes with a variety of products not related with one another functionally.

Did u know? **Dettol: Extensions that Mutually Reinforce Each Other**

Dettol provides perhaps the best Indian example of brand extension. It demonstrates how a product which is not something delightful to have in your home could be extended to reach out and achieve higher targets. Dettol is a product that is over a half-century old. People all over the globe have grown up experiencing the pungent and burning sensation that it gave them on wounds and cuts one suffered in childhood. Its unique smell, colour, bottle and lettering is firmly imprinted in the minds of people. There is no other product which can compete for the place that Dettol occupies. This long-time association gives

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Dettol an advantage which is difficult to match up against. Dettol is trusted protection against germs.

Dettol, being a strong brand in every sense of the term, has been constrained by its volume sales and profitability. It is not something which one would like to use more prodded by volume generation communication. The brand was not amenable to move volume or frequency based strategies. This led the firm to look for opportunities outside its antiseptic categories. Consequently, the brand has seen the following extensions over time:

***Dettol Soap*:** It was originally launched as a family soap in the early 'eighties. But its positioning did not fall in line with Dettol's core property: fighting germs and protection. *The Result:* Dettol soap bombed in the marketplace. The company soon realized its mistake and corrected its position in line with its essence. The brand was relaunched as a '100% bath' soap. Brand communication stressed effectively on the need to have a cent per cent bath, not a superficial one, because of dirt and grime to which one is exposed in daily life. The result: Dettol soap became one of the top selling soaps in India.

***Dettol Plaster*:** The self-medicating plaster market in India is dominated by J&J's 'Band Aid'. The product is so firmly entrenched that it has become generic. Undeterred by Band Aid's might, Dettol ventured into the plaster market. The plaster market is not very big in India. But Dettol's foray into this market appeared synergistic with Dettol's properties. The brand could easily be leveraged into the nicks and cuts market which children often have and the first remedy that mothers often use is Dettol antiseptic. Why not provide the *Next Solution:* the cover up plaster to protect the wounds from germs? Despite low profile marketing, Dettol plaster managed to get around ten per cent of the market.

***Dettol Shaving Cream*:** What happens when one suffers a minor nick while shaving? The immediate reaction is to apply an antiseptic. Keying on this idea, Dettol's latest extension is into the shaving cream market. This launch is completely in tune with what the mother brand stands for. Again, through the total market for shaving creams is small, Dettol has managed to carve out a niche for itself.

***Dettol Talc*:** The last extension that Dettol brand has witnessed is in the talcum powder category, the talc has been positioned as a solution to dermatological problems which are often caused by germs in hot and humid conditions. The advertisements specifically convey the idea that Dettol talc is for occasions when ordinary talc proves insufficient. It is too early to predict the fate of the product. But it does seem to exploit the expertise that Dettol as a brand seems to signify: protection against germs.

6.4.3 Pitfalls of Extensions

Brand extension, despite being a very popular strategy in the current marketing environment, is not without its faults. There are several dangers associated with brand extensions.

As already discussed, brand extensions may fail to take off. When extensions fail they drain a lot of precious resources. Companies can always recover from the financial downturns. But sometimes, extensions cause greater damage by hurting the parent brand. It happens when the extension sends negative feedback. Greater the fit between the parent and extensions, higher is the possibility of straight feedback. This was experienced by General Motors, when they launched Cadillac Cimarron. The car was aimed at customers lower in the hierarchy of car buyers who could not afford Cadillacs. The Cadillac name which was used to promote Cimarron failed to give it the much needed boost. Not only did the product fail but it also frustrated the typical Cadillac buyer. Moreover, by associating with Cimarron, the brand suffered in terms of its equity and image. Many Cadillac buyers distanced themselves from the brand. The brand franchise

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was hurt. Apple's much hyped Newton failed to take off. It did put Apple's competencies to question. There has been a setback to its image.

Al Ries and Laura Ries suggest that "the easiest way to destroy a brand is to put its name on everything". They question why most of the new launches are in the form of brand extensions. It is because the existing managements only measure the results of brand extension with the wrong end of the ruler. Only success is measured. The erosion of the brand's core is not measured. Most of the line extended brands, quite contrary to notion, enjoy much less market shares. Budweiser, Marlboro and IBM all have been line extended to death. Their market shares are 30, 30 and 10 per cent respectively. Over extended brands lose their meanings. Brands end up not being able to identify with even a single product. Gucci was once known for luxury and prestige. But the brand's name is stretched on to over twenty thousand items. The result: Gucci has lost what it used to symbolize. The brand has suffered setbacks from over extension. It has lost the most important asset it used to enjoy-brand equity. It no longer figures in the shopping list of the prestige shopper. It is now kitsch.

Task Visit the websites of the following companies and collect the names of the products, brands and variations that they market. Identify the strategy that the firms have been following and present the reasons thereof to the students pursuing a course in Brand Management:

- Citibank
- Parle
- Fedex
- Apollo Hospitals
- Pidilite Industries

Self Assessment

Fill in the blanks:

7. The ……implies perceived ability of the brand manufacturer in making the extension product.
8. The ……..brand enjoys positive beliefs and favourable attitude in customers memory.

6.5 Summary

- The brand building costs tend to be very high. At the same time, developments on the demand side are creating pressures on marketers to fine tune their offerings as per the unique needs of target customers.
- In order to cope with demand pressures and cost constraints, the firms are taking the extension route to growth.
- Line extensions refer to the strategy of introducing new variants of a product. It is propelled by reasons such as customer segmentation, need for variety, pricing breadth, capacity utilization and competitive pressures.

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- The line extensions also involve some risks. These include line confusion, variety seeking behaviour, strained intermediary relations and myopia. Firms often suffer due to falling into the line extension trap.
- Brand extension strategy is pursued very vigorously by marketers these days. It involves using an existing brand name to launch a product in a different category. Here, the brand remains constant but product category tends to be variable.
- Brand extensions are justified on the basis of promotional efficiency, savings on product launches, consumer benefits and returns. Various types of extensions could be identified such as product form, companion product, expertise, customer franchise, and brand image type.
- An extension can be good when extended product succeeds and if the parent brand benefits. A bad extension is one which fails to lift off, while an ugly extension not only fails to lift off, it also damages the parent brand.
- Extensions involve transfer of parent brand associations to the extensions. The nature of the parent brand is a crucial determinant of extension success. Therefore, before embarking upon extension programme, a brand's extendability must be judged.
- A brand's extendability depends upon its character, whether the brand is a product brand, formula brand, know-how brand or an interest brand. Brands which are symbolic and philosophical are easier to extend into unrelated product categories.
- The product or know-how brands have a narrow zone of extension. The parent brand and the extension must enjoy a good fit. In the absence of fit, the brand beliefs and attitudes are unlikely to be successfully transferred to the extension candidate.

6.6 Keywords

Brand Distinction: Many brands achieve distinction in the form of a unique attribute, benefit or feature which gets uniquely associated with the brand.

Brand Extension: The brand extension, on the other hand, involves using an existing brand name to launch a product in a different category.

Extensions: Extensions involve transfer of associations from the parent brand to the extension.

Formula Brand: Formula means a set procedure. A brand which comes in the formula category simply implies that a standard procedure has been used to make the product.

Line Extension Strategy: Line extension strategy involves launching various product variants in the same category under the same brand name.

6.7 Review Questions

1. What is Line Extensions?
2. Briefly explain the Line Extension Trap.
3. What is Brand Extensions? Discuss Brand Extension is important.
4. Write down the types of extensions.
5. Explain the concept of Brand Extendability.

Notes

Answers: Self Assessment

1.	Brand name, product category	2.	Line extensions
3.	Brand extension	4.	Category extensions
5.	Distinction	6.	Exclusive image or prestige value
7.	Transferability	8.	Parent

6.8 Further Readings

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http://www.managementstudyguide.com/brand-extension.htm

www.**brand**xpress.net/category/**brand-extension**/

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Unit 7: Brand and Brand Management

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Objectives

After studying this unit, you will be able to:

- Explain the Concept of Brand
- Discuss the Evolution of Brands
- Identify the Characteristics of Brands
- Describe the Brand Management
- Provide insight in to Branding Challenges and Opportunities

Introduction

Brands have been around for many years. They existed silently. Managers thought about branding once the product was developed, priced, and packaged. Branding was an after decision-not much significant for the marketers who felt that the product was more important. The tangible aspects caught more attention. 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. When brands are so important, branding becomes even more important.

The star brands which rule the roost 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

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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.

7.1 Concept of Brand

The concept of brand in its present form is recent. 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 three aspects of this definition. Firstly, it focuses on 'What', of the brand. Secondly, it emphasises on what the brand 'does'. A brand can be any combination of name, symbol, logo or trade mark. Brands do not have fixed lifetimes. Under the trade mark 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 names and labels, which will induce rich and snobbish buyers to divide themselves from poorer buyers."

A brand name is used by the marketers because of the roles it can perform. 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 overtly 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. The 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.

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.

Box 7.1: What a Brand is and What it does?

A brand is a name, symbol, design or a combination thereof.

McDonald's: is a name
Golden Arches: is a symbol or sign which is trade marked (it is the exclusive property of McDonald Corporation)
Combination: A unique art work that combine all elements of brand

Any outlet that displays this sign achieves two objectives immediately in the prospects mind:

1. The prospect is easily able to identify that this outlet is McDonald Corporation. Hence he knows what to expect from this outlet.
2. The brand differentiates. The prospect upon seeing the above sign is able to differentiate this outlet from the others which also sell similar kind of products or services (it is not Wimpy's).

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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. Transforming a commodity like product into customer satisfying value added propositions is the essence of branding.

Self Assessment

Fill in the blanks:

1. A ..... a name, term, sign, symbol, or design, or a combination of them.
2. Under the……., the users are granted exclusive rights to use brand names in perpetuity.

7.2 What is a Brand?

According to American Marketing Association (AMA) a brand is a "name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitioners".

A brand in short is an identifier of the seller or the maker. A brand name consists of words, letters and/or numbers that can be vocalized. A brand mark is the visual representation of the brand like a symbol, design, distinctive colouring or lettering. Mercedes Benz is a brand name and the star with it is a brand mark.

Essentially, a brand is a promise of the seller to deliver a specific set of benefits or attributes or services to the buyer. Each brand represents a level of quality. Irrespective of the fact from whom the brand is purchased, this level of quality can be expected of the brand. A brand is much more complex. Apart from attributes and benefits, it also reflects values.

Caution Before reading the brand concept student's please check how many brand available nearby you.

7.3 Evolution of Brands

Brands start off as products made out of certain ingredients. Over a period of time, brands are built through marketing activities and communications. They keep on acquiring attributes, core values and extended values.

Branding makes it easier for consumers to identify products and services. Brands ensure a comparable quality when products are repurchased. Brands simplify a consumer's shopping. Choosing a commodity is far more complex than choosing a brand. The firms find that brands can be advertised. The firms also get the advantage of recognition when brands are on the shelves of the retailers. There is no confusion between branded products amongst consumers. Branding makes price comparisons difficult. Good brands help build a corporate image. Branding gives added prestige to the marketer. Branding also gives legal protection to the seller. Brand loyalty protects a firm against competition. Branding enables a seller to segment the market. The distributors prefer branding as an identification tool for vendors, as a convenient tool to handle the products. These are some of the factors which encourage the sellers to brand their products.

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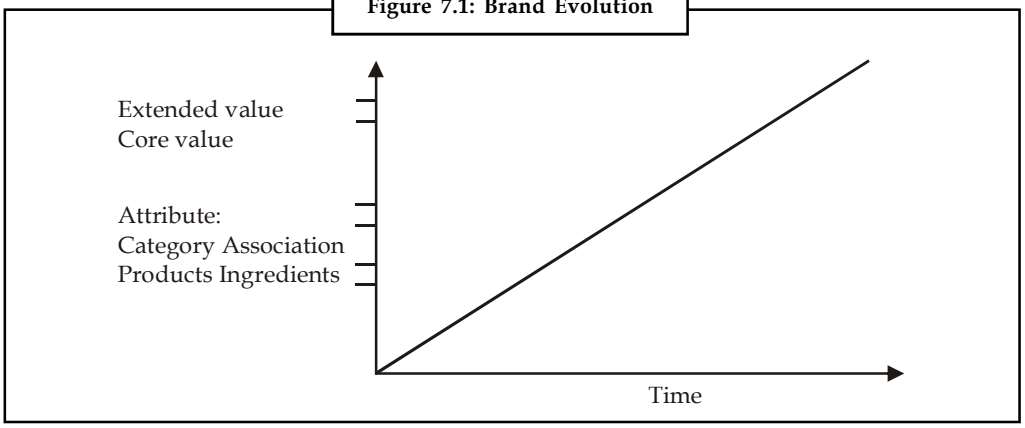
Figure 7.1: Brand Evolution



Brand evolution has interesting history. In ancient Roman and Greek society, shopkeepers hung pictures above their shops of the products they sold. There was a high degree of illiteracy in those days; the pictorial representation did help the buyers. Each retailer then started developing symbols to represent his speciality. This led to the development of brand logos. Logos are shorthand device indicating capability of a brand. The trend is continuous even now.

In medieval times, craftsmen put their marks on products to indicate the skills which went in to making them. Branding based on the reputations of craftsmen has existed over the centuries. Thus suppliers started distinguishing themselves. Branding was used as a guarantee of the source of the product. Later it came to be used for legal protection against copying and imitation. Trademarks now include works, symbols and package design, and are registerable.

Branding was associated with the mark put on cattle by red hot iron as a proof of ownership, and this must have influenced Oxford English Dictionary's lexical meaning of a brand as an indelible mark as proof of ownership, as a sign of quality or for any other purpose. Ranchers in the old west used brands to identify their cattle. As fencing was not invented, this was the only way to mark their valuable property. Brands thus became differentiating devices, and remain so even today. They identify the products of one seller or group and competitors. Brands can be a name, term, sign, symbol or design or any combination of them.

Classical brand management developed in the retail grocery stores. Manufacturer-retailer relationship underwent transformation in the wake of the Industrial Revolution. Wholesalers were a dominant force then. Manufacturers sold unbranded products to the wholesalers and had little contact with the retailers. But technological advances enabled manufacturer to mass produce goods in anticipation of demand. They questioned their reliance on wholesalers. They tried to protect their investment by branding their products, and by patenting them. They tried to bypass the wholesalers by advertising these brands directly to the consumers. Advertising then focused on creating awareness of a brand, emphasising its reliability, and guaranteeing that branded goods were of a consistent quality.

Manufacturers also began to appoint their own salesmen to deal directly with the retailers. All this happened by the second half of the 19th century.

The power shifted from the wholesalers to the manufacturers thanks to the branding process. Manufacturers took efforts to create brand awareness, and to make their brands different from those of the competitors. They also strove to maintain a consistent quality level. Brands came to have three dimensions-differentiation, legal protection and functional communication.

After the World War II, the consumers hankered after the goods which were short since resources were diverted to the war efforts. People started life afresh and wanted security. Family provisions were a desirable objective. It augured well for the manufacturers. Many of today's great brands emerged in this period. Brand management became a respectable subject.

Notes

In the last century, brands came to acquire an emotional dimension also. They made personality statements and represented buyer moods.

Task Can you explain how a normal product change in a successful brand e.g. P.V.R. group of cinema.

Self Assessment

Fill in the blanks:

3. Over a period of time, brands are built through marketing activities and …….
4. Branding makes …….comparisons difficult.

7.4 Characteristics of Brands

Brand can be considered in terms of four levels:

Generic: It is the commodity level which satisfies the basic needs such as transportation. It is so easy to imitate a generic product. A brand continues to add values so as to reach the expected level.

Expected: A generic is modified to satisfying some minimum buying conditions such as functional performance, pricing, availability, etc.

Augmented: Brand is refined further by adding non-functional values along with the functional ones. We may direct advertising to the social prestige, the possessor of the brand is likely to enjoy.

Potential: As brands evolve, we become more critical. Creativity plays an important role to grow up the brand to its full potential. If no creative effort is taken, there is danger of the brand relapsing to its augmented or expected level.

7.5 Brand Management

Brand Management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favorable. It may also enable the manufacturer to charge more for the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. All of these enhancements may improve the profitability of a brand, and thus, "Brand Managers" often carry line-management accountability for a brand's P&L profitability, in contrast to marketing staff manager roles, which are allocated budgets from above, to manage and execute. In this regard, Brand Management is often viewed in organizations as a broader and more strategic role than Marketing alone.

Notes

The discipline of brand management was started at Procter & Gamble PLC as a result of a famous memo by Neil H. McElroy. A good brand name should:

1. be protected (or at least protectable) under trademark law
2. be easy to pronounce
3. be easy to remember
4. be easy to recognize
5. be easy to translate into all languages in the markets where the brand will be used
6. attract attention
7. suggest product benefits (e.g., Easy-Off) or suggest usage (note the tradeoff with strong trademark protection)
8. suggest the company or product image
9. distinguish the product's positioning relative to the competition
10. be super attractive
11. stand out among a group of other brands < like that one compared to the others.

7.6 Selecting a Brand Name

Criteria for choosing a name:

1. Easy for customers to say, spell and recall (inc. foreigners)
2. Indicate products major benefits
3. Should be distinctive
4. Compatible with all products in product line
5. Used and recognized in all types of media
6. Single and multiple words Bic, Dodge Grand Caravan, IBM PC (letters), or a combination Mazda RX7
7. Availability, already over 400 car "name plates", this makes it difficult to select a new one.
8. Use words of no meaning to avoid negative connotation, Kodak, Exxon
9. Can be created internally by the organization, or by a consultancy.

Service-usually the company name must be flexible enough to encompass activity of current services as well as new ones in the future (Southwest Airlines).

Frequently use symbols, AT&Ts globe, Travellers insurance umbrella.

Naming process goes from idea generation to idea evaluation to legal evaluation. Should define objectives–what value to the product should the name provide.

Self Assessment

Fill in the blanks:

5. ..... is the application of marketing techniques to a specific product, product line, or brand.
6. Naming process goes from ……to idea evaluation to legal evaluation.

Notes

7.7 Branding Challenges and Opportunities

Although brands may be important as ever to consumers, brand management may be more difficult than ever. The challenges for brand managers are discussed below:

1. ***Savvy Customers:*** Increasingly, consumers and business have become more experienced with marketing and more knowledgeable about how it works. A well-developed media market has resulted in increased attention paid to the marketing actions and motivations of companies. Many believe that it is more difficult to persuade consumers with traditional communications than it was in years gone by.

   Other marketers believe that what consumers want from products and services and brands has changed. For example, Kevin Roberts of Saatchi and Saatchi argues that companies must transcend brands to create "trust marks"- a name or symbol that emotionally binds a company with the desires and aspirations of its customers.

2. ***Brand Proliferation:*** Another important change in the branding environment is the proliferation of new brands and products, by the rise in line and brand extensions. As a result, a brand name may now be identified with a number of different products of varying degrees of similarity. Procter & Gamble's original Crest toothpaste, has been joined by a series of line extensions such as Crest Mint, Crest for kids, Crest Baking Soda, Crest Multi care Advanced Cleaning.

3. ***Media Fragmentation:*** An important change in the marketing environment is the fragmentation of traditional advertising media and the emergence of interactive and non traditional media, promotion and other communication alternatives.

   The commercial breaks on network TV have become more cluttered as advertisers increasingly have decided to advertise with 15 second spots rather than the traditional 30 or 60 second spots. Marketers are spending more on non traditional forms of communication and new emerging forms of communication such as interactive, electronic media, sports and events sponsorship, in -store advertising, mini bill boards in transit vehicles and in other locations.

4. ***Increased Competition:*** Both demand side and supply side factors have contributed to the increase in competitive intensity. On the demand side, consumption for many products and services has fattened and hit the maturity stage, or even the decline stage of the product life cycle. As a result, sales growth for brands can only be achieved at the expense of competing brands by taking away some of their market share.

5. ***Increased Costs:*** As the competition is increasing, the cost of introducing a new product has also increased. It makes it difficult to match the investment and level of support that brands were able to receive in previous years.

6. ***Greater Accountability:*** Stock analysts value strong and consistent earnings reports as an indication of the long-term financial health of a firm. As a result, marketing managers may find themselves in the dilemma of having to make decisions with short-term benefits but long-term costs.

Moreover, many of these same managers have experienced rapid job turn over and promotions and may not anticipate being in their current positions for very long. These different organizational pressures may encourage quick-fix solutions with perhaps adverse long-run consequences.

Notes

7.7.1 What is Branding?

Branding is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of your key stakeholders, especially current and prospective:

1. Employees
2. Customers
3. Stock/share holders
4. Suppliers
5. Intermediaries
6. Opinion leaders
7. Local communities
8. Purchasers and licensees

Experts argue as to which stakeholders should be the main focus of the branding process, but this is probably the wrong question as their experiences are all interrelated:

Employees: The more your employees value your brands and understand what to do to build them, the more your customers, suppliers, local communities and opinion leaders will value them. The more attractive your brands are to potential employees, the more they are likely to want to work for you.

Customers: The more your customers value your brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them and make the lives of your employees easier. This, in turn, will enhance the value of your brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation.

Stock/share holders: Strong brands multiply the asset value of your company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that your company has a profitable future. They also allow you to afford to give competitive dividends to your current stock/share holders.

Suppliers: Suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better service at a lower total acquisition cost.

Intermediaries: Retailers, distributors and wholesalers value strong brands as they improve their own profit margins. They are likely to give you more "air time" and shelf space, thus enhancing further the value of your brands in the eyes of your current and prospective customers.

Opinion Leaders: The media, politicians and non-government organisations are more respectful of strong brands.

Local Communities: Supportive local authorities can make your life easier in many ways, and offer you better deals, if you have prestigious brands. Your local communities provide you with your work force and can be highly disruptive if they perceive you as damaging their environment.

Purchasers and Licensees: The question prospective purchasers and licensees ask is "how much more profit can I get for my products and services sold under this brand than under any brand I might build?" Strong brands can be spectacularly valuable.

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7.7.2 Branding Challenges

There are many challenges faced by the organizations and companies according to the branding scenario and these are:

(a) ***Reactive Approach to Brand Development:*** Often, an event triggers brand development or re-branding. Signaling comments include, "We have a major tradeshow coming up. . ." or, "We're being featured in a major publication and want to place an ad, but we don't know how to position ourselves." With neither a plan nor procedures, your company simply "reacts" to opportunities for exposure.

(b) ***Branding Initiatives Lack Accountability (Return on Branding Investment, ROBI):*** No formal metrics are in place to determine the effectiveness of branding initiatives, which may include advertising, direct marketing, public relations, and web activity. Often, the basis for continuing an initiative resides in gut instinct, and the effectiveness of branding initiatives is weighed after the fact. Without metrics, you can't tell whether the result was good, bad, or average. All you know is that you invested "X," the sales result was "Y," and in the short-term, you're happy.

(c) ***Can't Bring Branding Initiatives to Conclusion:*** Many companies make a series of false marketing starts, or start strong and lose focus, which leads to comments like, "We have a website in development . . .", or "We're working on a new corporate brochure . . ." The senior executive may be too involved in the process, or the project may have been delegated to an unqualified staff person. I've had a number of great interns at Delia Associates, some of whom I hired, and others who have moved on to promising marketing careers elsewhere. No matter how bright these individuals were, they were not qualified to develop and deliver a company's online brand single handedly, and it would have been unwise to expect them to do so.

(d) ***"Who are we Today" Syndrome:*** If you haven't constructed a core brand foundation, each branding initiative represents a "re-invention of the wheel" that requires rethinking of your company's position, key values, image, and core focus. What should be a simple new product announcement turns into a debate about the company's past, present, and future with everyone asking, "Who do we REALLY want to be when we grow up?"

(e) ***Competition "Stole" the Business away from Us:*** We frequently get calls from companies that have lost a major piece of business, often to a direct or emerging competitor. The top executive will complain that the competitor is inferior, yet stole the customer. What companies in these situations fail to realize is that branding has more to do with perception than with reality. If a customer believes a competitor is better than you, it's true, pure and simple.

(f) ***"We're in a Commodity Business":*** Due to competitors using price-cutting tactics essentially to buy market share, perceived value is being driven out of the business. As a result, you may be forced to drop prices or add value simply to hang onto existing business. Meanwhile, branding takes a back seat. In truth, every company, by virtue of its existence, is remarkable in some way. And every industry sector has a value curve of companies, from true commodity suppliers to industry innovators. Who do you think is making more money?

(g) ***"Branding Doesn't Work in Our Industry":*** This statement is often paired with, "Branding is a necessary evil." These comments are usually spoken by casualties of poorly executed marketing or bad marketing advice. The speakers have been stung once and won't be so easily stung again. The truth is, branding does work, as evidenced by the successes achieved by companies that have achieved brand status.

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(h) ***"Everybody Knows Us.":*** Any company in business for ten years or more has name recognition, especially if it services a well-defined industry. The better question is, "What do people THINK about you?" Your customers know you for what you do for them, but they may not know your full range of capabilities, or how to make qualified referrals on your behalf. Your customer contacts may disappear, or customers may simply forget to call you in a time of need.

(i) ***Unrealistic Expectations:*** "We sent out a mailing and nothing happened." This common complaint gets back to accountability and ROBI. What did you expect from a single mailing? The biggest reason for branding failures is that companies lack the tenacity to stay the course. They bail out prematurely and cite failure. The truth is that it takes, on average, seven brand impressions to get on the radar of a qualified prospect, let alone convert that prospect into a customer.

(j) ***"Nobody Knows Us":*** Many organizations place more emphasis on selling than on branding. With a highly capable sales team to drive opportunity, an organization will grow, but that won't replace the power of branding. If you're a $10 million company with about 100 key clients, your brand is very important to those 100 customers. But the rest of the world could care less, until you give them a reason to care.

(k) ***"We Don't Have the Budget":*** Nearly every company we've talked to IS spending money on its brand. Companies may not be tracking it or considering it a brand investment, but they are investing all the same. Golf outings, client dinners, company gifts, sporadic ads, tradeshow appearances, presentations, hats, t-shirts, new brochures, updating the company website-that's all spending on a brand.

Self Assessment

Fill in the blanks:

7. ..... is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of your key stakeholders.

8. ..... represents 'the total accumulated value or worth of a brand'.

To make the most of marketing investments, you need to start tracking your spending on these activities. Next, determine whether you would be better served by investing differently. If you don't have a budget, establish one for next year. Business-to-business companies spend an average of 2-3% of annual sales on branding. Business-to-consumer organizations tend to spend 5% or up to 10% if they are in serious growth mode. Retailers spend even more because they rely completely on branding efforts to create selling opportunities. Averages are a good starting point for determining how much you should allocate to branding next year.

The battle for a share of the consumer's wallet and cut throat competition for every bit of market space has resulted in search for a powerful weapon that delivers sustainable competitive differentiation. In the beginning itself it is of great relevance to quote Philip Kotler, marketing guru about his perception on brands, "Branding is expensive and time consuming and it can make or break a product." But even then, today, branding is such a strong force that hardly anything goes unbranded. No one had thought that commodities like "Aata", & "Rice" would be branded. Today, one does not go to the shop and ask for just salt but will ask for Tata Salt or Captain Cook Salt or Annapurna Salt. These brands have become part of our daily life. Developing of an effective brand allows the organization to create a distinctive presence in the market and compete more effectively by leveraging its organizational strengths. In the current competitive

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market, brands are identified as an intangible asset that can be revenue generating in the long run.

Distributors and retailers want branded products because brands make the product easier to handle, hold production to certain quality standards, strengthen buyer preferences, stimulate repeat purchases, facilitates promotion efforts, makes it easier to identify suppliers and stabilizes market share. On the other hand, consumers prefer branded products because it gives them an assurance of quality, differentiate from competitive products and help him in efficient shopping. That is why, Philip Kotler has said, "Developing a successful brand creates customer loyalty through the provision of added value, for which the customer is prepared to pay premium price, and which the competition find difficult to copy."

Today most of the markets are saturated with competitors and offerings. Take the example of bathing soap market. Even in this market, one can distinguish between different age segment, income segment, preference segment, beauty conscious segment and so on. One can create a niche offering for a very special group but this would not lead to large sales & resultant profit. On the other hand, if you target the mass market, you find it difficult to define the superior offering because you find existence of lots of variety seekers who would try Cinthol one day, the next time a Pears & still next time a Dove. Therefore the challenge for the mass marketer is to develop a strong, well known brand focusing on what everyone wants.

In branding there are two extreme errors. One is to create a fixed brand image to be used everywhere without exception. The other is to change the meaning of the brand in every market. Like McDonalds doesn't believe in a strong fixed positioning. McDonalds take different meanings in different countries. It serves different versions even in different places within each country. McDonald is a global brand which is available globally but marketed locally. Even though customers are aware that it is a global brand but when companies make it a glocal brand, the customer feel close and develops a sense of belongingness, and it is this, rather than its universal availability, that enhances its equity. It is rightly said that "a brand is said to have personality, an emotional bond to the customer that grows out of the perceived characteristics." Through its recent advertisement theme "I'm Lovin' it", McDonald's have succeeded in developing an emotional bond between McDonald and its customers across 100 countries. Therefore any effective & well-managed brand can add tremendous value to its customers only when it is communicated effectively.

Again, according to the maturity of the product, geographical markets and the brand itself, the brand image should carry different image. The companies need to continuously evaluate the brand position otherwise they run the risk of seeing their brands degenerate into mere commodities that customers shop for need fulfillment. Brand rejuvenation is a must for products reaching the maturity stage. Companies need to periodically audit their brands strengths and weaknesses and rejuvenate if necessary. Brands need to be repositioned with the changing customer preferences and entry of new customers.

Any newcomer, who is entering the market, should not be a copycat but should identify the week points of the existing brands or something which is missing from the market and try to penetrate the untapped market. They should be able to offer a combination of quality, reliability, availability and low price. The most winning strategy for branding is "define a target audience and direct a superior offering (vs. competitor) at that target market."

The brand managers are today facing the twin challenges of localization versus globalization and individualization versus homogenization. They should be very sensitive to the environment while taking decision about whether, when, where and how to globalize or localize the brand. The most distinctive skill required in a brand manger is to create, maintain, protect and enhance its brands. He should be able to create a product difference, real or symbolic. Though this tactical

work is carried out by the brand managers, but in reality the brands ultimate success will depend on everyone in the company accepting and living the brand's value proposition.

Self Assessment

Choose the appropriate answer:

9. Out of the following which one is not a brand.

   (i) Coca Cola (ii) Microsoft

   (iii) Company (iv) None of the above

10. Which one are not the characteristics of a brand.

   (i) Expected (ii) Augmented

   (iii) Potential (iv) General

Case Study

Brand Extension Strategy

Old Spice Cosmetics for Men

Old Spice has been a long standing global brand of cosmetics for men. Their range includes after-shave lotion, lather shaving cream, talcum powder, shampoos and hair cream. In India the first and most successful product launched was **after-shave lotion.**

In the year 1986, the market share of Old Spice products in India was as follows:

- After-shave lotion – 65%
- Lather shaving cream – 9%
- Talcum powder – 1%
- Shampoo trace
- Hair cream trace

Colfax Lab. Ltd. The manufacturers had been marketing the products in the west through departmental stores. They planned a strategy to boost their products sale in India in 1987 and decided to reduce reliance on after-shave lotion and promote other products as well, as they had found there was good market for other products too.

- ***Shampoo:*** As Colfax had only one type of shampoo, whereas competitors had several types, they decided to lie low on this product.
- ***Talcum powder:*** As talcum powder was purchased mostly by women, and Old Spice was a brand for men, the sale was restricted.

Hence it was decided to promote lather shaving cream along with after-shave lotion as the two products complemented each other.

A market survey gave the following figures of use of cosmetics by men:

- Shaving cream is used by 94% men
- After-shave lotion by 79%

Contd...

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- Hair cream by 33%
- Talcum powder by 86%
- Shampoo by 63%

Advertising Plan

Advertising budget was not enough for undertaking a full-fledged multi-product campaign.

After-shave lotion to be the umbrella product and from 1985 the Surfer Ad campaign was launched. The advertisement gives a masculine Macho image to the product. It gave a fillip to the after-shave lotion and had marginal impact on other product sales.

- 40 towns with 70% business were selected for the campaign.
- TV was taken as the primary medium.
- Product differentiation was through package size, with introduction of 50 ml pack with atomiser.

Objectives of the advertising plan were to increase awareness of the product in customer's minds and encourage trial usage of lather shaving cream.

Strategy was to keep the brand personality of lather shaving cream same as that of after-shave lotion, that of a masculine macho man and gradually increase focus on lather shaving cream without decreasing importance of after-shave lotion.

Since the lather shaving cream was a superior product as compared to other shaving creams, keeping advertisements of both the products, lather shaving cream and after-shave lotion consistent, improved the brand image of both the products.

The product was targeted towards 25 plus men with income of ₹ 10,000 per month.

Research had shown that as the brand image is most important, brand character had to be clearly defined too.

Old Spice man is adventurous with a devil-may-care attitude. His activities and sports have a touch of danger. He thrives on risks and women pine for him.

Creative strategy lead to making of the Polo film, horses symbolising the machos in men, who are irresistibly attractive to the elitist women. Polo is intrinsically adventurous and full of risks.

Medium had to be elitist i.e. TV which provides the following:

- Maximum excitement to brand for large target audience.
- High reach
- Quick building of sales
- Cost effective

Three spots a month were given of 20 seconds duration on the national network.

Evaluation: The figures given are enough evidence of the success of the campaign-

	1986	1987	1988	1989
Volume	100	131	158	213
Value	100	134	180	277

Contd...

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The market share also improved as can be seen from the next table (given in percentage)

Year/%	1988	1989	1990	1991	1992
Old spice	13.1	16.2	19.2	26.8	33.5
Palmolive	34.5	33.4	36.9	35.5	33.6
Godrej	19.5	20.2	18.7	18.6	19.3

Old Spice brand has remained one of the most respected brands worldwide. In 1988 lather shaving cream advertisement was among top 10 advertisements in the world*.

Questions:

You are the new Managing Director of Prince, the company, which is introducing a new brand of Scooters Vogue when their Motorcycles Voyager is having the largest market share of 23%.

Focus: You have to focus your attention on the following:

- Should you take a piggy ride on your Mo-bike while launching the scooters?
- Should you do hard selling to eat into competition or get new customers?

As you set about planning your campaign write a note of one page, maximum of 300 words to your advertising agency briefing them about what you want them to do and what are your objectives for the campaign.

7.8 Summary

- A brand is a "name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition".
- The characteristics of a brand can be given in four levels and they are generic level, expected level, augmented level and potential level.
- Brands are treated as perceptions in the consumers' mind. In the purchase process, consumers seek values of the brand's capability. They evaluate a brand perceptually against criteria such as reliability, feel-good factor, superiority to other competitive brands, etc.
- A brand is a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need.

7.9 Keywords

Brand: A brand is a "name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition".

Brand Evolution: It has an interesting history. In ancient Roman and Greek society, shopkeepers hung pictures above their shops of the products they sold. There was a high degree of illiteracy in those days, the pictorial representation did help the buyers. Each retailer then started developing symbols to represent his speciality.

Brand Logo: Logos are shorthand devices indicating capability of a brand.

Creativity: It plays an important role to grow up the brand to its full potential. If no creative effort is taken, there is danger of the brand relapsing to its augmented or expected level.

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7.10 Review Questions

1. Suppose you are a manager in your organization what type of challenges you face before launching a product into the market.
2. How a brand makes an image in the mind of customer? Give a suitable example.
3. What are the factors behind for choosing a brand name?
4. Branding is a good thing for company or it's a syndrome for the company. Give your suggestion.
5. What is the difference between brand awareness and brand loyalty?

Answers: Self Assessment

1.	Brand	2.	Trade mark law
3.	Communications	4.	Price
5.	Brand management	6.	Idea generation
7.	Branding	8.	Brand equity
9.	(iii)	10.	(iv)

7.11 Further Readings

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Unit 8: Brand Equity

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Objectives

After studying this unit, you will be able to:

- Define the Brand Equity
- Discuss Brand Image Constellation
- Explain Brand Image Dimensions
- Recall Assets and Liabilities
- Describe Brand Report Card

Introduction

Brand equity represents 'the total accumulated value or worth of a brand'. Konapp (2000) considers brand equity as "totality of brand's perception". He includes the feelings of consumers, employees and all stakeholders while measuring the brand equity.

Keller (1993) defines brand equity in terms of marketing effects whereby certain outcomes occur as a result of brand name.

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Aaker calls brand equity a set of assets associated with a brand, and which add to the value provided by the product/service to its customers.

Brand equity relates to the fact that different outcomes result from the marketing of a product or service because of its brand than if the same product or service had not been identified by that brand.

Branding is all about creating differences. Most marketing observers also agree with the following basic principles of branding and brand equity:

1. Differences in outcomes arise from the "added value" endowed to a product as a result of past marketing activity for the brand.
2. This value can be created for a brand in many different ways.
3. Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand.

There are many different ways in which the value of a brand can be manifested or exploited to benefit the firm.

8.1 Defining Brand Equity

Brands are valued for their equity. Brands add value. 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 both a value enhancer and a 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".

"Brand equity consists of differential attributes underpinning a brand which gives increased value to the firm's balance sheet".

"Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers".

"The brand "equity" (is) the total accumulated value or worth of a brand; the tangible and intangible assets that the brand contributes to its corporate parent, both financially and in terms of selling leverage."

"Brand equity is 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.

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).

"Broadly stated, brand equity refers to the residual assets resulting from the effects of past marketing activities associated with a brand".

"Brand equity can be measured by incremental cash flow from associating the brand with the product".

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"Brand equity is the added value that is attributable to the brand name itself which is not captured by the brand's performance on functional attributes".

Did u know? **What is Brand equity?**

The marketing literature is laden with works which explore, interpret, and 'demystify' the concept of brand equity. The advantages of brand equity direct academic and managerial attention to its measurement and management. It is something which cannot be taken lightly. The marketers who dare to take it in lighter vein would do so at their own peril. 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.

Brand equity definitions more or less converge on some crucial points. There are similarities beneath apparent divergence in thoughts. However, three types of leanings seem visible: the brand, the customer and the financial value. Two thoughts that make brand the centres of their definitional focus are: "…consists of differential attributes underpinning a brand…" (Chernatony and McDonald) and "… is a set of brand assets and liabilities linked to a brand…" (Aaker 1991). The customer centered conceptualisation of brand equity lays stress on customer cognitive process: "…as the totality of brand's perceptions…" (Knapp, 2000) "…the differential effect that brand knowledge has on consumer response…" (Keller, 1998); However, most of the views seem to concentrate on outcomes. It is the behavioural outcome that a customer exhibits which ultimately leads to the financial value: "…can be thought of as additional cash flow achieved…" (ibid, 1992); "… is the added value that is attributable to the …" (Sikri, 1992). "…the total accumulated value of worth of a brand …" (Upshaw).

How can these differing views be integrated? The best way of achieving 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. How does a brand generate more value? It is through the discriminating response that customer's 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 consumer's 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.

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.

Notes 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 customer equity – an unwavering customer franchise which stands by the brand.

A brand adds value in a number of ways. According to Aaker, brand equity creates value both for the marketer and the customer.

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8.1.1 Value to Customers

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

1. It helps customers in information processing. A brand is useful in aiding customers in interpreting, processing, and storing information about products and brands. It simplifies this process. Brands are taken by customers as chunks of information which are 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 confused.
2. 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.
3. The final value to the customer comes in the form of usage satisfaction. For instance, satisfaction from drinking Nescafé 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 and identify with.

8.1.2 Value of Marketer

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

1. The effectiveness and efficiency of marketing programmes is increased by brand equity assets. 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 less costly 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 extension may be much simpler, easy and less costly.
2. 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 reduces the expenditures that need to be incurred in maintaining a customer base. Fewer customers would need to be replaced. Accordingly, the expenditure would be lesser.
3. Brand equity allows a firm to charge premium. That is, a customer may willingly support a brand in spite of greater sacrifice that needs to be made. In fact, brands with premium pricing are the ones which enjoy strong equity in the market.
4. Brand equity provides great opportunities for growth. In fact, most firms now rely on brand extensions to achieve growth rather than launch 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.
5. 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. Trade partners exhibit skepticism 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

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brands with equity and give access to point of purchase displays, shelf space, etc. Channel cooperation is achieved easily when the brand enjoys equity.

6. 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 preemptive fashion. Once these become proprietary to a brand, other brands are at a disadvantage.

Example: 'Dettol' has so strongly entrenched itself with 'antiseptic' that other competitors are just not able to make a dent in its market. Johnson & Johnson's 'Savlon' is hardly able to compete in the market. The same may be true for 'Fair & Lovely' in the fairness cream market. A brand 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.

Task Brand value to customer is more important or value to marketers. Discuss briefly.

8.2 Brand Equity at Different Hierarchical Levels

Now let us understand the Brand Equity at Different Hierarchical Levels:

8.2.1 Brand Loyalty

What happens when customers pay very little or no attention to a brand and buy on the basis of other considerations? It suggests that a brand lacks hold on the customers. This indicates that the 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 allegiance to the brand, it creates equity. Loyalty is at the heart of equity and is one of the important brand equity assets.

Brand loyalty has always been one of key concerns of marketers. A brand 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 brands 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, extending 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 of buyers comprises the ones satisfied with the brand (absence of dissatisfaction). These buyers have no reason to switch but may actually

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switch given the stimulations 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, though they have switching costs in terms of time, money, and risk. This category is somewhat 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 its 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 themselves. 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 are a solid asset base. The committed buyers spread a lot of good word-of-mouth publicity 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 a greater proportion of 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 remain 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 players as customers are not easily available to be captured. Secondly, loyalty provides trade leverage. It is much easier to gain shelf space, trade cooperation, etc., when a brand has a loyal customer base. Thirdly, it allows a marketer to attract new customers because loyal customers signify assurance, confidence and faith in the brand. A prospect can more 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, giving the firm the much needed time to effectively counter competitive moves.

8.2.2 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. This sort of 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.

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Brand recognition is at the bottom level of the awareness pyramid. When a person is able to confirm prior exposure, the brand is 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 is sometimes 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. At a still higher level of awareness is the top-of-the- mind recall: the brand that comes first to mind.

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 coveted 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 only one that is considered while making a purchase. Very few brands are able to achieve dominance. The cases may include Johnson & Johnson baby powder, Dettol antiseptic, and 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 marketers first establish a brand name and then expand its scope by incorporating various attributes and benefit associations. Second, recognition – confirmation of prior exposure – implies 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 surrogate 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 brand is supported by a firm. 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 share.

8.2.3 Perceived Quality

The quality can be objective or perceived. The objective quality means the actual superiority of product or service. However, the perceived quality is perception of superiority of a product or service with respect to its intended function. Perceived quality is customer based. Different people value different things. It involves judgement about what is valued by the customers. Quality also needs to be distinguished from satisfaction. A customer may still be satisfied with poor quality. Satisfaction is determined by expectations. On the whole, perceived quality is an overall feeling that a customer tends to have about a brand. It is generally based on some underlying quality dimensions (product attributes or benefits) on which the customer perceives the product's performance or delivery.

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There are various ways in which perceived quality generates value. Firstly, perceived quality gives a powerful reason to the customer to consider and buy a specific brand. Only brands that are perceived to be of quality are considered in a purchase decision: the rest are all eliminated. It is particularly important when a buyer is not motivated to collect information to determine quality objectively, where information is not available and the customer does not have the ability to obtain and process brand information. A customer relies on perceived quality and makes the purchase decision. Second, perceived quality allows a brand to acquire a position or differentiation. Brands are differentiated on the basis of their position on the quality spectrum. Top-of-the-line brands are differentiated on the basis of perceived quality.

Brands with higher quality perception can afford to charge price premiums. The premium can be further deployed in brand building efforts like research and development, awareness enhancement, and strengthening association. Selling a quality brand at competitive prices enhances value perceptions. This would further contribute to brand loyalty, increased customer base, and improvement in marketing effectiveness and efficiency. Brands with higher perceived quality find greater acceptance from trade partners and they are willing to carry such brands. Finally, it can be the basis to leverage brands into launching extensions. A brand with strong quality perceptions is likely to be extended further and has a greater probability of success.

8.2.4 Brand Associations

As has been discussed in earlier sections, a brand node may be connected with other information nodes. Whatever a brand is connected with forms part of the brand association network. For instance, a brand may have connected associations of feelings, character, symbols, life-style, user, etc. Associations tend to have strength. Some associations linked to the brand may be strong, while others could be weak. Brand image is how a brand is perceived by the prospects in terms of these associations. Brand image may represent perception, but may not reflect reality.

From the equity point of view, brand association can create value in a number of ways. Brands are bought for what is associated with them. Customers also exhibit loyalty for the same reasons. Associations form an information chunk representing what the brand is. Information in chunks is relatively easy to process, store, and retrieve. Associations, in fact, also help in interpretation (e.g., visual of LIC – palms protecting the lamp) by providing the context. Associations also influence recall of information. This is especially important during decision making. For instance, 'Dart' symbol helps recall the related information about the Blue Dart courier service.

The other ways in which associations create value, is by becoming the basis of differentiation. Brands are differentiated essentially on the basis of associations e.g., Taj Tea and Tata Tea. Associations that represent product attributes or benefits give consumers reason to buy (e.g., All Clear shampoo with ZPTO, the agent that kills microbes which cause dandruff). Associations also stimulate positive feelings. These feelings, in turn, are transferred to the brand. (e.g., Amul girl symbol, celebrity endorsement by someone like Salman Khan for Thums up, a slogan like "We bring good things to life", all generate positive feelings). The feelings transform the use experience for customers. Finally, associations provide basis for extending the brand into new product categories (Pepsi into Pepsi Urbanwear).

A brand is an asset. It is a source of value generation. A brand's equity is determined by a set of assets and liabilities that are associated with it. These are brand associations, perceived quality, loyalty, awareness and other proprietary assets.

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Case Study

Brand Equity in Acid Reflux

A targeted effort that supported the 2001 launch of AstraZeneca's gastroesophageal reflux disease (GERD) treatment Nexium (esomeprazole) struck a fine balance in building brand equity while encouraging appropriate use of the new medication. Nexium succeeded Prilosec (omeprazole), the long-time market-leading proton pump inhibitor (PPI) that achieved US sales of $3.7 billion in 2001. Research showed that patients could benefit from another treatment alternative. Nexium was launched to the medical community on the strength of data comparing it with Prilosec.

Nexium hit the market with support befitting a potential megabrand-extensive direct-to-consumer television and print campaigns, along with direct communication with self-identified frequent heartburn sufferers who previously requested information from AstraZeneca about treatment options. To accelerate long-term growth, the marketing team sought to build a documented brand presence among others who may suffer from GERD and collaborated with Reader's Digest to reach 380,000 US households whose residents meet that criterion.

The goal was to give a concentrated group of chronic heartburn sufferers an early introduction to Nexium and imprint them with a favorable image of the brand. It was significant that recipients had requested those communications from a trusted publication, "Viewpoints on Health," a custom information source that Reader's Digest sends to subscribers who have requested specific information-diagnosis, treatment, products-about ailments suffered by a member of their household. The magazine's database includes subscriber households reporting more than 30 ailments, with total ailments ranging from 250,000 to more than 1.5 million.

"Heartburn households" received two 16-page "Viewpoints on Health" booklets inside their July and August 2001 issues of Reader's Digest. Content created by the Digest creative services department educated readers about the implications of recurring heartburn, treatment options, and health tips ranging from diet to meditation. In each booklet, a four-page advertising insert described the potentially serious nature of acid reflux disease and emphasized that only a doctor can diagnose it. The insert included a free seven-day trial certificate-requiring an accompanying prescription for pharmacy redemption-to encourage patients to discuss with their doctors whether Nexium might be the right treatment for them.

To gauge the project's impact, Reader's Digest studied recipients' involvement with the material. Their analysis revealed that approximately 90 percent of recipients recalled the booklets, two-thirds reported that they read most of the content, and of those, 83 percent rated the content good or excellent. Fully two-thirds of recipients recalled the product ads and 47 percent confirmed that the association with Reader's Digest added to their credibility.

Trustworthy consumer information is the cornerstone of pharma marketing. Judging from the substantial consumer feedback, a helpful booklet helped connect credible content with Nexium as a treatment option for acid reflux disease. AstraZeneca's collaboration with a respected publication enhanced the brand's reputation with heartburn sufferers. That's the essence of all successful advertising.

Contd...

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Questions

1. Analyze how Nexium developed its brand equity in acid reflux.
2. Analyse the role of Reader's Digest in establishing the brand equity for Nexium.

Source: pharmexec.findpharma.com

Self Assessment

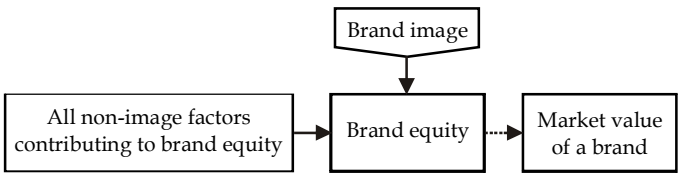
State whether the following statements are true or false:

1. Brand equity also plays a critical role in enhancing value for the marketer.
2. Brand equity is not a good source of achieving leverage in distribution channels.
3. Brand loyalty has always been one of key concerns of marketers.
4. Brand recognition is the ability to confirm prior exposure.

8.3 Brand Image Constellation

Brand equity is the value side of the brand. Most often, this value is monetized and defined in 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 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. The key concept between the brand and the equity is the brand image. It is an intervening variable. As depicted in Figure 8.1, 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.

Figure 8.1



Source: Biel, Alexander, L. "How Brand Image Drives Brand Equity", *Journal of Advertising Research*, Nov-Dec 1992, P.Rc-7.

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

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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 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.

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 word '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 antecedents to action. Consumers hold attitudes towards product categories.

Example: "I do not like potato wafers".

Consumers also hold attitudes towards brands: "I like to buy Pepsi whenever I feel like having a soft drink". It is this hidden attitude that determines whether a customer would steer 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, uses, etc. The issue is: what is associated with the brand in the customer's mind? This is the fundamental driver of brand equity.

In order to evoke positive feelings and customer patronage, marketers 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 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.

Brands reside in a customer's memory in the form of a network of associations. Brand name represents the central mode 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 façade – 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.

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Brand image can be defined as "perceptions about a brand as reflected by the associations held in consumer memory". It can also be conceptualized as "culture of attributes and associations that consumers connect to the brand name". Brand image is the 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 fitter. 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 innocuous.

Sometimes, the notions 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"."

Self Assessment

Fill in the blanks:

5. ……..is the value side of the brand.
6. There is no intervening variable between the brand and the…….
7. Brand equity is based upon the …….that customers hold about a particular brand.

8.4 Brand Image Dimensions

A brand in a customer's mind is a complex network of associations. Biel proposes that these associations can be of two types: hard and soft. And brand image has three components: image of provider, image of user and image of the product.

- ***Hard Associations:*** Hard associations refer to the perception of tangible/functional attributes of a brand.

Example: Hard associations in case of a car brand may revolve around speed, price, fuel economy per litre of petrol and colour.

- ***Soft Associations:*** The soft associations are more emotional. A car brand can be visualized as exciting, vibrant and youthful.

Example: Maruti is attempting to associate its 'Alto' cars with youthfulness, excitement, attractiveness. The soft association can be negative.

For instance, the public air carrier – Indian Airlines – is associated with inefficiency, dull, old, unchanging and cold.

A brand's image is a composite concept. It carries with it other sub images. The three contributing sub images in a brand are: the image of product or service provider (corporate image); the image of the user and the image of the product or service.

- ***Image of the Company:*** Every brand carries an invisible shadow of its manufacturer. Like brands, companies also live in customers' minds as a network of associations.

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Example: What does the name 'DCM' spell in mind? Nothing much would get connected with DCM. It suggests DCM to be a weak node in memory. At the same time, many terms like: old, cloth, conventional, unchanging, vegetable oils, Rath, dull, unexciting, etc., might surface. Contrast it with a company like WIPRO. The associations surrounding WIPRO node may be leader, technology savvy, modern, innovations, cash rich, diversified, growth, etc. An inappropriate corporate image may act as a burden on an otherwise good product. It is capable of providing both strength and weakness to a brand. It is for this reason that good companies always keep track of their image in the public eye. As and when the need arises, they perform a marketing communication exercise to keep it relevant so that it provides a lift to the company's brands rather than becoming a burden on them.

- ***Image of the User:*** What comes to mind when one thinks of Pepsi? It clearly spells a profile of the user. The brand has an unambiguous definition of its users. The brand user profile may contain signals about a user's sex, age, occupation, life style, activities, mindset, etc. The user image in case of 'Pepsi' is embodied in its slogan 'choice of the new generation' or 'Generation *Next'*. Similarly, the user image of P&G brand 'Whisper' is clearly spelt out. The brand connects with young, educated, urban, upwardly mobile and confident users.
- ***Product Image:*** A brand's image is also determined by the image of the product it carries. All products have dimensions like functionality and emotionality, technology intensiveness, old and young, inherent to them.

Caution Products like perfumes, chocolates, champagne, whiskey, high end clothing tend to be associated with emotions and a lot of symbolism.

On the other hand, products like house cleaners, headache remedies, dishwashing liquids and domestic insecticides tend to be driven by functionality and reason. The brand image, therefore, has to take shape within the boundaries of structural limits imposed by the product image. This is not to suggest, however, that a brand image would always have to fall in line with the product image.

The user component of a brand translates into brand personality. Customers tend to ascribe various personality–like traits to brands.

Caution A brand may be taken as feminine. This gender based classification may even operate at a product level.

For instance, beer, car, cigarettes, coffee, credit card, hair cut, legal services, sneakers, scotch, toothpaste were found to be masculine products in a study. Products which were perceived to be feminine included bath soaps, clothes dryers, dishwashing liquid, shampoo, dishwasher, and facial tissue. Brands acquire personality characteristics by the way they are promoted. The importance of brand personality lies in its capacity to influence buyer behaviour. "Brands are bought for who they are as well as what they are". Customers are seekers of consistency. Accordingly, they are attracted towards brands which implicitly possess personality which is in sync with the user.

Besides personality, brands also tend to possess visual components: images or symbols that spring up in the mind once a cue about the brand is confronted. Most of the world's strong brands have strong visual imagery associated with them. Sometimes, these images are taken directly from the visuals that are promoted in the brand's communication. For instance, Marlboro's

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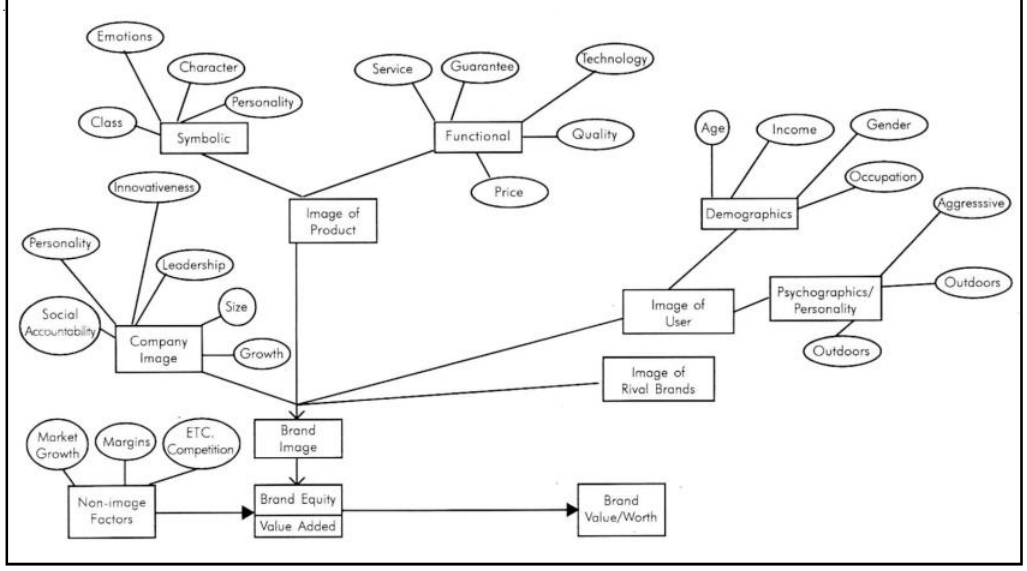
unchanging continuous campaign showing a cowboy has so strongly got connected with the brand that the name and visual are inseparable from one another in a prospect's mind. In the Indian marketing scene, 'Amul' has a very powerful symbol in the form of the 'Amul girl'.

Brands also become symbols. They begin to stand for something which is much more than what the product is and what it does. Brands often transcend the meaning that is denoted by their product class. Brands acquire character and meaning which is not directly associated with the actual product. It is often the key to customer franchise. Rolls-Royce, Brooks Brothers, Ferrari, Mont Blanc, do not mean what is generally conveyed by the product they are built on. Their real worth lies behind the product; it requires decoding to get to their real meanings. People buy brands not only for what they can do, but also for what they signify. Brands are powerful signifiers of meanings. "In this sense, all commercial objects have symbolic characters, and making a purchase involves an assessment – implicit or explicit – of this symbolism, to decide whether or not it fits". Consumers would sacrifice money and other efforts on brands when they are perceived to be appropriate symbols, otherwise these would be denied.

Figure 8.2: Brand Image Components/Dimensions and Brand Equity



Brand equity, as discussed earlier, is the financial side of the brand. It signifies the value addition that a brand makes. Brand equity is determined by customer behaviour. The key driving force of customer behaviour is the image. That is how the brand is perceived. Accordingly, the challenge for the brand manager is to assess brand image on an ongoing basis so that brand equity is maintained and enhanced. Figure 8.2 depicts the relationship between brand image components and brand equity.

8.4.1 Customer based Brand Equity

Keller's views on brand equity are customer oriented. Brand equity is seen from the perspective of the customer. Figure 8.3 depicts that the customer based brand equity is conceptualized as the 'differential effect' of 'brand knowledge' on 'consumer response' to marketing of a brand. At a more general level, equity is seen as the marketing effects – customer's perception of value/ behaviours/preference – that occur due to brand name, which otherwise would not occur if brand name is missing. It is the differential in marketing effect which could be attributed to a brand name. The differential that a brand name brings determines the brand worth of value. Strong brands embody a kind of brand power which dramatically enhances the marketing

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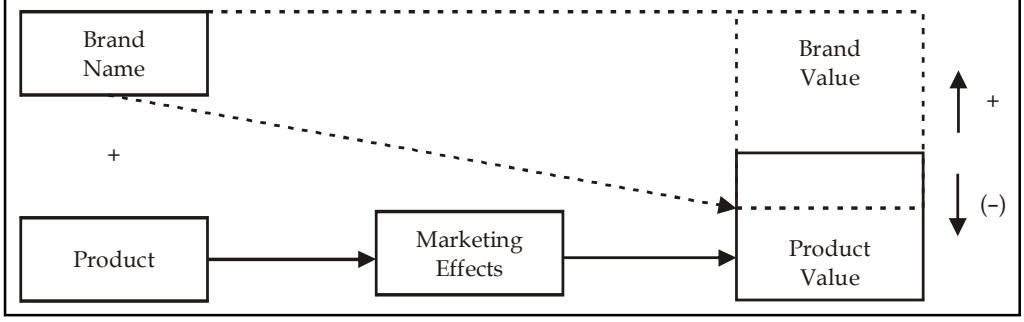
effects while the weaker brands are unable to achieve this feat. It is for this reason that strong brands command huge financial value.

Figure 8.3: Differential Effect of Brand Knowledge



These are three key elements in Keller's framework of brand equity:

(i) Differential effect

(ii) Brand knowledge

(iii) Customer response

Consider the situation when a product without any brand name is marketed. It is a generic commodity. In such a situation, a consumer is likely to exhibit a particular kind of behaviour pattern both in terms of liking, preference and perception of value. These are marketing effects that are attributable to the commodity marketed in question. If the brand name is now attached to the product, it acts as a moderator between marketing efforts and marketing effects. The brand name may bring along with it a knowledge structure – associations tied to a brand node – creating a change in the marketing effects. This differential is brand equity, the source of which is brand knowledge structure. The differential effect can be both positive *and* negative. A brand name, if it signifies associations that are not favourable, could create negative differential effect in the form of consumers disliking, and valuing the brand less than the generic product. Accordingly, customers may prefer to stay away from the brand.

This view of brand equity as differential effect caused by brand knowledge structure is particularly useful in conducting operational decisions. Given the pressures that marketers are experiencing about raising effectiveness and efficiency of decisions, this consumer oriented framework may provide help in pin-pointing exactly what needs to be done in order to achieve desired results. In the absence of this framework, marketers have to rely on aggregate indirect measures like sales as a guide to decisions. The performance of a brand is directly influenced by the knowledge structure it has. Accordingly, a marketer can explore the content and structure of brand knowledge to arrive at the attending challenges that must be taken care of by the marketing efforts.

In this framework of customer based brand equity, brand knowledge is the key concept. It is important to understand what kind of structure the brand knowledge has in the customer's mind. That is, when a customer is confronted with a brand name, what kind of associations spring up. Whatever is connected to the brand name is a crucial determinant of customer behaviour. As discussed earlier, a brand tends to form an associative network of nodes and connections. The nodes signify concepts or information chunks which are linked to other nodes. The links or connections may vary in their strength. A weak link would mean difficulty in spreading activation, while a strong link suggests quick spreading of activation. The links determine the speed at which other nodes would be activated and what would be recalled. Activation spreads from one node to another. Thus, strength of link or connection is an important

concept. The recall of information contained in a node depends on its level of activation. Only if activation exceeds a threshold level, is information recalled.

A brand in the memory is a node which is connected with other nodes signifying various associations. It is this network which refers to brand knowledge. The structure and content of brand knowledge influences consumer behaviour. It is what resides in the consumer's mind in the form of knowledge structure that determines brand equity. The knowledge structure is the source of brand equity. Brand knowledge structure has two components: (i) brand awareness and (ii) brand image.

Brand Awareness: Brand awareness is the ability to identify a brand under different conditions. The ability is determined by the strength of the brand node in memory. When there is no trace in memory, a brand cannot be identified. However, when this memory trace is strong, the brand is immediately identified.

Notes How many of us would be able to identify the brand 'Ovaltine'. Very few, because the brand node is either non-existent or it is very weak. Brand awareness consists of recall and recognition.

Brand recall refers to the ability to retrieve the brand from the memory when some cue is provided. For instance, when one thinks of soft drinks, which brand surfaces in the consumer's mind? Most people would be able to recall 'Pepsi' because of the strong link that it has established in the Consumer's mind. Brand recognition is the consumer's ability to confirm prior exposure when brand is given as a cue. Brand recognition necessitates that a consumer is able to discriminate the brand as having been seen or heard before.

Brand awareness is an important concept. It plays an important role in consumer decision making. As we have explored earlier, a brand would be able to take part in a choice decision only when a consumer is aware of it. It must become a part of consideration or the evoked set. Unknown brands get eliminated from the decision process. Simple awareness may just be sufficient in causing a brand to succeed, under low involvement buying conditions. Mind share leads to market shares in such situations. As could be observed, marketers strive to achieve 'top-of-the-mind' recall and build brand familiarity (colour, images, symbols) by frequency based advertising in order to succeed in low involvement buying situations.

Brand awareness may not be sufficient under conditions of high involvement. Consumers are motivated to perform complex analysis based on attributes and benefits as a means to optimize satisfaction. This necessitates creation of brand attributes and benefit associations linked to brand node. For all this to happen, establishment of brand node is essential. Therefore, brand node is a precondition for the creation of image. Brand awareness influences decision making by affecting the formation and strength of associations in the brand image.

Brand Image: The image of a brand is how it is perceived by the consumer. The totality of associations that are held in a consumer's mind and connected to a brand is brand image. It is a perceptual construct. The associations are held in the memory as information nodes connected to the brand node. This total network contains the meaning of the brand. Consumers act upon images held by them of different brands. In fact, it is these associations which differentiate one brand from another in the mind.

Caution The product part of Coke and Pepsi may just be same, but they seem highly differentiated brands in the marketplace – or perceptual space.

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Brands are distinguished in terms of knowledge structures they create. It is these knowledge structures that drive differential response of customers to marketing efforts and thereby create equity. "The favourability, strength and uniqueness of brand associations are the dimensions distinguishing brand knowledge that play an important role in determining the differential response that makes up brand equity, especially in high involvement decision settings". The image of a brand may contain different types of associations in the memory: attributes, benefits and attitudes.

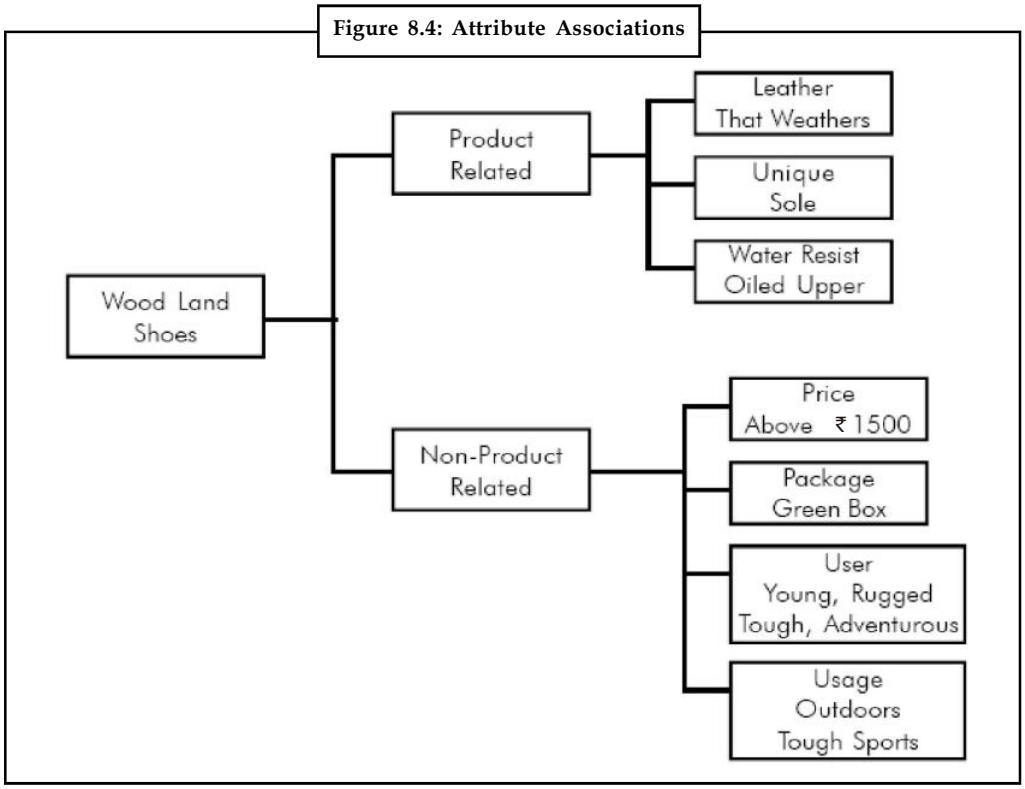
Attribute Associations: Attributes are descriptive features which are used to characterize a product or service.

Did u know? **How is a refrigerator described?**

It can be described as a cooling machine, normally available in white colour, comes in different sizes, meant for homes or offices, expensive, runs on electricity, has a compressor, etc.

The attributes could be distinguished on the basis of how directly they are related to product or service performance.

Figure 8.4: Attribute Associations



The product related attributes are ingredients necessary for a product's performance. They relate to the physical make up of the product. For instance, compressor, shelves, body, condenser coils, etc., are product related attributes in a fridge, while the external aspects are considered to be non-product related attributes. Four types of non-product related attributes are distinguished in Figure 8.4. These are: price information, product appearance or packaging, user imagery (the type of person who uses the product) and usage imagery (indicating the situations where the product is used).

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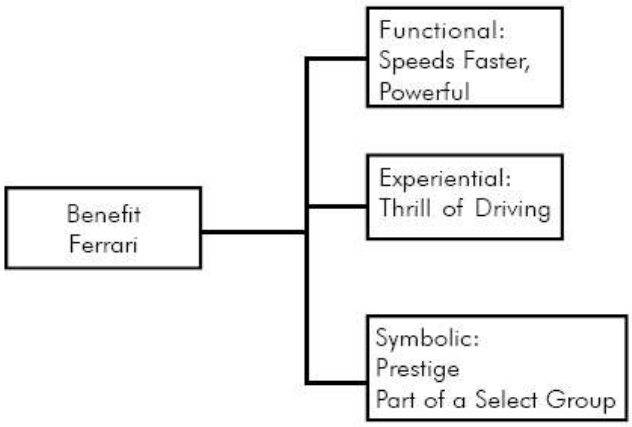
Benefit Associations: Consumers are not as much interested in product attributes as they are in benefits. For instance, if an air-conditioner has four condenser coils instead of two, it matters little. But this attribute would become valuable once it is established what it would do for the consumer, e.g., faster cooling (Samsung). Benefits are suggestions as to what a product or service can do for them.

The functional benefits are the outcomes of functions performed by a product or service. These are intrinsic advantages of consuming a product or service. For instance, the functional advantage of a fridge is that it prevents food from getting spoilt. Functional benefits are fairly basic in nature and pertain to lower order motivations like physiological or safety needs. The second category of benefits is 'experiential benefits'. These benefits accrue to the user in the form of feelings. Consumers have experiential needs for variety, sensation and cognitive stimulation. Participating in a game or eating a favourite dessert provides satisfaction of experiential needs. Participation in a game like chess may provide benefits of cognitive stimulation, while dessert provides sensory benefits. The last category of benefits is symbolic. These are not intrinsic to the product and correspond to non-product related attributes. The products or services often deliver sign value – symbolizing benefits like esteem, class or prestige. The products of conspicuous consumption are often branded to deliver strong symbolic benefits.

Figure 8.5



The product related attributes are ingredients necessary for a product's.

Attitude Associations: Attitude is an important psychological construct. Attitudes determine buying decisions. Attitude refers to overall evaluation of a concept like, person, product, object or a brand. There are three components in attitude: the cognitive, affective and conative component. The cognitive component is the knowledge perception that a person has about a brand. These are acquired from direct experiences or information from other sources. The knowledge and resulting perception take the form of beliefs. The affective component consists of emotions or feelings that someone has toward a brand. This is an evaluative component. Finally, the conative component is behavioural or action oriented. It refers to the intention to behave in a particular manner, e.g., the likelihood of buying the brand.

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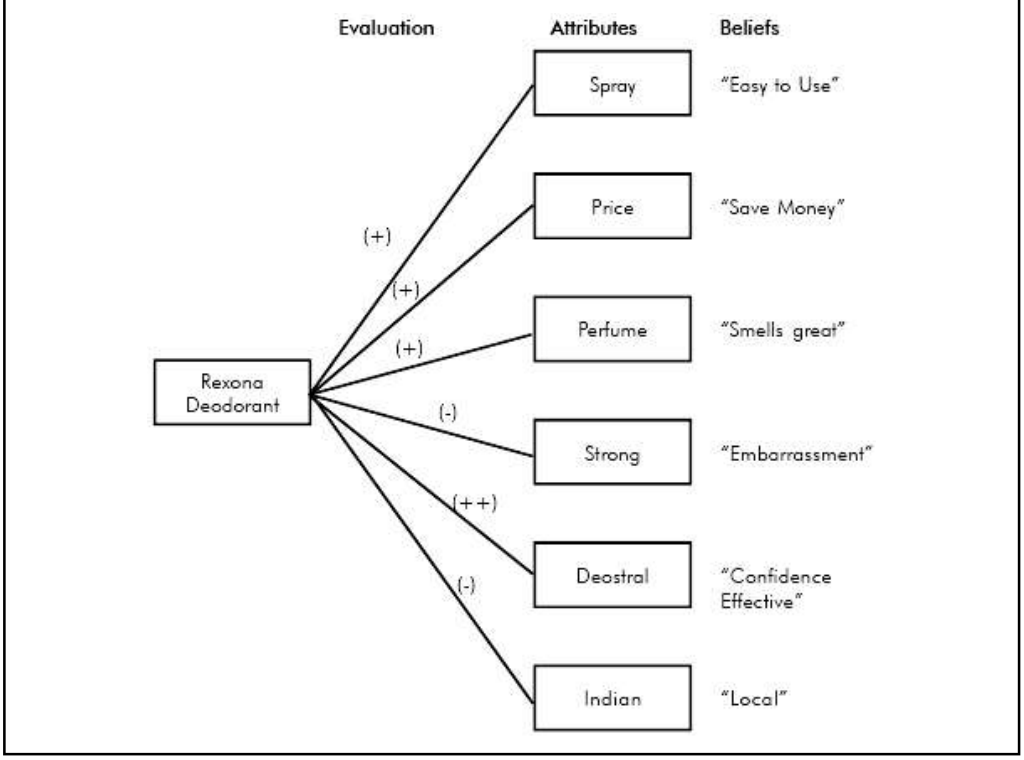
Figure 8.6: Attribute belief Associations



A brand exists as brand knowledge structure in the consumer's mind. As has been discussed in the preceding pages, the brand knowledge has two dimensions: brand awareness (brand recall and brand recognition) and brand image. The brand image component contains a variety of brand associations: attributes (product related and non product related), benefits (functions, experiential and symbolic); and attitudes. It is this knowledge structure that is the source of customer based brand equity. Brand knowledge determines the consumer's response to the marketing efforts. However, what is to be noted at this point is that the nature of brand associations needs to be explored. Brand association alone may not be sufficient for equity creation. The association needs to be favourable, strong and unique.

In the past, lime drinks in India were found to contain BVO, a chemical supposed to have harmful effects. It was attribute association. All brands like Limca, etc., were perceived to have BVO. The result: consumers began to dislike lime drinks and sales plummeted. Thus, brand association would produce positive equity only when attribute associations are favourably evaluated by the customers. All brand associations – attributes and benefits – need to be favourably evaluated. This would happen when a brand is perceived to have attributes and benefits that satisfy needs. The attributes or benefits may vary in their importance to a consumer. Some attributes are more important and some are considered to be less important. The brand must be favourably evaluated on important attributes or benefits. An unimportant attribute is unlikely to be evaluated as either, very good or very bad. They do not come into the reckoning. Less important attributes pose great difficulty in creating favourable associations. Thus, it is only important attributes on which favourable associations must be built. A marketer must focus on creating very favourable associations for important attributes. The key concepts here are 'favourable evaluation' and 'attribute importance'.

The second important element in associative memory framework is the strength of connection between an association and brand node. The strength of connection signifies how easily the

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association would be recalled or retrieved when brand node is activated or vice versa. The strength of association is determined by both the quantity and quality of processing the information one gets. The quantity implies 'how much' a prospect thinks and 'the manner' in which the thinking is carried out. When information is actively processed and its meaning is elaborated upon, stronger associations are formed in the memory. This strength implies that this information would be accessible and recalled easily. The information nodes connected to the brand must be recalled by spreading activation. A weak link would prevent a node from getting activated, adversely affecting its recall.

The presence of strongly held, favourably evaluated association is a necessary, but insufficient condition for achieving success. The last essential that a brand must have is strongly held, favourably evaluated, *unique* associations…the associations that a brand shares with competition provides a brand with competitive edge over rivals – it is the brand's unique selling proposition. The shared associations can be more direct attribute associations (e.g., a car's bhp and passenger capacity). This defines the brand's direct competition. A brand may also share some abstract associations (e.g., car transports) with products not within the category. It defines the brand's indirect competition (airways).

The consumer based brand equity framework lays stress on building brand knowledge structure so that consumers respond favourably to the marketing efforts for the brand. The challenge for brand marketers is to establish appropriate brand knowledge structure so that a favourable consumer response is elicited. The assumption on which this model is based is that brand knowledge structure is a crucial determinant of consumer behaviour to the marketing of a brand. Accordingly: "a brand is said to have positive (negative) customer based brand equity if consumers react more (or less) favourably to product, price, promotion, or distribution of the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service."

The favourable consumer response and positive brand equity bestows on a brand the power to generate greater revenues and profits at relatively lower marketing costs. A brand with positive equity generates more revenues and profits for per rupee spent as marketing costs. It is this effectiveness and efficiency that drive market valuation of a brand.

Kellers' framework of brand equity defines it as the differential response that brand knowledge creates on the consumer's response to the marketing of a brand. Brand equity is enhanced when consumers respond more favourably to a brand's marketing efforts. Brand knowledge is the crucial intervening variable between response and marketing efforts. Therefore, the challenge is to build and maintain the right knowledge structure – strong, favourable and unique brand associations.

Self Assessment

Fill in the blanks:

8. A brand in the memory is a node which is connected with other nodes signifying various associations. It is this network which refers to .....

9. ..... is the ability to identify a brand under different conditions.

8.5 Brand Personality

It is a comprehensive concept, which includes all the tangible and intangible traits of a brand, like, beliefs, values, prejudices, features, interests, and heritage. Brand Personality is a set of human characteristics associated with a brand. In general, it expresses how the brand behaves.

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It may include a brands gender, age, socio-economic class, psychographic, emotional characteristics.

Example: IBM is 'older' while Apple is 'younger'

India Today is 'old-fashioned' while Outlook is 'trendier'

Coke is 'conforming' while Pepsi is 'irreverent'

A brand personality makes it unique. Like human personality, a brand personality is both distinctive and enduring and is built over a period of time. It refers to the outcome of all the consumer's experiences with the brand. In other words, the brand's personality is the weighted average of previous impressions. In consumer's mind, these impressions merge to form an overall concept of what to expect from brand.

Brand personality is seen as a valuable factor in increasing brand engagement and brand attachment, in much the same way as people relate and bind to other people. Brand Personality is eagerly searched by brand strategists and researchers to find out differences in responses by different consumers provide useful insights.

Example: Users of a product will perceive a brand different from non-users

In essence, it can be said that 'Personality traits are what the brand will live and die for'.

Examples:

1. Axe- Seduction, masculinity, individuality, unconventionality
2. Levi's -Rebellion, sensuality, being cool
3. Spinz -Young, Modern, Active, Outdoor, Cheerful, Friendly

The concept of brand personality is useful because of following reasons. It:

1. enriches understanding
2. helps gain an in-depth understanding of consumer perceptions of and attitudes towards the brand
3. can provide more insight than is gained by asking about attribute perceptions
4. contributes to a differentiating identity
5. can differentiate brands especially where brands are similar in product attributes
6. in fact, can define not only the brand but the product class context and experience.

Example: Mercedes vs BMW

Clinic Plus vs Pantene

1. Guides the communication effort
2. Communicates the brand identity with richness and texture
3. If the brand is specified only in terms of attribute associations, very little meaningful guidance is provided.

Notes

Example: Is Nike shoes or sports, performance and attitude?

1. Creates brand equity
2. Builds long-term brand equity
3. Differentiates the brand and makes it distinct from other competitive offerings
4. Serves as a powerful relationship device

Self Assessment

Fill in the blanks:

10. …….is a set of human characteristics associated with a brand. In general, it expresses how the brand behaves.
11. Brand personality is seen as a valuable factor in increasing ……and brand attachment, in much the same way as people relate and bind to other people.

8.6 Summary

- Brands are valued for their equity. Brands add value. Brand equity relates to the fact that different outcomes result from the marketing of a product or service because of its brand than if the same product or service had not been identified by that brand.
- Brand loyalty has always been one of key concerns of marketers. A brand is valued for its ability to have a dramatic impact on a firm's marketing performance. Loyalty provides insulation against competitive assaults.
- A brand in a customer's mind is a complex network of associations. Biel proposes that these associations can be of two types: hard and soft.
- A brand personality makes it unique. Like human personality, a brand personality is both distinctive and enduring and is built over a period of time. It refers to the outcome of all the consumer's experiences with the brand.

8.7 Keywords

Brand Awareness: Brand awareness is the second brand equity asset. It includes brand recognition and brand recall. Brand awareness is the ability to identify a brand under different conditions.

Brand Equity: Brand equity is the added value bestowed on the product by the brand name.

Brand Recognition: 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.

Brand Image: The image of a brand is how it is perceived by the consumer. The totality of associations that are held in a consumer's mind and connected to a brand is brand image.

Brand Personality: It is a comprehensive concept, which includes all the tangible and intangible traits of a brand, like, beliefs, values, prejudices, features, interests, and heritage.

Notes

8.8 Review Questions

1. What is Brand Equity?
2. Briefly explain the Brand Image Constellation
3. Write down the Dimensions of Brand Image
4. Briefly explain the Brand Report Card

Answer: Self Assessment

1.	T	2.	F
3.	T	4.	T
5.	Brand equity	6.	Valuation
7.	Attitudes	8.	Brand knowledge
9.	Brand awareness	10.	Brand Personality
11.	Brand engagement		

8.9 Further Readings

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http://www.managementstudyguide.com/brand-extension.htm

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Notes

Unit 9: Strategic Brand Management Process

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Objectives

After studying this unit, you will be able to:

- Explain the concept of Brand Management
- Discuss the Strategic Brand Management
- Identify the Strategic Brand Management Process
- Discuss Strong Indian Brands

Introduction

Most of the consumers buying decisions are influenced by the image they have of the product. Consumers buy the functional, psychological and aspirational values delivered by a product. The product image is the sum total of all the information the consumer has about it, and the impressions he has formed about it.

The strategic brand management process starts with a clear understanding as to what the brand is to represent and how it should be positioned with respect to competitive brands. The aim is to identify and establish brand positioning which will reflect the benefits that an enterprise could maximize.

In this competitive world, most products are identical. So the consumer preference is developed through brand image. A brand is invested with a set of associations, favourable connotations and psychological over tones. The brand that closely matches the consumer's desired image can get the favour from those consumers.

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9.1 Brand Management

Brand Management is the application of marketing techniques to a specific product, line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favorable. It may also enable the manufacturer to charge more for the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. All of these enhancements may improve the profitability of a brand, and thus, "Brand Managers" often carry line-management accountability for a brand's P&L profitability, in contrast to marketing staff manager roles, which are allocated budgets from above, to manage and execute. In this regard, Brand Management is often viewed in organizations as a broader and more strategic role than Marketing alone.

The discipline of brand management was started at Procter & Gamble PLC as a result of a famous memo by Neil H. McElroy. A good brand name should:

1. be protected (or at least protectable) under trademark law
2. be easy to pronounce
3. be easy to remember
4. be easy to recognize
5. be easy to translate into all languages in the markets where the brand will be used
6. attract attention
7. suggest product benefits (e.g., Easy-Off) or suggest usage (note the tradeoff with strong trademark protection)
8. suggest the company or product image
9. distinguish the product's positioning relative to the competition
10. be super attractive
11. stand out among a group of other brands < like that one compared to the others.

9.2 Strategic Brand Management

Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and message brand equity.

Strategic brand management process is important for creating and sustaining brand equity. Developing a strategy that successfully sustains or improves brand awareness, strengthens brand associations, emphasizes brand quality and utilization, is a part of brand management. The brand strategy means permanent investment in research and development, publicity, and customer services. The activities of measuring and controlling brand effects are also important.

The strategic brand management process starts with a clear understanding as to what the brand is to represent and how it should be positioned with respect to competitive brands. The aim is to identify and establish brand positioning which will reflect the benefits that an enterprise could maximize. This includes establishing the essence of brand as the set of imagined associations (attributes and benefits) that are characteristics of brand and choosing the way for its presentation. It is about defining "heart" and "soul" of the brand.

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There are only few enterprises that apply the formalized methodology which helps them to find a way for reducing their efforts and make brand management more efficient Strategic brand management is more successful if it is based on planning brand portfolio. A brand portfolio of enterprise, in partner relationships, often consists of brands of several enterprises. Some authors have developed a model called "molecule of brand", where each brand is described as an atom and its size indicates the role of brand. The greatest atom indicates leading brand, the atom of middle size indicates strategic brand, and the smallest atom indicates supported brands.

The starting point in strategic analysis for the needs of decision-making is brand hierarchy. A brand hierarchy is based on premises that a product can be branded in different ways depending on how many new and existing brand elements are used and how they are combined for any one product. Since certain brand elements are used to make more than one brand, the hierarchy can be constructed to represent how products are nested with other products because of their common brand elements. Keller has differentiated four potential levels in hierarchy. The highest level of hierarchy is a corporate (or company) brand. A family brand is the next-lower level and it is defined as a brand that is used in more than one product category, but is not necessarily the name of the company. The third level is an individual brand. It is the brand that has been restricted to essentially one product category, although it may be used for several different product types within the category. The latest level is so-called a modifier which is a means to designate a specific item or model type or a particular version of configuration of the products.

Task How brand management differ from strategic brand management?

Self Assessment

Fill in the blanks:

1. ..... is based on premises that a product can be branded in different ways depending on how many new and existing brand elements are used and how they are combined for any one product.
2. ..... is important for creating and sustaining brand equity.

9.3 Strategic Brand Management Process

Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity.

Strategic brand management process is defined as involving four main steps:

1. Identifying and establishing brand positioning and values
2. Planning and implementing brand marketing programs
3. Measuring and interpreting brand performance
4. Growing and sustaining brand equity.

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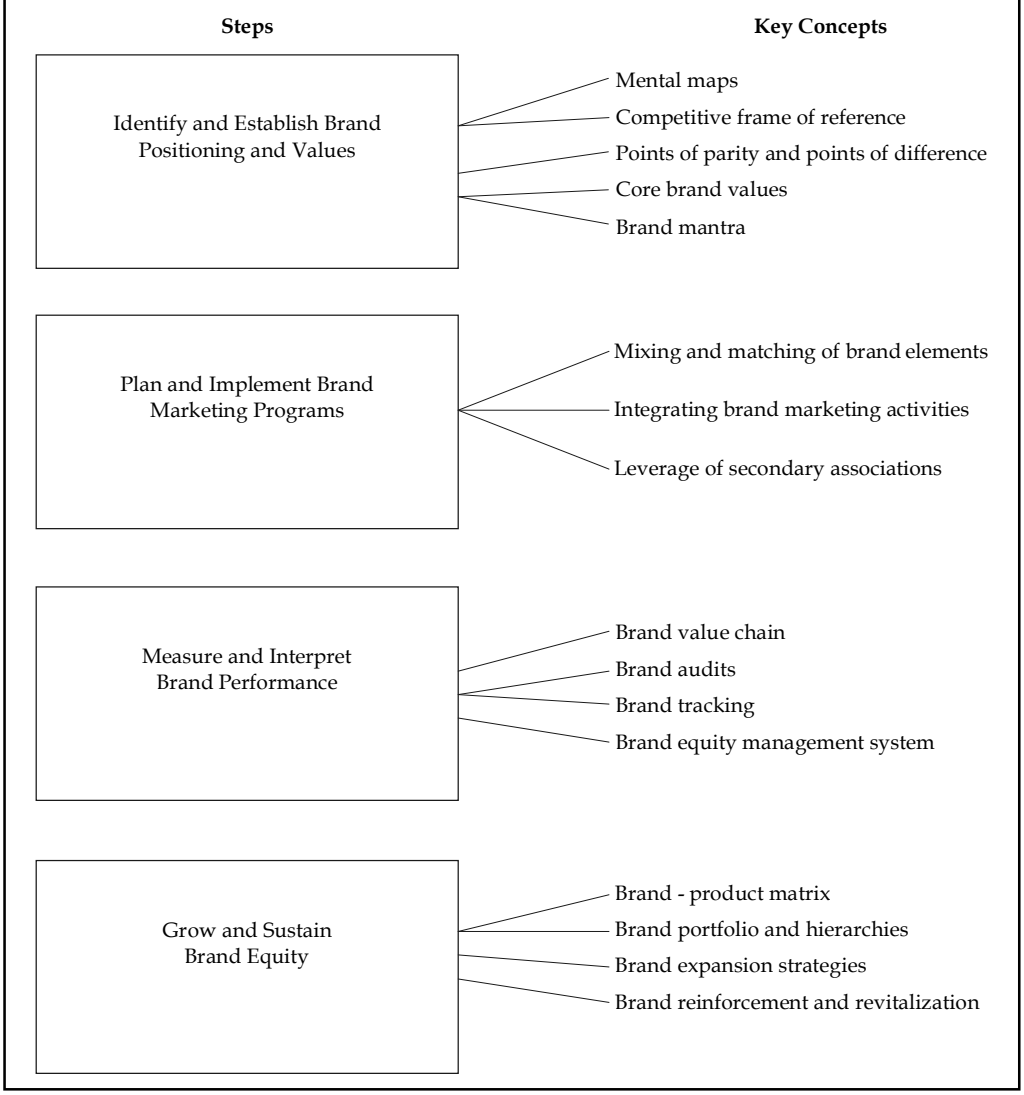
Figure 9.1: Strategic Brand Management Process



9.3.1 Identifying and Establishing Brand Positioning and Value

The strategic brand management process starts with a clear understanding as to what the brand is to represent and how it should be positioned with respect to competitors. Kotler defines brand positioning as the "act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's mind". The goal is to locate the brand in the minds of consumers such that the potential benefits to the firm are maximized. Competitive brand positioning is all about creating brand superiority in the minds of customers, fundamentally, positioning involves convincing consumers of the advantages of a brand vis-à-vis competitors, while at the same alleviating concerns about any possible disadvantages.

Positioning often involves a specification of the appropriate core brand values and brand mantra. Core brand values are those set of abstract associations (attributes and benefits) that characterize a brand. To provide further focus as to what a brand represents, it is often useful to define a brand mantra, also known as a brand expression of the most important aspects of a brand and its core brand values. It can be seen as the enduring "brand DNA" the most important aspect of the

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brand to the consumer and the company. Core brand values and a brand mantra are thus an articulation of the heart and soul of the brand.

Determining or evaluating a brand's positioning often benefits from a brand audit. A brand audit is a comprehensive examination of a brand, involving activities to access the health of the brand, uncover its sources of equity, and suggest ways to improve and leverage that equity. A brand audit requires understanding sources of brand equity from the perspective of both the firm and the consumer. The conceptual foundation of competitive brand positioning and provides detailed guidelines on how to develop such positioning strategies. Once the brand positioning strategy has been determined, the actual marketing program to create, strengthen, or maintain brand associations can be put into place.

9.3.2 Planning and Implementing Brand Marketing Programs

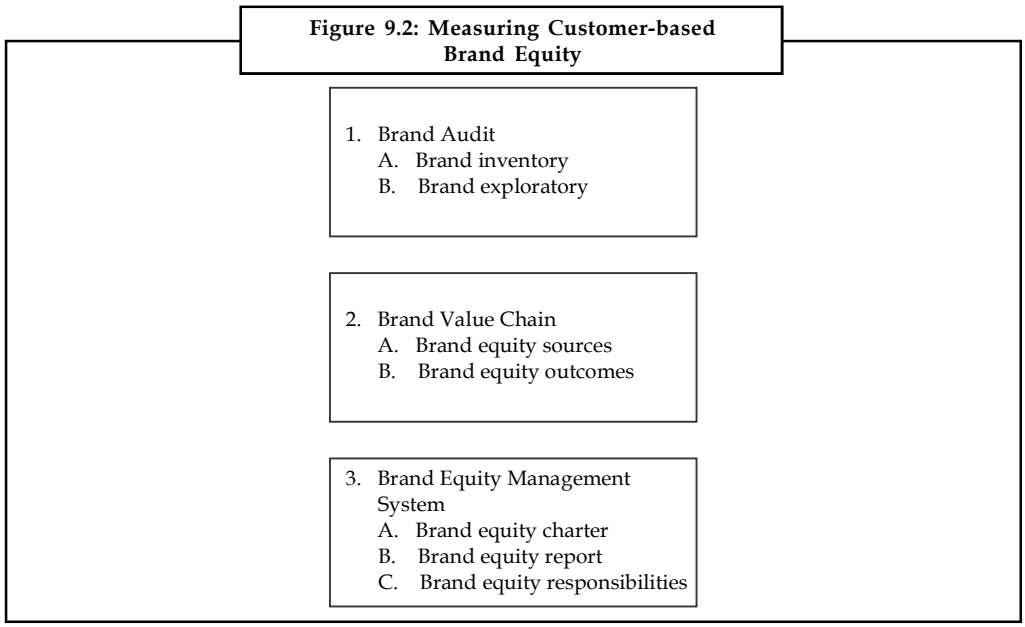
Building brand equity requires creating a brand that consumers are sufficiently aware of and with which they have strong, favorable, and unique brand associations. In general, this knowledge-building process will depend on three factors:

1. The initial choice for the brand elements or identifies making up the brand.
2. The marketing activities and supporting marketing program and the manner by which the brand is integrated into them.
3. Other associations indirectly transferred to the brand by linking it to some other entity (e.g. the company, country of origin, channel of distribution, or another brand).

9.3.3 Measuring and Interpreting Brand Performance

To understand the effects of brand marketing programs, it is important to measure and interpret brand performance. A useful tool in that regard is the brand value chain. The brand value chain is a means to trace of the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments.

Figure 9.2: Measuring Customer-based Brand Equity



The brand value chain helps to direct marketing research efforts. Profitable brand management requires successfully designing and implementing a brand equity measurement system. A brand

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equity measurement system is a set of research procedures designed to provide timely, accurate and actionable information for marketers so that they can make the best possible tactical decisions in the short run and the best strategic decisions in the long run. Implementing such a system involves two key steps conducting tracking studies and implementing a brand equity management system. Figure 9.2 provides a schematic overview of key concepts in measuring brand equity.

9.3.4 Growing and Sustaining Brand Equity

Through the skilful design and implementation of marketing programs that capitalize on a well-conceived brand positioning, strong brand leadership positions can be obtained. Maintaining and expanding on that brand equity. However, can be quite challenging. Brand equity management concerns those activities that take a broader and more diverse perspective of the brand's equity understanding how branding strategies should reflect corporate concerns and be adjusted, if at all, over time or over geographic boundaries or market segments. Managing brand equity involves managing brand within the context of other brands, as well as managing brands over multiple categories, over time, and across multiple market segments. Figure 9.3 provides a schematic overview of key concepts in managing brand equity.

Figure 9.3: Managing Customer-based Brand Equity

1. **Define Brand Hierarchy**
   - A. Principle of simplicity → Employ as few levels as possible
   - B. Principle of relevance → Create abstract associations relevant as many products as possible
   - C. Principle of differentiation → Differentiate individual products and brands
   - D. Principle of prominence → Adjust prominence to affect perceptions of product distance
   - E. Principle of commonality → Link common products through shared brand elements

2. **Define Brand Equity over Time**
   - A. Brand extensions → Establish new equity and enhance existing equity
   - B. Brand portfolio → Maximize coverage and minimize overlap

3. **Enhance Brand Equity over Time**
   - A. Brand reinforcement → Innovation in product design, manufacturing and Merchandising Relevance in user and usage imagery
   - B. Brand revitalization → "Back to basics" strategy
"Reinvention" strategy

4. **Establish Brand Equity over Market Segments**
   - A. Identify difference in consumer behaviour → How they purchase and use products
What they know and feel about different brands
   - B. Adjust branding program → Choice of brand elements
Nature of supporting marketing program
Leverage of secondary associations

Task Why brand audit necessary for measuring customer-based equity?

Notes

Self Assessment

Fill in the blanks:

3. Managing ..... involves managing brand within the context of other brands.
4. ..... often involves a specification of the appropriate core brand values and brand mantra.

9.4 Strong Indian Brands

Some strong Indian brands are:

1. HCL
2. Gold flake
3. Airtel
4. Tata Indica
5. Godrej

Case Study

Nokia – Building a Powerful Technology Brand

The world of parity has hit the mobile phone market just as it has many other technology product categories. The products range from the simple to the complex, but every manufacturer offers, of course, the latest features. Leapfrogging in sales between brands frequently occurs based on design. But overall the market is predictable, with Nokia, Motorola, and Ericsson fighting it out at the top and several less successful brands like Samsung, Philips, Siemens and Panasonic trying hard to make inroads into their top competitors' market share. So what makes the difference between the most successful and less successful brands? It certainly is not what product features are offered. How, then, do consumers choose? The answer seems to be what the brand names mean to them.

Nokia Group the Finland-based manufacturer of mobile phones, has been steadily working on its corporate brand name and the management of consumer perceptions over the last few years. Its efforts have paid off, because it is now the number one brand in many markets around the world, effectively dislodging Motorola from that position. The brand has been built using the principles described above, and has been consistently well managed across all markets. Nokia has succeeded in lending personality to its products, without even giving them names. In other words, it has not created any sub-brands but has concentrated on the corporate brand, giving individual products a generic brand personality. Only numeric descriptors are used for the products, which do not even appear on the product themselves. Such is the strength of the corporate brand.

Nokia has suceeded where other big brand names have so far failed, chiefly by putting across the human face technology-taking and dominating the emotional high ground. It has done so in the following way:

Contd...

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Nokia Brand Personality

Nokia has detailed many personality characteristics for its brand, but employees do not have to remember every characteristic. They do, however, have to remember the overall impression of the list of attributes, as you would when thinking about someone you have met. As the focus is on customer relationships, the Nokia personality is like a trusted friend. Building friendship and trust is at the heart of the Nokia brand. And the human dimension created by the brand personality carries over into the positioning strategy for the brand.

Nokia Positioning

When Nokia positions its brand in the crowded mobile phone marketplace, its message must clearly bring together the technology and human side of its offer in a powerful way. The specific message that is conveyed to consumers in every advertisement and market communication (though not necessarily in these words) is "Only Nokia Human Technology enables you to get more out of life".

In many cases, this is represented by the tag line, "We call this human technology". This gives consumers a sense of trust and consideration by the company, as though to say that Nokia understand what they want in life, and how it can help. And it knows that technology is really only an enabler so that you-the customer-can enjoy a better life. Nokia thus uses a combination of aspirational, benefit-based, emotional features, and competition-driven positioning strategies. It owns the "human" dimension of mobile communications, leaving its competitors wondering what to own (or how to position themselves), having taken the best position for itself.

Nokia Product Design

Nokia is a great brand because it knows that the essence of the brand needs to be reflected in everything the company does, especially those that impact the consumer. Product design is clearly critical to the success of the brand, but how does Nokia manage to inject personality into product design? The answer is that it gives a great deal of thought to how the user of its phones will experience the brand, and how it can make that experience reflect its brand character. The large display screen, for example, is the "face" of the phone. Nokia designers describe it as the "eye into the soul of the product". The shape of phones is curvy and easy to hold. The faceplates and their different colors can be changed to fit the personality, life-style, and mood of the user. The soft key touch pads also add to the feeling of friendliness, expressing the brand personality. Product design focuses on the consumer and his needs, and is summed up in the slogan, "human technology."

Nokia now accounts for over half of the value of the Finland stock market, and has taken huge market share from its competitors. According to one brand valuation study carried out in mid-1999, it ranked 11th on the world's most valuable brand list, making it the highest-ranking non-U.S. brand. As has been pointed out, it has unseated Motorola. Nokia achieved its brilliant feat through consistent branding, backed by first-class logistics and manufacturing, all of which revolve around what consumers what.

Questions

1. As a user what you think why Nokia so popular in comparison to other brands.
2. 'Nokia brand name affects the market of other brands'. Explain.

Notes

Self Assessment

Choose the appropriate answer:

5. Out of the following which one is a type of brand audit.
   (i) Brand inventory
   (ii) Brand tracking
   (iii) Brand recall
   (iv) All of the above
6. Pick the odd one:
   (i) HCL
   (ii) Nestle
   (iii) HUL
   (iv) None of the above

9.5 Summary

- A brand is a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible related to product performance of the brand or more symbolic, emotional, or intangible related to what the brand represents.
- Brands themselves are variable intangible assets that need to be managed carefully.
- Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity.

9.6 Keywords

Brand: A brand is a name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.

Brand Audit: Brand audit is a comprehensive examination of a brand.

Brand Equity: Brand equity is the value a brand adds to the product.

Brand Value Chain: Brand value chain is a means to trace the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments.

9.7 Review Questions

1. What is the purpose of strategic management process in brand?
2. According to your perception what is the meaning of good brand?
3. Explain how a normal product converts in a good brand.
4. If you are a brand manager how you establish brand positioning of a brand.
5. Briefly explain the various steps in strategic brand management process.

Notes

Answers: Self Assessment

1. Brand hierarchy
2. Strategic Brand Management Process
3. Brand equity
4. Positioning
5. Brand inventory
6. Nestle

9.8 Further Readings

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Unit 10: Identifying and Establishing Brand Positioning

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Objectives

After studying this unit, you will be able to:

- Identify and Establish Brand Positioning
- Discuss the concept of Brand Positioning
- Explain the Brand Building Blocks
- Describe the Positioning Guidelines
- Discuss the most Powerful Brands in the World

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Introduction

The term 'position' in a physical sense is used to refer to or specify the place or location of an object. For instance, in a cinema theatre the tickets carry a number like A -15 to signify the seat which is located on the first row and fifteenth column. People often enquire about the location of toiletries section in a departmental store, and the staff guides like. 'Please go straight about 200 ft and then turn left and go about 50 ft to find the grocery section'. In cricket, the battling line-up also signifies the position that various players have in the batting sequence. In a football match, both the opposing teams place their players on different positions on the X and Y dimension of the playground. In a football game, 'forward' and 'goalkeeper' refer to different positions. In a classroom situation, the front bench position is usually preferred. But some students prefer sitting in the last few rows of seats. In a cinema hall, quite unlike a classroom, the back rows are preferred. Some people prefer the corner positions in a cinema theatre. In the absolute sense, there is no such thing as a 'good' position or a 'poor' position. The validity of a position depends upon the goal or objective. For the students who are seriously interested in studies, the front row gives them good proximity to the teacher, while for the students who want to avoid studying, the back benches are good.

The famous "5P's" of marketing folklore (product, place, price, promotion & packaging) were fine tools for implementing packaged goods brand positioning - and the basic formula still has its role in FMCG assignments. But today we are entering the era of customer brands where 'company' and 'brand' are one and the same. In this scenario the company culture & values become a crucial factor in the solution: finding and harnessing what's there already or setting out to create values and practices which support and manifest the positioning.

10.1 Identifying and Establishing Brand Positioning

Running a brand is like conducting an orchestra. Positioning is the heart of competitive strategy. The messages transmitted by everything from the advertising to phone calls with your customer care department all need to be kept in harmony and on-brief. Without a clear, single-minded definition of what the brand is about the messages rapidly become discordant and confusing. The positioning statement is therefore a focusing device which helps brand management to keep everything sharp and relevant.

Identifying where a specific brand is placed within the marketplace and its relationship to competitive brands, brand positioning is determined by defining the brand's benefits to the consumer, opportunities for which the brand is best suited, the brand's target audience, and who its main competitors are, or us to achieve the benefits of brand positioning, it is necessary to research in-depth the market position (or lack thereof) of the brand. Brand maps and forms are created to profile the brand positioning, comparing the results with competitive brands.

In realizing the benefits of brand positioning, it is important to understand that not all brands are competitors. A consumer may be presented with six brands of one product and only consider three out of the six as a purchasing choice. The consumer may have encountered a negative experience with a specific brand and may never consider purchasing it again, or there may be a brand that simply does not stand out to the consumer and it is passed up.

10.1.1 Position or Perish!!!

Have you ever thought what makes Kelloggs different from Maggi. The difference lies in positioning. Let us see how this magical concept plays a major role in making any brand a success or God forbid a failure!!!

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The concept of positioning was introduced by Al Ries and Jack Trout in 1969 and was elaborated in 1972.

To understand the concept of positioning we can consider the human mind as consisting of a perceptual map with various brands occupying different positions in it. This concept of perceptual space forms the theoretical basis for brand positioning. What this leads to is the perception of the consumer, which decides the positioning of any brand. It is important to note that what a marketer does is to find a position for its brand in the perceptual space of the consumer and place it at the most lucrative point. Hence, Positioning is not what you do to the product, it is what you do to the mind of the prospect. It is a new approach to communication and has changed the nature of advertising. It can be of a product, service, company or oneself.

The perception of a consumer is a function of consumer's values, beliefs, needs, experience and environment. Thus as per Subroto Sengupta "the core thought behind brand positioning the idea that each brand (if at all noticed) occupies a particular point or space in the individual's mind, a point which is determined by that consumer's perception of the brand in question and in its relation to other brands".

Thus, in the perceptual map, the spatial distance between the points on which brands are located reflects the subject's perception of similarity or dissimilarity between products or brands.

The basic approach of positioning is not to create something new and different but to manipulate what's already up there in the mind, to retie the connections that already exist. In communication, as in architecture, less is more. The only answer to the problems of an over communicated society is positioning. Positioning is an organized system for finding a window in the mind.

The easy way to get into a person's mind is to be first in a particular category. If you are not the first then you have a positioning problem.

10.2 Brand Positioning

Perhaps the most important brand management activity is positioning the brand properly. A well-positioned brand addresses important consumer benefits in unique and compelling ways. It also creates an emotional connection to the consumer. Finally, it provides flexibility for future growth (beyond current product and service categories).

The first step in positioning a brand is in-depth research. The research should provide you with the following:

1. Profound consumer insight
2. A thorough knowledge of the competitive set
3. An understanding of consumer benefits (by segment)

You should identify functional, emotional, experiential and self-expressive consumer benefits. Of those benefits, you should understand which are "cost of entry benefits" and which are "differentiating benefits."

In-depth qualitative research, including laddering, projective and ethnographic techniques may be required to achieve the desired insight.

Some would argue that a brand could and should only own one key benefit in the consumer's mind (Al Ries) while others would claim that creating the right mix of unique brand benefits creates a more powerful marketplace position (Martin Callé's Brand Dimensioning).

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Regardless, the ideal benefit to claim has the following three qualities: (1) it is extremely important to the target consumer, (2) your organization is uniquely suited to delivering it and (3) competitors are not adequately addressing it.

We believe there are four key components to brand positioning:

1. ***Target consumer:*** The primary audience to whom the brand is designed to appeal
2. ***Brand essence:*** The "heart and soul" of the brand
3. ***Brand promise:*** A promise of relevant differentiating benefits
4. ***Brand personality:*** Adjectives that describe the brand as if it were a person.

Together, these components define the brand. They are codified in a simple format that provides direction not only for marketing communication and the brand identity standards and systems, but also for all of the organization's activities. Some people would say that the best a corporate brand might hope to own is the leadership position in an industry. The brand promise would read as follows: "[Company] is the quality, innovation leader in the [industry.]" I believe that is a very weak positioning. The strongest corporate brands own something more than that in consumers' minds. For instance, Disney owns "fun family entertainment" while Nike owns "genuine athletic performance." Nicor owns "unconditional primal warmth" while Hallmark owns "caring shared."

BrandForward uses the following brand promise form: "Only [brand] delivers [benefit] to [target consumer]." This form is simple but powerful in its economy. A powerful brand position should be:

1. Believable, understandable, unique and compelling
2. Aspirationally attainable
3. Admirable and endearing
4. Difficult to emulate
5. Timeless and enduring
6. Extendable

Positioning a brand is complicated. It is an art and a science and is not likely to be well understood or appreciated by operationally oriented people in your organization. It is, however critical to your organization's long-term success. Position your brand with great care.

Task Identify various companies that participate in the toothpaste market and list the number of brands offered by them.

Positioning is the last step in the marketing strategy formulation. Marketing strategy begins with identification of market segmentation and later choosing a target for the marketing activity. Marketing enjoys close similarity with a military conflict. Strategy is a term that has been conventionally used in the context of military warfare. Strategy is a blueprint or plan developed to achieve the target by outmaneuvering the rival side. Marketing and military battles are similar in the following respects:

1. Battles are usually fought to gain physical territory, air space or sea lanes. Geography is inextricably linked to battles. The target in battles is the acquisition of a geographic unit. The marketing battle is not fought for acquiring a geographical unit but to win customers or market share. Market in this context does not mean a physical space. Retailers or the end users are usually the targets of the marketing battles.

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2. Battles are fought with troops and a variety of munitions. Soldiers, planes, tanks, ships, missiles and guns are used to fight the enemy. In marketing, the soldiers are typically the sales people, and other value creating tools like advertising, sales promotions, demonstrations, product, after sales care, price, reputation, etc., are the tools used to fight the marketing battles. Brands are the ultimate fighters used to fight marketing battles.

3. The battles are fought with an enemy in conflict over some mutually desirable goal. The rivals in battles are generally well identified. Marketing battles are fought with competitors in the industry who stake claim to or chase the same customers or markets. In marketing, direct competitors are often identified but indirect competitors are often not clear. The lines of competition are sometimes blurred.

4. Military battles conventionally take place on a geographical area. It is for this reason that most battles are named after the place where they were fought. A marketing battle is not fought in the stores or marketplaces but in the minds of the prospects. Marketing battles are fought in the minds of prospects for their purchase preference. When a brand is sold in the mind of the customer, the marketing battle is won.

5. Victory in a military battle is often decided by might or superiority of the force. This is especially true when the fight is direct and head on. Therefore, nations invest big sums of money on building military might. In the marketing context, victory is dictated by superior value delivery. Brands that deliver better value than rivals usually win the customers' purchase vote.

Historically, might-building or developing absolute superiority guided military thinking. It meant keeping a constant vigil on the rivals and trying to out-compete them on the basis of scale. But a rival with an absolute numerical and ordnance superiority can be defeated on the strength of superior strategy with a smaller force. In marketing, however, the conventional military 'superior firepower always prevails' school of thought guided thinking for a long period of time. Marketers were influenced and guided by competitors' superiority in their responses, and their bid to develop distinction and advantage.

10.2.1 Advertising Persuasion

In the early years, marketers relied upon the powers of communication tools like advertising to win customers. The belief that dominated this era was that customers could be sold anything on the basis of persuasive communication. Prowess in communication was equated with likelihood of success of the marketing campaign. Message repetition, indeed bombardment or blitzkrieg, was believed to be the key to drilling information into customers' brains and thus influencing consumer buying. Buyers could be influenced to buy what seller offered. In this era, communicating with the prospects was more about creativity and less about strategy. Accordingly, content took precedence over execution. Advertising came to acquire an important status in the corporate functions.

But this school of thought led to bombardment of messages on the prospects' senses, which was becoming untenable, as advertising budgets soared but advertising effectiveness plummeted. Message repetition is required to communicate, but it is wrong to say that when the same message is repeated far too many times, prospects welcome the assault. It begins to look suspiciously like brainwashing. So, when the communication barrage began to cross the limits of comfort, prospects developed screens to eliminate undesirable messages. Even today, message filtration is one of the most dreaded problems of the advertising community. Cutting through the perceptual screen is a fundamental challenge to be tackled at the very minimum to successfully communicate with the prospects.

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10.2.2 Unique Selling Proposition

Once advertising ceased to be as effective as it used to be as a persuader, marketers turned to product. In order to create a hot button to pull in the customer, marketers began to look for unique product aspects. The attention shifted to product attributes and benefits that could become unique selling propositions. Rosser Reeves called this entire process of discovering uniqueness in the product to sell the product as the 'USP', or unique selling proposition. It is essential that every brand must develop its own USP and repeat it to the extent it is required to communicate it to customers. Reeves proposed three guidelines for the use of unique selling proposition: it must involve a specific product benefit; to make it unique, it must not be used by competitors; and finally, it must be good enough to sell the product.

The search for a unique selling proposition often creates digression in the strategy. The obsession to find the differentiating proposition often promotes too much of competitor orientation. The process of finding USP is often confined to listing the competitive products and studying their propositions. The competitor products are analyzed threadbare and attempts are made to discover something that is not offered by competition. Such process of finding USP often leads to discovery of selling propositions that indeed are unique but offer little or no value to the customer. The focus on competition pushes the whole process outside the realm of relevance from the customers' perspective. It is for this reason that many times, marketers launch differentiated products that offer very little value to customer.

Case Study

Reviving Khadi – From Freedom Fabric to Fashion Fabric

Many a great leader fought the war of Indian Independence in kurtas and dhoti/pyajamas made of Khadi. After independence khadi had become a fashion statement, from the common public to the elite, all wearing khadi due to its USP of being "swadesi". But Khadi lost its sheen during 1960s and 70s when it got replaced widely by polyester and other synthetic fibres.

The saleability of any textile depends on its USP and performance. For many years, the promotion for Khadi had been on emotional and political grounds while its quality and variety had been ignored completely. Khadi has very little to offer in terms of fabric performance. It looks attractive when starched and kept in showrooms but, it does not remain the same after washing. Even finer counts and blends of Khadi cannot withstand many washes and thus, cannot be used for day-to-day purposes.

It was becoming extremely difficult for Khadi to compete with the high-tech, colour-fast, wrinkle-free, mill-made cottons and blends available today. According to analysts, Khadi requires government sanction in every single activity and has therefore been stuck in a bureaucratic swamp, unable to increase its output or raise the quality of the fabric.

In 1985, designer Devika Bhojwani pioneered the Swadeshi label of *Khadi* ensembles. Those were distributed through nearly 5000 Khadi Emporia. To display Khadi's potential and its unique selling proposition of being a totally natural garment which has nothing synthetic in it, the stage was already set. KVIC organized a fashion show in Mumbai in 1989. This was the first step towards changing Khadi's earlier image of being unfashionable. Commenting on the poor state of Khadi, Devika Bhojwani said that failures in the Khadi

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sector were a result of red tapism and bureaucracy prevalent in the Indian system. Even though the country had a wide distribution network, the middlemen, commissions and cuts had gradually weakened the system. She further said that though the government was taking the initiative to revive *Khadi*, nothing much would improve until the implementation, and the cost per garment, etc. were controlled.

In 1990, the Delhi based designer, Ritu Kumar presented her first Khadi collection, Tree of Life, which helped put Khadi in the fashion circuit. With increasing interest of the western world in use of handloom and Khadi due to its USP, many Indian designers began to use Khadi for their designs. The government also made efforts to promote Khadi. In September 2000, Vasundhara Raje, Minister for Small Scale Industries, initiated a movement to revive all the 7,000 KVIC shops in India and make Khadi more fashionable and affordable. The KVIC Board hired the services of leading fashion designers to help create a new range and brand of Khadi wear.

In May 2001, KVIC set up the first air-conditioned shop in New Delhi. The décor was modern and the clothes were neat and fashionable. The outlet sold Khadi garments designed by high profile designers. On the opening of this outlet, well-known fashion designer, Rohit Bal commented, "Khadi is the Indian alternative for linen. It is as comfortable and now, we've proved that it is as fashionable". In January 2002, a high-profile textile exhibition, featuring Khadi ensembles designed by prominent Indian designers, was launched in New Delhi to popularise the traditional hand-spun cotton. The idea of the exhibition was to promote wholly hand spun, hand woven and hand patterned fabric, as a unique luxury product. The exhibition displayed western as well as traditional Indian attire made from the finest Khadi available in the country. Besides, nearly 110 varieties of the fabric (from the sheerest to the coarsest) were showcased.

With many designers experimenting with Khadi, the designs are no longer as simple as they used to be. A great deal of emphasis was given to the details of the designs and many new colours were introduced. Eco-friendly vat dyes were used. In order to compete with other varieties of textile and make it more acceptable in the market, improvisation was needed and new products and designs had to be developed. Keeping this objective in mind, in October 2001, KVIC signed a memorandum of understanding with the Ahmedabad-based National Institute of Design (NID) to provide it design support in order to improve the diminishing market-share of Khadi.

Under the agreement, a special cell would be set up at NID (financed by the KVIC) to provide design support services in Khadi, village industries, packaging, marketing, communication, publicity, disseminating materials and other design-related activities.

In July 2002, a collection of ensembles in 'Tencel Khadi' (a blend of Tencel and Khadi in the ratio 30:70) was created by Bangalore-based designer, Deepika Govind, in association with the Karnataka Khadi Board. Tencel offers the comfort and luxury of a natural fiber as well as the performance and practicality of a man-made fabric. Tencel Khadi showed lesser shrinkage (4-5%) as compared to the high shrinkage seen in Khadi garments (about 7%). Due to Tencel's softness, it would become easier to work with Khadi and lend better drape quality to finished garments. Tencel Khadi would provide excellent scope for exports. In 2002, the Austria-based company, Lenzing AG, proposed to make Khadi more eco-friendly by blending the biodegradable 'modal fibre'12 with Khadi. This blend would absorb 50 per cent more humidity than cotton. The blend, besides strengthening the Khadi yarn, would make it easy to wash and maintain. Thus adding to the overall USP.

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As a result of this continuous effort to revive khadi primarily on the basis of its USP has started yielding good results both in terms of sales as well as revenues. Though it has a long road to travel yet.

Questions

1. What do you analyse as the role of USP in the revival of khadi?
2. Analysing this case, do you really feel that every product needs to have a USP?

Source: www.icmrindia.org

10.2.3 Brand Image and Personality

David Ogilvy pioneered the idea of brand image and personality. He argued that 'every advertisement should be thought of as a contribution to the complex symbol which is a brand image'. The argument of 'brand image' signified a leap forward in the way marketers communicated with customers and persuaded them to respond favorably to their products and services. The marketed products do offer some utility for which they are bought, but Ogilvy shifted the attention to a non-product area conceptualized as brand image. The brand reputation, image, esteem and prestige are crucial in developing brand pull. This is especially true when we recall that customers in those days were moving up the social ladder and becoming affluent.

Many marketing activities such as perpetual promotions cheapen and dilute the brand image. Bargains are fine in times of scarcity, but affluent customers are driven by something else. The esteem in which a brand is held is important. Ogilvy further highlighted the importance of personality when brands in a category are similar. In product categories like whiskeys, cigarettes, detergents and many more, brands are not significantly differentiated. In this situation of brand parity, 'the less part reason plays in brand selection, the better'. Accordingly, brands need to develop sharply defined personalities to create connection with the prospects. Trivial product differences do not determine brand position in the marketplace. It is brand image that is the crucial driver.

Like other approaches listed above, brand image also began to lose its charm when other marketers in the category also started to build image for their brands. Successful brands began to influence others in the category so much, that images so promoted began to come very close to each other. For instance, various men's shirt brands have overlapping images. Even in the sports shoes category, top brands are struggling hard to keep their images differentiated. Image ideas also lost its sheen when hordes of marketers vigorously pursued image building. The clutter and crowd seriously challenged the efficacy of this idea in brand promotion.

10.2.4 Brand Positioning

The greatest peril for communicators of today is the communication itself. The environment is filled with too much of communication. It is an over-communicated society. The mantras that ensured success in the past, when communication was limited, are no longer effective. Creativity is not a key to achieving communication objectives. Getting across the perceptual barrier imposed by the prospects is the most important challenge. Crossing over to the prospect's mind was not difficult in the era of under-communicated society. The perceptual gates were left open because the communication environment was comfortable. The communication directed was well within the prospects' information processing capacity, and thus did not trouble them unduly.

Ries and Trout suggest that success in an over-communicated society like the present one, creativity by itself cannot guarantee success. Strategy must take precedence over creativity. In order to succeed, the marketer must create a position in the prospect's mind. The position

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must take into consideration a company's strengths and weaknesses along with that of competitors. Positioning is governed by the rule of first mover advantage. The brand must get into a prospect's mind first. This does not imply being physically or chronologically first; rather, it means being perceptually first. For instance, it was the Sperry Rand Company that first invented the computer. But very few people know that; most associate IBM with computers. This is because IBM got into perceptual space and occupied the computer position firs, before anyone else could move in.

Positioning is about building the image of a brand. It is about how the brand is going to be perceived in the market. Kotler defines positioning as 'the act of designing the company's offering: an image to occupy a distinct place in the mind of the target market.' Positioning must result in creation of a customer focused value proposition. It must provide a cogent reason for buying the product. Most successful brands occupy distinct position that sets them apart form the competition and provides the target customer a reason to favor them:

1. Liril - freshness
2. Dominos - guaranteed pizza delivery in 30 minutes
3. Fair & Lovely - fairness cream
4. Pears - tender skin, like baby's
5. Bata - value for money shoes
6. Woodland - sturdy shoes for adventure sports
7. Zodiac - fine quality shirts
8. Allen Solly - casual formal wear
9. Live on - after bath hair de-tangler
10. Ujala - easy-to-use liquid fabric whitener

Task Positioning logic command that a brand without a unique position has little chance of achieving marketing success. List the five brands that have failed to make much impact.

Caution Before moving the building brand concept students recall the brand concept.

Self Assessment

State whether the following statements are true or false:

1. Positioning is the last step in the marketing strategy formulation.
2. Positioning a brand is not a complicated concept.
3. It is essential that every brand must develop its own USP.

10.3 Building a Strong Brand

I've heard very strong arguments that public relations is the way a strong brand is truly established and advertising is how the brand is maintained.

If a brand is successful in making a connection with people and communicating its distinct advantage, people will want to tell others about it and word-of-mouth advertising will develop

naturally – not to mention writers in the press will want to write about the brand. Once that type of differentiation is established in the market's mind, advertising can help maintain and shape the brand.

Today it's commonly accepted that strong brands accelerate business performance, with the power to lift companies, their products and services from obscurity or commodity status to positions of preeminence in their marketplaces. We define "brand" as the recognition and personal connection that forms in the hearts and minds of your customers and other key audiences through their accumulated experience with your brand, at every point of contact. Ideally the brand that emerges is a positive one, leading to trust, loyalty and advocacy for your offerings, increasing shareholder value and establishing long-term advantage in the marketplace.

Public relations are the way a strong brand is truly established and advertising is how the brand is maintained. If a brand is successful in making a connection with people and communicating its distinct advantage, people will want to tell others about it and word-of-mouth advertising will develop naturally-not to mention writers in the press will want to write about the brand. Once that type of differentiation is established in the market's mind, advertising can help maintain and shape the brand.

What you need to do in branding is to communicate what the brand distinctively stands for using as few words or images as possible.

So remember, branding is all about creating singular distinction, strategic awareness, and differentiation in the mind of the target market-not just awareness. When you have been successful, you will start building equity for your brand.

10.3.1 Develop Unique Brand Points-of-Difference (PODs)

Because of an overwhelming variety of products and services on the market, those that stand out in some manner are better noticed by consumers. There are various (positive and negative) ways of being different compared to competitors in the same market. Differentiation is the term given to the positive way in which a company's product differs from its competitors. Points of Difference (PODs) describe the individual factors of differentiation. They can be understood simply as the attributes or benefits consumers strongly associate with a brand, positively evaluate and believe they could not find to the same extent with a competing brand i.e. points where you are claiming superiority or exclusiveness over other products in the category.

The key points of difference of a company are synonymous with its Unique Selling Proposition (USP) although not interchangeable, and are critical in defining its competitive advantage and branding strategy. They must be attributes or benefits that consumers strongly, uniquely, and positively associate with the company's brand; and not with any competing brand. Once points of difference have been clearly communicated to consumers, the company and its brand are set apart from its competitors. Brand loyalty depends upon the ability of the company to establish and maintain clarity of communication with the consumer regarding their brand; and to maintain and expand the points of difference that defines the brand.

There are primarily three key issues that have to be kept in mind while developing/marketing PODs, viz.,

1. Desirable to consumer
2. Deliverable by the brand
3. Differentiating from competitors

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Example: Creating strong, favorable, and unique associations as points-of-difference is a great challenge, but essential in terms of competitive brand positioning. Consider the success of IKEA as a case study.

Swedish retailer IKEA took a luxury product home furnishings and furniture and made it a reasonably priced alternative for the mass market. IKEA supports its low prices by having customers self-serve, deliver, and assemble the products themselves. IKEA also gains a point-of-difference through its product offerings.

IKEA built its reputation on the notion that Sweden produces good, safe, well-built things for the masses. It has some of the most innovative designs at the lowest cost out there. It also operates an excellent restaurant in each store (rare among furniture stores), offers child-care services while the parents shop; offers a membership program entitling members to special discounts on their purchases beyond the normal low price and mails out millions of catalogs featuring the latest furniture.

10.3.2 Points of Parity

Discussion of strategic awareness, points of singular distinction, and brand equity would not be complete without discussion of brand points of parity.

Points of parity are those associations that are often shared by competing brands. Consumers view these associations as being necessary to be considered a legitimate product offering within a given category.

In other words, if you create what you consider to be a wonderful point of differentiation and position, they might not be enough if consumers do not view your product or service as measuring up on "minimum product expectations". Points of parity are necessary for your brand but are not sufficient conditions for brand choice.

Example: Maruti might produce a wonderful new automobile that uses advanced global positioning and sensor technologies that render a driver obsolete by automatically routing the car, adjusting speed for traffic conditions, recognizing and complying with all traffic laws, and delivering passengers and cargo to the proper destination without the need for operator intervention. They have invented the first car with functional autopilot. What a strong position and unique selling proposition!

However, unless they have fully considered their brand's points of parity with other products in the category, they probably will not meet with success.

Consumers might expect that at minimum Maruti's automobile have four wheels with rubber, inflatable tires, be street legal, run on a widely-available fuel source, be able to operate during both night and day in most weather conditions, seat at least two people comfortably with luggage, be able to operate on existing roads and highways, and provide a fair level of personal safely to occupants. If their automobile does not possess these points of parity with competing brands, then it might be too different and might not be seen as a viable choice or a strong brand.

The lesson here is that differentiation and singular distinction are necessary for strong brands, but they do not solely make for a strong brand. Your brand must also measure up well against the competition on expected criteria so as to neutralize those attributes.

Once you have met the points of parity requirement and then you provide a unique selling proposition and hold a strong, defensible position, then you have the makings of a very strong brand.

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10.3.3 Brand Equity

Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset.

Brand equity can include the monetary value or the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product; the intangible value associated with the product that can not be accounted for by price or features; and the perceived quality attributed to the product independent of its physical features.

A brand is nearly worthless unless it enjoys some equity in the marketplace. Without brand equity, you simply have a commodity product.

10.3.4 Brand Management

If a brand is not effectively managed then a perception can be created in the mind of your market that you do not necessarily desire. Branding is all about perception.

Wouldn't it be nice to have people perceive you the way you would like them to perceive you? That is what branding and brand management are all about.

Brand management recognizes that your market's perceptions may be different from what you desire while it attempts to shape those perceptions and adjust the branding strategy to ensure the market's perceptions are exactly what you intend.

So you may now have a better understanding of what a brand is and why awareness about your brand does not necessarily mean your brand enjoys high brand equity in the marketplace. You might even understand that brand management is all about shaping and managing perceptions. You may still be asking yourself, however, why you should care about branding in the first place.

10.3.5 Benefits of a Strong Brand

The benefits of strong brand are:

1. A strong brand influences the buying decision and shapes the ownership experience.
2. Branding creates trust and an emotional attachment to your product or company. This attachment then causes your market to make decisions based, at least in part, upon emotion – not necessarily just for logical or intellectual reasons.
3. A strong brand can command a premium price and maximize the number of units that can be sold at that premium.
4. Branding helps make purchasing decisions easier. In this way, branding delivers a very important benefit. In a commodity market where features and benefits are virtually indistinguishable, a strong brand will help your customers trust you and create a set of expectations about your products without even knowing the specifics of product features.
5. Branding will help you "fence off" your customers from the competition and protect your market share while building mind share. Once you have mind share, you customers will automatically think of you first when they think of your product category.
6. A strong brand can make actual product features virtually insignificant. A solid branding strategy communicates a strong, consistent message about the value of your company. A strong brand helps you sell value and the intangibles that surround your products.

Notes

7. A strong brand signals that you want to build customer loyalty, not just sell product. A strong branding campaign will also signal that you are serious about marketing and that you intend to be around for a while. A brand impresses your firm's identity upon potential customers, not necessarily to capture an immediate sale but rather to build a lasting impression of you and your products.
8. Branding builds name recognition for your company or product.
9. A brand will help you articulate your company's values and explain why you are competing in your market.

Self Assessment

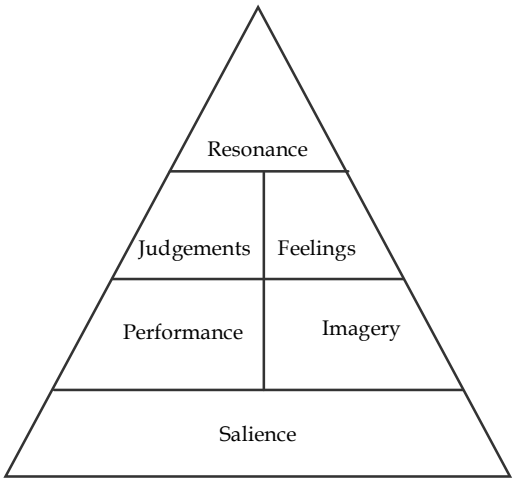
Fill in the blanks:

4. ..... relates to the ways in which the product or service attempts to meet customers' more functional needs.
5. ..... are customers' emotional responses and reactions with respect to the brand.

10.4 Brand Building Blocks

The four steps involved in brand building can be depicted as six "brand building blocks" as shown in Figure 10.1.

Figure 10.1: Brand Building Blocks



10.4.1 Brand Salience

The right brand identity can be made by creating brand salience with customers. Brand salience relates to the aspects of the awareness of the brand, i.e. it relates to what extent the brand is evoked under various situations, to what extent is the brand easily recalled or recognized? What types of reminders are necessary? How pervasive is this brand awareness?

Brand awareness refers to customers' ability to recall and recognize the brand, as reflected by their ability to identify the brand under different conditions.

Notes

Breadth and Depth of Awareness

Creating brand awareness involves giving the product an identity by linking brand elements to a product category and associated purchase and usage situations. The depth of brand awareness concerns the likelihood that a brand element will come to mind. The breadth of brand awareness concerns the range of purchase and usage situations in which the brand element comes to mind.

Product Category Structure

To fully understand brand recall, it is important to appreciate product category structure, or how product categories are organized in memory. In consumers' minds a product hierarchy often exists, with product class information at the highest level, product category information at the second-highest level, product type information at the next level, and brand information at the lowest level. The organization of the product category hierarchy will play an important role in consumer decision making.

10.4.2 Brand Performance

Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs. It refers to the intrinsic properties of the brand in terms of inherent product or service characteristics.

The product is the primary influence of consumers' experience with a brand. Designing and delivering a product that fully satisfies consumer needs and wants is a prerequisite for successful marketing.

10.4.3 Brand Imagery

The other main type of brand meaning involves brand imagery. Brand imagery deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs. Brand imagery is how people think about a brand abstractly, rather than what they think the brand actually does. Thus, imagery refers to more intangible aspects of the brand.

Task Product develop into successful brand by manufacturer, seller or consumer. Discuss.

10.4.4 Brand Judgements

Brand judgements focus on customers' personal opinions and evaluations with regard to the brand. Brand judgements involve how customers put together all the different performance and imagery associations of the brand to form different kinds of opinions.

10.4.5 Brand Feelings

Brand feelings are customers' emotional responses and reactions with respect to the brand. Brand feelings relate to how the brand affects customers' feelings about themselves and their relationship with others. The following are the six important types of brand-building feelings:

Warmth: The brands make consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand.

Notes

Fun: Upbeat type of feelings; the brand makes consumers feel amused, lighthearted, joyous, playful, cheerful and so on.

Excitement: A different form of upbeat feeling: the brand makes consumers feel energized and feel that they are experiencing something special.

Security: The brand produces a feeling of safety, comfort, and self assurance. As a result of the brand, consumers do not experience worry or concerns that they might have otherwise felt.

Social Approval: The brand results in consumers having positive feelings about the reactions of others; that is, consumers fell that others look favourably on their appearance, behaviour, and so on.

Self-respect: The brand makes consumers feel better about themselves: consumers feel a sense of pride, accomplishment or fulfillment.

10.4.6 Brand Resonance

The final step of the model focuses on the ultimate relationship and level of identification that the customer has with the brand. Brand resonance refers to the nature of this relationship and the extent to which customers feel that they are "in sync" with the brand.

Self Assessment

Choose the appropriate answer:

6. USP Stands for
   - (i) Unique Selling Proposition
   - (ii) Unit Sale Position
   - (iii) United States Politics
   - (iv) Uninterrupted Supply of Power
7. IBM stands for
   - (i) Indian Business Machine
   - (ii) International Business Machine
   - (iii) In Between Man
   - (iv) None

10.5 Positioning Guidelines

As an organization manager, it falls to you to work with the team up with a positioning or branding statement for the highest impact on your audience. This statement will tell the audience who are and you stand for. Therefore, you should be familiar with some of the basic guidelines for a branding process as outlined here. Work with these ideas and concepts in developing and hammering home your brand positioning.

What's in it for me?

Known as WIFM (pronounced whiff-em), this is the overwhelming concern of your audience. They must be able to know, appreciate, and embrace the benefit your position offers them. If you tout your Doppler radar, the audience must know how it will help them save their

Notes

property and their lives. If you have the earliest newscast in the market, tell your viewers that you did it so they could get a head start on their world each day. If your news anchors are not from your market, let them tell your audience how much they love living there.

Is it Simple?

Make sure your chosen positioning statement is simple. Parsimonious Wordsmithing is the way to go. Say everything with little effort. It must be easily understood and remembered. The statement must also be able to be incorporated into everything you and your station do. This synergistic requirement will come back to either bless you or haunt you unless you think it through.

Does it your Target Audience?

Your positioning dimension must be important to your target audience. If your station has chosen the proverbial soccer mom as its target audience, ensure that your branding is reflected in your graphics, music, and on-air philosophy. Here is where some money spent in researching the wants and needs of your target audience will pay off in overwhelming dividends. Whatever you do, do not scrimp on research. You end up like a famous clothing maker who ignored the research that said it should stick to its core product. Against the advice of researchers (and customers), it expanded into other lines and almost went bankrupt.

Does it have both Tangible and Intangible Aspects?

When selecting your positioning statement, it is important to be sure you have introduced some intangible positioning with it. The emotional or even irrational feeling your statement induces in the minds of the audience will make it much more difficult for your competitors to rip off and thereby steal your thunder. However, don't ignore the functional and rational positioning either. Being "the station where people cry a lot" contains emotion and is certainly not rational, but it has no concrete function in its branding line.

Are you Promising too Much?

Can your position be sustained over the long run? In the first decade of the 21st century, NBC could truthfully tout itself as "the network of the Olympics." However, very few stations have an investment that will run that long. Your audience will soon determine if you're promising them the moon and delivering mud balls. Make sure your positioning line will outlive the morning paper.

Can your Competition Steal your Thunder?

Make sure that your competitors can't undermine your statement. In a classic case, at the turn of the last century, a beer company in New York City came up with the statement "We sterilize our bottles!" Of course, all the other brewers also sterilize their bottles, but being the first to say so effectively shut out competition until one competitor came up with "super-sterilized containers." If you are hawking the benefits of your helicopter, be aware that your competition can come up with a newer, faster, see-in-the-dark and track-down-running-criminals machine. Be prepared.

Can you Introduced it Gradually?

A well-known axiom of human behavior notes that people hate changes, so if you are re-branding your station, make the changes gradually. If possible, make the changes consistent

Notes

with prior associations, thereby positioning them as improvements. An example would be a new news set that will make it easier for the audience to see the weather or story preparation.

Are you Alienating your Loyalists?

Another axiom of human behavior states it is easier to retain your current brand loyalists than it is convince someone to change to your brand. Therefore, when making and implementing your branding statement, be sure you appreciated those loyalists. Even if their demographic isn't as valuable to the sales department, they have influence over demographics that are.

Will it Withstand the Test of Time?

The world's greatest brands have maintained the same position for decades. Just ask Coke, Betty Crocker, or Heinz. Can your positioning statement stand up that long? There is another oft-quoted that by the time you-in the station-have gotten tired of a spot, it is just beginning to make a dent in the hearts and minds of the audience. How many times did you hear a Coke jingle before you realized you were thirsty and needed a Coke?

Does it Work in Copy?

This last item is one that will set the teeth of many creative people on edge. Make sure your positioning line can be easily and effectively translated into promotional spots and advertising copy. If you have decided to be "the bright and happy station." How will that line fir into a spot about hurricane death and destruction?

Work it out in copy, and if you determine that in some cases it would not be appropriate, make sure the copy restrictions are written down and understood by all those responsible for copy.

Likewise, see how the line works graphically. It may be great in a large-sized logo, but how does it look as a lower? What happens to it in print as a "bug" in a co-op ad? What does it look like as a microphone flag with flags of your competition all around it?

10.6 Most Powerful Brands in the World

Here we discuss the ten most powerful brands in the world, which takes into account the measure of brand equity combined with the performance of the company. According to the report, the top five remained the same, with all the five companies showing an increase in brand valuation between 15% and 30% when compared to 2007, but there are several changes with the rest of the list.

1. ***Google:*** As expected, Google tops the list. Google is the most powerful brand in the world with a current brand value estimated at $86 billion, and it has achieved all this in just ten short years. This global search engine giant had its beginnings in 1996 and was just a research project started by Larry Page and Sergey Brin, two Stanford University Ph.D. students. The incorporation of Google Inc. took place on September 7, 1998 at their friend's garage in California. The company experienced stupendous growth in a short time and went public on Aug 19, 2004. Google's rank is based on the equity value and the fantastic financial performance.

2. ***General Electronics (GE):*** GE is a giant US multinational engaged in technology and services industries. It has its headquarters in Fairfield, Connecticut. It is now the second largest company in the world, in terms of market capitalization. The brand value of this company is estimated at $71.4 billion.

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3. ***Microsoft Corporation:*** Microsoft is the world's largest software company and the third most powerful brand on the globe, with annual revenue of $44.28 billion and a brand value of $70.89 billion. This veteran software company was started by Bill Gates and Paul Allen in 1975 and has its headquarters in Washington. The company went public in 1986. It manufactures computer technology for business and personal computing, offering a wide range of software products.

4. ***Coca-Cola:*** Coca-Cola makes carbonated soft drinks and has a brand value of $58.2 billion. It was started in 1885 as a patent medicine by Dr. John Stith Pemberton in Covington, Georgia. It was named Pemberton's French Wine Coca back then.

5. ***China Mobile:*** This is the world's largest mobile phone operator with the maximum number of subscribers (about 296 million). Vodafone owns 3.3 percent of the China Mobile. This company has a 65% share of the most competitive Chinese mobile market and commands a brand value of $57.2 billion.

6. ***IBM:*** IBM once had the distinction of being the largest computer company in the world but Hewlett-Packard took that spot in 2006. However, IBM is currently the largest information technology employer in the entire world. Its brand value is reported to have shown a 65% increase to $55.3 billion and this moved the company up to sixth place.

7. ***Apple:*** Apple Computer Company was formed in the year 1977 by Steve Jobs, Steve Wozniac and Ronald Wayne. It was initially called Apple Computer Inc. but then the world "computer" was dropped from its name in keeping with the expansion from a computer maker to consumer electronics and software. The well-known Apple creations and designs are Mac laptop and desktop computers, iPod and iTunes, the OS X operating system and the very popular iPhone. The company has seen a 123% rise in its brand value because of these innovative products. Fortune magazine called Apple the most admired company in the United States and it has a brand value of $55 billion.

8. ***McDonalds:*** The fast food giant McDonald's brand value grew more than 49% and is currently estimated to be at $49.49 billion. This restaurant chain is one of the most recognizable on earth being the most popular food outlet in the world. It had the most basic beginnings when Dick and Mac McDonald created the brand. But the story goes that much of the success is owed to a salesman of a milk-shake maker, Ray Croc, who made a trip to California to check out McDonald's hamburger stand, only to enter into a well-known business relationship with the McDonald brothers.

9. ***Nokia:*** Nokia Corporation is a Finnish multinational company with its headquarters in Keilaniemi, Espoo. This communications company is focused on wired and wireless telecommunications. It is the world's largest manufacturer of mobile telephones and employs thousands of people worldwide. It has achieved its goal of connecting the world and has a brand value of $43.9 billion.

10. ***Marlboro:*** Marlboro had its share of problems initially and reaped rewards after the introduction of a new cowboy image for the brand. With this change, sales shot up by 5000 percent with an estimated brand value of $39.2 billion, which is an increase in value by 2 percent from last year.

It is interesting to note that all these powerful brands had humble beginnings but soon reached the top with their imaginative and innovative approaches to business, customer satisfaction and to achieving their goals.

Task Discuss about any successful Indian brand.

Notes

Case Study

Which Direction Should the Brand Take?

Liril made a big splash in the toilet soaps category in the late seventies. The market then was not very competitive. The mixed economy model did not yet fulfill the dream of prosperity and affluence. The licensing raj tightly controlled the industrial activity. Like most of the industry sectors the toilet soap industry was dominate only a handful of players like the Hindustan Lever, Calcutta Chemicals and Tomco. These two players marketed a complete portfolio with brand aimed at different segments and different benefits. The other players catered to small niches like J&J limited its range to infant and kid with mild soaps. Other local players like Chandrika, Swastik, Keshnikhar, Mysore Sandal and Medimix and host of small players that operated locally.

It was during the seventies when marketing was not really something that firms followed and marketing personnel command good esteem. The demand still chased supply. The advertising did not use sophisticated tools both to explore consumer motivation and create executions. Like many other categories the brand used rational appeals to woo consumers. The problem solution themes dominated the marketing arena. Soap fragrance, size, color name were seen to be major bait for hooking customers. The brand communication focused on product and ingredients as means to influence buying. The markets were still clubbed into large masses of customers with little expressed differentiation. The whole economy seemed to have been stuck in introduction with little clamor to fight out the competition.

Liril arrived on the soap space with the promise to transform bathing form a problem coping to providing experience. The brand with its 'freshness' platform sought to add a psychological dimension of feeling good. The brand uniquely communicated and connected with its prospects through a bold advertisement by then prevalent values. In 1975 the brands communication showed a beautiful model in bikini under a natural waterfall. The excitement and freshness so conveyed by the advertisement struck an emotional connect with the people. The sound used in the ad 'La..la..la..' concretized the delivery promised by the brand. In no time the brand becomes hugely successful. The brand headline invited the potential uses as 'come alive with Liril freshness'. The brand advertising showed floating juicy sliced lemon to back up its freshness claim. It was first brand that sought to play on inherent freshness associated with lime.

Brand communication

Potential customer: young women

Background: natural high energy waterfall

Theme: young, vivacious, attractive girl having bath

Promised benefit-freshness experience

Promise support: floating juicy slices of lemon

Voice over: Come alive with Liril freshness

It cornered 14 percent market share good enough to give it slot in first three positions. It established premium segment in soaps category. Brand has been a top performer in the toilet soaps category until 1995 when it began to loose market share. During this period the brand lost big volume over 35 percent. And its market share slid to below five percent.

Contd...

Notes

The excitement and innovation created by the brand could not be sustained. The later brand communication deviated form the original brand positioning. Further the brand benefits of lime and freshness responsible for its success lost novelty. Many other brands began to focus on lime as ingredient and the claimed benefits of freshness. What was once a pioneering unique benefit was becoming generic. Further the brand's original customers who grew up with it over time were becoming older. With age the need structure of this group was shifting form experience and emotional delivery to functionality. This way the brand began to loose its grip over the market.

The net result of loyal customers migrating to functionality and brands unique positioning getting cluttered the brand faced the challenge associated with the life cycle. Lack of differentiation and resonance with the potential customers began to take the toll on brand. The brand personal that centered on lime and freshness did not offer the uniqueness that the brand required now. The issue facing Liril was how to resurrect the once very strong brand and get back to its glory. Many thought of launching variations and redoing brand's communication in order to make it more tune with time so that young customers could be included in the brand's fold.

Challenged, as the brand was Lever did try to inject fresh blood into the brand. The period of change and experimentation began in 1995. Brand first rode on the extension mode. First the brand saw a launch of shower gel in 1994. And then a cologne variant in 1996. Later in 1999 another variation saw the light of the day by the name of Rainfresh. Then came icy blue Liril. The brand was hooked with a number of variants that all tried to play around with the theme of freshness in different contexts.

The brand communication that once created history of sorts with sexy bikini clad Karen Lunel under the white natural waterfall changed radically. The original Karen Lunel ads ran for twelve years establishing firmly the brand's associations with lime freshness. The girl in the waterfall theme was abandoned in favor of something called as 'unusual water experience'. Now the girl instead of waterfall came out in open to bathe in a car wash or danced in front of a fire tanker hose. In a bid to lure youth a set of commercials were launched on MTV. Then came the pissing boy, girl in the desert and Liril Icy commercial. The brand communication began to take many routes as if idea was to shoot arrows in all direction and one will hit the target. But that did not seem to happen. The advertising initiatives and line extensions failed to enthuse any energy into brand's performance.

Like the brand communication even the product looks and forms were deviated form its green streaked look. Icy blue become blue variant and contained menthol. With line extensions the brand sought to deliver different bathing experience. The brand bold commercial of green bikini clad model gave way to green swimsuit. Later the swimsuit of the Liril model moves on to become the hot pants. The brand faced intense competitive pressures form other lime soaps aiming to copy freshness platform in nineties.

Experts feel differently about the fall of Liril form it prima donna status. One expert blames the fall of the brand to the confusion between the execution and brand idea. He believed that the central brand idea has never been clear. It appeared that girl in the waterfall was the central band idea and it should not be touched. But is this creative expression of the central idea of freshness or the ideas itself that remains sacrosanct.

Others believe that Liril drew its success form the brand personality created by the first model. She symbolized not only youth but also other traits like exuberance, innocence and fun. The models that replaced Karen were only young pretty things. They lacked on all other personality aspects of the first model that launched the brand. Lever has not been able to get somebody who would capture and reflect the brand essence as Karen once did.

Contd...

Notes

The managers at the company believed that the brand's creative expression of girl in the waterfall has become outdated. It has lived its life. But actually the hangover still persists. They have not deviated form its altogether. Be it Liril calendar or advertisements the signs of the waterfall and the girl would always be visible. Beyond communication the brand has also seem to have suffered on account of Lever's inability to come out with right product line in case Liril unlike they did for Lux and Lifebuoy. It is suggested that brand has to discover new audacious paradigms and reach out to new horizons. It must transcend its current expression then only is there some hope.

Many believe that brand failed to progress with time. The rapid changes executed in the communications amounts to influencing the superficial. The fundamental problems plaguing the brand were never unearthed. The tactics to correct immediate problems began to drive the strategy. New variations and communications make the picture rosy for some time but once the excitement period passes the sales tumble to their previous levels.

Alyque Padamsee who initially created the brand believes that Liril's problems lie in the fact that its original bathing experience has been replaced with unusual water experience. The new ads like the pissing boy and the desert ad use the water but he questions where the bathing experience in these is. Is it central to the idea of freshness? The brand seems to have withered too far and beyond its original core idea. All the commercials are good to look at but they fail to touch the heart. Many industry people believe that bringing back those original commercial may be a good idea.

But how would that help? Brand's current customers do not have any idea of those advertisements of seventies. There are no nostalgic feelings. The customers to today are fundamentally different form that of past. They look for more active participation in everything. They don't expect a brand to deliver a benefit rather they want to create an experience by active participation. Presently Liril has three variants Liril Aloe Vera, Icy Cool and Liril Orange.

Questions

1. Will marketing communication effect the position of brand? Discuss.
2. If you are the brand manager how you describe and differentiate liril to other same category products of competitors.

Self Assessment

Choose the appropriate answer:

8. Which one not involve in famous 5 P's concept
   - (i) Price
   - (ii) People
   - (iii) Place
   - (iv) Product
9. The key component of brand positioning
   - (i) Brand essence
   - (ii) Brand promise
   - (iii) Brand personality
   - (iv) All of the above

Notes

10. A powerful brand positioning should
    (i) Admirable and endearing
    (ii) Difficult to emulate
    (iii) Only (i)
    (iv) Both of (i) (ii)

10.7 Summary

- Brand judgements focus on customers' personal opinions and evaluations with regard to the brand.
- Brands should use brand resonance as a goal and a means to interpret their brand related marketing activities.
- Ensuring the identification of the brand with customers, establishing the totality of brand meaning in the minds of customers, eliciting the proper customer responses to this brand identification and brand meaning, converting brand response to create an intense, active loyalty relationship between customers and the brand are the four important steps in building a brand.
- Brand salience, brand performance, brand imagery, brand judgements, brand feelings, and brand resonance are the six main building blocks of a brand.
- Positioning is the last step in the marketing strategy formulation.
- Positioning is about building the image of a brand. It is about how the brand is going to be perceived in the market.

10.8 Keywords

Product Positioning: This is the act of developing a product offer and selecting an image to occupy a distinctive place in the minds of the target market.

Pro-environment approach to Positioning: This approach to positioning aims to show that the company is a good citizen.

Public Relation: Public relations are the way a strong brand is truly established and advertising is how the brand is maintained.

Brand Equity: Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset.

Brand Feeling: Brand feelings relate to how the brand affects customers' feelings about themselves and their relationship with others.

10.9 Review Questions

1. What is brand positioning? How are particular brands positioned in the Indian market?
2. Distinguish between product segmentation, product positioning, product adoption and product standardisation.
3. Define preference analysis. How it is useful in product positioning and segmentation?
4. What part do market research and product positioning play in the success of a product in the market?

Notes

5. How does the concept of shared characteristics relate to market segmentation?
6. Explain different types of brand-building feeling. Also discuss it is useful in brand positioning or not.
7. Discuss something about powerful brands of the world. Also give some powerful brands name of India.
8. Discuss how advertising play important role in brand positioning.
9. What do you mean by unique selling proposition?
10. Explain the benefits of strong brand.

Answers: Self Assessment

1.	T	2.	F
3.	T	4.	Brand performance
5.	Brand feelings	6.	(i)
7.	(ii)	8.	(ii)
9.	(iv)	10.	(iv)

10.10 Further Readings

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Online links

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Unit 11: Planning and Implementing Brand Marketing Programs

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Objectives

After studying this unit, you will be able to:

- Know the Criteria for Choosing Brand Elements
- Discuss the Options and Tactics for Brand Elements
- Explain the Tactics to Create a Strong Brand
- Provide insight into Integrated Marketing Communication
- Identify the Use of IMC for Brand Building
- Discuss the Leveraging Secondary Brand Associations to Brand Building

Introduction

Many practicing managers refer to a brand in terms of certain amount of awareness, reputation, and prominence and so on in the market place. The key to creating a brand is to be able to choose a name, logo, symbol, package, design or other attribute that identifies a product and distinguishes it from others. The different components of a brand that identifies and differentiate a product can be called brand elements. Brand elements can be chosen in a manner to build as much brand equity as possible. This unit considers how different brand elements can be chosen to build brand equity.

11.1 Planning and Implementing Brand Marketing Programs

Building brand equity requires creating a brand of which consumers are sufficiently aware and with which they have strong favorable and unique brand associations. This knowledge building process depends on the following two factors:

1. The initial choice of the brand elements or identities making up the brand.
2. The marketing activities and supporting marketing programme and the manner in which the brand is integrated into them (designing marketing programmes to build brand equity).

11.1.1 Decisions Relating to Brand Elements

Brand elements also known as brand identities, are those trademarkable device that serve to identify and differentiate the brand. The main brand elements include brand names, logos and symbols. Although marketers need to constantly manage the elements of brands. Marketers should keep in mind the following criteria when choosing brand elements.

1. Brand elements can be chosen to be inherently memorable, both in terms if brand recall and recognition.
2. Brand elements can be chosen to be inherently meaningful so that they convey information about the nature of the product category or particular attributes and benefits of a brand, or both. The brand element may also reflect brand personality, user or usage imagery, or feeling for the brand.
3. The information conveyed by brand elements does not necessarily have to relate to the product alone and may simply be inherently appealing or likeable.
4. Brand elements can be chosen to be transferable within and across product categories and across geographic and cultural boundaries and market segments.

Notes

Notes Brand elements can be chosen to be are legally protectable and as far as possible, competitively defensible.

11.1.2 Marketing Activities

Brand managers have found that communication through traditional mass media has been ineffective, inefficient and costly. As a result these organizations have long relied on alternative channels to create brand awareness, convey brand associations and develop loyal customer bases. New approaches, such as relationship marketing mass customization, after marketing and loyalty programmes can help marketers to design marketing programmes.

11.2 Criteria for Choosing Brand Elements

In general, there are six criteria in choosing brand elements and these criteria are:

1. Memorability
2. Meaningfulness
3. Likability
4. Transferability
5. Adaptability
6. Protectability

Box 11.1

1. ***Memorable***
   - (a) Easily recognized
   - (b) Easily recalled
2. ***Meaningfulness***
   - (a) Descriptive
   - (b) Persuasive
3. ***Likable***
   - (a) Fun and interesting
   - (b) Rich visual and verbal imagery
   - (c) Aesthetically pleasing
4. ***Transferable***
   - (a) Within and across product categories
   - (b) Across geographic boundaries and cultures
5. ***Adaptable***
   - (a) Flexible
   - (b) Updateable
6. ***Protectable***
   - (a) Legally
   - (b) Competitively

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The first three criteria – memorability, meaningfulness, and likability – can be characterized as "brand building" in nature and concern how brand equity can be built through the judicious choice of a brand element. The latter three, however are more "defensive" in nature and are concerned with how the brand equity contained in a brand element can be leveraged and preserved in the face of different opportunities and constraints.

11.2.1 Memorability

A necessary condition for building brand equity is achieving a high level of brand awareness. Toward that goal brand elements can be chosen that are inherently memorable and therefore facilitate or recognition in purchase or consumption settings.

In other words, the intrinsic nature of certain names, symbol, logos, and the like-their semantic content, visual properties and so on-may make them more attention getting and easy to remember and therefore contribute to brand equity.

Example: Naming a brand of propane gas cylinders " Blue Rhino" and reinforcing it with a powder-blue mascot with a distinctive yellow flame is likely to stick in the minds of consumers.

11.2.2 Meaningfulness

Besides choosing brand elements to build awareness, brand elements can also be chosen whose inherent meaning enhances the formulation of brand associations. Brand elements may take on all kind of meaning, varying in descriptive, as well as persuasive, content.

Example: Brand name could be based on people, places, animals or birds, or other things or objects.

Two particularly important dimensions or aspects of the meaning of a brand elements are the extent to which it conveys the following:

1. ***General information about the nature of the product category:*** In terms if descriptive meaning, to what extent does the brand element suggest something about the product category? How likely would it be that a consumer could correctly identify the corresponding product category or categories for the brand based on any one particular brand element? In a related question does the brand element seem credible in the product category? In other words, is the content of a brand element consistent with what consumers would expect to see from a brand in that product category?
2. ***Specific information about particular attributes and benefits of brand:*** In terms of persuasive meaning, to what extent does the brand element suggest something about the attributes or benefits of the brand of product.

Example: In terms of key attributes or benefits, it suggest something about a product ingredient or the type of person who might use the brand.

Task Explain why memorability play vital role for choosing brand element.

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11.2.3 Likability

The association suggested by a brand element may not always be related to the product. Thus, brand elements can be chosen that are rich in visual and verbal imagery and inherently fun and interesting. Independent if its memorability and meaningfulness, how aesthetically appealing do consumer find the brand element? Is it inherently likable, both visually, verbally, and in other ways? In other words, independent of the particular product or service, how much would consumers like the brand element?

In terms of these first three criteria, a memorable, meaningfulness, and likable set of brand elements offers many advantages. Because consumers often do not examine much information in making product decision, it is often desirable that brand elements be easily recognized and recalled and inherently descriptive and persuasive. Moreover, memorable or meaningful brand names, logos, symbols, and so on reduce the burden on marketing communication to build awareness and link brand association. The different associations that arise from the likability and appeal of the brand elements also may play a critical role ion the equity of a brand, especially when few other product-related associations exist. Often, the less concrete the possible product benefits are, the more important is the creative potential of the brand name and other brand elements to capture intangible characteristics of a brand.

11.2.4 Transferability

The transferability of the brand element – in both a product category and geographic sense. First to what extent can the brand element add to the brand equity of new products sharing the brand elements introduced either within the product class or across product classes? In other words, how useful is the brand element for line or category extensions? In general, the less specific the name, the more easily it can be transferred across categories.

Example: Amazon connotes a massive South American river and therefore as a brand can be appropriate for a variety of different types of products, whereas Toys "R" Us obviously does not permit the same flexibility.

Second, to what extent does the brand element add to brand equity across geographic boundaries and market segments? To a large extent this depends on the cultural content and linguistic qualities of the brand element.

Example: One of the main advantages of non-meaningful names (e.g., Exxon) is that they translate well into other languages since they have no inherent meaning.

The mistakes that even top companies have made in translating their brand names, slogans, and packages into other languages and cultures over the years have become legendry.

11.2.5 Adaptability

The fifth consideration concerns the adaptability of the brand element over time. Because of changes in consumer values and opinions, or simply because of a need to remain contemporary, brand elements often must be updated over time. The more adaptable and flexible the brand element, the easier it is to update it.

Example: Logos and characters can be given a new look or a new design to make them appear more modern and relevant.

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11.2.6 Protectability

The sixth and final general consideration concerns the extent to which the brand element is protectable–both in a legal and competitive sense. In terms of legal considerations it is important to:

1. Choose brand elements that can be legally protected on an international basis.
2. Formally register them with the appropriate legal bodies.
3. Vigorously defend trademarks from unauthorized competitive infringement.

The necessity of legally protecting the brand is dramatized by the billions of dollars in losses in the United Sates alone from unauthorized use of patents, trademarks, and copyrights.

A closely related consideration is the extent to which the brand element is competitively protectable. Even if a brand element can be protected legally, it still may be the case that competitive actions can take away much of the brand equity provided by the brand elements themselves. If a name, package, or other attribute is too easily copied, mush of the uniqueness if the brand may disappear.

Example: Consider the ice beer category. Although Molson Ice was one of the early entries in the category, its pioneering advantage from a branding standpoint was quickly lost when Miller Ice and what later became Bud Ice were introduced. Thus, it is important to reduce the likelihood that competitors can imitate the brand by creating a derivative based on salient prefixes or suffixes of the name, emulating the package look, or other actions.

Self Assessment

Choose the appropriate answer:

1. Which one not include in brand element.
   - (i) Brand name
   - (ii) Logos
   - (iii) Size
   - (iv) None
2. Criteria in choosing brand elements:
   - (i) Meaningfulness
   - (ii) Likability
   - (iii) Transferability
   - (iv) All

11.3 Options and Tactics for Brand Elements

The value of choosing brand elements strategically to build brand equity can be seen by considering the advantage of having chosen "Apple" as the name for a personal computer. Apple was a simple but well-known word that was distinctive in the product category-factors facilitating the development of brand awareness. The meaning of the name also gave the company a "friendly shine" and warm brand personality. Moreover, the name could be reinforced visually with a logo that could easily transfer across geographic and cultural boundaries. Finally, the

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name serve as a platform for sub-brands (e.g., as with the Macintosh), aiding the introduction of brand extensions. Thus, as the Apple example illustrates the judicious choice of a brand name can make an appreciable contribution to the creation of brand equity.

What would an idea brand element to be liked? Consider brand names-perhaps the most central of all brand element. Ideally, a brand name would be easily remembered, highly suggestive of both the product class and the particular benefits that served as the basis of this positioning, inherently fun or interesting. Rich with creative potential, transferable to a wide variety of product and geographic settings, enduring in meaning and relevant over time, and strongly protectable both legally and competitively.

Unfortunately, it is difficult to choose a brand name, or any brand element for that matter, that would satisfy all of these different criteria.

Example: As noted earlier, the more meaningful the brand name, the more likely is it that the brand name will not be very transferable to other cultures due to translation problems. Moreover, brand names are generally less adaptable over time. Because it is virtually impossible to find one brand element that will satisfy all the choice criteria, multiple brand elements are typically employed.

A variety of brand elements can be chosen that inherently enhance brand awareness or facilitate the formation of strong, favorable, and unique brand associations.

1. Brand names
2. URLs
3. Logos and symbols
4. Characters
5. Slogans
6. Packaging

11.3.1 Brand Names

The brand name is a fundamentally important choice because it often capture the central theme or key associations of a product in a very compact and economical fashion. Brand names can be an extremely effective shorthand means of communication. Whereas the time it takes consumers to comprehend marketing communications can range from a half a minute to potentially hours, the brand name can be noticed and its meaning registered or activated in memory within just a few second.

Like any brand element, brand names must be chosen with the six general criteria of memorability, meaningfulness, likability, transferability, adaptability, and protectability in mind.

The name of a brand is the first and probably the greatest expression or "the face" of a product. The huge complexity of names and their associations has led to a new profession of naming companies, products, or services. All names usually have some kind of associated image, whether it is cultural, linguistic or personal. Brand names should be chosen very carefully since they convey important information to stakeholders. This is especially true for brands that intended to cross geographic and cultural boundaries; it is a very challenging task to find the right name for different audiences.

The extraordinary power of a name can be exemplified by the following case. In 1969 Sir Roger Penrose, a Cambridge physicist, announced his discovery of what he called a "gravitationally

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totally collapsed object" while speaking at a small scientific conference. The response to it was quite unspectacular but when he changed his description to call it the "black hole" months later, the news of his discovery raced around the world. Today, the term "black hole" is a part of every day language.

A well-chosen name for a company, product, or service can be a valuable asset, just like the brand itself. The name directly affects the perception of the brand. We hear and read various brand names many times every day, in emails, business cards, brochures, websites, and product packages. The brand name will be used in every form of communication between a company and its prospective customers. An ineffective brand name can hinder marketing efforts, because it can lead to miscommunication if people can't pronounce it or remember it. Ultimately, the brand name is the expression that conveys all the values and promises of a company. In order to build a brand it is essential to continually keep the name present.

Certain factors should be considered before selecting a brand name. They are as follows:

1. Distinguish the product from competitive brands
2. Memorable and easy to pronounce
3. Easy to say, spell and pronounce
4. It should allude to the product
5. Negative or offensive references should be avoided
6. Evoke positive mental image
7. Evoke positive emotional reaction
8. Suggest product function or benefits
9. Simple
10. Sound appropriate
11. Be unique
12. Possibly, translate well in other languages too.

Naming Guidelines: Selecting a brand name for a new product is certainty an art and a science. This section provides some general guidelines for choosing a name. It focus on developing a completely new brand name for the product. Box 11.2 display the different types of possible brand names according to identify experts Landor Associates. As with any brand element, brand names must be chosen with the six general in mind.

Box 11.2: Landor's Brand Name Taxonomy

1. ***Descriptive:*** Describe function literally; generally un-registerable. For example, Singapore Airlines, Global Crossing
2. ***Suggestive***: Suggestive of a benefit or function. For example, MarchFIRST. Agilent Technologies
3. ***Compounds:*** Combination of two or more, often unexpected, words. For example, redhat
4. ***Classical:*** Based on Lain Greek, or Sanskrit. For example, Meritor
5. ***Arbitrary:*** Real words with no obvious tie-in to company. For example, Apple
6. ***Fanciful:*** Coined words with no obvious meaning. For example, avanade

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11.3.2 URLs

URLs (Uniform Resource Locators) specify locations of pages on the web and are also commonly referred to as domain names.

A company can either sue the current owner of the URL for copyright infringement, buy the name from the current owner, or register all conceivable variations of its brand as domain names ahead of time.

11.3.3 Logos and Symbols

The logo is the "graphic look" of the brand name or company. Too often, small and medium-sized companies use a logo which is clearly the work of a member of the family or a friend who is considered to have some artistic talent. Frugality in general may be a virtue but skimping on your companies brand design is definitely not worth the effort. If a logo fails to communicate and express what the company represents, it is a wasted opportunity.

A good logo fulfills both graphic and functional imperatives. In order to do so, brand architects have to keep the big in mind.

Corporate values and characteristics need to be reflected in the logo and the brand should be safely incorporated in the overall marketing strategy. It can be said that this is true for every aspect of a corporation's visual identity.

By creating a powerful visual image for a company, it will achieve not just a name display but a long-lasting image that connects customers with your brand. But the power of symbols should not be underestimated, since human tend to be more receptive to images and symbols than anything else. The old adage "one picture is worth a thousand words", holds quite a lot of scientific truth in it. A strong logo can provide cohesion and structure to the brand identity, facilitating recognition and recall. It is easier to communicate an attribute or value by using a symbol than to use factual information, especially in the B2B area where complex functional benefits need to be explained in a vivid and memorable way.

The company logo is the cornerstone of the firm's branding elements. For many firms the logo is the visual reminder of everything that the firm stands for. While a great logo won't necessarily build the firm, it plays a vital role in representing it. Conversely, a weak or confusing logo can detract from the value that the firm brings.

Elements of a Good Logo: The elements of a good logo are:

1. ***It has a lasting value -*** trendy logos don't hold up over time.
2. ***It is distinct -*** some amount of uniqueness, as long as it doesn't confuse, is valuable.
3. ***Appeals to your target market -*** if your target market is partial to blue then it doesn't matter that you're not.
4. ***Supports your USP -*** If you are trying to communicate your low prices then your logo should support that image.
5. ***Legible -*** This seems pretty obvious but many people use typefaces and images that can't be printed or carried to a large sign. Your logo should clearly identify your company and it can't do that if people don't understand it.

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Benefits of Logos

1. Because of their visual nature, logos and symbols are often easily recognized and can be a valuable way to identify products.
2. Another branding advantage of logos is their versatility. Because logos are often non-verbal, they can be updated as needed over time and generally transfer well across cultures.
3. Because logos are often abstract, without much product meaning, they can be relevant and appropriate in a range of product categories. For example, corporate brands often develop logos because their identity may be needed on a wide range of products.
4. Logos and symbols can be particularly important in services because of their intangible, abstract nature. For example, many insurance firms use symbols of strength security. (E.g., logo of Life Insurance Corporation).
5. Unlike brand names, logos can be easily changed over time to achieve a more contemporary look.

Task List any 10 brand name which one use by you in daily life regularly.

11.3.4 Characters

A special type of brand symbol-one that takes on human or real-life characteristics. Some are animated like Pillsbury's Poppin' Fresh Doughboy, Peter Pan peanut butter's character, and numerous cereal characters such as Tony the Tiger, Cap'n Crunch, and Snap, Crackle & Pop.

Others are live-action figures like Juan Valdez (Colombian coffee), the Maytag repairman, and Ronald McDonald. Notable newcomers include the AOL running man, the Budweiser frogs, and the AFLAC duck.

11.3.5 Slogans

Slogans are short phrases that communicate descriptive or persuasive information about the brand.

Slogans are powerful branding devices because, like brand names, they are an extremely efficient, shorthand means to build brand equity.

Classic Slogans: Some classic slogans are:

1. "Melts in your mouth, not in your hands" (M&M's)
2. "Sometimes you feel like a nut, sometimes you don't" (Almond Joy/Mounds)
3. "Where's the beef?" (Wendy's)
4. "A mind is a terrible thing to waste" (United Negro College Fund)
5. "Can you hear me now?" (Verizon)

Benefits of Slogan

1. Slogans can be devised in a number of ways to help build brand equity. Some slogans help to build brand awareness by playing of the brand name in some way (Thumps up, Taste the Thunder, Mango Fruity, Fresh and Juicy etc.).

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2. Other slogans build brand awareness even more explicitly by making strong links between the brand and the corresponding product category by combining both entities in the slogan (e.g., "If You're Not Wearing Dockers. You're Just Wearing Pants").
3. Slogans can help to reinforce the brand positioning and desired point of difference.
4. Slogans often closely tied to advertising campaigns and can be used as tag lines to summarize the descriptive or persuasive information conveyed in the advertisements.

11.3.6 Jingles

Jingles are musical messages written around the brand. Typically composed by professional songwriters, they often have enough catchy hooks and choruses to become almost permanently registered in the minds of listeners–sometimes whether they want them to or not!

Jingles are perhaps most valuable in enhancing brand awareness.

11.3.7 Packaging

From the perspective of both the firm and consumers, packaging must achieve a number of objectives:

1. Identify the brand
2. Convey descriptive and persuasive information
3. Facilitate product transportation and protection
4. Assist at-home storage
5. Aid product consumption.

Benefits of Packaging

Packaging can have important brand equity benefits for a company. Often, one of the strongest associations that consumers have with a brand relates to the look of its packaging. Structural packaging innovations can build or reinforce valuable brand associations. New packages can also expand a market and capture new market segments.

Self Assessment

Fill in the blanks:

3. ..... specify locations of pages on the web and are also commonly referred to as domain names.
4. The ..... is the "graphic look" of the brand name or company.
5. ..... are short phrases that communicate descriptive or persuasive information about the brand.

11.4 Tactics to Create a Strong Brand

There are some tactic mentioned below used for build a strong brand:

1. ***Visual Identity:*** The footprint of a brand-your corporate identity, graphic system, or visual voice–can take your brand many good places. It can also head you straight into a wall if it does not accurately project what the brand is and consistently stick to the story.

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2. ***Advertising:*** Advertising can be used to generate leads, sell product, advocate beliefs, persuade, calm unrest, and build brands. Advertising is the act of paying to showcase a message, and more. Advertising gives the brand builder a high-speed lane to the market. On the other hand, it is not immune to falling trees, lightning, bad weather, careless drivers, or an occasional competitor with wings. Smart advertising can fertilize the brand soil and aid in the brand's growth.

Case Study

Brand Building through Advertising

Domino's and Pizza Hut initially restricted their ad strategy to banners, hoardings and specific promotions. By March 2000, Domino's opened 37 outlets all over India. In August 2000, it launched the 'Hungry Kya? (Are You Hungry?)' sequence of advertisements on television. A company official said, "We realized that a Pizza couldn't be slotted - it could be a snack; then again, it could also be a complete meal" The only definitive common link between Domino's Pizzas and eating was the hunger platform.

The launch of 'Hungry Kya?' campaign coincided with Domino's tie-up with Mahanagar Telephones Nigam Ltd. (MTNL) for the 'Hunger Helpline'. The helpline enabled the customers to dial a toll-free number (1600-111-123) from any place in India. The number automatically hunted out the nearest Domino's outlet from the place where the call was made and connected the customer for placing the order. The number also helped Domino's to add the customer's name, address and phone number to its database.

This was followed by Pizza Hut's first campaign on television in July 2001, which said, 'Good times start with great pizzas'. The ad was aired during all the important programs on Star Plus, Sony, Sony Max, Star Movies, HBO, AXN, and MTV. Pizza Hut planned to spend between ₹ 70-75 million on the ad campaign in 2001. Said Pankaj Batra, "The first ad campaign on TV defines Pizza Hut as a brand, and what it offers to its existing and potential customers. Once the awareness of this message is high, we will focus on other facets of the brand and its offerings."

Between April 2000 and February 2001, Domino's set up 64 more outlets in India. Delhi had the maximum number of outlets - 17, followed by Mumbai with 13. Domino's had the largest retail network in the fast food segment in India- with 101 outlets across 40 cities.

Domino's had a tie-up with a real estate consultant Richard Ellis to help with locations, conduct feasibility studies, and manage the construction. It was also looking at non-traditional outlets like large corporate offices, railway stations, cinema halls and university campuses. In early 2000, Domino's had opened an outlet at Infosys, Bangalore, which was very successful. It also had outlets at cinema halls - PVR in Delhi, Rex in Bangalore, and New Empire in Kolkata.

By January 2001, Pizza Hut had 19 outlets across India. In a move to expand further, Pizza Hut planned to open an additional five restaurants in Mumbai and 30 restaurants across major cities in India, by 2001 end. Tricon announced that the company would invest ₹ 30 million on each of the restaurants. In March 2001, Pizza Hut opened its first three-storeyed 125-seater dine-in restaurant at Juhu in Mumbai. Said a company official, "We are expanding the number of restaurants across the major cities to cater to today's youth which has taken to pizzas as a cuisine."

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Questions

1. Domino's entered India at a time when Pizza Hut and McDonald's were already in the market. What was the strategy adopted by Domino's to make a dent in the Indian market?
2. 'Database Marketing was an important part of the strategy in the Pizza Industry.' Comment.
3. Though Pizza Hut entered India before Domino's, it eventually lost its share to Domino's. How can Pizza Hut counter the competition from Domino's?

Source: www.icmrindia.org

3. ***Brand Partnerships:*** Sometimes two brands are better than one. Collaboration with other brands, vendors, and distribution channels not only adds firepower and reduces costs, but it ultimately can strengthen a brand.

   Partnerships can be as simple as two brands co-hosting an event or as formal as an agreement involving new selling channels, co-op ad spending, joint research, and licensing contracts. When choosing any brand partner, you should adhere to an established set of guidelines that complement your brand and meet business goals.

4. ***Media Relations:*** Twenty-four-hour news, free-flowing information, and breaking reports offer vast opportunities to get your brand message out with an added layer of authority and third-party endorsement. Despite the cynics, the media has immense influence on the market.

   Organizations that don't take full advantage of this powerful vehicle will miss sales, stature, and a substantial brand bang.

5. ***Community Relations:*** Community relations encompasses any niche community where having a strong positive relationship is important and valuable to the brand and the market you serve. For many organizations, this includes your category industry and nonprofit interests.

6. ***Sales Promotions/Events:*** Promotions are any activities that stimulate purchasing. Promotions can work well in both consumer markets and the business-to-business space if planned and executed correctly. A great sales promotion can launch new products, reintroduce new and improved ones, clean out an old line or inventory, synergize co-brands, cross-sell among product lines, arouse loyalty, and entice first-time sampling or trial purchases.

7. ***Customer Service:*** Serving customers seems like a simple task, yet many savvy business leaders are blind to the huge service cracks in their business. A crack in service is extremely dangerous. One too many rude encounters, another insensitive act, or a downright bitter battle, and your customer will not only make you history, but his rage can spread like wildfire and burn up even the best brand.

8. ***Sales:*** Selling with brand in hand shortens the distance to the finish line. Selling today is no cakewalk. New products, trillions of choices, and floods of options surround us. Pressure is high, competition is everywhere, and the economy is faltering. So what. Quit your whining. Add some brand to your sales arsenal, and the process gets easier and more effective.

9. ***The Environment and Merchandising:*** Visual seduction is not just for retailers. Merchandising and environmental branding needs more respect. Once thought of as merely decorative displays or point-of-purchase sale stimulators, today merchandising and the environment are a significant brand-building tactic.

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10. ***Online:*** Building a brand, one thousand clicks at a time: Online technology has catapulted the brand like no other tactic. The impact on all business sectors and models is immense. Small companies can be global. Virtual stores can operate without inventory. Time to market is condensed to a warp speed, and the customer has more options and choices than ever before. As with every new horizon, there lie vast opportunities and difficult challenges.

11. ***Alternative and Buzz Activities:*** Guerrilla or alternative marketing has no rules. The more you can get away with, the better. Such campaigns are non-traditional. They disrupt and surprise. They can be crazy, irreverent, or bizarre, and many times they are extremely potent and effective for a lot less money than the ordinary campaigns.

Tasks How media relation helpful for creating a strong brand?

11.5 Integrated Marketing Communication

Integrated Marketing Communications is a term used to describe a holistic approach to marketing communication. It aims to ensure consistency of message and the complementary use of media. The concept includes online and offline marketing channels. Online marketing channels include any e-marketing campaigns or programs, from Search Engine Optimization (SEO), pay-per-click, affiliate, email, banner to latest web related channels for webinar, blog, micro-blogging, RSS, podcast, and Internet TV. Offline marketing channels are traditional print (newspaper, magazine), mail order, public relations, industry relations, billboard, radio, and television. A company develops its integrated marketing communication programme using all the elements of the marketing mix (product, price, place, and promotion).

Integrated marketing communication is integration of all marketing tools, approaches, and resources within a company which maximizes impact on consumer mind and which results into maximum profit at minimum cost. Generally marketing starts from "Marketing Mix". Promotion is one element of Marketing Mix. Promotional activities include Advertising (by using different medium), sales promotion (sales and trades promotion), and personal selling activities. It also includes internet marketing, sponsorship marketing, direct marketing, database marketing and public relations. And integration of all these promotional tools along with other components of marketing mix to gain edge over competitor is called Integrated Marketing Communication.

11.5.1 Growing Importance of IMC

Several shifts in the advertising and media industry have caused IMC to develop into a primary strategy for marketers:

1. From media advertising to multiple forms of communication.
2. From mass media to more specialized (niche) media, which are centered around specific target audiences.
3. From a manufacturer-dominated market to a retailer-dominated, consumer-controlled market.
4. From general-focus advertising and marketing to data-based marketing.
5. From low agency accountability to greater agency accountability, particularly in advertising.
6. From traditional compensation to performance-based compensation (increased sales or benefits to the company).
7. From limited Internet access to 24/7 Internet availability and access to goods and services.

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11.6 Use of IMC for Brand Building

Communication is always one of the most important and vital strategic areas of an organization's success. You can have the best or most innovative products or services, but if your internal and external communications are weak, then the demand for your products or services raises a personal flag of concern. When communicating the value of your products or services, you want to focus on how they will benefit your clients.

When planning your strategy for Integrated Marketing Communication or IMC, you want to have dialogue with your customers by inviting interaction through the coordinated efforts of content, timing and delivery of your products or services. By ensuring direction, clarity, consistency, timing and appearance of your messages, conveyed to your targeted audience, these factors will help avoid any confusion about the benefits of your brand, through the connection of instant product recognition.

When looking at your marketing mix, you're examining price, distribution, advertising and promotion, along with customer service. Integrated marketing communication is part of that marketing mix included in your marketing plan. IMC strategies define your target audience, establishes objectives and budgets, analyzes any social, competitive, cultural or technological issues, and conducts research to evaluate the effectiveness of your promotional strategies.

It is impossible to talk about IMC without talking about brand. That is because brand building relies on creation and nurturing of profitable relationships to meet objectives, which is the goal of all IMC processes. IMC devises strategies to use MCs to create and build brand for individual audiology practices. IMC has important characteristics (Figure 11.1), are:

1. ***Continuous and circular,*** with no beginning or end as long as the practice is alive.
2. ***Data-driven,*** using information collection and feedback from Customer Relationship Management (CRM) technology to develop messages and dialog with target markets.

Figure 11.1: IMC Process

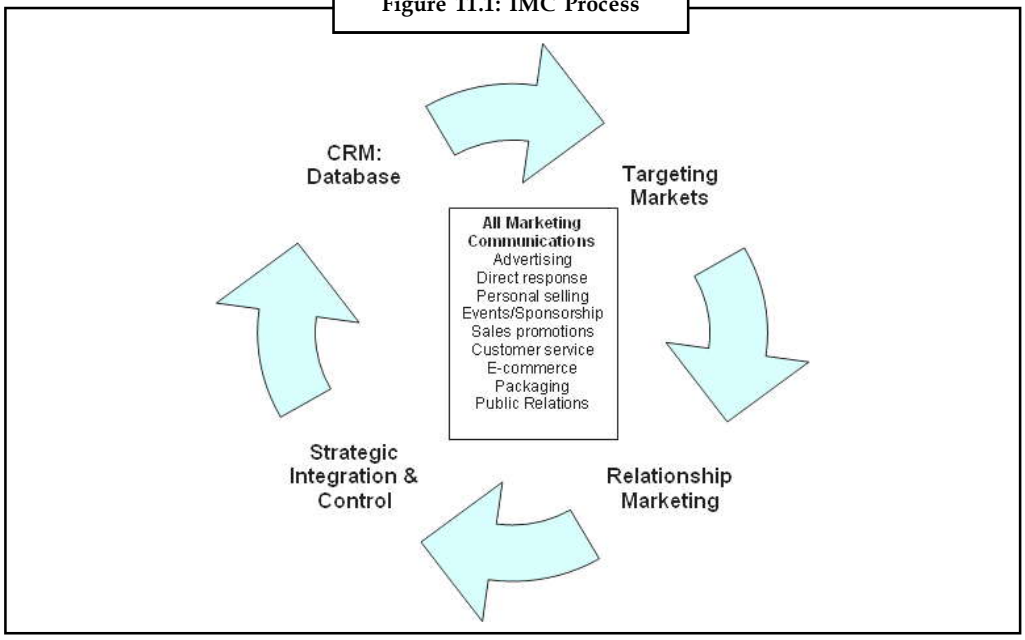

Figure 11.1, IMC process is circular and data driven, using database information to link consistent and continuously refined messaging and dialog with target markets in an accountable manner. IMC can use any mix of MC components (center box), depending on the audiology practice.

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3. ***Customer-centric,*** focusing on target market needs and wants rather than on specific products and technologies.
4. ***Strategic,*** creating a consistent meaning in all messages and dialog.
5. ***Nurturing,*** "growing" customers by finding new ways to increase their satisfaction.
6. ***Profitable,*** focusing on lucrative relationships to make them more worthwhile.
7. ***Integrated,*** ensuring that all messages and all personnel work together to speak with one voice.
8. ***Accountable,*** viewing marketing expenditures as short and long-term investments to meet objectives (MROI) rather than expenses to be minimized.
9. ***Independent*** of any specific marketing mix, recognizing that each practice is unique.

11.6.1 Tools of Integrated Marketing Communication

The basic tools of integrated marketing communication help for brand building are:

1. ***Advertising:*** This tool can get your messages to large audiences efficiently through such avenues as radio, TV, Magazines, Newspapers (ROP), Internet, Billboards and other mobile technological communication devices. This method can efficiently reach a large number of consumers, although the costs may be somewhat expensive.

Case Study

Levis: Aiming at the Echo Boomers

In 1986, Levi Strauss & Company found that the best way to stay true blue to its customers was to change its colors. Riding high on the results of a recent "back to basis" campaign with its flagship 501 brand, Levi's was enjoying reinvigorated jeans sales. But the good news was followed by bad. Research showed that baby boomers, the core of the company's customer franchise, were buying only one or two pairs of jeans annually, compared to the four to five pairs purchased each year by 15 to 24-year-olds.

Born between 1946 and 1964, the baby boomers had adopted jeans as a symbol of their break with the tastes and traditions of their parents. They had, in the words of Steve Goldstein, vice president of marketing and research for Levi's, helped turn the company into an "international global colossus" in the apparel industry. Now, however, the baby boomers were looking for something different. They still wanted clothing that was comfortable and made from natural fabrics, but fashion had become more important. Many worked in environments with relaxed dress codes, so they sought clothing that combined style and versatility-something appropriate for both professional and leisure activities.

"We set ourselves out to answer the big question," Goldstein says. "How could we keep the baby boomer generation in Levi's brands when they weren't wearing so many pairs of Levi's jeans? And the answer was Dockers, something between the jean that they loved and the dress pants that their parents expected them to wear when they got their first job."

Dockers created a product category-new casuals. Blue denim was out; cotton khaki (in brown, green, black, and navy, but mostly traditional tan) was in. Positioned as more

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formal than jeans yet more casual than dress slacks, Docker's satisfied an unfulfilled need. They were the right pants for a variety of occasions, an unpretentious alternative to dressy, tailored slacks. The challenge in marketing Dockers was to leverage the Levi's name and heritage while establishing the independence of the new brand, and to do so without detracting from Levi's core jeans focus. According to Goldstein, the company briefly considered not using the Levi's name at all, but realized that this would be "sort of like trying to put a space shuttle up without any launch rockets." So the original theme for Dockers was "Levi's 100 percent cotton Dockers. If you're not wearing Dockers, you're just wearing pants."

Response from retailers and from the target market of 25 to 49-year-old was everything Levi's hoped for. All the top men's wear accounts across the country placed the new product in their stores, and in only five years, Dockers became a $1 billion brand. Brand awareness among men 25 and older was 98 percent, and 70 percent of target consumers had at least one pair of Dockers in their closets. With the new brand sailing along smoothly, Levi Strauss & Company began to dissociate Dockers from the company brand name. In 1993, the Levi's name and the words "since 1850" were removed from the Dockers logo. Robert Hanson, vice president of marketing and research for Dockers, claims the change was needed to "allow the Levi's brand to be focused on the core teen target because…it's the quintessential icon of youth culture."

Still following the baby boomer market, Levi's in 1996 brought out Slates, an extensive line of wool, polyester microfiber, and fine-gauge cotton dress pants. "We thought there was room in a man's closet for a third brand," says Jann Westfall, president of the Slates division. "That's why Slates was created to [fill the gap] between khakis and suits." To Levi Strauss & Company, it seemed a natural evolution-the guy who wore Levi's in the '70s and Dockers in the '80s would be ready for Slates in the '90s. Slates would be the high end of casual, neatly filling the "lunch with client/salary review with boss" role in the Docker man's wardrobe.

Consumer research told Levi's that consumers found shopping for dress pants a chore: slacks departments were dreary; finding the right size was difficult; and getting alterations was frustrating. Consumers wanted cash and carry, off-the-rack dress pants. So Levi's devised a carefully crafted strategy to overcome the typical male distaste for dress pants shopping. Slates were sold in scientifically tested selling areas consisting of mahogany-toned circular store displays that allowed easy access to the various styles and sizes. Levi's also responded with off-the-rack pants that require little altering. Whereas most dress pants come only in even waist sizes, forcing alterations for off-size men, Slates also come in odd sizes. All Slates are hemmed and cuffed and have double pleats in the front. For customers with larger waist sizes, the pleats are more kindly placed.

Levi's backed Slates with $20 million in advertising, beginning with television ads at the opening of the National Football League season. To charm potential customers, Levi's agency designed ads such as one showing a guy springing up from lunch with his partner to tango with his waitress. "The ads are stylish but they are not over [the market's] heads," said Nancy Friedman, vice president of research and development. "The trick is to rein it back in so it isn't so chi-chi that people can't relate to it." A year later, everyone agreed that Slates was a dynamite brand. Levi's had turned on the Dockers customer to dress slacks just when "corporate casual" started to "dress up." Noted one industry insider, "Slates and other labels have pushed the envelope. This has created a tremendous consumer awareness for slacks in general." Some retailers found that their tailored pants business was up 15 to 20 percent.

However, just like the good news about Levi's "back to basics" move a decade earlier, the good news about Slates has been accompanied by bad news-plummeting market share in the core jeans market. Although Levi Strauss had 30.9 percent of the U.S. blue jeans business

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in 1990, it had only 18.7 percent seven years later. Worse yet, Levi's sales to teens, the core blue jeans buyers, had dropped from 33 percent in 1993 to 26 percent in 1997. Once the darling of the 15 to 24-year-old buyer, Levi's now faces indifference in this segment and an attitude that Levi's are "your dad's pants." The bottom-line message: Levi's are uncool. Male teenagers increasingly prefer brands like Tommy Hilfiger and Old Navy. Even the young women who have been more inclined buy Levi's are moving toward brands such as Calvin Klein, Gap, and Guess. Levi's is being squeezed by upscale brands like Tommy Hilfiger and Ralph Lauren on one end and private label or store brands on the other.

It's a classic marketing goof: Levi's lost sight of the market that launched it to success. By concentrating on Dockers, and more recently on Slates, executives were distracted from the threat to the core jeans business. "They missed all the kids and those are your future buyers," says Bob Levi, owner of Dave's Army & Navy Store in New York. "It's very important that you attract this age group," says Gordon Hart, vice-president of the Lee brand at VF Corp. "By the time they're 24, they've adopted brands that they will use for the rest of their lives." Moreover, the younger segment sets fashion trends that influence older shoppers. The mistake has been costly: falling sales and market share forced Levi's to lay off 1,000 salaried workers in February 1997, and to shutter 11 plants and lay off one-third of its North American workforce in November of that year.

What is Levi's doing to fix the problem? It's pumping up the Silver Tab brand, an eight-year-old jeans line considered more stylish among young consumers. Silver Tab has a baggier fit and uses non-denim fabrics. The median age of a Silver Tab buyer is 18, compared to 25 for Levi's other products. Levi's plans to expand the line to include more tops, more trendy styles, and new khaki pants. The company also plans to boost Silver Tab promotional spending fivefold for events such as concerts in New York and San Francisco, for up-and-coming bands playing music known as Electronica, and for outfitting characters on hot television shows such as Friends and Beverly Hills 90210.

Levi's is also taking action on the retail front. In 1998, Levi's will introduce jazzier, more colorful packaging aimed at giving its products a more exciting, youthful look. It has dropped plans to open 100 new stores in malls across the country in favor of NikeTown-type stores, which will serve as the company's flagship outlets in large cities. Holding nothing sacred in its quest to reposition itself in younger segments, Levi's is also searching for a new ad agency to replace Foote, Cone and Belding, which has been the Levi's agency for more than sixty years. And the company is recruiting more outside managers. "[Levi Strauss & Company] has always been insular, paternalistic, and, quite frankly, a little smug" says Isaac Lagnado, president of Tactical Retail Solutions. All that appears to be changing.

Will the new strategy work? Many industry insiders think that Levi has the money and market clout to pull it off. But didn't we just read that some of those trendy new styles for Silver Tab include khakis? Doesn't that sound like Dockers? And speaking of Dockers, Levi's may have a problem making that brand relevant to the next generation of young men. Baby boomers who are aging out of the Dockers' target market have refused to leave the brand behind. Consequently, the Dockers brand that has been positioned for consumers just moving out of their core jeans-wearing years may now be thought of as "my dad's brand" by the next generation of young men moving into this segment. Thus, the "dad's brand" problem that hit Levi's in the blue jeans segment now threatens the Dockers market. Even as Levi's is working to get its core jeans business back on track, it will have to contend with a similar problem with Dockers.

Questions

1. What actors and forces in Levi Strauss & Company's microenvironment and macro environment have affected its marketing position?

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2. Why was Levi's so successful in designing products for the baby boomers?
3. How and how well has Levi's responded to changes in its marketing environment?
4. Evaluate Levi's strategy for the Silver Tab brand. Is the strategy likely to succeed? Does it meet the concerns of younger buyers? How does Silver Tab compare with the competition?
5. What marketing recommendations would you make to Levi's management?

Source: Elaine Underwood, "Levi's New Dress Code," Brandweek, August 19, 1996, p. 22; "Denim Dish: Dream Jeans for Teens," Womens' Wear Daily, December 11, 1997, p. 12; Becky Ebenkamp, "Slates Speaks Directly to Men," Adweek, September 8, 1997, p. 5; Stan Gellers, "Tailored Slacks Follow the Mainfloor Leader: Slates Boom Trickles-Up to Better Makers in Casual Fabrics and Golfwear," Daily News Record, September 24, 1997, p. 3; and Linda Himelstein, "Levi's Is Hiking Up Its Pants," Business Week, December 1, 1997, pp. 70, 75.

2. ***Sales Promotion:*** This tool is used through coupons, contests, samples, premiums, demonstrations, displays or incentives. It is used to accelerate short-term sales, by building brand awareness and encouraging repeat buying.
3. ***Public Relations:*** This integrated marketing communications tool is initiated through public appearances, news/press releases or event sponsorships, to build trust and goodwill by presenting the product, company or person in a positive light.
4. ***Direct Marketing:*** This tool will utilized email, mail, catalogs, encourage direct responses to radio and TV, in order to reach targeted audiences to increase sales and test new products and alternate marketing tactics.
5. ***Personal Selling:*** Setting sales appointments and meetings, home parties, making presentations and any type of one-to-one communication, to reach your customers and strengthen your relationship with your clients, initiate this IMC tool.

Task Explain how IMC used for brand building purpose.

Self Assessment

Fill in the blanks:

6. ..... is a term used to describe a holistic approach to marketing communication.
7. SEO stands for .....
8. CRM stands for .....

11.7 Leveraging Secondary Brand Associations to Brand Building

Marketers want to achieve a return on their investment, and one vital decision is how to best utilize their brand assets. Marketers may choose to leverage some of the brand's established equity to create line extensions, brand extensions, or co-branded products.

1. ***Line Extensions:*** Adding a new form of the product or service is generally regarded as the easiest extension, but is likely to generate low incremental revenue. Critical questions to be answered when considering a line extension include: From what brands do we want to launch extensions of existing product lines or services? How do we launch line extensions successfully?

Notes

2. ***Brand Extensions:*** This type of extension differs from a line extension in that it consists of extending the products or services brand into a new category. A brand extension has the benefit of real growth opportunity, but a drawback is the potential for costly mistakes. A critical question is: How do we select brand extensions to be successful?

3. ***Co-branded Products:*** This method of leveraging brands consists of an alliance of complementary brands. This can often take the form of ingredient branding. A good marketing strategy will consider whether co-branding is appropriate for particular situations.

Brand associations may themselves be linked to other entities that have their own associations, creating "secondary" brand associations. In other words, a brand association may be created by linking the brand to another node or information in memory that conveys meaning to consumers.

Example: The brand may be linked to certain source factors, such as the company through branding strategies, countries or other geographical regions (through identification of product origin), and channels of distribution (through channel strategy) as well as to other brands (through ingredient or co-branding), characters (through licensing), spokespeople (through endorsements), sporting or cultural events (through sponsorship), or some other third-party sources (through awards or reviews). Because the brand becomes identified with another entity, even though this entity may not directly relate to product performance, consumers may infer that the brand shares associations with that entity, thus producing indirect or secondary associations for the brand. In essence, the marketer is borrowing or "leveraging" some other associations for the brand to create some associations of its own and thus help to build its brand equity.

Secondary brand associations may be quite important if existing brand associations are deficient in some way. In other words, secondary associations can be leveraged to create strong, favorable, and unique brand associations that otherwise may be lacking. These secondary associations may lead to a transfer of global associations such as attitude or credibility (i.e., expertise, trustworthiness, and likability). These secondary associations may also lead to a transfer of more specific associations related to the product meaning and the attributes or benefits of the brand.

11.7.1 Primary Association

Before I start on secondary associations, it makes sense that I talk about what the primary associations of a brand are. Primary associations are qualities/equity inherently possessed by the brand. These would include those of salience/utility (whether a washing powder cleans clothes or whether fairness cream makes you fair), performance (does the washing powder tackle tough stains well, whether the fairness cream makes you 5 shades or 2 shades fairer), imagery (how reputed the brand is, how successful has it been), judgment (how the brand fairs in comparison to competitors), etc.

11.7.2 Secondary Association

Secondary association on the other hand is more of a branding-marketing function. It transfers the qualities/equity of other entities to the brand in question. Consider a commodity like salt. One can argue that iodized salt is iodized salt and while one can double filter it and another triple filter it, the two salts cannot be too different. But when one of them is Tata Salt and the other Dandi Namak one would tend to think of the former as of better quality. This is a classic case of the secondary association: Tata's reputation of quality being transferred to the salt.

Notes

11.7.3 Leveraging Secondary Associations

The above example was one of the many ways one can build secondary associations – through the parent company. However, there are many other ways of doing the same. Some of these are illustrated below:

Leveraging secondary association deals with:

1. Creation of new brand associations
2. Effects on existing brand knowledge:
   (a) Awareness and knowledge of the entity
   (b) Meaningfulness of the knowledge of the entity
   (c) Transferability of the knowledge of the entity
3. Brand associations may themselves be linked to other entities, creating secondary associations:
   (a) Company (through branding strategies)
   (b) Country of origin (through identification of product origin)
   (c) Channels of distribution (through channels strategy)
   (d) Other brands (through co-branding)
4. Special case of co-branding is ingredient branding:
   (a) Characters (through licensing)
   (b) Celebrity spokesperson (through endorsement advertising)
   (c) Events (through sponsorship)
   (d) Other third-party sources (through awards and reviews)
5. These secondary associations may lead to a transfer of:
   (a) Response-type associations
      (i) Judgments (especially credibility)
      (ii) Feelings
   (b) Meaning-type associations
      (i) Product or service performance
      (ii) Product or service imagery

Case Study

Got Milk?

What would you do if you were in charge of marketing a product that people only noticed when it was all gone? If you were Jeff Manning, you wouldn't be depressed by research indicating that consumers took your product for granted -you'd milk the news for all it was worth.

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As the executive director of the newly formed California Milk Processing Board (CMPB), Manning faced the challenge of reinvigorating sales of a staple in American households that had been declining steadily in consumption for more than 15 years. In 1993, the year the CMPB was established, per capita consumption of milk was 23 gallons, down from 29 gallons in 1980. In contrast, per capita consumption of soft drinks had increased 80 percent over roughly the same period. "And there was really no reason to believe that it wouldn't continue to go down to some base level of 15 or 18 gallons because you had this incredible influx of, obviously, the sodas, but then the New Age beverages, the Snapples, the isotonics, the Gatorades, and then all of this bottled water stuff," Manning says.

According to a survey by Beverage Industry magazine, 1,805 new beverages were introduced in 1991 alone. However, a consumer research study commissioned in 1992 by the United Dairy Industry Association revealed that the proliferation of beverage alternatives wasn't the only factor behind milk's decline. People also cited milk's lack of portability and flavor variety, the belief that milk is not thirst-quenching or refreshing, and the fact that milk is "forgettable" because of low spending on advertising. Although these research results were useful, it was a different kind of finding that especially caught the eye of Manning and representatives of the CMPB's advertising agency, Goodby Silverstein and Partners in San Francisco. In the minds of consumers, drinking milk is closely tied to the consumption of other types of food, such as cereal and cookies. This perceived link was important because it opened up a completely new direction for a marketing communications campaign. At the time, the dominant advertising strategy for milk around the world was "Milk is good for you." But, as Manning points out, "The problem is, was, remains, that 92 or 93 percent of the people already believed milk was good for you. So what do you have to say? It's white? It comes in cartons? We had no news whatsoever."

The connection between milk and food gave the CMPB something new and different to talk about, but it was only half the glass. The other half-the truly compelling portion of the story-was based on Goodby Silverstein's insight that the time milk was most important to people was when they ran out. "[Consumers] pour their Cheerios, they slice the banana, and they reach in [the refrigerator for] the carton [of milk]. They bring the carton [out], and it's got about two ounces of backwash from their teenagers from the night before. They're out of milk," Manning says. "Milk suddenly becomes very, very important to them. And nothing else wins. You can't take Snapple and put it on there; you can't take orange juice or tea or coffee. Only milk is important at that moment."

To help develop the concept of "milk deprivation," a group of consumers was asked to live without milk for one week. They couldn't have milk in their coffee, in their cereal, with meals or desserts, or in any recipes. After seven days without milk, Manning says, they were "insane" because they realized how much they took the beverage for granted. "I keep saying it's like air. You know, we don't walk around [inhaling], saying 'Whoa, good air.' Take it away for about a minute and see how you feel about air. That's kind of how it is with milk deprivation, because without it you realize, 'I can't live without this product.'"

Jeff Goodby, a principal with the advertising agency, believed that the best way to execute the milk deprivation idea was not to lecture consumers about keeping enough of the beverage on hand, but to ask them to think about it and answer the question for themselves. This is how "Got milk?" was born. The campaign was launched in November 1993 and produced spectacular results, both in terms of the attention it garnered among consumers and its impact on consumption. The Los Angeles Times reported that the ads had a

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"near-cult following." More important, the number of individuals who reported consuming milk at least "several times a week" jumped from 72 percent at the start of the campaign to 78 percent a year later. The total turnaround in first-year sales volume was $31 million, in contrast to the rest of the country, where consumption continued to decline. This shake-up was accomplished on a budget of only $23 million in a product category where total competitive media spending tops $2 billion annually.

In 1995, the CMPB licensed the hugely successful campaign to the National Dairy Board. Television advertisements depicting people in frustrating situations without milk are the keystone of the integrated marketing communications campaign, which also includes billboards, print ads, sales promotions, joint promotions with major brands, and public relations. One popular "Got milk?" advertisement features Oscar the grouch from Sesame Street looking at a big pile of chocolate chip cookies with a more-than-usually disgruntled look on his face. The slogan "Got milk?" appears above his right shoulder. He's obviously unhappy about no milk. What's next? The key challenge is, how do you nurture "Got milk?' How do you make "Got milk?" stronger and bigger and more influential in people's lives, which is exactly the challenge for any good advertising campaign? There are lots of ideas on the subject. One would be to change the situations in which people haven't got milk. Instead of situations people might usually encounter, such as no milk to go with cereal in the morning, the campaign could use unusual situations. An example might be an airplane pilot who sees a cart with cookies in the aisle behind him and sends the plane into a nose-dive in order to move the cart his way. Of course, with this pilot's luck, a passenger opens a lavatory door and stops the cart. Another possibility might be a couple who meet at the refrigerator in search of milk but are distracted by a steamy romantic encounter. Spots such as these would feature humor and sex-both of which are successfully used to sell products. But do they sell milk? And is sex appropriate to use to sell milk, which heavily targets children?

An alternative would be to use celebrities in embarrassing situations where they've not got milk. Perhaps Seinfeld could have his cereal ready and not find milk in the refrigerator; perhaps Kramer, Elaine, or George stops in, opens the fridge and finds-no milk. Or the friends find cereal but no milk. Such situations use humor but avoid sex. The present ad campaign encourages consumption of milk, primarily at home, which is where 90 percent of milk is consumed. Another advertising objective might be to encourage consumption of milk away from home. Future ads could feature situations in which milk could be used at work or during leisure activities. Such a campaign is a variant on the "It's not just for breakfast anymore" orange juice campaigns. Advertisers try to create the idea that "milk is not just for home use anymore." Spots might show a family that has stopped at a roadside table to enjoy a cookie break but find they've not got milk. Or workers could stop for lunch and find no milk in their lunch boxes or the office refrigerator. A final possibility would be to replace the "Got milk?" campaign altogether. After all, it's been running for over five years, and consumers may tire of the slogan. Perhaps the campaign is worn out, especially in California, where consumers have had the opportunity to watch it for even longer. Even Nike has replaced the famous "Just do it" slogan in its television advertising. Knowing when to replace an ad campaign is important-advertisers don't want to bore consumers or risk zapping when ads come on during commercial breaks. Consumers are exposed to hundreds of promotional messages every day, and they learn to screen out ads that are overly familiar, to focus instead on the new and unusual. So, although Manning and associates may view the "Got Milk?" campaign as a brand or product that can be cultivated for decades, they may find that they have been too successful-that everyone knows about "Got milk?" and no longer pays close attention to the message.

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Questions

1. Why has the "Got Milk?" campaign been so successful?
2. What are the current objectives of the "Got Milk?" campaign? What audiences does the campaign target?
3. Would the proposed ads-featuring either unusual situations or celebrities-fit with the campaign's objectives and the target audience?
4. What are the pros and cons of attempting to stimulate milk usage in situations away from the home?
5. Should the "Got Milk?" campaign be replaced? What information would the CMPB and its agency needs to make that decision? How could they get this information?
6. Suppose the CMPB decides to replace the campaign and you are in charge of developing a new theme and slogan. Develop at least two new ideas. Be certain to specify the target audiences, campaign objectives, message themes, and appropriate media to use.

Source: "Got Milk?-California Fluid Milk Processors Advisory Board," Adweek, August 5, 1996, p. A6; "Milk Ads Shaking Up Sales," Supermarket News, August 12, 1996, p. 39; Jerry Dryer, "Milk's About Face," Dairy Foods, Feb. 1997, p. 28: Donna Hemmila, "Award-Winning 'Got Milk?' Ads Promote Healthy Sales," Power Marketing, July 18-24, 1997, pp. 4A-5A; and Kathy Tyrer, "Goodby's Got More Milk," Adweek, March 25, 1996, p. 4.

11.7.4 Co-Branding

Co-branding occurs when two or more existing brands are combined into a joint product or are marketed together in some fashion.

Co-Brands is used extensively by credit cards. Consider a Standard Chartered card that is co-branded with Shopper's Stop. It would indicate that the card is oriented towards the frequent shopper who could avail discounts at Shopper's Stop outlets using the card. An ABN Amro - MakeMyTrip.com card on the other hand would be one for frequent fliers and enable one to stock points for each flight booked using this card. As for equity transfer, a StanC-Shopper's Stop co-branded card would work differently when compared to a StanC-Big Bazaar one - the previous would transfer sophistication to the card while the later would transfer qualities related to cost effectiveness and value-for-money.

Examples:

1. Sony Ericsson
2. Yoplait Trix Yogurt
3. Nestle's Cheerios Cookie Bars

Advantages of Co-Branding

1. Borrow needed expertise
2. Leverage equity you don't have
3. Reduce cost of product introduction

Notes

4. Expand brand meaning into related categories
   (a) Broaden meaning
   (b) Increase access points
5. Source of additional revenue.

Disadvantages of Co-Branding

1. Loss of control
2. Risk of brand equity dilution
3. Negative feedback effects
4. Lack of brand focus and clarity
5. Organizational distractions.

11.7.5 Ingredient Branding

A special case of co-branding that involves creating brand equity for materials, components, or parts that are necessarily contained within other branded products.

Take Sona-Chandi Chyavanprash. Gold and silver, being expensive and noble metals, lend their 'sheen' to the chyavanprash making it seem better in quality than, say, a Dabur Chyavanprash.

Examples:

1. Betty Crocker baking mixes with Hershey's chocolate syrup
2. Intel inside

Licensing

Involves contractual arrangements whereby firms can use the names, logos, characters, and so forth of other brands for some fixed fee.

Examples:

1. Entertainment (Star Wars, Jurassic Park, etc.)
2. Television and cartoon characters (The Simpsons)
3. Designer apparel and accessories (Calvin Klein, Pierre Cardin, etc.)

11.7.6 Celebrity Endorsement

Belmonte, a little known clothing brand, gets endorsed by Shah Rukh Khan and immediately starts selling more. Why? Because Shah Rukh Khan had a relevant equity (his style statement) to lend to the brand. I am unsure if someone like, say, Govinda, would have worked as well.

1. Draws attention to the brand
2. Shapes the perceptions of the brand

Notes

3. Celebrity should have a high level of visibility and a rich set of useful associations, judgments, and feelings
4. Q-Ratings to evaluate celebrities.

Disadvantages of Celebrity Endorsement

The disadvantages of celebrity endorsement are:

1. Celebrity endorsers can be overused by endorsing many products that are too varied.
2. There must be a reasonable match between the celebrity and the product.
3. Celebrity endorsers can get in trouble or lose popularity.
4. Many consumers feel that celebrities are doing the endorsement for money and do not necessarily believe in the endorsed brand.
5. Celebrities may distract attention from the brand.

11.7.7 Sporting, Cultural, or Other Events

Sponsored events can contribute to brand equity by becoming associated to the brand and improving brand awareness, adding new associations, or improving the strength, favourability, and uniqueness of existing associations.

The main means by which an event can transfer associations is credibility. When building a secondary association, one should be aware of the relevance of the equity sought for the brand. For example 'German technology se bana Binani Cement' makes sense because Germany is known for its superior engineering strength, 'German main bana ABCD Chai' makes no sense.

Further equity when lent to a brand should reinforce and augment the parent brand. For example, if Tata Salt turns out to be non-refined and foul, it will not just damage the salt brand but also the name of Tata. A recent example is of how the Satyam scandal has hit the reputation of India Inc. as a whole by virtue of association.

Ultimately, the aim would be that while initially a brand leverages on secondary associations, it should eventually be in a position where it is not just a good brand in its own right, but also lends positive associations back to the source of its secondary association.

Task Explain the benefits of co-branding. It is good for company or bad. Discuss.

Self Assessment

State whether the following statements are true or false:

9. Jingles are musical messages written around the brand.
10. Advertising cannot be used to generate leads.

11.8 Summary

- The different components of a brand that identifies and differentiate a product can be called brand elements.

Notes

- The brand elements are name, logo, symbol, package design and other attribute that identifies a product and distinguishes it from others.
- Brand elements can be chosen in a manner to build as much brand equity as possible.
- Brand names can be an extremely effective shorthand means of communication.
- Logos are devised as symbols to reinforce the brand meaning in some way.
- Logos can be quite concrete or pictorial in nature.
- Slogans are short phrases that communicate descriptive or persuasive information about the brand.
- Packaging involves the activities of designing and producing containers or wrappers for a product.
- The brand elements should be selected by considering the six criteria of memorability, meaningfulness, likability, transferability, adaptability and protect ability. Savvy customers, Brand proliferation, Media fragmentation, Increased competition, increased costs, greater accountability are the challenges of branding.

11.9 Keywords

Brand Name: The brand name is a fundamentally important choice because it often captures the central theme or key associations of a product in a very compact and economical fashion.

Logos and Symbols: Logos are devised as symbols to reinforce the brand meaning in some way.

Meaningfulness: The inherent meaning of the brand elements can enhance the formation of brand associations.

Memorability: A necessary condition for building brand equity is achieving a high level of brand awareness.

Slogans: Slogans are short phrases that communicate descriptive or persuasive information about the brand.

11.10 Review Questions

1. Explain the criteria for choosing the brand elements.
2. Comment on the challenges of branding.
3. In an organization, how a brand manager take decision on brand elements?
4. Why organization need protectability? Discuss.
5. What do you think brand name affect the value of product in the market?
6. Explain the naming guidelines of a brand.
7. What are the roles of logos and symbols? Explain.
8. Discuss the benefits of slogans.
9. What you think IMC is good for brand building? Discuss.
10. Discuss various tools of IMC.
11. Explain the features of co-branding.

Notes

Answers: Self Assessment

1.	(iii)	2.	(iv)
3.	URL's	4.	Logo
5.	Slogans	6.	IMC
7.	Search Engine Optimization	8.	Customer Relationship Management
9.	T	10.	F

11.11 Further Readings

Books

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Unit 12: Measuring and Interpreting Brand Performance

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12.4.2 Holistic Methods

12.5 Summary

12.6 Keywords

12.7 Review Questions

12.8 Further Readings

Objectives

After studying this unit, you will be able to:

- Measure and Interpret Brand Performance
- Discuss the Development of Brand Equity Measurement and Management System
- Explain Measuring Sources of Brand Equity
- Discuss the Measuring Outcomes of Brand Equity

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Introduction

Brands represent enormously valuable pieces of legal property, capable of influencing consumer behavior, being bought and sold, and providing the security of sustained future revenues to their owner. The value directly or indirectly accrued by these various benefits is often called brand equity.

For brand equity to provide a useful strategic function and guide marketing decisions, it is important for marketers to fully understand the sources of brand equity, how they affect outcomes of interest (e.g., sales), and how these sources and outcomes change, if at all, over time. Understanding the sources and outcomes of brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand: The sources of brand equity help managers understand and focus on what drives their brand equity; the outcomes of brand equity help managers understand exactly how and where brands add value.

Towards that goal, we review measures of both sources and outcomes of brand equity in detail. We then present a model of value creation, the brand value chain, as a holistic, integrated approach to understanding how to capture the value created by brands. We also outline some issues in developing a brand equity measurement system.

12.1 Measuring and Interpreting Brand Performance

To understand the effects of brand marketing programs, it is important to measure and interpret brand performance. A useful tool in that regard is the brand value chain. The brand value chain is a means to trace the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments. The brand value chain helps to direct marketing research efforts. Taking the customer's perspective of the value of a brand, the brand value chain assumes that the brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers.

Notes Any marketing program investment that potentially can be attributed to brand value development falls into this category, e.g., product research, development, and design; trade or intermediary support and marketing communications.

The marketing activity associated with the program then impacts the customer "mindset" with respect to the brand, what they know and feel about the brand. The customer mindset includes everything that exists in the minds of customers with respect to a brand, thoughts, feelings, experiences, images, perceptions, beliefs, attitudes, etc. consistent with the customer-based brand equity model, five key dimensions that are particularly important measures of the customer mindset:

1. Brand awareness
2. Brand associations
3. Brand attitudes
4. Brand attachment
5. Brand activity or experience

The customer mindset affect how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are:

1. Price premiums

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2. Price elasticities
3. Market share
4. Brand expansion
5. Cost structure
6. Brand profitability

Based on all available current and forecasted information about a brand, as well as many other considerations, the financial marketplace then formulates opinions and makes various assessments that have very direct financial implications for the value of the brand. Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm.

The model also assumes that a number of linking factors intervene between these stages. These linking factors determine the extent to which value created at one stage transfers or "multiplies" to the next stage. Thus, there are three sets of multipliers that moderate the transfer between the marketing program and the subsequent three stages, the program multiplier, the customer multiplier, and the market multiplier.

Profitable brand management requires successfully designing and implementing a brand equity measurement system. A brand equity measurement system is a set of research procedures designed to provide timely, accurate and actionable information for marketers so that they can make the best possible tactical decisions in the short-run and strategic decisions in the long-run. Implementing such a system involves two key steps, conducting tracking studies and implementing brand equity management system.

Tracking studies involves information collected from consumers on a routine basis over time. Tracking studies provide valuable tactical insight into the short-term effectiveness of marketing programs and activities. Whereas brand audits measure "where the brand has been," tracking studies measure "where the brand is at" and whether marketing programs are having their intended effects.

Three major changes must occur as part of a brand equity management system. First, the company view of brand equity should be formalized into a document, the brand equity charter. This document serves a number of purpose: It chronicles the company's general philosophy with respect to brand equity, summarizes the activity and outcomes related to brand audits, brand tracking, etc., outlines guidelines for brand strategies and tactics,, and documents proper treatment of the brand. The charter should be updated annually to identify new opportunities and risks and to fully reflect information gathered by the brand inventory and brand exploratory as part of any brand audits. Second, the result of the tracking survey and other relevant outcome measures should be assembled into a Brand Equity Report that is distributed to management on a regular basis. The Brand Equity Report should provide descriptive information as to what is happening within a brand as well as diagnostic information as to why it is happening. Finally, senior management must be assigned to overseas how brand equity is treated within the organization. The people in that position would be responsible for overseeing the implementation of the Brand Equity Charter and Brand Equity Reports to make sure that as much as possible, product and marketing actions across divisions and geographical boundaries are done in a way that reflect the spirit of the Charter and the substance of the Report so as to maximize the long-term equity of the brand.

Task What are the reasons behind MRF choose Gautam Gambhir as brand ambassador? (contract end with Sachin).

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12.2 Developing a Brand Equity Measurement and Management System

A brand equity measurement system uses a set of research procedures that is designed to provide timely, accurate, and actionable information for marketers for their tactical decisions in the short run and strategic decisions in the long-run. The goal in developing a brand equity measurement system is to be able to achieve a full understanding of the sources and outcomes of brand equity and be able to, as much as possible, relate the two. The ideal brand equity measurement system would provide complete, up-to-date, and relevant information on the brand and all its competitors to relevant decision makers within the organization. Three key components of a brand equity measurement system are brand audits, brand tracking, and brand equity management systems.

12.2.1 Brand Audit

A brand audit is a comprehensive examination of a brand. Specifically, a brand audit involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. A brand audit requires understanding sources of brand equity from the perspective of both the firm, it is necessary to understand exactly what products and services are currently being offered to consumers and how they are being marketed and branded. From the perspective of the consumer, it is necessary to dig deeply into the minds of consumers and tap their perceptions and beliefs to uncover the true meaning of brands and products.

The brand audit can be used to set strategic direction for the brand. Are the current sources of brand equity satisfactory? Do certain brand associations need to be strengthened? Does the brand lack uniqueness? What brand opportunities exist and what potential challenges exist for brand equity? As a result of this strategic analysis, a marketing program can be put into place to maximize long-term brand equity. A brand audit should be conducted whenever important shifts in strategic direction are contemplated.

Moreover, conducting brand audits on a regular (e.g., annually) allows marketers to keep their "fingers on the pulse" of their brands so that they can be more proactively and responsively managed. As such, they are particularly useful background for managers as they set up their marketing plans. A brand audit consists of two steps:

1. ***Brand Inventory:*** The purpose of the brand inventory is to provide a current, comprehensive profile of how all the products and branded profiling each product or service requires that all associated brand elements be identified as well as aspects of the marketing program. This information should be summarized in both visual and verbal form. The outcome of the brand inventory should be an accurate, comprehensive and timely profile of how all the products and services sold by a company are branded and marketed. As part of the brand inventory, it is also advisable to profile competitive brands, in as much details as possible, in terms of their branding and marketing efforts.

   The brand inventory is a valuable first step in the brand audit. It helps to suggest what consumer current perceptions may be bases on. Thus, the brand inventory provides useful information for interpreting follow-up research activity such as the brand exploratory that collects actual consumer perceptions toward the brand. Second, the brand inventory may provide some initial insights into how brand equity may be better managed.

Example: The consistency of the branding and marketing for all the different product or services can be assessed. A thorough brand inventory should be able to reveal the extent of brand consistency.

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2. ***Brand Exploratory:*** The second step of the brand audit is to provide detailed information as to what consumers think of the brand by means of the brand exploratory, particularly in terms of brand awareness and the strength, favourability, and uniqueness of brand associations. The brand exploratory is research activity directed to understanding what consumers think and feel about the brand and its corresponding product category in order to identify sources of brand equity.

Although the "supply-side" view of the brand as revealed by the brand inventory is useful, actual consumer perceptions, of course, may not necessarily reflect the consumer perceptions that were intended to be created by the marketing program. Thus, the second step of the brand audit is to provide detailed information as to what consumers think and feel about the brand by means of the brand exploratory.

Several preliminary activities are useful for the brand exploratory. First, in many cases, a number of prior research studies may exist and be relevant. Reports may have been buried, and perhaps even long forgotten, which contain insights and answers to a number of important questions or suggest new questions that may still need to be posed. Second, it is also useful to interview internal personnel to gain an understanding of their beliefs about consumer perceptions for the brand and competitive brands. Past and current marketing managers may be able to share some wisdom not necessarily captured in prior research reports.

12.2.2 Brand Tracking

Brand audits are a means to provide in-depth information and insights that are essential for setting long-term strategic direction for the brand. In terms of more short-term tactical considerations, less detailed brand-related information should be collected as a result of conducting ongoing tracking studies. Tracking studies involve information collected from consumers on a routine basis over time. Tracking studies typically employ quantitative measures to provide marketers with current information as to how their brands and marketing programs are performing on the basis of a number of key dimensions identified by the brand audit or other means. Tracking studies are a means to understand where, how much and in what ways brand value is being created.

Tracking studies play an important function for managers by providing consistent baseline information to facilitate their day-to-day decision-making. As more marketing activity surrounds the brand, it becomes difficult and expensive to research each individual marketing action. Tracking studies provide valuable diagnostic insights into the collective effects of a host of marketing activities on the customer mindset, market outcomes, and perhaps even shareholder value. The reality is that marketing can create all types of effects in the minds of consumers that may influence how they respond to subsequent marketing activity. Regardless of how few or many changes are made in the marketing program over time, it is important to monitor the health of the brand and its equity so that proper adjustments can be made if necessary.

A number of ingredients characterize a successful tracking program. To capture the effects of the complex, varied marketing activity that make up many marketing programs, it is important to adopt detailed, rich marketing models. If well-specified, these models should directly suggest a comprehensive, robust set of measures to employ in tracking. At the same time, it is important to adopt a modular approach to tracking – not every type of measure needs to be included in every tracking survey every time. For example, detailed measures of specific performance and imagery benefits may be included less frequently than basic measures of brand awareness, attitudes and behaviors that are likely to be impacted by a broad range of marketing activity. Finally, firms must obviously adopt good survey practices and carefully design surveys, collect data, and interpret results.

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12.2.3 Brand Equity Management System

Brand tracking studies – as well as brand audits – can provide a huge reservoir of information concerning how to best build and measure brand equity. Nevertheless, the potential value of these research efforts will not be realized unless proper internal structures and procedures are put into place within the organization to capitalize on the usefulness of the brand equity concept and the information that is collected with respect to it. A brand equity management system is defined as a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm. Although there are many aspects to a brand equity management system, two useful tools that can be employed are highlighted here.

Brand Equity Charter

The first step in establishing a brand equity management system is to formalize the company view of brand equity into a document, the brand equity charter, which provides relevant guidelines to marketing managers within the company as well as key marketing partners outside the company (e.g., ad agency personnel). This document should:

1. Define the firm's view of the brand equity concept and explain why it is important.
2. Describe the scope of key brands in terms of associated products and the manner by which they have been branded and marketed (as revealed by historical company records as well as the most recent brand inventory).
3. Specify what the actual and desired equity is for a brand at all relevant level of the brand hierarchy.
4. Explain how brand equity is measured in terms of the tracking study and the resulting brand equity report.
5. Suggest how brand equity should be managed in terms of some general strategic guidelines (e.g., stressing clarity, relevance, distinctiveness, and consistency in marketing programs over time).
6. Outline how marketing programs should be devised in terms of some specific tactical guidelines (e.g., ad evaluation criteria, brand name choice criteria, etc.).
7. Specify the proper treatment of the brand in terms of trademark usage, packaging, and communications.

Although parts of the brand equity charter may not change from year to year, it should nevertheless be updated on an annual basis to provide a current brand profile and identify new opportunities and potential risks for the brand to decision-makers.

Brand Equity Report

The second step in establishing a successful brand equity management system is to assemble the results of the tracking survey and other relevant performance measures for the brand into a brand equity report to be distributed to management on a regular basis (monthly, quarterly, or annually). Much of the information relevant to the report may already exist within or be collected by the organization. Yet, the information may have been otherwise presented to management in disjointed chunks such that a more holistic understanding is not possible. The brand equity report attempts to effectively integrate all these different measures.

The brand equity report should provide descriptive information as to what is happening with a brand as well as diagnostic information as to why it is happening. It should include all relevant internal and external measures of brand performance and sources and outcomes of brand equity.

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In particular, one section of the report should summarize consumer perceptions on key attribute or benefit associations, preferences, and reported behavior as revealed by the tracking study. Another section of the report should include more descriptive market level information such as:

1. Product shipments and movement through channels of distribution.
2. Relevant cost breakdowns.
3. Price and discount schedules where appropriate.
4. Sales and market share information broken down by relevant factors, e.g., geographic region, type of retail account or customer, etc.
5. Profit assessments.

Collectively, these measures can provide insight into the market performance component of the brand value chain.

Task You have any general technique how to measure brand performance and brand equity of a brand.

Self Assessment

Choose the appropriate answer:

1. Which one is not the key dimensions that are particularly important measures of the customer mindset
   - (i) Brand associations
   - (ii) Brand value
   - (iii) Brand attitudes
   - (iv) Brand attachment
2. Brand audit consists into two parts one is brand exploratory and other one
   - (i) Value chain
   - (ii) Brand recall
   - (iii) Brand inventory
   - (iv) Brand recognition

12.3 Measuring Sources of Brand Equity

The value of a brand – and thus its equity – is ultimately derived in the market place from the words and actions of consumers. Consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than other brands. Although the details of different approaches to conceptualize brand equity differ, they tend to share a common core: All definitions typically either implicitly or explicitly rely on brand knowledge structures in the minds of consumers – individuals or organizations as the source or foundation of brand equity. In other words, the real power of a brand is in the thoughts, feelings, images, beliefs, attitudes, experiences and so on that exist in the minds of consumers. This brand knowledge affects how consumers respond to products, prices, communications, channels and other marketing activity – increasing or decreasing brand value in the process. Along these lines,

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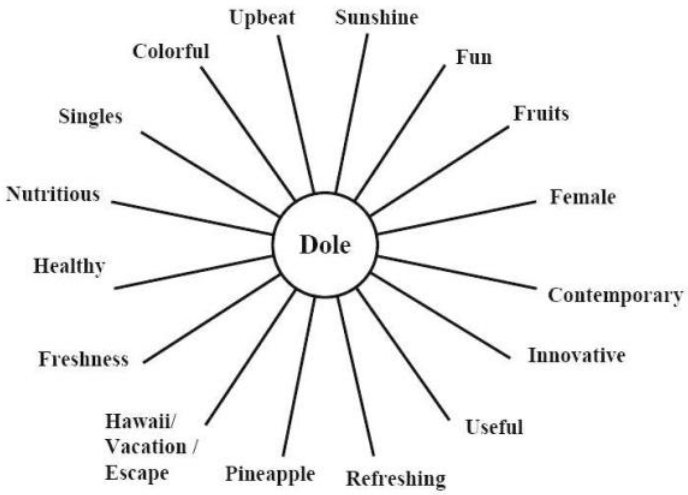
formally, customer-based brand equity has been defined as the differential effect that consumer brand knowledge has on their response to brand marketing activity.

Brand knowledge is not the facts about the brand – it is all the thoughts, feelings, perceptions, images, experiences, and so on that become linked to the brand in the minds of consumers. All of these types of information can be thought of in terms of a set of associations to the brand in consumer memory. Accordingly, brand knowledge can be viewed in terms of an associative network memory model as a network of nodes and links where the brand can be thought of as being a node in memory with a variety of different types of associations potentially linked to it. A "mental map" can be a useful way to portray some of the important dimensions of brand knowledge. Figure 12.1 displays a very simple hypothetical mental map highlighting potential brand associations for a consumer for the Dole brand.

Figure 12.1



Two particularly important components of brand knowledge are brand awareness and brand image. Brand awareness is related to the strength of the brand node or trace in memory as reflected by consumers' ability to recall or recognize the brand under different conditions. Brand awareness can be characterized by depth and breadth. The depth of brand awareness relates to the likelihood that the brand can be recognized or recalled. The breadth of brand awareness relates to the variety of purchase and consumption situations in which the brand comes to mind. Brand image is defined as consumer perceptions of and preferences for a brand, as reflected by the various types of brand associations held in consumers' memory. These associations range along a number of different dimensions, such as their strength, positivity, uniqueness, and abstractness. Strong, favorable and unique brand associations are essential as sources of brand equity to drive consumer behavior.

According to a customer-based brand equity perspective, the indirect approach to measuring brand equity attempts to assess potential sources for brand equity by measuring consumer mindset or brand knowledge. The indirect approach is useful in identifying what aspects of the brand knowledge may potentially cause the differential response that creates brand equity in the marketplace. Because any one measure typically only captures one particular aspect of brand knowledge, multiple measures need to be employed to account for the multidimensional nature of brand knowledge. Brand awareness can be assessed through a variety of aided and unaided memory measures that can be applied to test brand recall and recognition; brand image can be assessed through a variety of qualitative and quantitative techniques.

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12.3.1 Qualitative Research Techniques

There are many different ways to uncover and characterize the types of associations linked to the brand. Qualitative research techniques are often employed to identify possible brand associations and sources of brand equity. Qualitative research techniques are relatively unstructured measurement approaches where by a range of possible consumer responses are permitted. Because of the freedom afforded both researchers in their probes and consumers in their responses, qualitative research can often be a useful "first step" in exploring consumer brand and product perceptions. Consider the following three qualitative research techniques that can be employed to identify sources of brand equity.

12.3.2 Free Association

The simplest and often most powerful way to profile brand associations involves free association tasks whereby subjects are asked what comes to mind when they think of the brand without any more specific probe or cue than perhaps the associated product category (e.g., "What does the Rolex name mean to you?" or "Tell me what comes to mind when you think of Rolex watches."). Answers to these questions help marketers to clarify the range of possible associations and assemble a brand profile.

To better understand the positivity of brand associations, consumers can be asked follow-up questions as to the favourability of associations they listed or, more generally, what they like best about the brand. Similarly, consumers can also be asked direct follow-up questions as to the uniqueness of associations they listed or, more generally, what they find unique about the brand. Thus, additionally useful questions include:

1. What do you like best about the brand? What are its positive aspects? What do you dislike? What are its disadvantages?
2. What do you find unique about the brand? How is it different from other brands? In what ways is it the same?

These simple, direct measures can be extremely valuable at determining core aspects of a brand image. To provide more structure and guidance, consumers can be asked further follow-up questions to describe what the brand means to them in terms of "who, what, when, where, why, and how" type of questions such as:

1. Who uses the brand? What kind of person?
2. When and where do they use the brand? What types of situations?
3. Why do people use the brand? What do they get out of using it?
4. How do they use the brand? What do they use it for?

12.3.3 Projective Techniques

Uncovering the sources of brand equity requires that consumers' brand knowledge structures be profiled as accurately and completely as possible. Unfortunately, under certain situations, consumers may feel that it would be socially unacceptable or undesirable to express their true feelings. As a result, they may find it easier to fall back on stereotypical, "pat" answers that they believe would be acceptable or perhaps even expected by the interviewer. For example, it may be difficult for consumers to admit that a certain brand name product has prestige and enhances their self-image. As a result, consumers may instead refer to some particular product feature as the reason why they like or dislike the brand. Alternatively, it may just be that consumers find it difficult to identify and express their true feelings when asked directly even if they attempt to

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do so. For either of these reasons, an accurate portrayal of brand knowledge structures may be impossible without some rather unconventional research methods.

Projective techniques are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters. The idea behind projective techniques is that consumers are presented with an incomplete stimulus and asked to complete it or given an ambiguous stimulus that may not make sense in and of itself and are asked to make sense of it. In doing so, the argument is that consumers will reveal some of their true beliefs and feelings. Thus, projective techniques can be especially useful when deeply rooted personal motivations or personally or socially sensitive subject matters may be operating. Projective techniques often provide useful insights that help to assemble a more complete picture of consumers and their relationships with brands. All kinds of projective techniques are possible. Here we highlight two:

1. ***Completion & Interpretation Tasks:*** Classic projective techniques use incomplete or ambiguous stimuli to elicit consumer thoughts and feelings. One such approach is with "bubble exercises" based on cartoons or photos where different people are depicted buying or using certain products, services, or brands. Empty bubbles, as found in cartoons, are placed in the scenes to represent the thoughts, words, or actions of one or more of the participants in the scene. Consumers are then asked to figuratively "fill in the bubble" by indicating what they believed was happening or being said in the scene. The stories and conversations told through bubble exercises and picture interpretations can be especially useful to assess user and usage imagery for a brand.

2. ***Comparison Tasks:*** Another technique that may be useful when consumers are not able to directly express their perceptions of brands is comparison tasks where consumers are asked to convey their impressions by comparing brands to people, countries, animals, activities, fabrics, occupations, cars, magazines, vegetables, nationalities, or even other brands. For example, consumers might be asked: "If Nike were a car, which one would it be? If it were an animal, which one might it be? Looking at the people depicted in these pictures, which ones do you think would be most likely to wear Nike shoes?" In each case, consumers could be asked a follow-up question as to why they made the comparison they did. The objects chosen to represent the brand and the reasons why they were chosen can provide a glimpse into the psyche of the consumer with respect to a brand.

Although qualitative measures are useful to identify and characterize the range of possible associations to a brand, a more quantitative portrait of the brand often is also desirable to permit more confident and defensible strategic and tactical recommendations. Whereas qualitative research typically elicits some type of verbal responses from consumers, quantitative research typically employs various types of scale questions so that numerical representations and summaries can be made. Quantitative measures are often the primary ingredient in tracking studies that monitor brand knowledge structures of consumers over time.

12.3.4 Awareness

Brand awareness is related to the strength of the brand in memory, as reflected by consumers' ability to identify various brand elements (i.e., the brand name, logo, symbol, character, packaging, and slogan) under different conditions. Brand awareness relates to the likelihood that a brand will come to mind and the ease with which it does so given different type of cues.

Several measures of awareness of brand elements can be employed. Choosing the appropriate measure depends on the relative importance of brand awareness for consumer behavior in the category and the resulting role it plays to the success of the marketing program for the brand. For example, if research reveals that many consumer decisions are made at the point-of-purchase where the brand name, logo, packaging, and so on will be physically present and visible, then

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brand recognition and visual awareness measures will be important. If research reveals that consumer decisions are mostly made in other settings away from the point-of-purchase where the brand elements are not physically present, on the other hand, then brand recall and verbal measures will be more important. As a cautionary note, even though brand recall *per se* may be viewed as less important when consumer decisions are made at the point-of-purchase, consumers' brand evaluations and choices will still often depend on what else they recall about the brand given that they are able to recognize it there.

12.3.5 Recognition

Recognition processes require that consumers be able to discriminate a stimulus – a word, object, image, etc. – as something they have previously seen. Brand recognition relates to consumers' ability to identify the brand under a variety of circumstances and can involve identification of any of the brand elements. The most basic type of recognition procedures gives consumers a set of single items visually or orally and asks them if they thought that they had previously seen or heard these items. To provide a more sensitive test, it is often useful to include decoys or lures – items which consumers could not have possibly seen. In addition to "yes" or "no" responses, consumers also can be asked to rate how confident they are in their recognition of an item. There are also a number of additional, somewhat more subtle recognition measures that involve "perceptually degraded" versions of the brand. In some cases, the brand element may be visually masked or distorted in some way or shown for extremely brief duration. For example, brand name recognition could be tested with missing letters. These additional measures can provide more sensitive measures of recognition than simple "yes" or "no" tasks.

By applying these direct and indirect measures of brand recognition, marketers can determine which brand elements exist in memory and, to some extent, the strength of their association. One advantage to brand recognition measures versus recall measures is that they can be used in any modality. For example, because brand recognition is often visual in nature, visual recognition measures can be used. It may be difficult for consumers to describe a logo or symbol in a recall task either verbally or pictorially but much easier for them to assess the same elements visually in a recognition task. Nevertheless, brand recognition measures only really provide an approximation as to potential recall-ability. To determine whether the brand elements will actually be recalled under various circumstances, measures of brand recall are necessary.

12.3.6 Recall

Brand recall relates to consumers' ability to identify the brand under a variety of circumstances. With brand recall, consumers must retrieve the actual brand element from memory when given some related probe or cue. Thus, brand recall is a more demanding memory task than brand recognition because consumers are not just given a brand element and asked to identify or discriminate it as one they had or had not already seen.

Different measures of brand recall are possible depending on the type of cues provided to consumers. Unaided recall on the basis of "all brands" provided as a cue is likely to identify only the very strongest brands. Aided recall uses various types of cues to help consumer recall. One possible sequence of aided recall might use progressively narrowly defined cues – such as product class, product category, and product type labels – to provide insight into the organization of consumers' brand knowledge structures. For example, if recall of the Porsche 944 – a high performance German sports car – in non-German markets was of interest, the recall probes could begin with "all cars" and move to more and more narrowly defined categories such as "sports cars," "foreign sports cars," or even "high performance German sports cars." For example, consumers could be asked: "When you think of foreign sports cars, which brands come to mind?"

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Other types of cues may be employed to measure brand recall. For example, consumers could be probed on the basis of product attributes (e.g., "When you think of chocolate, which brands come to mind?) or usage goals (e.g., "If you were thinking of having a healthy snack, which brands come to mind?"). Often, to capture the breadth of brand recall, it may be important to examine the context of the purchase decision or consumption usage situation. For example, consumers could be probed according to different purchase motivations as well as different times and places when the product could be used to see which brands came to mind (e.g., different times of the day, days of the week, or times of the year; at home, at work, or on vacation). The more that brands have strong associations to these considerations, the more likely it is that they will be recalled when they are given those situational cues. Combined, measures of recall based on product attribute or category cues as well as situational or usage cues give an indication of breadth of recall.

Besides being judged as correctly recalled, brand recall can be further distinguished according to order, as well as latency or speed of recall. In many cases, people will recognize a brand when it is shown to them and will recall it if they are given a sufficient number of cues. Thus, potential recall-ability is high. The bigger issue is the salience of the brand – do consumers think of the brand under the right circumstances, e.g., when they could be either buying or using the product? How quickly do they think of the brand? Is it automatically or easily recalled? Is it the first brand recalled?

12.3.7 Image

Brand awareness is an important first step in building brand equity, but usually not sufficient. For most customers in most situations, other considerations, such as the meaning or image of the brand, also come into play. One vitally important aspect of the brand is its image, as reflected by the associations that consumers hold toward the brand. Brand associations come in many different forms and can be classified along many different dimensions. Consistent with the laddering concept described above, it is useful to make a distinction between more "lower level" considerations related to consumer perceptions of specific attributes and benefits versus more "higher-level" considerations related to consumer responses and their judgments and feelings toward the brand. There is an obvious relationship between the two levels as consumers' responses typically are a result of perceptions of specific attributes and benefits about the brand. We next consider both types of associations.

12.3.8 Specific, Lower-level Brand Associations

Beliefs are descriptive thoughts that a person holds about something. Brand association beliefs are those specific attributes and benefits linked to the brand and its competitors. For example, consumers may have brand association beliefs for Sony Playstation home video games such as "fun and exciting," "cool and hip," "colorful," "good graphic quality," "advanced technology," "variety of software titles," and "sometimes violent." They may also have associations to the brand logo and the slogan, "Live in Your World. Play in Ours." Playstation user imagery may be "used by a teenager or 20-something male who is serious about playing video games, especially sports games."

The qualitative research approaches described above are useful in uncovering these different type of salient brand associations making up the brand image. Any potentially relevant association can and should be measured. Although a myriad of different types of brand associations are possible, brand meaning broadly can be distinguished in terms of more functional, performance-related considerations versus more abstract, imagery–related considerations. Thus, brand meaning is made up of two major categories of brand associations that exist in customers' minds – related to performance and imagery – with a set of specific subcategories within each. These

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brand associations can be formed directly – from a customer's own experiences and contact with the brand – or indirectly – through the depiction of the brand in advertising or by some other source of information (e.g., word-of-mouth). We next describe the two main types of brand meaning and the sub-categories within each.

Task Why any organizations recall their brand? What are the reasons behind this?

12.3.9 Brand Performance

Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs. Thus, brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, there are five important types of attributes and benefits that often underlie brand performance and can be measured, as follows:

1. ***Primary Characteristics & Supplementary Features:*** Customers often have beliefs about the levels at which the primary characteristics of the product operate (e.g., low, medium, high, or very high). Additionally, they may also may have beliefs as to special, perhaps even patented, features or secondary elements of a product that complement these primary characteristics.
2. ***Product Reliability, Durability, & Serviceability:*** Reliability refers to the consistency of performance over time and from purchase to purchase. Durability refers to the expected economic life of the product. Serviceability refers to the ease of servicing the product if it needs repair. Thus, measures of product performance can capture factors such as the speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; the quality of repair service and the time involved; and so on.
3. ***Service Effectiveness, Efficiency, and Empathy:*** Service effectiveness refers to how completely the brand satisfies customers' service requirements. Service efficiency refers to the manner by which these services are delivered in terms of speed, responsiveness, etc. Service empathy refers to the extent to which service providers are seen as trusting, caring, and with customer's interests in mind.
4. ***Style and Design:*** Consumers may have associations to the product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials, and color involved. Thus, performance may also depend on sensory aspects as to how a product looks and feels and perhaps even what it sounds or smells like.
5. ***Price:*** Finally the pricing policy for the brand can create associations in consumers' minds to the relevant price tier or level for the brand in the category, as well as to its corresponding price volatility or variance (in terms of the frequency or magnitude of discounts, etc.).

12.3.10 Brand Imagery

The other main type of brand meaning involves brand imagery. Brand imagery deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' more psychological or social needs. Brand imagery is how people think about

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a brand abstractly rather than what they think the brand actually does. Thus, imagery refers to more intangible aspects of the brand.

All different kinds of intangibles can be linked to a brand, but five categories can be highlighted:

1. ***User Profiles:*** The type of person or organization who uses the brand. This imagery may result in a profile or mental image by customers of actual users or more aspirational, idealized users. Associations of a typical or idealized brand user may be based on descriptive demographic factors or more abstract psychographic factors. In a business-to-business setting, user imagery might relate to the size or type of organization.
2. ***Purchase Situations:*** Under what conditions or situations the brand could or should be bought and used. Associations of a typical purchase situation may be based on a number of different considerations, such as: (1) Type of channel (e.g., department store, specialty store, or direct through internet or some other means); (2) Specific store (e.g., Lord & Taylor, Radio Shack or Bluefly.com); and (3) Ease of purchase and associated rewards, if any.
3. ***Usage Situations:*** Under what conditions or situations the brand could or should be used. Associations of a typical usage situation may be based on a number of different considerations, such as: (1) Particular time of the day, week, month, or year to use the brand; (2) Location to use the brand (e.g., inside or outside the home); and (3) Type of activity where the brand is used (e.g., formal or informal).
4. ***Personality and Values:*** As noted above, brands may also take on personality traits and values similar to people. Brand personality is often related to the more descriptive usage imagery but involves much richer, more contextual information.
5. ***History, Heritage and Experiences:*** Finally, brands may take on associations to their past and certain noteworthy events in the brand history. These types of associations may involve distinctly personal experiences and episodes or be related to past behaviors and experiences of friends, family, or others.

Example: Take a brand with rich brand imagery, such as Nivea skin cream in Europe.

Some of its more intangible associations include: family/shared experiences/maternal; multipurpose; classic/timeless; and childhood memories.

12.3.11 General, Higher-order Brand Associations

The purpose of measuring higher-order brand associations is to find out how consumers combine all of the specific considerations about the brand in their minds to form different responses. Brand responses refer to how customers respond to the brand and all its marketing activity and other sources of information. Brand responses can be distinguished according to brand judgments and brand feelings, i.e., in terms of whether they arise more from the "head" or from the "heart." Scale questions can be developed to tap into each of these dimensions.

Brand Judgments

Brand judgments focus upon customers' own personal opinions and evaluations with regard to the brand. Brand judgments involve how customers put together all the different performance and imagery associations for the brand to form different kinds of opinions. Although customers may make all types of judgments with respect to a brand, four types of summary brand judgments are particularly important:

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1. ***Brand Quality:*** Among the most important attitudes that customers may hold relates to the perceived quality of the brand. Other notable attitudes related to quality pertain to perceptions of value and satisfaction.

2. ***Brand Credibility:*** Customers may form judgments that transcend more specific brand quality concerns. Brand credibility refers to the extent to which the company or organization making the product or providing the service as a whole is seen as being: (1) Competent, innovative, and a market leader (brand expertise); (2) Dependable and keeping customer interests in mind (brand trustworthiness); and (3) Fun, interesting, and worth spending time with (brand likability).

3. ***Brand Consideration:*** Consideration deals with the likelihood that customers will actually include the brand in the set of possible options of brands they might buy or use. Consideration depends in part on how personally relevant customers find the brand, i.e., the extent to which customers view the brand as being appropriate and meaningful to themselves.

4. ***Brand Superiority:*** Finally, superiority relates to the extent to which customers view the brand as unique and better than other brands. Do customers believe that the brand offers advantages that other brands cannot?

Brand Feelings

Brand feelings are customers' emotional responses and reactions with respect to the brand. Brand feelings also relate to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and be positive or negative in nature. Six important types of brand-building feelings are:

1. ***Warmth:*** Warmth refers to more soothing types of feelings – the extent to which the brand makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand. Hallmark is a brand typically associated with warmth.

2. ***Fun:*** Feelings of fun are also upbeat types of feelings when the brand makes consumers feel amused, light-hearted, joyous, playful, cheerful, and so on. Disney is a brand often associated with fun.

3. ***Excitement:*** Excitement relates to more upbeat types of feelings – the extent to which the brand makes consumers feel energized and a feeling that they are experiencing something special. Brands that evoke feelings of excitement may result in consumers feeling a sense of elation or "being alive" – cool, sexy, etc. MTV is a brand seen by many teens and young adults as exciting.

4. ***Security:*** Security feelings occur when the brand produces a feeling of safety, comfort, and self-assurance. Feelings of security are when consumers do not experience worry or concerns that they might have otherwise felt as a result of the brand. All state insurance is a brand that communicates security to many.

5. ***Social Approval:*** Social approval is when the brand results in consumers having positive feelings about the reactions of others, i.e., when consumers feel others look favorably on their appearance, behavior, and so on. This approval may be a result of direct acknowledgement of the consumer using the brand by others or less overt and a result of attribution of the product itself to consumers. Mercedes is a brand that may signal social approval to consumers.

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6. ***Self-respect:*** Self-respect occurs when the brand makes consumers feel better about themselves, e.g., when consumers feel a sense of pride, accomplishment or fulfillment. A brand like Tide laundry detergent is able to link its brand to "doing the best things for the family" to many homemakers.

The first three are more experiential and immediate, increasing in level of intensity. The latter three are more private and enduring, increasing in level of gravity.

Self Assessment

Fill in the blanks:

3. ..... relates to the likelihood that a brand will come to mind and the ease with which it does so given different type of cues.
4. A ..... is a comprehensive examination of a brand.
5. ..... studies involve information collected from consumers on a routine basis over time.
6. ..... are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters.
7. ..... refers to more soothing types of feelings - the extent to which the brand makes consumers feel a sense of calm or peacefulness.

12.4 Measuring Outcomes of Brand Equity

The previous section described different approaches for marketers to gain a good understanding of consumer brand knowledge structures to be able to identify and quantify potential sources of brand equity. As a consequence of creating such knowledge structures, consumers should respond more favorably to the marketing activity for a brand than if the brand had not been identified to consumers. Specifically, a product with positive brand equity can potentially enjoy the following seven important customer-related benefits:

1. Be perceived differently and produce different interpretations of product performance;
2. Enjoy greater loyalty and be less vulnerable to competitive marketing actions;
3. Command larger margins and have more inelastic responses to price increases and elastic responses to price decreases;
4. Receive greater trade cooperation and support;
5. Increase marketing communication effectiveness;
6. Yield licensing opportunities;
7. Support brand extensions.

These benefits, and thus the ultimate value of a brand, depends on the underlying components of brand knowledge and sources of brand equity. Via the indirect approach, individual components can be measured, but to provide more direct estimates, their resulting value still must be estimated in some way. The direct approach to measuring customer-based brand equity attempts to more explicitly assess the impact of brand knowledge on consumer response to different aspects of the marketing program for the firm. The direct approach is useful in approximating the possible outcomes and benefits that arise from differential response to marketing activity due to the brand, either individually or in aggregate.

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12.4.1 Comparative Methods

The main way to measure the outcomes and benefits of brand equity is with comparative methods. Comparative methods involve experiments that examine consumer attitudes and behavior towards a brand to more directly estimate the benefits arising from having a high awareness and a positive brand image.

There are two types of comparative methods. Brand-based comparative approaches use experiments in which one group of consumers respond to the marketing program or some marketing activity when it is attributed to the target brand and another group responds to that same activity when it is attributed to a competitive or fictitiously named brand. Marketing-based comparative approaches use experiments where consumers respond to changes in the marketing program or marketing activity for the target brand or competitive brands. We describe each of these two approaches in turn. Conjoint analysis is then identified as a technique that, in effect, combines the two approaches.

Brand-based Comparative Approaches

As a means of measuring the outcomes of brand equity, brand-based comparative approaches hold the marketing activity under consideration fixed and examine consumer response based on changes in brand identification. These measurement approaches typically employ experiments where one group of consumers respond to questions about the product or some aspect of its marketing program when it is attributed to the brand and one (or more) groups of consumers respond to the same product or aspect of the marketing program when it is attributed to some other brand or brands, typically a fictitiously named or unnamed version of the product or service or one or more competitive brands. Comparing the responses of the two groups provides some useful insights into the equity of the brand. Consumer responses may be on the basis of beliefs, attitudes, intentions, actual behavior or even feelings.

The classic example of the brand-based comparative approach is "blind testing" research studies where consumers examine or use a product with or without brand identification. These studies often reveal how dramatically consumer perceptions differ depending on the presence or absence of brand identification. Brand-based comparative approaches are also especially useful to determine brand equity benefits related to price margins and premiums.

Critique: The main advantage to a brand-based comparative approach is that – because it holds all aspects of the marketing program fixed except for the brand – it isolates the value of a brand in a very real sense. Understanding exactly how knowledge of the brand affects consumer responses to prices, advertising, etc. is extremely useful in developing strategies in these different areas. At the same time, there is almost an infinite variety of marketing activities that potentially could be studied so that the totality of what is learned will depend on how many different applications are examined.

A crucial consideration with the brand-based comparative approach is the experimental realism that can be achieved when some aspect of the marketing program is attributed to a fictitiously named or unnamed version of the product or service. Brand-based comparative methods are particularly applicable when the marketing activity under consideration represents a change from past marketing of the brand, e.g., a new sales or trade promotion, ad campaign, or proposed brand extension. If the marketing activity under consideration is already strongly identified with the brand (e.g., an ad campaign that has been running for years), it may be difficult to attribute some aspect of the marketing program to a fictitiously named or unnamed version of the product or service in a believable fashion.

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There will necessarily be a trade-off involving a sacrifice of some realism in order to gain sufficient control to be able to isolate the effects of brand knowledge. Detailed concept statements of the particular marketing activity under consideration can be employed in some situations when it may be otherwise difficult for consumers to examine or experience that element of the marketing program without being aware of the brand.

Caution A concern with brand-based comparative approaches is that the simulations and concept statements that are used may highlight those particular characteristics that are mentioned or featured and make them more salient than they would otherwise be, distorting the results.

Marketing-based Comparative Approaches

Marketing-based comparative approaches hold the brand fixed and examines consumer response based on changes in the marketing program. For example, there is a long tradition exploring price premiums with these types of comparative approaches. In the mid-1950's, Pessemier (1959) developed a dollarmetric measure of brand commitment which involved a step-by-step increase of the price difference between the brand normally purchased and an alternative brand. Variations of this approach have been adopted by a number of marketing research suppliers to derive similar types of demand curves, and many firms now try to assess price sensitivity and thresholds for different brands. For example, Intel has routinely surveyed computer shoppers to find out how much of a discount they would require before switching to a personal computer which did not have an Intel microprocessor in it or, conversely, what premium they would be willing to pay to buy a personal computer with an Intel microprocessor in it.

Marketing-based comparative approaches can be applied in other ways. Consumer response to different advertising strategies, executions or media plans can be assessed through multiple test markets. For example, IRI's electronic test markets and other such research methodologies can permit tests of different advertising weights or repetition schedules as well as ad copy tests. By controlling for other factors, the effects of the brand and product can be isolated. Potential brand extensions can also be explored in this fashion by collecting consumer evaluation to a range of concept statements describing brand extension candidates.

Critique: The main advantage with the marketing-based comparative approach is the ease of implementation. Virtually any proposed set of marketing actions can be compared for the brand. At the same time, the main drawback of the comparative approach is that it may be difficult to discern whether consumer response to changes in the marketing stimuli is being caused by brand knowledge or more generic product knowledge. In other words, it may be that for any brand in the product category, consumers would be willing or unwilling to pay certain prices, accept a particular brand extension, etc.

Notes One way to determine whether consumer response is specific to the brand or not is to conduct similar tests of consumer response with competitive brands, e.g., via conjoint analysis.

12.4.2 Holistic Methods

Comparative methods attempt to approximate specific benefits of brand equity. Holistic methods attempt to place an overall value for the brand in either abstract utility terms or concrete financial terms. Thus, holistic methods attempt to "net out" various considerations to determine

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the unique contribution of the brand. The residual approach attempts to examine the value of the brand by subtracting out consumers' preferences for the brand based on physical product attributes alone from their overall brand preferences. The valuation approach attempts to place a financial value on brand equity for accounting purposes, mergers and acquisitions, or other such reasons. We describe each of these two approaches in turn.

Residual Approaches

Several researchers have employed "residual approaches" to estimate brand equity. A basic tenet behind these approaches is that it is possible to infer the relative valuation of brands through the observation of consumer preferences and choices if as many sources of measured attribute values are taken into account as possible. According to these approaches, brand equity is what remains of consumer preferences and choices after subtracting out objective characteristics of the physical product.

Dillon *et al*. (2001) present a model for decomposing ratings of a brand on an attribute into two components: (1) brand-specific associations (i.e., features, attributes or benefits that consumers link to a brand) and (2) general brand impressions (i.e., overall impressions based on a more holistic view of a brand). They empirically demonstrate their model properties in three product categories: Cars, toothpaste, and paper towels.

Critique: Residual approaches provide a useful benchmark to interpret brand equity. In particular, they may be useful for situations when approximations of brand equity are necessary and thus may also be valuable to researchers interested in a financially-oriented perspective on brand equity. The disadvantages with these approaches is that they are most appropriate for brands characterized with a predominance of product-related attribute associations because they are unable to distinguish between different types of non-product-related attribute associations. Consequently, its diagnostic value for strategic decision-making in other cases is much more limited.

Notes More generally, note also that residual approaches takes more of a "static" view of brand equity by attempting to identify sources of consumer preferences in order to uncover the contribution by the brand.

This approach contrasts sharply with a "process" view, as reflected by the brand-based and marketing-based comparative approaches, which stress looking at consumer response to the marketing of a brand and attempt to uncover the extent to which that consumer response is affected by brand knowledge. Consumer response is defined in terms of perceptions, preferences, and behaviors and, most importantly, with respect to a variety of marketing activities. That is, comparative approaches go beyond attempting to dissect overall consumer product preferences towards a brand to assess how consumers actually respond to the marketing of a brand and, especially, new marketing activity supporting it.

Valuation Approaches

The ability to evaluate and put a price tag on a brand's value may be useful for a number of reasons: (1) mergers and acquisitions – both to evaluate possible purchases as well as to facilitate disposal; (2) brand licensing – internally for tax reasons and to third parties; (3) fund raising – as collateral on loans or for sale or leaseback arrangements; and (4) brand management decisions – to allocate resources, develop brand strategy, or prepare financial reports.

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Task You know very well "Vimal Brand" its from the house of Reliance. What you suggest to Mr. Mukesh Ambani to re-create the value of Vimal in the market?

For example, many companies are attractive acquisition candidates because of the strong competitive positions of their brands and their reputation with consumers. Unfortunately, the value of the brand assets in many cases is largely excluded from the company's balance sheet and therefore of little use in determining the firm's value. It has been argued that adjusting the balance sheet to reflect the true value of a company's brands permits a more realistic view and allows assessment of the purchase premium to book value that might be earned from the brands after acquisition. Such a calculation, however, would require estimates of capital required by brands and the expected after-acquisition Return-on-Investment (ROI) of a company.

Separating out the percentage of revenue or profits that is attributable to brand equity is a difficult task. In the U.S., there is no conventional accounting method for doing so, and market based estimates of value can differ dramatically from those based on U.S. accounting conventions. In determining the value of a brand in an acquisition or merger, three main approaches are possible:

1. ***Cost Approach:*** This view maintains that brand equity is the amount of money that would be required to reproduce or replace the brand (including all costs for research and development, test marketing, advertising, etc.). One commonly noted criticism of approaches involving historic or replacement cost is that it rewards past performance in a way that may bear little relation to future profitability – e.g., many brands with expensive introductions have been unsuccessful. On the other hand, for brands such as Heinz, Kellogg's, and Chanel who have been around for decades, it would be virtually impossible to find out what was the investment in brand development and largely irrelevant too. Finally, it obviously is easier to estimate costs of tangible assets than intangible assets but the latter often may lie at the heart of brand equity. Similar problems would exist with a replacement cost approach – e.g., the cost of replacing a brand would depend a great deal on how quickly the process were to take and what competitive, legal, logistical obstacles that might be encountered.

2. ***Market Approach:*** According to this view, brand equity can be thought of as the present value of the future economic benefits to be derived by the owner of the asset. In other words, the amount an active market would allow such that the asset would exchange between a willing buyer and willing seller. The main problem with this approach is the lack of open market transactions for brand name assets and the fact that the uniqueness of brands makes extrapolating from one market transaction to another problematic.

3. ***Income Approach:*** The third approach to determining the value of a brand argues that brand equity is the discounted future cash flow from the future earnings stream for the brand. Three such income approaches are:

   (a) Capitalizing royalty earnings from a brand name (when these can be defined);

   (b) Capitalizing the premium profits which are earned by a branded product (by comparing its performance with that of an unbranded product);

   (c) Capitalizing the actual profitability of a brand after allowing for the costs of maintaining it and the effects of taxation.

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Case Study

Brand Development by Identifying Brand Values

Introduction

The Cadbury brand name has been in existence since 1824 when John Cadbury opened his first shop in Birmingham, England. (Cadbury Ireland, as a subsidiary of) Cadbury Schweppes is the fourth largest confectionery business in the world selling chocolate, sugar and gum based products. Cadbury Ireland is the number one confectionery company in Ireland. Today Cadbury's best tasting chocolate constitutes the main ingredient of much of these products including everything from solid blocks to chocolate filled bars and novelties. The Cadbury brand is associated with best tasting chocolate. This case shows how marketing managers at Cadbury are working to ensure this association is continually developed through their new 'Choose Cadbury' marketing strategy. Key concepts of quality, taste and emotion underpin the Cadbury brand. These core values help to differentiate Cadbury from other brands and ensure its competitive advantage.

The Cadbury Family of Brands

The Umbrella Brand

Research data shows that the Cadbury brand equity is highly differentiated from other brands with consumers. Brand equity is the value consumer loyalty brings to a brand, and reflects the likelihood that a consumer will repeat purchase. This is a major source of competitive advantage. The Cadbury umbrella brand has endured in a highly competitive market, and has established the link, in the mind of the consumer, that Cadbury equals chocolate. An umbrella brand is a parent brand that appears on a number of products that may each have separate brand images. The Cadbury umbrella brand image consists of four icons namely the Cadbury script, the glass and a half, dark purple colour and the swirling chocolate image. These elements create a visual identity for Cadbury that communicates the ultimate in chocolate pleasure. Consumer research is conducted regularly so managers can learn more about how the market perceives the brand. This research has confirmed that the swirling chocolate and 'glass and a half' are powerful images. Both clearly portray a desire for chocolate while the half full glass suggests core values of goodness and quality.

Product Brands

The Cadbury brand has a profound impact on individual product brands. Brands have individual personalities aimed at specific target markets for specific needs e.g. Time-out, for example, is an ideal snack to have with a cup of tea. These brands derive benefit from the Cadbury parentage, including quality and taste credentials. To ensure the success of product brands every aspect of the parent brand is focused on. A Flake, Crunchie or Time-out are clearly different and are manufactured to appeal to a variety of consumer segments. However, the strength of the umbrella brand supports the brand value of each chocolate bar. Consumers know they can trust a chocolate bar that carries Cadbury branding. The relationship between Cadbury and individual brands is symbiotic with some brands

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benefiting more from the Cadbury relationship, i.e. pure chocolate brands such as Dairy Milk. Other brands have a more distant relationship, as the consumer motivation to purchase is ingredients other than chocolate, e.g. Crunchie.

Similarly issues such as specific advertising or product quality of a packet of Cadbury biscuits or a single Crème Egg will, in turn, impact on the perception of the parent brand. Similarly the umbrella brand has a strong brand value and a reputation that must be supported by its individual brands.

Identifying Brand Values

We are all consciously and unconsciously affected by brands in our daily lives. When we go to purchase a pair of training shoes we rarely make a purely practical decision. There are numerous branded and non-branded options available. For many people, a pair of trainers must sport a brand logo because that will communicate certain values to other people.

The confectionery market elicits similar conscious and unconscious feelings of passion, loyalty and enthusiasm. For many people, chocolate is Cadbury, and no other brand will do. This consumer loyalty is critical because of the value of the chocolate confectionery market and because, in all markets, a small number of consumers account for a large proportion of sales. Loyal customers are the most valuable customers to have because they will buy your product over and over again.

Branded products command premium prices. Consumers will happily pay that premium if they believe that the brand offers levels of quality and satisfaction that competing products do not. The most enduring brands have become associated with both tangible and intangible properties over time. The most successful provoke a series of emotional or aspirational associations and values in our minds that go way beyond the physical product.

Cadburys has identified these brand values and adjusts its advertising strategies to reflect these values in different markets. Its strategy can vary from increasing brand awareness, educating potential customers about a new product, increasing seasonal purchases, or as is currently the case in the 'Choose Cadbury' campaign to highlight the positive emotional value of the brand.

Questions

1. Explain the benefits and value an umbrella brand can bring to a family of branded products.
2. What is the objective of advertising a brand? Explain this by referring to the 'Choose Cadbury' marketing strategy.

Self Assessment

State whether the following statements are true or false:

8. Brand recall is a more demanding memory task than brand recognition.
9. Brand imagery deals with the intrinsic properties of the product or service.
10. Self-respect occurs when the brand makes consumers feel better about themselves.

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12.5 Summary

- A number of important themes were emphasized in this unit. One assertion of the unit is that brand equity can be measured indirectly, by measuring the potential sources of brand equity in terms of consumer brand knowledge, and directly, by measuring the different possible outcomes or manifestations of brand equity in terms of differential effects of marketing activity.
- Measuring sources of brand equity involves profiling consumer knowledge structures.
- Measuring outcomes of brand equity involves approximating the various benefits realized from creating these sources of brand equity.
- There are many different ways to assess consumer knowledge and thus potential sources of brand equity.
- Although it is particularly important to capture the breadth and depth of awareness; the strength, favourability, and uniqueness of brand associations; the favourability of consumer responses; and the intensity and activity of consumer loyalty, other qualitative and quantitative measures can and should be employed. Successful brand management requires a keen understanding of exactly how consumers think, feel, and act towards brands.
- The brand equity report should provide descriptive information as to what is happening with a brand as well as diagnostic information as to why it is happening.
- Brand knowledge is not the facts about the brand - it is all the thoughts, feelings, perceptions, images, experiences, and so on that become linked to the brand in the minds of consumers.
- Projective techniques are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters.
- Recognition processes require that consumers be able to discriminate a stimulus – a word, object, image, etc. – as something they have previously seen.

12.6 Keywords

Brand Image: Brand image is a broader term than brand personality and includes consumer's impressions about the brand's physical attributes, its performance, the functional benefits, the kind of people who use it, the emotions and associations it develops, and the imagery or the symbolic meanings it generates.

Brand Imagery: How people think about a brand abstractly.

Brand Performance: The ways in which the product or service attempts to meet customers' more functional needs.

Brand Personality: Brand personality is viewed as a main driver of consumer preference and usage in many product categories.

Brand Recall: Brand recall relates to consumers' ability to identify the brand under a variety of circumstances.

12.7 Review Questions

1. Can you measure the brand performance? Discuss.
2. What are the roles of brand audit?

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3. Why organization follow brand tracking system?
4. What are the sources of measuring brand equity? Explain with suitable example.
5. How you recognize a brand? Discuss.
6. Briefly explain what is brand judgment?
7. How we measure the outcomes of brand equity?
8. Write short note on valuation approaches.
9. Why organization need brand equity report? What is the purpose of that report?
10. Discuss the projective techniques of measuring brand equity.

Answers: Self Assessment

1.	(ii)	2.	(iii)
3.	Brand awareness	4.	Brand Audit
5.	Tracking	6.	Projective techniques
7.	Warmth	8.	T
9.	F	10.	T

12.8 Further Readings

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Online links

www.en.wikipedia.org

www.web-source.net

Unit 13: Growing and Sustaining Brand Equity

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Objectives

After studying this unit, you will be able to:

- Discuss the Designing and Implementing Branding Strategies
- Explain the Brand-Product Matrix and Brand Hierarchy
- Describe Customer-based Brand Hierarchy
- Provide insight into Brand Equity at Different Hierarchical Level

Introduction

Strong and powerful brands have a dramatic impact on consumer purchasing decision and can build customer loyalty and improve profitability. As a result, there is an increasing interest in branding, as organizations become more aware of the significance of building strong and powerful brands which transcend boundaries and provide an organization with one of its most valuable assets.

Indian companies across sectors are realizing that the long domination they enjoyed is under severe pressure and old tactics of offers and promotions may not be the only way to manage a brand going forward. In the current environment, where the value of many businesses has fallen, brand has become even more important because it can help to sustain companies in tough times. With recession causing many consumers to rethink their purchases, the question confronting most of the companies is, whether to cutback, step-up or innovate their advertising

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and promotion activities. Spending on marketing is critical during a slowdown. The brand building effort during slowdown pays off when the economy revives.

The challenges facing brand managers have multiplied manifold in recent times. While the basic principles of brand management may not have changed much over the years, launching new brands has become more complex. It has become difficult for firms to differentiate their products on quality alone. The challenges posed by these conditions require a change in mindset as well as actions on the part of brand managers. These managers are challenged not only by the imperatives of the daily crises forced by customer and competitive market activities, but also by a need to think more strategically about the function of brand management itself.

13.1 Growing and Sustaining Brand Equity

Strong brand leadership positioned can be obtained through the skilful design and implementations of marketing that capitalize on a well-conceived brand positioning. Maintaining and expanding on that brand equity, however, can be quite challenging. Brand equity management concerns those activities that take a broader and more diverse perspective of the brand's equity managing brand equity managing brands within the context of other brands, and over multiple categories, over time, and across multiple market segments.

An organization's branding strategy provides general guidelines on which brand elements it chooses to apply across the products it offers. Two main tools in defining the corporate branding strategy are the brand-product matrix and the brand hierarchy. The brand-product matrix is a graphic representation of all the brands and products sold by the organization. While the brand hierarchy reveals an explicit ordering of brands by displaying the number and nature of common and distinctive brand components across an organization's products. By capturing the potential branding relationships between the different products sold by an organization, a brand hierarchy is a useful means to graphically portray an organization's branding strategy.

Through the skillful design and implementation of marketing program that capitalize on a well-conceived brand positioning, strong brand leadership position can be obtained. Maintaining and expanding on that brand equity, however, can be quite challenging. Brand equity management concerns those activities that take a broader and more diverse perspective of the brand's equity-understanding how branding strategies should reflect corporate concern and be adjusted, if at all, over time or over geographical boundaries or market segments. Managing brands within the context of other brands, as well as managing brands over multiple categories, over time, and across multiple market segments.

13.2 Designing and Implementing Branding Strategies

A key aspect of managing brand equity is the proper branding strategy. Brand names of products typically do not consist of only one name but often consist of a combination of different brand names and other brand elements. A branding strategy for a firm identifies which brand elements a firm chooses to apply across the various products it sells. Two important tools to help formulate branding strategies are the brand-product matrix and the brand hierarchy. Combining these tools with consumer, company, and competitive consideration can help a marketing manager formulate the optimal branding strategy.

Did u know? **What is brand-product matrix?**

The brand-product matrix is a graphical representation of all the brands and products sold by the firm. The matrix or grid has the brands for a firm as rows and the corresponding products as columns.

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The rows of the matrix represent brand-product relationships and capture the brand extension strategy of the firm with respect to a brand. Potential extensions must be judged by how effectively the extension, in turn contributes to the equity of the existing parent brand. The columns of the matrix represent product-brand relationships and capture the brand portfolio strategy of the number and nature of brands to be marketed in each category.

A branding strategy can be characterized according to its breadth (i.e., in terms of brand-product relationships and brand extension strategy) and its depth (i.e., in terms of product–brand relationships and the brand portfolio or mix). The breadth of the branding strategy concerns the product mix and which products the firm should manufacture and/or sell. The depth of the branding strategy concerns the brand portfolio and the set of all brands and brand lines that a particular seller offers for sale to buyers.

A firm may offer multiple brands in a category to attract different-and potentially mutually exclusive-market segments. Brands also can take on very specialized roles in the portfolio-as flanker brands to protect more valuable brands, as low-end entry level worth to expand the customer franchise, as high-end prestige brands to enhance the worth of the entire brand line, or as cash cows to milk all potentially realizable profits.

Caution Companies must be careful to understand exactly what each brand should do for the firm and, more importantly, what they want it to do for the customer.

A brand hierarchy reveals an explicit ordering of all brand names by displaying the number and nature of common and distinctive brand name elements across the firm's products. By capturing the potential branding relationships among the different products sold by the firm, a brand hierarchy is a useful means to graphically portray a firm's branding strategy. One example representation of possible brand elements and thus potential levels of a brand hierarchy is (from to bottom):

1. Corporate or company brand
2. Family brand
3. Individual brand
4. Modifier

A number of specific issues arise in designing the brand hierarchy. Brand elements at each level of the hierarchy may contribute to brand equity through their ability to create awareness and foster strong, unique, and favorable brand associations. The challenge in setting up the brand hierarchy and arriving at a branding strategy is:

1. To design the proper brand hierarchy in terms of the number and nature of brand elements to use at each level.
2. To design the optimal supporting marketing program in terms of creating the desired amount of brand awareness and type of brand associations at each level.

In terms of designing a brand hierarchy, the number of different levels of brands that will be employed and the relative emphasis or prominence that brands at different levels will receive when combined to brand any one product must be defined. In general, the number of levels employed typically is two or three. One common strategy to brand a new product is to create a sub-brand where an existing company or family brand is combined with a new individual brand.

When multiple brand names are used as with a sub-brand, the relative visibility of a brand elements as compared to other brand elements determines its prominence. Brand visibility and

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prominence will depend on factors such as the order, size, color, and other aspects of physical appearance of the brand. To provide structure and content to the brand hierarchy the specific means by which a brand is used across different products and if different brands are used for brand products, the relationship among those brands also must be made clear to consumers.

In terms of designing the supporting marketing program in the context of a brand hierarchy the desired awareness and image at each level of the brand hierarchy for each product must be defined. In a sub-branding situation, the desired awareness of a brand at any level will dictate the relative prominence of the brand and the extent to which associations linked to the brand will transfer to the product.

Notes In terms of building brand equity, determining which associations to link at any level should be based on principles of relevance and differentiation.

In general, it is desirable to create associations that are relevant to as many brands nested at the level below and to distinguish any brands at the same level. Corporate or family brands can establish a number of valuable associations that can help to differentiate the brand such as common product attributes, benefits, or attitudes, people and relationships; programs and values; and corporate credibility. A corporate image will depend on a number of factors, such as:

1. The products a company makes
2. The actions it takes
3. The manner with which it communicates to consumers.

Communications may focus on the corporate brand in the abstract or on the different products making up the brand line.

Brand extensions are when a firm uses an established brand name to introduce a new product. Brand extensions can be distinguished as to whether the new product is being introduced in a product strategy currently served by the parent brand (i.e., line extension) or a completely different product category (i.e., category extension). Brand extensions can come in all forms. Brand extensions offer many potential benefits but also can pose many problems.

The basic assumptions with brand extensions is that consumers have some awareness of and positive associations about the parent brand in memory and at least some of these positive associations will be evoked by the brand extension. Moreover, negative association.

Notes Discuss in detail, various aspects of brand creation.

Self Assessment

Fill in the blanks:

1. The ..... is a graphical representation of all the brands and products sold by the firm.
2. ..... may focus on the corporate brand in the abstract or on the different products making up the brand line.
3. ..... offer many potential benefits but also can pose many problems.

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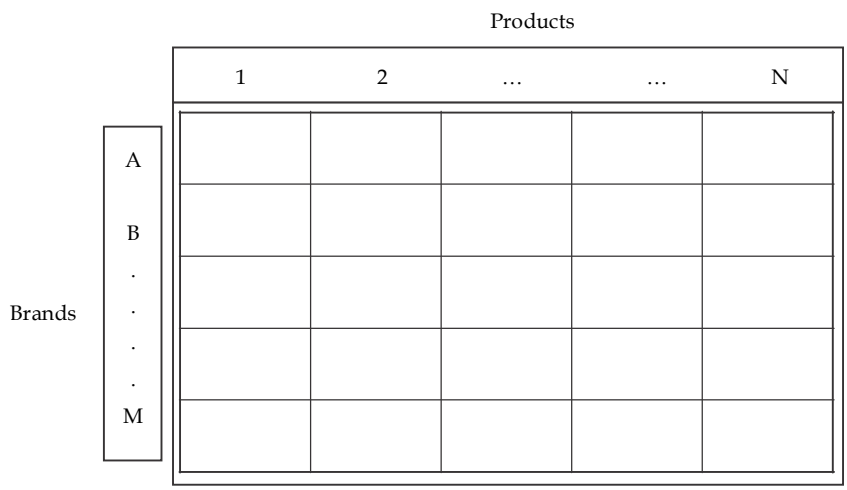
13.3 Brand-Product Matrix

To characterize the product and branding strategy of a firm, one useful tool is the brand-product matrix, a graphical representation of all the brands and products sold by the firm. The matrix (or grid) has the brands of a firm as rows and the corresponding products as columns (Figure 13.1).

The rows of the matrix represent brand-product relationships and capture the brand extension strategy of the firm in terms of the number and nature of products sold under firm's brands. A brand line consists of all products-original as well as line category extensions-sold under a particular brand. Thus, a brand line would be one row of the matrix. A potential new product extension for a product extension for a brand must be judged by how effectively it leverages existing brand equity from the parent brand to the new product, as well as how effectively the extension, in turn, contributes to the equity of the parent brand. In other words, what is the level of awareness likely to be and what are the expected strength, favourability, and uniqueness of brand associations of the particular extension product? At the same time, how does the introduction of the brand extension affect the prevailing levels of awareness and the strength, favourability, and uniqueness of brand associations or overall response towards the parent brand as a whole?

Figure 13.1: Brand-Product Matrix



The column of the matrix, on the other hand, represent product-brand relationships and capture the brand portfolio strategy in terms of the number and nature of brands to be marketed in each category. The brand portfolio is the set of all brands and brand lines that a particular firm offers for sale to buyers in a particular category. Thus, a brand portfolio would be one particular column of the matrix. Different brands may be designed and marketed to appeal to different market segments. A brand portfolio be must be judged on its ability to collectively maximize brand equity.

Caution Any one brand in the portfolio should not harm or decrease the equity of the other brands in the portfolio.

In other words, the optimal brand portfolio is one in which each brand maximizes equity in combination with all other brads in the portfolio.

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A product line is a group of products within a product category that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same type of outlets, or fall within given price ranges. A product line may be composed of different brands or a single family brand or individual brand that has been line extended. A product mix is the set of all product lines and items that a particular seller makes available to buyers. Thus, product lines represent different sets of columns in the brand-product matrix that, in total make up the product mix. A brand mix is the set of all brand lines that a particular seller makes available to buyers.

The branding strategy for a firm reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. In other words, branding strategy involves deciding which brand names, logos, symbols, and so forth should be applied to which products and the nature of new and existing brand elements to be applied to new products. A branding strategy for a firm can be characterized according to its breadth (i.e. in terms of brand-product relationships and brand extension strategy) and its depth (i.e. in terms of brand product-brand relationships and the brand portfolio or mix).

Example: A branding strategy can be seen as both deep and broad if the firm has a large number of brands, many of which have been extended into various product categories.

13.4 Brand Hierarchy

The brand-product matrix helps to highlight the range of products and brands sold by a firm. As described it measures each product is given one brand name in many cases a firm may want to make connections across products and brands to show consumers how these products and brands may be related. As a result, brand names of products are typically not restricted to one name but often consist of a combination of multiple brand name elements. For example, an IBM ThinkPad A22M notebook personal computer consists of three different brand name elements. "IBM", "ThinkPad" and "A22M". Some of these brand name elements may be shared by many different products, other brand name elements are limited to a more restricted range of products. For example, whereas IBM uses its corporate name to brand many of its products, ThinkPad designates a certain type of computer (i.e. one that is portable as opposed to desktop), and A22M identifies a particular model of ThinkPad (i.e. one with a 1 GHz Intel Pentium III, 128 SDRAM, 30 GB EIDE hard disk etc.)

A brand hierarchy is a means of summarizing the branding strategy by displaying the number and nature of common and distinctive brand elements across the firm's products, revealing the explicit ordering of brand elements. By capturing the potential branding relationships among the different products sold by the firm, a brand hierarchy is a useful means graphically portraying a firm's branding strategy. Specifically a brand hierarchy is based on the realization that a product can be branded in different ways depending on how many new and existing brand elements are used and how they are combined for any one product. Because certain brand elements are used to make more than one brand, a hierarchy can be constructed to represent how products are nested with other products because of their common brand elements. Some brand elements may be shared by many products, other brand elements may be unique to certain products. Figure 13.2 displays a simple characterization of ESPN's brand hierarchy.

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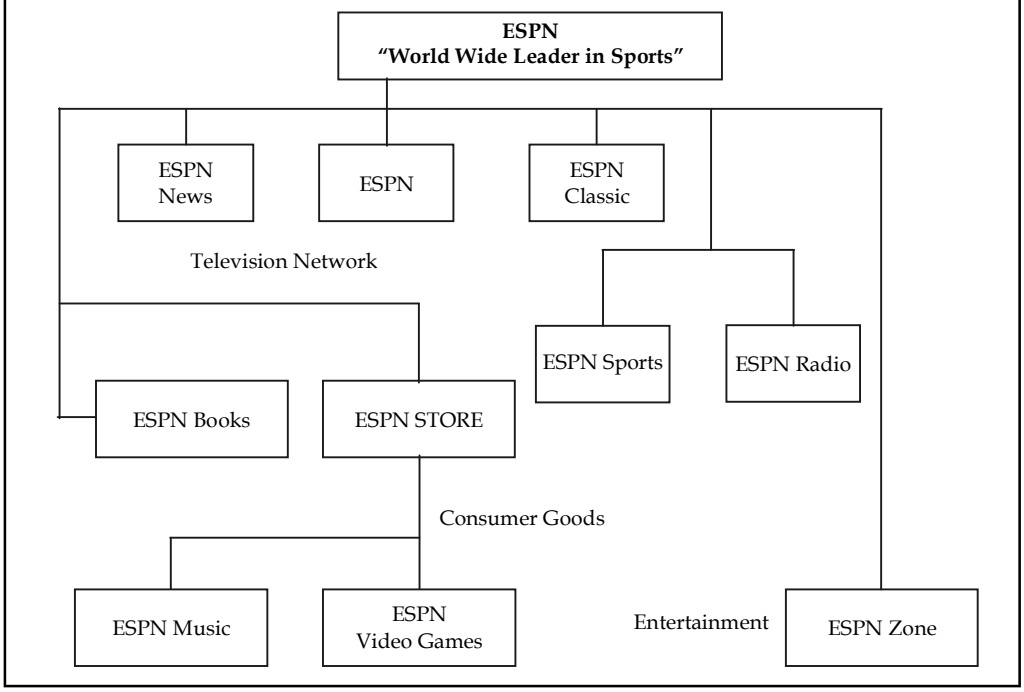
Figure 13.2: ESPN Brand Hierarchy



Self Assessment

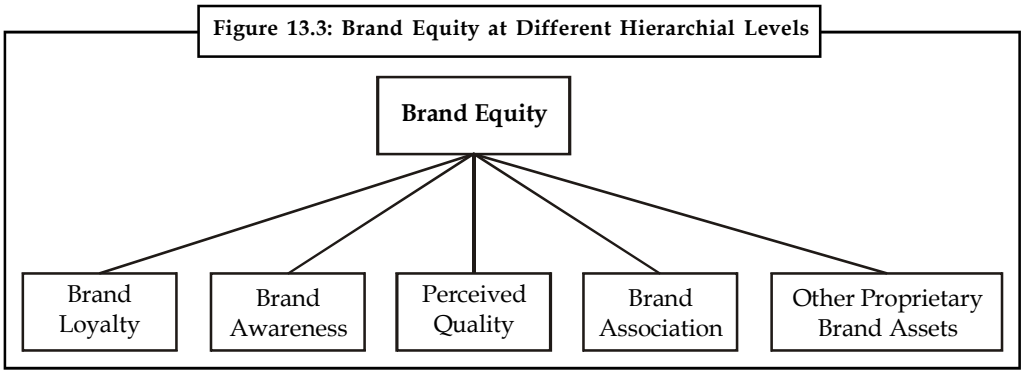
Fill in the blanks:

4. A ..... can be characterized according to its breadth and its depth.
5. A ……..is a means of summarizing the branding strategy by displaying the number and nature of common and distinctive brand elements across the firm's products, revealing the explicit ordering of brand elements.

13.5 Brand Equity at Different Hierarchical Level

Now let us understand the concept of Brand Equity at Different Hierarchical Level

Figure 13.3: Brand Equity at Different Hierarchial Levels



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13.5.1 Brand Loyalty

What happens when customers pay very little or no attention to a brand and buy on the basis of other considerations? It suggests that a brand lacks hold on the customers. This indicates that the 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 allegiance to the brand, it creates equity. Loyalty is at the heart of equity and is one of the important brand equity assets.

Brand loyalty has always been one of key concerns of marketers. A brand 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 brands 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, extending 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 of buyers comprises the ones satisfied with the brand (absence of dissatisfaction). These buyers have no reason to switch but may actually switch given the stimulations 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, though they have switching costs in terms of time, money, and risk. This category is somewhat 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 its 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 themselves. 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 are a solid asset base. The committed buyers spread a lot of good word-of-mouth publicity 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 a greater proportion of loyal customers would have relatively lesser marketing costs

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(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 remain 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 players as customers are not easily available to be captured. Secondly, loyalty provides trade leverage. It is much easier to gain shelf space, trade cooperation, etc., when a brand has a loyal customer base. Thirdly, it allows a marketer to attract new customers because loyal customers signify assurance, confidence and faith in the brand. A prospect can more 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, giving the firm the much needed time to effectively counter competitive moves.

13.5.2 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. This sort of 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.

Brand recognition is at the bottom level of the awareness pyramid. When a person is able to confirm prior exposure, the brand is 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 is sometimes 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. At a still higher level of awareness is the top-of-the- mind recall: the brand that comes first to mind.

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 coveted 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 only one that is considered while making a purchase. Very few brands are able to achieve dominance. The cases may include Johnson & Johnson baby powder, Dettol antiseptic, and 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 marketers first establish a brand name and then expand its scope by incorporating

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various attributes and benefit associations. Second, recognition – confirmation of prior exposure – implies 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 surrogate 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 brand is supported by a firm. 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 share.

13.5.3 Perceived Quality

The quality can be objective or perceived. The objective quality means the actual superiority of product or service. However, the perceived quality is perception of superiority of a product or service with respect to its intended function. Perceived quality is customer based. Different people value different things. It involves judgement about what is valued by the customers. Quality also needs to be distinguished from satisfaction. A customer may still be satisfied with poor quality. Satisfaction is determined by expectations. On the whole, perceived quality is an overall feeling that a customer tends to have about a brand. It is generally based on some underlying quality dimensions (product attributes or benefits) on which the customer perceives the product's performance or delivery.

There are various ways in which perceived quality generates value. Firstly, perceived quality gives a powerful reason to the customer to consider and buy a specific brand. Only brands that are perceived to be of quality are considered in a purchase decision: the rest are all eliminated. It is particularly important when a buyer is not motivated to collect information to determine quality objectively, where information is not available and the customer does not have the ability to obtain and process brand information. A customer relies on perceived quality and makes the purchase decision. Second, perceived quality allows a brand to acquire a position or differentiation. Brands are differentiated on the basis of their position on the quality spectrum. Top-of-the-line brands are differentiated on the basis of perceived quality.

Brands with higher quality perception can afford to charge price premiums. The premium can be further deployed in brand building efforts like research and development, awareness enhancement, and strengthening association. Selling a quality brand at competitive prices enhances value perceptions. This would further contribute to brand loyalty, increased customer base, and improvement in marketing effectiveness and efficiency. Brands with higher perceived quality find greater acceptance from trade partners and they are willing to carry such brands. Finally, it can be the basis to leverage brands into launching extensions. A brand with strong quality perceptions is likely to be extended further and has a greater probability of success.

13.5.4 Brand Associations

As has been discussed in earlier sections, a brand node may be connected with other information nodes. Whatever a brand is connected with forms part of the brand association network. For instance, a brand may have connected associations of feelings, character, symbols, life-style, user, etc. Associations tend to have strength. Some associations linked to the brand may be

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strong, while others could be weak. Brand image is how a brand is perceived by the prospects in terms of these associations. Brand image may represent perception, but may not reflect reality.

From the equity point of view, brand association can create value in a number of ways. Brands are bought for what is associated with them. Customers also exhibit loyalty for the same reasons. Associations form an information chunk representing what the brand is. Information in chunks is relatively easy to process, store, and retrieve. Associations, in fact, also help in interpretation (e.g., visual of LIC - palms protecting the lamp) by providing the context. Associations also influence recall of information. This is especially important during decision making. For instance, 'Dart' symbol helps recall the related information about the Blue Dart courier service.

The other ways in which associations create value, is by becoming the basis of differentiation. Brands are differentiated essentially on the basis of associations e.g., Taj Tea and Tata Tea. Associations that represent product attributes or benefits give consumers reason to buy (e.g., All Clear shampoo with ZPTO, the agent that kills microbes which cause dandruff). Associations also stimulate positive feelings. These feelings, in turn, are transferred to the brand. (E.g., Amul girl symbol, celebrity endorsement by someone like Salman Khan for Thums up, a slogan like "We bring good things to life", all generate positive feelings). The feelings transform the use experience for customers. Finally, associations provide basis for extending the brand into new product categories (Pepsi into Pepsi Urbanwear).

A brand is an asset. It is a source of value generation. A brand's equity is determined by a set of assets and liabilities that are associated with it. These are brand associations, perceived quality, loyalty, awareness and other proprietary assets.

Task How does brand awareness contribute to brand equity?

Self Assessment

State whether the following statements are true or false:

6. Brand loyalty has always been one of key concerns of marketers.
7. Brands can play special roles that facilitate the migration of customers within the brand portfolio.
8. A brand concept can be viewed as a long-term investment developed and nurtured to achieve long-run competitive advantage.
9. Reinforcing brand meaning may depend on the nature of brand associations involved.

13.6 Customer-based Brand Hierarchy

Keller's views on brand equity are customer oriented. Brand equity is seen from the perspective of the customer. Figure 13.4 depicts that the customer based brand equity is conceptualised as the 'differential effect' of 'brand knowledge' on 'consumer response' to marketing of a brand. At a more general level, equity is seen as the marketing effects – customer's perception of value/ behaviours/preference – that occur due to brand name, which otherwise would not occur if brand name is missing. It is the differential in marketing effect which could be attributed to brand name. The differential that a brand name brings determines the brand worth of value. Strong brands embody a kind of brand power which dramatically enhances the marketing effects while the weaker brands are unable to achieve this feat. It is for this reason that strong brands command huge financial value.

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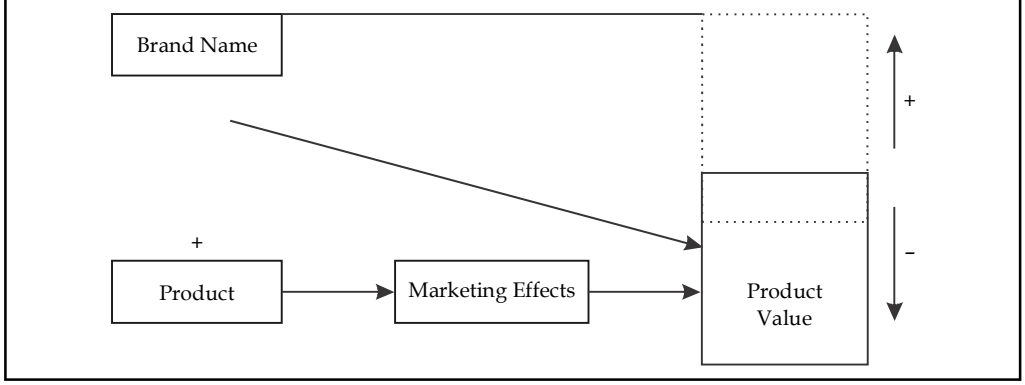
Figure 13.4: Differential Effect of Brand Knowledge



These are three key elements in Keller's framework of brand equity:

1. Differential effect
2. Brand knowledge
3. Customer response.

Consider the situation when a product without any brand name is marketed. It is a generic or commodity. In such a situation, a consumer is likely to exhibit a particular kind of behaviour pattern both in terms of liking, preference and perception of value. These are marketing effects that are attributable to the commodity marketed in question. If the brand name is now attached to the product, it acts as a moderator between marketing efforts and marketing effects. The brand name may bring along with it a knowledge structure – associations tied to a brand node – creating a change in the marketing effects. This differential is brand equity, the source of which is brand knowledge structure. The differential effect can be both positive and negative. A brand name, if it signifies associations that are not favourable, could create negative differential effect in the form of consumers disliking, and valuing the brand less than the generic product. Accordingly, customers may prefer to stay away from the brand.

This view of brand equity as differential effect caused by brand knowledge structure is particularly useful in conducting operational decisions. Given the pressures that marketers are experiencing about raising effectiveness and efficiency of decisions, this consumer oriented framework may provide help in pin-pointing exactly what needs to be done in order to achieve desired results. In the absence of this framework, marketers have to rely on aggregate indirect measures like sales as a guide to decisions. The performance of a brand is directly influenced by the knowledge structure it has. Accordingly, a marketer can explore the content and structure of brand knowledge to arrive at the attending challenges that must be taken care of by the marketing efforts.

In this framework of customer based brand equity, brand knowledge is the key concept. It is important to understand what kind of structure the brand knowledge has in the customer's mind. That is, when a customer is confronted with a brand name, what kind of associations spring up. Whatever is connected to the brand name is a crucial determinant of customer behaviour. As discussed earlier, a brand tends to form an associative network of nodes and connections. The nodes signify concepts or information chunks which are linked to other nodes. The links or connections may vary in their strength. A weak link would mean difficulty in spreading activation, while a strong link suggests quick spreading of activation. The links determine the speed at which other nodes would be activated and what would be recalled. Activation spreads from one node to another. Thus, strength of link or connection is an important concept. The recall of information contained in a node depends on its level of activation. Only if activation exceeds a threshold level, is information recalled.

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Case Study

Brand Equity in the Insurance Industry

The findings from our comprehensive brand equity study of the insurance industry has implications for many industries. Here is what we found:

1. While there are over 100 insurance brands whose names people have heard of, few achieve widespread top-of-mind awareness (first recall).
2. The insurance industry is highly fragmented with a low dominance of usage and preference by a few brands.
3. Very few companies are aggressively claiming relevant differentiating benefits in consumer communication. The few that are rapidly gaining market share (witness GEICO which is claiming price/value leadership in auto insurance with substantial advertising support).
4. Prices/rates are cited as one of the top differentiating benefits, suggesting that the category is commodity-like for many consumers.
5. While behavioral loyalty is high, attitudinal loyalty is much lower, indicating a consumer's propensity to switch companies when the switching becomes easier (something the Internet might facilitate).
6. Emotional connection to insurance brands is very low. Less than one in five consumers say that their insurance brand has never disappointed them. (The top brand on this measure disappointed two thirds of its customers at some time. All brands below the top eight on this measure disappointed over 90% of their customers.)
7. Our analysis of the most powerful differentiating benefits indicate that many of them lie with the way in which insurance agents/representatives and the claims adjusters interact with customers.
8. Our data would indicate that the industry is ripe for consolidation or strong niche marketing.

Three opportunity areas emerged for insurance companies:

1. Reinventing the process by which they interact with their consumers.
2. Claiming a highly relevant, unique point of difference (focusing on a product category, a consumer benefit or both).
3. Increasing emotional connection with their consumers.

The study provides the following lessons that are applicable to other industries:

1. Strong, recognizable brand names and logos are important, but the brands behind those trademarks must stand for something unique and important in consumer's eyes. What does your brand stand for?
2. When price becomes the major point of difference in an industry, consolidation will occur. The companies that are most likely to succeed in this environment (other than the acquirers) are those that aggressively take ownership of relevant points of difference and redesign themselves to consistently deliver against those points of difference.

Contd...

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3. The importance of the customer points of contact to strong brands can not be underestimated. Aligning these with your brand's promise is critical. This may require redesign of your hiring, training, performance management, recognition and rewards and other HR practices. It may also require a redesign of your customer service processes.

4. Companies that are market driven, truly caring about their consumers and constantly changing their products and services to meet changing consumer needs, will succeed at the expense of companies that are purely sales driven.

Questions

1. According to you, which factor affects the customer mind before taking insurance policy.

2. Why you take insurance policy? Give valid reasons.

Self Assessment

Choose the appropriate answer:

10. Brand awareness include brand recognition and

    (i) Brand value

    (ii) Brand audit

    (iii) Value chain

    (iv) Brand recall

11. Which one is not the key element in Keller's framework of brand equity.

    (i) Brand knowledge

    (ii) Customer response

    (iii) Brand manager

    (iv) None

13.7 Summary

- Effective brand management requires taking a long-term view of marketing decisions.
- A long-term perspective of brand management recognizes that any change in the supporting marketing program for a brand may, by changing consumer knowledge, affect the success of future marketing programs.
- Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of what products the brand represents, what core benefits it supplies and what needs it satisfies and in terms of how the brand makes those products superior and which strong, favourable and unique brand associations should exist in the minds of consumers.
- Consistency of the marketing support is the most important consideration in reinforcing brands.
- Revitalizing a brand requires either the lost sources of brand equity be recaptured or the new sources of brand equity be identified and established.

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- Time is the most critical variable in estimating whether a brand has been successful in implementing these characteristics to make a perceptible difference with the consumers.
- With time symbols change, a brand's customers move on and become older, brands created around living personalities acquire new meanings, lifestyles change and consumer expectations pose new challenges.
- Values, customs and behaviors are constantly changing and a brand's ability to adapt itself with the times would be vital than ever before.
- The brand has no other choice but to surpass even itself and become a constantly moving target rather than a stationary one.
- Even a constantly evolving brand must have a brand blueprint that clearly identifies what the brand stands for and outlines the dimensions across which the brand performance will be measured.
- A number of brand dimensions are not quantitatively measurable but dividing a brand into decipherable elements increases the chance of keeping the brand true to its real identity or core.

13.8 Keywords

Brand Consistency: Brand consistency is critical to maintaining the strength and favourability of brand associations.

Brand Equity: Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of what products the brand represents.

Brand Hierarchy: A brand hierarchy is a means of summarizing the branding strategy by displaying the number and nature of common and distinctive brand elements across the firm's products, revealing the explicit ordering of brand elements.

Brand-Product Matrix: The brand-product matrix is a graphical representation of all the brands and products sold by the firm.

Effective Brand Management: Effective brand management requires taking a long-term view of marketing decisions.

Reinforcing Brands: Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of brand awareness and brand image.

13.9 Review Questions

1. How can one reinforce the brand?
2. Discuss the ways of revitalizing a brand.
3. Comment on the concept of effective brand management.
4. What are the roles of brand hierarchy? Discuss.
5. Brand loyalty how's different from customer loyalty?
6. You choose a brand from Indian market it goes into almost critical stage, what is your suggestion to redevelop the brand in the market?
7. Explain how you manage high-tech brands.

Notes

8. As a brand manager how you design the branding strategies?
9. What do you mean by brand-product matrix?

Answers: Self Assessment

1.	Brand-Product matrix	2.	Communication
3.	Brand extension	4.	Branding strategy
5.	Brand hierarchy	6.	T
7.	T	8.	F
9.	T	10.	(iv)
11.	(iii)		

13.10 Further Readings

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Online links

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Unit 14: Managing Brands over Time

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Objectives

After studying this unit, you will be able to:

- Explain how to manage brand image
- Recall the Revitalizing of Brands
- Explain Managing Brands in Crisis
- Discuss the Creating and Managing High-tech Brands

Introduction

The long-term success of a brand depends on marketer's ability to select a brand meaning prior to market entry and operationalizing that meaning in the form of an image, and maintaining

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that image over time. The fact that several brands have been able to maintain their image for more than 100 years (e.g. Ivory's 'purity' image) supports their position. A brand image has both a direct effect on sales and a moderating effect on the relationship between Product Life Cycle (PLC) strategies and sales. Finally, a brand image is not simply a perceptual phenomenon affected by the firm's communication activities alone. It is the understanding consumers derive from the total set of brand-related activities engaged in by the firm.

Unfortunately, positioning/repositioning statements do incorporate what the brand image should be but they do not indicate how the image can be managed over time. Instead, short-term market driven factors such as current consumer needs and competitors are used as a basis for managing the brand's image/position and there is no strategic orientation.

14.1 Managing Brand Image

Positioning and repositioning decisions are often taken in managing the brand over time. That is, brands are often repositioned to make them appealing in changing market conditions. But a limitation of these actions is that they are driven by short-term orientation. These decisions are often stimulated by shifts in consumer needs or competitive moves. Accordingly, the long-term perspective usually tends to be absent in positioning and repositioning decisions. Park, Jaworski and MacInnis propose a framework for managing the image over time. Image management necessitates coordination between sales inducing activities and communication activities. Long-term brand image management begins with the brand concept selection.

First of all, the brand concept needs to be selected. The firm selects the meaning of the brand. It is derived from basic consumer needs. One way of looking into consumer needs is to see them as functional, symbolic and experiential needs.

Functional Needs: These concern the performance or functional aspects of living, for example, the need to solve the problem of dirt in the house or solution to oral hygiene or protection against germs.

Symbolic Needs: The symbolic needs are learned needs. These reflect desires for self-enhancement, identification with a group or need for esteem.

Experiential Needs: These reveal the third aspect of human beings. People seek pleasures through their senses. Some seek cognitive stimulations or variety.

Depending upon a product's predominant delivery characteristics, it is classified into various categories. For instance, products like vacuum cleaners, fans, bulbs, etc., can be classified as functional because of their problem solving role. Expensive watches, clothes, car can be classified as symbolic for their ability to enhance self-esteem and group identification. Products like food, theme parks, and games would all fall into the experiential category because they all deliver sensory satisfaction.

The product classification that prevails need not be a guide to brand concept selection. It reflects how various products are categorized in common consciousness. It is a generic product image in people's mind. The popular product category perception may sometimes impose some sort of constraint but need not totally guide a brand's image to be created in a particular category. For instance, though lawnmowers are a functional product, they can be positioned with an experiential or symbolic image. Brand concept selection essentially means what image the marketer intends to build along these consumer needs dimensions. For instance, writing instruments like pens may be considered to offer solution to functional needs. Brands like Mont Blanc, Cross, Waterman, Cartier and Dior are positioned more as symbolic brands. Their delivery is in terms of esteem and identification need satisfaction of the prospects.

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Can a brand be made to offer multiple benefits – a combination of functional, symbolic and experiential benefits? Theoretically, it *is* possible. Many brands in the marketplace attempt to combine two benefits and create an image accordingly. But this kind of strategy is not without its dangers. Combining multiple benefit concepts into a brand creates inconsistency in positioning strategies in the long run. Multiple concept brands compete against a greater number of brands. This happens because they indirectly touch multiple benefit categories. For instance, a brand which combines functional and symbolic concepts would attract competition from brands that are exclusively positioned on functional and symbolic image dimensions. Lastly, combining multiple concepts into a brand often makes it difficult for consumers to decode its true meaning. For instance, a toothpaste like Aquafresh, which tries to bring three attributes under a single umbrella makes it difficult on the part of prospects to combine it into a unified whole. In the process, prospects experience difficulty in decoding the brand's meaning. This increases the cost of managing the brand over various stages.

The initial challenge for the brand manager is to decide on the brand concept. The brand concept chosen – functional, symbolic or experiential – would remain consistent over the lifetime of the brand. The brand concept becomes the guide in executing positioning decisions. Though the actual position of the brand may change depending on market conditions, its concept would remain the same over the brand's life. In other words, brand concept defines the brand's market boundaries within which the brand may change its position.

Example: **Eternal Brands and their Concepts**

***Lifebuoy*:** The brand has unwaveringly clung to its original concept. Lifebuoy originated as carbolic soap with a functional benefit concept: it effectively washes off germs that come with dirt and grime.

***Lux*:** Lux soap seems to have defied the concept of time. It continues to rule the Indian toilet soap market ever since it was launched over 50 years ago. The brand has been a soap which promised the beauty of film stars – symbolic concept. Though the toilet soap market in India has witnessed many ups and downs, Lux continues to charm the masses with its beauty appeal.

***Dettol*:** Dettol has a history going back over sixty years old. The brand has travelled from the battlefield to households as an effective germicide. Its promise of protection against germs has remained constant. Dettol religiously stuck to its core benefit – functional appeal. The brand is still the market leader and a hot property in its category.

***Bourn Vita*:** Cadbury's Bourn Vita has ruled the brown beverage market ever since its introduction. The brand's core proposition has remained the same over the long period it has been in the marketplace. It continues to offer the 'essential vitamins and minerals' that children need. The brand is functionally focused on its benefits. Though the brand's positioning has been changed (now RDA formula) but its concept has not been diluted.

***Colgate*:** Colgate has a long history. It was founded by William Colgate way back in the early 1800s. Colgate is worldwide number one in oral care. Colgate has always stood for clean, white and healthy teeth. The brand has constantly upgraded its image and expanded its range to cover all possible segments in oral care. It has never compromised on its concept – Colgate is one word for dental care.

***Nirma*:** It all started with Karsanbhai Patel creating a detergent powder in 1969. It started with affordability at its core (Nirma sold for ₹ 3.50 a kg. when Surf was ₹ 15). Ever since then, though the brand has reached out to different product categories, it has always shown signs of progress. The brand signifies affordability and economy unambiguously to all.

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14.2 Stages of Concept Management

Three stages of brand management can be identified: introduction, elaboration and fortification. The relationship between brand concept and image needs to be properly managed over these stages of a brand. The management faces a challenge of adopting specific positioning strategies in these stages depending upon what is to be achieved.

Introduction Stage: At the time of a brand's entry, the key task is to establish its image or position.

Example: LML has recently launched its new brand of two-wheeler scooter by the name of 'Prithvi'.

The challenge at this stage is to utilize the marketing mix in such a manner that its brand image or position is established in the marketplace, whatever is decided upon.

Similarly, Tata has launched it shoe brand 'Stryde' recently. A brand's communication must establish its image in the prospect's mind.

Besides establishing the brand position or image at the introductory stage, brand managers must utilize marketing mix variables so that transaction barriers are reduced or eliminated. LML must ensure that information about 'Prithvi' is available, and can be accessed easily.

Elaboration Stage: After introduction, competition usually follows. From being a loner, the brand now gets pitched against competitive brands. The task facing brand managers is how to enhance the brand's image so that it's perceived as superior to its rivals. Image enhancement could as well be triggered from the customer side. Over time, competitors copy the brand, resulting in the same customer perception. The brand's value now needs to be enhanced. For instance, Nirma's superiority in the economy segment was neutralized because a plethora of similar brands entered the market.

A brand can employ a number of positioning strategies to enhance its value at the elaboration stage. These include, positioning the brand specific to a particular need or usage occasion, (e.g., petroleum jelly's use as a hand softener could be made specific to use after washing anything; or, a watch can be made to be used while running); a feature could be added or deleted (e.g., Maggi Sauce became 'Hot and Sweet' by way of a product extension); an attribute could be improved (e.g., Rin with more whitening power) and finally, a brand's exclusivity or scarcity could be enhanced to increase its perceived value (restricting the brand's availability to some exclusive outlets).

Fortification Stage: Over time, the firm may branch out into manufacturing products in other classes. At the fortification stage, the elaborate brand image needs to be connected with the image of their products.

Example: Nirma began with the economical yellow detergent brand. But over time, the company ventured into toilet soaps, shampoos, and toothpastes. The idea at the fortification stage is to connect products in different product classes with images so that they mutually reinforce each other and strengthen the image of each brand. The Nirma example illustrates this point particularly well. Originally, Nirma – the company has created a mix of brands like Nirma Beauty, Nirma Bath, Nirma Lime, Nirma Super Bar, Nirma Bar, Nirma Super Powder, Nirma Harbolina – connected with the common image and positioning of value for money. The brands mutually support and strengthen each other. The firm fortifying a brand in this manner can gain two advantages. First, the communication costs for any single brand are reduced. Secondly, similar images can provide an impression of complementarity. Accordingly, consumers may begin to use them as a package.

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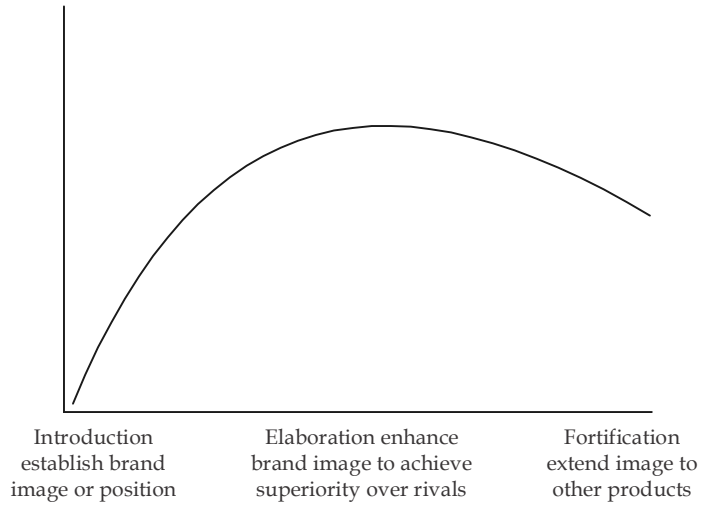
Figure 14.1: Concept Management Stages



Self Assessment

Fill in the blanks:

1. The relationship between brand concept and ……needs to be properly managed over these stages of a brand.
2. At the …….stage, the elaborate brand image needs to be connected with the image of their products.

14.3 Reinforcing Brands

Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of brand awareness and brand image. The important considerations concerning brand reinforcement are as follows:

1. ***Maintaining Brand Consistency:*** The most important consideration in reinforcing brands is the consistency of the marketing support that the brand receives, both in terms of the amount and nature of that support. Brand consistency is critical to maintaining the strength and favourability of brand associations. Brands that receive inadequate support in terms of shrinking research and development and marketing communication budgets run the risk of becoming technologically disadvantaged.
2. ***Protecting Sources of Brand Equity:*** Although brands should always look for potentially powerful new sources of brand equity, a top priority should be given to preserve and defend those sources of existing brand equity. For example, Procter & Gamble made a minor change in the formulation of its Cascade automatic dishwashing detergent, primarily for cost-saving reasons. As a result, the product was not quite as effective as it previously ad been under certain, water conditions. After discovering the fact, one of P&G's chief competitors, Lever Brothers, began running comparative advertisements for its Sunlight brand featuring side-by-side glasses that claimed, "Sunlight Fights Spots Better than Cascade". Since the consumer benefit of "virtually spotless" is a key brand association and source of brand equity for Cascade, P&G reacted swiftly. It immediately returned Cascade to its original formula and contacted Lever Brothers to inform that company of the change,

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effectively forcing it to stop running the new Sunlight ads on legal grounds. This episode clearly demonstrates that Procter & Gamble fiercely defends the equity of its brands.

3. ***Fortifying versus Leveraging:*** There are a number of different ways to raise brand awareness and create strong, favourable and unique brand associations in consumer memory to build customer-based brand equity. The advantage of creating a brand with a high level of awareness and a positive brand image is that many benefits may accrue to the firm in terms of cost savings and revenue opportunities.

Notes Marketing actions that attempt to leverage the equity of a brand in different ways may help to fortify the brand by enhancing its awareness and image.

4. ***Fine-tuning the Supporting Marketing Programme:*** Reinforcing brand meaning may depend on the nature of brand associations involved. Several specific considerations play an important role in reinforcing brand meaning in terms of product-related performance and non-product related imagery associations, as follows:

   (a) *Product-related Performance Associations:* The core associations of a brand are primarily product-relate performance attributes or benefits, innovation in product design, manufacturing, and merchandising is especially critical to enhancing brand equity. For example, after Timex watched brands such as Casio and Swatch gain significant market share by emphasizing digital technology and fashion in their watches, it made a number of innovative marketing changes. Within a short period of time, Timex introduced Indigo glow-in–the dark technology, showcased popular new models such as the Iron man in mass media advertising, and launched new Timex stores to showcase its products. These innovations in product design and merchandising have significantly revived the brand's fortunes.

   (b) *Non-product related Imagery Associations:* For brands whose core associations are primarily non-product-related attributes and symbolic or experiential benefits, relevance in user and usage imagery is critical. Because of their intangible nature, non-product-related associations may be potentially easier to change. In categories in which advertising plays a key role in building brand equity, imagery may be an important means of differentiation.

14.4 Adjustments to the Brand Portfolio

Managing brand equity and the brand portfolio requires taking a long-term view of the brand. As part of this long-term perspective, it is necessary to carefully consider the role of different brands and the relationships among different brands in the portfolio over time. In particular, a brand migration strategy needs to be designed and implemented so that consumers understand how various brands in the portfolio can satisfy their needs as they potentially change over time.

Caution Managing brand transitions are especially important in rapidly changing, technologically intensive markets.

14.4.1 Migration Strategies

Brands can play special roles that facilitate the migration of customers within the brand portfolio. For example, entry-level brands are often critical in bringing in new customers and introducing

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them to the brand offerings. Ideally, brands would be organized in consumers' minds so that they at least implicitly know how they can switch among brands within the portfolio as their needs or desires change. For example, a corporate or family branding strategy in which brands are ordered in a logical manner could provide the hierarchical structure in consumers' minds to facilitate brand migration.

14.4.2 Acquiring New Customers

All firms face trade-offs in their marketing efforts between attracting new customers and retaining existing ones. Firms proactively develop strategies to attract new customers, especially younger ones. The marketing challenge in acquiring new customers lies in making a brand seem relevant to customers from potentially vastly different generations and life styles.

Some alternative approaches that attempt to broaden the marketing programme and attract new customers as well as retain existing ones are discussed as follows:

1. ***Multiple Marketing Communication Programmes:*** One approach to attract a new market segment for a brand and satisfy current segments is to create separate advertising campaigns and communication programmes for each segment. The increased effectiveness of targeted media makes multiple targets more and more feasible. The drawbacks of this approach is the expense involved and too much of media overlap among target groups.
2. ***Brand Extension and Sub-brands:*** Another approach to attract new customers to a brand and keep the brand modern and up-to-date is to introduce a line extension or establish a new sub-brand. These new product offerings for the brand can incorporate new technology, features, and other attributes to satisfy the needs of new customers as well as satisfy the changing desires of existing customers. For example, Lifebuoy introduced Lifebuoy plus young men and Lifebuoy gold for young women.
3. ***New Distribution Outlets:*** Attracting a new market segment become simple when we make the product more available to that group. For example, the sale of Nescafe Sunrise is increased by making that product more available to the target group.

14.4.3 Retiring Brands

The adverse changes in the marketing environment may make some brands not worth saving. Their sources of brand equity may have essentially dried up or even worse, damaging and difficult to change new associations may have been created. In such a situation, decisive management actions are necessary to properly retire the brand. Several options are possible to deal with a fading brand. The first step in retrenching a fading brand is to reduce the number of its product types. Such actions reduce the cost of supporting the brand and allow the brand to put its best foot forward. In some cases, the brand is beyond repair and more drastic measures have to be taken. One possible option for fading brands is to consolidate them into a stronger brand. Finally, a more permanent solution may be to discontinue the product altogether.

Self Assessment

Fill in the blanks:

3. Brands that receive inadequate support in terms of shrinking ……..and marketing communication budgets run the risk of becoming technologically disadvantaged.
4. The marketing challenge in acquiring ……..lies in making a brand seem relevant to customers from potentially vastly different generations and life styles.

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14.5 Brand Concept Management (BCM)

Taking a strategic long-term approach, presented a normative framework termed Brand Concept Management (BCM) for selecting, implementing and controlling brand image over time to enhance market performance. The framework consists of a sequential process of selecting, introducing, elaborating and fortifying a brand concept. The brand concept guides positioning strategies, and hence the brand image, at each of these stages. Three types of brand concepts are developed based on consumer needs, namely Functional, Symbolic and Experiential concept.

1. A brand with a functional concept is defined as one designed to solve externally generated consumption needs or in other words a product that fulfills immediate consumption needs should be driven by a functional concept.
2. A brand with a symbolic concept is one designed to associate the individual with a desired group, role or self-image. This is ideal for products that fulfill internally generated needs like self-enhancement or ego identification.
3. A brand with an experiential concept is designed to fulfill internally generated needs for stimulation or variety.

Table 14.1: Brand Concept Management

Concept Introduction	Concept Elaboration	Concept Fortification
Brand with a Functional Concept:	Vaseline Petroleum Jelly	
1869 Vaseline Petroleum Jelly introduced to the market as a lubricant and a skin balm for burns	Problem-solving generalization strategy Produce usage extended to multiple-usage situations: preventing diaper rash, removing eye makeup, lip balm	Vaseline Health and beauty related products: Vaseline Intensive Care Lotion Intensive Care Bath Beads Vaseline Constant Care Vaseline Dermatology Formula Range of Vaseline Baby Care Products
Brand with a Symbolic Concept:	Lenox China	
Almost a century ago, the Lenox Company introduced a line of fine china	Market Shielding A tightly controlled marketing mix to preserve the status concept	Lenox Crystal Lenox silverplated hollowware Candles Jewelry
Brand with an Experiential Concept:	Barbie Doll	
Barbie Doll was introduced to the market in 1959	Brand accessory strategy Accessories like outfits, houses, furniture, cars, jewelry for Barbie, Ken	Barbie Magazine Barbie Game Barbie Boutique

Caution Products that fulfill experiential needs and provide sensory pleasure, variety, and/or cognitive stimulation should be driven by an experiential concept.

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Once a broad needs-based concept has been selected, it can be used to guide the positioning strategy through the three management stages of introduction, elaboration and fortification. In the introductory stage of BCM a set of activities are designed to establish a brand image/ position in the marketplace during the period of market entry. During the elaboration stage, positioning strategies focus on adding value to the brand's image so that its perceived superiority relative to the competitors can be established or sustained. In the final stage of BCM, the fortification stage, the aim is to link an elaborated brand image to the image of other products produced by the firm in different product classes. The specific strategy implemented at the three different stages depends upon the initial concept type. Below is an example of brands from each concept type and the implication for long-term brand management.

A brand concept can be viewed as a long-term investment developed and nurtured to achieve long-run competitive advantage. The concept can especially prove useful in establishing, maintaining and enhancing long-term customer relationships. In fact consumers enter into relationships with brands because continuity of interaction, and not the reduction of choice, is an important motivating factor. A number of studies in various product categories indicate that consumers prefer a vast array of choices and attempts to reduce consumer choices have often been met with resistance.

Did u know? The BCM model ensures a continuity of interaction with the brand and an increasing array of choices as it goes from the introduction to the elaboration and fortification stage.

The three different concepts provide clarity to the brand and the successive stages help increase consumer loyalty and involvement with the brand. Staying true to a single concept can help a brand build a consistent and unambiguous long-term relationship with the consumers.

But the success of a brand concept depends upon such factors as the effectiveness and efficiency of positioning efforts and the competitive environment. Even a brand whose image has been managed successfully can decline if the brand concept ceases to be valued by the target customers and the market trends in a particular category shift significantly. E.g. Jiffy Pop popcorn, meant to be cooked over a stove, became obsolete by the ubiquitous usage of microwave oven. Jiffy Pop eventually introduced Microwave Jiffy Pop but not before it was too late to save the brand. A single brand can also fulfill more than one type of need e.g. traveling first class with a premium Airlines could fulfill both symbolic needs as well as experiential needs, therefore making a single brand concept insufficient as the underlying basis for long-term brand strategy.

14.6 Brand Identity and Aaker

Today the most comprehensive and well-known academic treatment of brand equity and a number of issues in building, measuring and managing brand equity has been by David Aaker defines brand equity as a set of five categories 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 a service to a firm and/or to that firm's customers. These categories of brand assets are:

1. Brand loyalty
2. Brand awareness
3. Perceived quality
4. Brand associations
5. Other proprietary assets (e.g. patents, trademarks, and channel relationships).

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These assets provide value to both the customers and the firm in the long-term. Table 14.2 presents a summary of guidelines emerging from his framework as found in his two landmark books Managing Brand Equity and Building Powerful Brands.

Table 14.2: Aaker's 10 Guidelines for Building Strong Brands

Brand Identity	Have an identity for each brand. Consider the perspective of brand as-person, brand-as-organization, and brand-as-symbol, as well as the brand-as product. Identify the core identity. An Image is how the customer perceives you but an identity is how you aspire to be perceived by the customer.
Value proposition	Know the value proposition for each brand that has a driver role. Consider emotional, symbolic and functional. Know how endorser brands will provide credibility. Understand the customer/brand relationship.
Brand position	For each brand, have a brand position that will provide clear guidelines to those implementing a communication program. Recall that a position is the part of identity that is actively communicated.
Execution	Execute the communication program so that it not only is on target with the identity and position but also achieves brilliance and durability. Generate alternatives and consider options beyond media advertising.
Consistency over time	Have a consistent identity, position and execution over time. Maintain symbols, imagery and metaphors that work. Understand and resist organizational biases towards changing the identity, position and execution.
Brand system	Make sure the brands in the portfolio are consistent and synergistic. Have or develop strategic brands that help support brand identities and positions. Exploit branded features and services. Use sub-brands to clarify or modify.
Brand leverage	Extend brands and develop co-branding programs only if the brand identity will be both used and reinforced. Identify range brands and develop an identity for each. Specify how that identity will be different in disparate product contexts. If a brand is moved up or down, take care to manage the integrity of resulting brand identity.
Tracking brand equity	Track brand equity over time, including brand awareness, perceived quality, brand loyalty, and especially brand associations. Have specific communication objectives. Especially note areas where the brand identity and communication objectives are not reflected in the perceptions of the brand.
Brand responsibility	Have someone in charge of the brand who will create the identity and positions and coordinate the execution over organizational units, media and markets.
Invest in brand	Continue investing in brands even when the financial goals are not being met.

According to Aaker, a particularly important concept for building and managing long-term brand equity is that of Brand identity. Brand identity according to Aaker is a unique set of brand associations and these associations represent what the brand stands for and imply a promise to customers from the organization members. Brand identity structure includes a core and extended identity. The core identity–the central, timeless essence of the brand-is most likely to remain constant as the brand travels to new markets and products. The extended identity includes brand identity elements, organized into cohesive and meaningful groups.

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Self Assessment

Fill in the blanks:

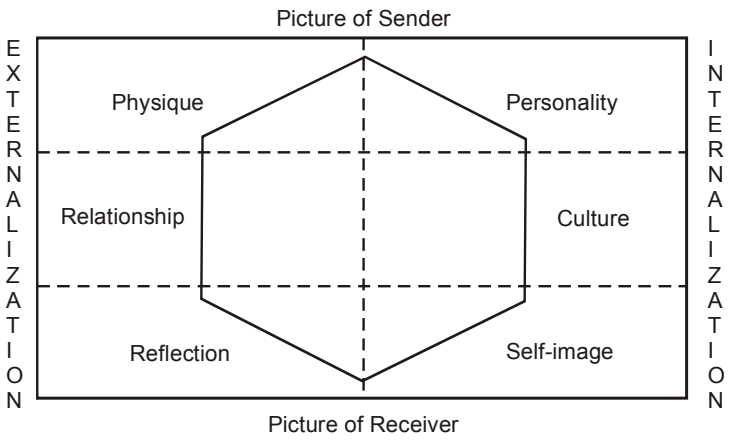
5. Three types of brand concepts are developed based on consumer needs, namely……...

6. According to Aaker, a particularly important concept for building and managing long-term brand equity is that of ……

14.7 Brand Identity Prism

Brand identity has become one of the most contemporary concepts for building and managing brands over time and Jean-Noel Kapferer, the famous French brand strategist, provides a different rendition of the concept. Brand identity prism is organized around six key aspects: Brand Physique, Personality, Relationship, Culture, Reflection and self-image. According to Kapferer, the concepts of Brand Image and Brand positioning do not work in today's environment. A brand image is a synthesis made by the people of the various brand signals, e.g. brand name, visual symbols, products, advertisements, sponsoring, patronage, and articles. An image results from decoding a message, extracting meaning and interpreting signs. But sometimes companies get obsessed with the need to build an appealing image that will be favorably perceived by all and thus Brand Image ends up focusing too much on appearance and much lesser on brand essence. Brand positioning on the other hand focuses too much on the product itself and basically answers the Why? For Whom? When? and Against whom? Questions for the product. Positioning as a concept becomes inadequate in case of a multi-product brand and does not say anything about brand communication, culture, form or spirit. This is where the concept of Brand Identity provides a more holistic approach to managing the brand in the long-term. As shown below, Brand Identity can be represented by a hexagonal prism.

Figure 14.2: Brand Identity Prism



The Brand Identity Prism includes a vertical division. The facets on the left physique, relationship, reflection- are the social facets that give the brand its outward expression. The facets on the right-personality, culture and self-image are those incorporated within the brand itself, within its spirit. Without delving deeper into each of the brand facets, for the current purpose it is essential to understand that these six facets define the identity of the brand as well as the boundaries within which it is free to change or to develop. The prism concept is an organic viewpoint of the brand, as someone that is a communicating entity with the gift of speech. Since a brand is a speech in itself, it can be analyzed like any other speech or form of communication.

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Semiologists have taught us that behind any type of communication there is a sender and a receiver. Both physique and personality of a brand help define the sender and build an image of the sender of the brand communication. Every type of communication also speaks to a recipient: when we speak, everything seems as if we are addressing a certain type of person or audience. Reflection (How the customer wishes to be seen as a result of using the brand) and Self-image (The inner relationship or our understanding of selves due to our attitudes towards a particular brand) both help define the recipient. The remaining two facets, relationship and culture, bridge the gap between sender and recipient. Managing brands strategically over long-term would require the awareness that the brand would slowly gain its independence and a meaning of its own. As it grows it defines its own boundaries, its facets take shape but it slowly loses some degree of freedom and certain communication concepts may seem alien to the brand identity now.

Notes According to Kapferer, conducting research with consumers will not provide brand identity or strategy but it should definitely provide one or several brand plans or visions.

Then it would be up to the senders of the brand communication (the brand managers/ brand custodians) to choose the one that best serves the brand in its target market and completely focus on that.

Task What is reason of 100 successful years of Godrej? How they manage their brand name?

14.8 Revitalizing Brands

A number of changes can occur in a market over time including changes in consumer tastes and preferences, emergence of new technology and competitors, a change in the regulatory environment. All these can adversely impact the fortunes of a brand and a number of brands across categories have faded or virtually disappeared over the years. But a number of other brands have managed to stage successful comebacks in recent years through new marketing programs and at times renewed consumer interest. Revitalizing a brand requires either that lost sources of brand equity are recaptured or new sources of brand equity are identified and established. Below are some examples of brands that have been revived, revitalized, repositioned and made meaningful again.

14.8.1 Hush Puppies

Hush Puppies' suede shoes, symbolized by the cuddly, rumpled, droopy-eyed dog, were a kids' favorite in the 1950s and 1960s. Changes in fashion trends and a series of marketing mishaps eventually resulted in an outdated image and diminished sales. Wolverine World Wide, makers of Hush Puppies, made a number of marketing changes in the early 1990s to reverse the sales slide (Naughton, 1995). New product designs and numerous offbeat color combinations (e.g. bright shades of green, purple, and pink) enhanced the brand's fashion appeal. Increased expenditures backed an ad campaign featuring youthful, attractive people wearing the shoes and the tag line, "We invented casuals." Popular designers began to use the shoes in their fashion shows and the brand got a boost when Tom Hanks wore a pair of old Hush Puppies in the final scene of Forrest Gump. As a result of all these developments, and a concerted program to engage retailer interest, the brand has now reappeared in fashionable department stores and

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sales and profits have skyrocketed. For rejuvenating Hush Puppies, old sources of brand equity had to be leveraged upon and some of the dormant yet relevant values had to be expressed through effective marketing and advertising.

14.8.2 St. Joseph Aspirin

Johnson & Johnson is known for powerhouse brands and is not a company associated with "orphan" products. Its bid to revive St. Joseph aspirin shows that even a giant marketer can embrace a promising niche product entry. Reviving an old, no longer relevant brand requires a sound strategy and commitment to a clever idea. St. Joseph's long established franchise as an orange-flavored children's aspirin dissolved after the U.S. Centers for Disease Control linked aspirin usage to a deadly children's ailment, Reye's Syndrome, in 1984. Among the rival brands that drove St. Joseph into relative obscurity was J&J's Children's Tylenol. St. Joseph's owners at the time, Schering Plough Corp., tried to position the product for adults once research suggested that low-dose aspirin therapy could aid adults recovering from heart attacks. But the sales of the brand did not recover till J&J acquired the brand in December 1999. With its strength in non-aspirin pain relievers, it had no aspirin-based product to offer adults under treatment for heart disease. J&J backed the product with huge resources and a new push to St. Joseph advertising and marketing effort. Combining gentle humor and nostalgia, it reintroduced the "children's" brand to adults as the ideal form of aspirin (low dosage, pleasant flavor) for aspirin-a-day heart therapy. The consumer response to the new position is a reminder that niche-marketing strategies can be winner for brands. What could have been considered baggage for an old brand has been strategically repositioned to a new set of customers under changed market conditions.

14.8.3 L'Oreal

L'Oréal has turned around from a successful French company into a world-class global beauty empire with its particular skill of buying local cosmetics brands, giving them a facelift, and exporting them around the world. In fact, it is the story of L'Oréal's own corporate makeover. A decade ago, about 75% of the company's $5.5 billion in annual sales was in Europe, the majority in France, and the L'Oréal name was indelibly linked with Parisian sophistication. In 2001, Europe accounted for only 49% of the group's $13.7 billion in revenues, with 32% coming from North America (double the share in the early 1990s).

For L'Oreal, new brands represented "adventures" where the company could experiment with different images and tap new customers. And no brand adventure was bigger or riskier than the $758 million purchase of Maybelline in 1996. The goal was to make the Memphis cosmetics firm a global mass-market brand. At the time such thinking seemed odd, because just 7% of Maybelline's $350 million in annual sales was outside the U.S. Since its creation in 1915, Maybelline had found its core market in America, where it earned a safe, steady income churning out undaring lipsticks and nail polish. But by the end of 1996 L'Oreal shifted Maybelline's entire management operation from Memphis to New York City and the new Maybelline team set about revamping the brand's staid color lines and soon launched Miami Chill nail polish in icy lemon and peppermint hues that never would have made it out of the labs at the old Maybelline. Meanwhile, Maybelline began an international rollout, with "New York" added to the brand name overseas and in 2001 56% of the brand's $1 billion in sales came from outside the U.S. Maybelline was the leading medium priced makeup brand in Western Europe, with a 20% market share, and is now sold in about 90 countries.

L'Oreal's expertise at rejuvenating brands and making them more useful to a larger albeit non-overlapping segment was evident in its takeover of Soft Sheen and Carson, two U.S. hair-care firms catering to African-Americans. L'Oréal acquired them in 1998 and 2000, respectively, and merged them into Soft Sheen/Carson. In 1998, the Chicago-based Soft Sheen, the brand had

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no international presence. Carson, acquired two years later, had found a market in South Africa, but the Savannah firm was up to its neck in debt and in no shape to expand. L'Oreal seized the opportunity and realized that people of African origin, wherever they were in the world, were a huge future potential business. L'Oréal boosted awareness of the combined brand in Africa by educating hairdressers about the products and training them how to use them. The company also opened a research laboratory in Chicago to study the properties of African hair. The research has already yielding commercial results: This year, when Soft Sheen/Carson launched its Breakthrough hair products in South Africa, they included an "anti-breakage" ingredient developed by L'Oréal scientists. Soft Sheen/Carson is still a long way from conquering Africa, a haircare market that L'Oréal estimates is worth about $1 billion a year. But in South Africa, the continent's biggest economy, Soft Sheen/Carson now controls 41% of a $90 million market, up from 30% at the time of the Carson acquisition. And it is beginning to push northward, organizing training sessions for hairdressers in former French colonies like Senegal and Cote d'Ivoire. The company is also setting its sights on the large black communities in such European cities as London and Paris. L'Oreal works its brands through a very well-crafted brand vision and strategy. It is French only when it wants to be, the rest of the time it's happy being African, Asian, or anything else that sells.

These are just some of the strategies adopted by various firms in order to revitalize acquired brands or refurbish old brands where the target market or market perceptions have changed over the years. The brand revitalization process can be accomplished through a step-by-step approach. The most important step is of rededicating oneself to providing product quality. Advertising cannot compensate for a deficiency in quality on the part of a product or service and by far the single variable most closely associated with good financial performance over the long run is "relatively perceived product quality," that is high-quality products or services for a given price. There is more to a consumer's perception of a product's quality than its actual quality otherwise there would never be a difference in blind and branded product test results.

Finding out the source of perceptions about a product are difficult but necessary to understand, especially for a brand that needs to be revitalized. Product and all the other vehicles through which the brand communicates in the marketplace including but not limited to display, promotion, public relations and publicity exert an influence on the way consumers perceive the product. The next step is the need to understand the brand/consumer relationship and in case of a brand that needs revitalization, the relationship is obviously no longer working. Many brands in the marketplace tend to adopt an "authority figure" relationship treating them as lacking experience and knowledge. When the product is highly specialized or a new technology consumer is willing to abdicate the responsibility to the brand that offers reassurance and security like IBM. At other times such a relationship does not work as the consumer may be made to feel dumb, inadequate and may not approve of the brand's empty claim of superiority. Getting the consumer-brand relationship right and nurturing this relationship in the long-term holds the key. The brands that are most likely to respond to revitalization are those that have clear and relevant values that have either not communicated properly or have been violated by product problems, price reductions, etc. The brands that did not possess any strong values in the first place were never truly brands and bringing them back to life is not revitalization but rather like starting a process from scratch.

According to Keller, with a declining or old brand, often it is not the 'depth' of brand awareness that is a problem implying that consumers can still recognize or recall the brand under certain circumstances. The problem is the 'breadth' of brand awareness that is consumers tend to think of the brand in very narrow ways. To ensure an increase in breadth of brand awareness it is necessary that consumers do not overlook the brand and think of purchasing or consuming it in those situations where the brand can satisfy consumers' needs and wants. Assuming a brand has a reasonable level of awareness and a positive brand image, the most appropriate way to create new sources of brand equity would be to increase usage through identifying new or additional

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usage opportunities. Brand usage can be increased by either increasing the level or quantity of consumption (how much) or increasing the frequency of consumption (how often). Generally, it is easier to increase the number of times a product is used than to change the amount used at one time. For products with an elastic demand and high degree of substitutability defined as usage variant products, larger package sizes and price discounts, by lowering the perceived unit cost of the product, have been shown to accelerate usage. Sometimes the brand may have strong associations with particular usage situations or user types. Effective strategies for such brands would include improving top-of-mind awareness or redefining usage situations.

Example: The purchase situation of an Indian brand of steel storage cupboards Godrej Storewell was closely associated with gift giving to newly married couples limiting the purchase of the product to one specific occasion in a consumer's life. Experiencing a sales decline, the staid image of the brand was revitalized with a nostalgia appeal. Now Godrej is seen as a brand for successive generations brought into the house on any joyous occasion including marriage, childbirth, moving into a new house etc. The brand's slogan 'Kal bhi, aaj bhi, Kal bhi' (loosely translated means 'for the past, present and future') created a deep emotional bond with consumers across generations and increased the number of purchase occasions for the brand.

Notes **Brand Revitalization Measures**

- ***Increasing Usage:***
  - Make the brand more convenient to use – easy to cook (Maggi), instant breakfast (Kellogg's)
  - Reduce doubts associated with more or frequent use – no harmful chemicals (Vatika)
  - Provide incentive to use frequently – honoured guest (Ritz, Carlton), frequent flier benefits (British Airways), Privilege Card (Snowhite)
  - Consumers use more quantity – more toothpaste per application (Colgate)
  - New uses – Mosquito Mat for good fragrance (Jet)
- ***New Markets:***
  - Reach to new markets not targeted so far – rush to Asian countries (McDonald's), rural areas (HLL)
  - New segments – cover unattacked segments (line extensions, e.g., shampoo pouches)
- ***Image Change:***
  - Add new associations when existing associations become obsolete – Dalda Vanspati to Dalda Active
  - When associations wear out because of frequent use (cliché) — claim that a detergent washes whitest or it has dirt blasters.
  - Commoditization – brand needs differentiation (e.g., Xerox is not photocopying)
- ***Brand Enhancement:***
  - Add new valued differentiators – service (Electrolux), features (Sony) availability (HLL), guarantee (Daewoo Matiz)
  - Value disciplines – innovation (Sony), intimacy (Marriott), operational excellence (Southwest Airlines)

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The second approach to increase frequency of use for a brand is to identify completely with new and different usage applications. After years of sales declines of 3-4% annually, sales of Cheez-Whix rose 35% when the brand was backed by a new ad campaign promoting the product as a cheese sauce accompaniment.

Some of the other strategies for revitalizing brands could include a change of market to related and rapidly growing markets (the L'Oreal example), co-branding especially with contemporary brands can help in changing the image for an older brand, improving brand image and a change in name or other brand elements. Old brands especially need to be innovative creating new and innovative products in line with tastes of today's consumers, and not those of yesterday's. Most importantly, whenever a brand is revived or revitalized the necessary changes must respect the residual brand identity or 'the roots of the brand' that may still be alive in the consumer's mind and it needs a strong commitment from the management in terms of resources and a lasting vision.

14.9 Managing Brands in Crisis

Brand Managers must assume and understand that a brand can be threatened by a crisis due to some unforeseeable circumstances or changes in the market situation.

Table 14.3: Major Brand Crisis

Years	Brand Crisis
1957	Windscale Atomic Works rebranded Sellafield following serious fire
1982	Tylenol found to contain cyanide led to seven deaths in Chicago
1982	Townsend Thoresen and the Herald of Free Enterprise disaster
1989	Exxon Valdez oil spill in Alaska
1990	Perrier contaminated with benzene
1991	Gerald Ratner's declaration that his company sold 'crap'
1992	Hoover's disastrous air ticket promotion
1993	Hypodermic needles discovered in Pepsi cans in US
1994	Defective Intel Pentium Processors
1994	Flawed Persil Power washing powder
1997	Mercedes Class A flops in speed tests
1999	Coca-Cola contamination in Belgium
2000	Firestone tires and Ford Explorers
2001	Withdrawal of carcinogenic Vapona Flykiller and mothkiller strips
2001	Red Bull's link to hyperactivity in Sweden
2002	Catholic church in Boston accused of sheltering child molester priest
2003	Tyco's CEO and CFO were accused of theft of over $600 million
2005	SK-II a P&G brand claimed as Consumer litigation
2006	Salmonella found in Cadbury
2008	Lehman Brothers failed due to stock market downturn
2009	UBS slipped dramatically down the list, due to subprime losses
2010	Toyota, Tiger and Tylenol botched crisis PR basics, Coffee Day Anatomy of online crisis and word of mouth effects
2011	BP the Deepwater Horizon explosion in the Gulf of Mexico, and TEPCO, the Tohoku earthquake and tsunami

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Most often in the past, such crises have arisen due to questionable product quality. The crisis that led to considerable loss of Brand equity for Firestone due to consumer deaths related to the tread separation of some of the badly manufactured tires on Ford Explorers. Other companies that have handled brand crisis include Exxon when one of its tankers Exxon Valdez hit a reef in Alaska resulting in a massive oil spill in 1989 and J& J with their now legendary handling of the Tylenol tampering case. Most recently American Airlines had to handle a brand crisis when the September 11 hijackers dealt a mighty blow by choosing their airplanes for the attacks.

Brand crisis can be divided into four separate categories:

1. ***Product Failure*** e.g. Perrier benzene contamination, Ford/Firestone and Coke contamination in Belgium.
2. ***Corporate Social Responsibility*** e.g. Exxon Valdez, Nike sweat shops, Nestle's powdered milk.
3. ***Consumer backlash*** e.g. Ratners case and most recently consumer backlash against proliferation of free AOL CDs (Dornin 2002).
4. ***Financial Crisis*** like Anderson, Enron and Worldcom.

Very few brands have been able to come out of the brand crisis unscathed and one of the most quoted examples is J&J's Tylenol. Due to tampering with the Extra-Strength Tylenol capsules with cyanide poison, seven people died in the Chicago area in October 1982. Although the problem was restricted to just that area, consumer confidence was severely shaken and many marketing gurus were quick to write the brand off. But J&J acted with amazing alacrity and within a week of the crisis they issued a worldwide alert to the medical community, set up a 24-hour toll-free telephone number, recalled and analyzed sample batches of the product, briefed the Food & Drug Administration, and offered a $100,000 reward to apprehend the culprit of the tampering. All this was accompanied with a voluntary withdrawal of the brand and all advertising was stopped. Instead all communication with the public was in the form of press releases. Beginning with an ad featuring the company's Chief Medical director, Dr. Thomas N. Gates speaking sincerely to the consumers about what happened, the company took a number of other concrete steps including mail-in-coupons that were sent to close to 60 million consumers, and sales reached the pre-crisis levels within a six-month period. Clearly, J&J's skillful handling of a complicated issue was a major factor in the brand's comeback but the brand equity built up over the years with the strong and valuable 'trust' association certainly helped the brand recovery. A key signal of successful crisis management is when very few people can remember or aware of the crisis and that has been the case with Tylenol over the years.

14.10 Creating and Managing High-tech Brands

Brand Management is a critical factor that can make the difference between a successful high-tech venture and an unsuccessful one. The recent dot-com bust is testimony to the problem that many of the leading high-tech companies – often times managers who have grown up on the technical side of the business – do not truly understand what good brand management involves and what it can do for their companies. One of the most popular misconceptions about branding in the high-tech and business-to-business markets is that brands and brand images are relevant only when purchase decisions are 'irrational' or 'emotional' and this better suits marketers of detergents, automobiles, and fashion. When it comes to selling innovative high-tech products to sophisticated and experienced consumers, brands have a minimal role to play. This thinking emanates from relegating brand management to marketing or sales departments without incorporating it into the company vision. A brand becomes just a logo, trademark, slogan, or ad campaign, and something that is handled by the marketing department. These misconceptions

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have not only been adequately refuted in literature but also in the business world with more and more high-tech companies understanding the importance of creating enduring brands for long term survival and profits.

Powerful high-tech brands can build equity through the process of building a brand pyramid, which is essentially a way of thinking about the brand-building process. The pyramid's bottom level represents the core product-the tangible, verifiable product characteristics. Increasingly, however, high-tech purchases involve not just technologists but also business managers and end users, who are far more interested in what a technology product does for them than in how it works. As a high-tech company understands that instead of selling 'products', they are in the business of selling 'solutions' or benefits, this shift in thinking marks the second level in the brand pyramid. The first two levels still embody the elements of product competition and not those of brand competition. The third level of the pyramid is where the company can truly differentiate itself from competitors by providing emotional rewards for its business. The goods and services that are designed and positioned as a way to fulfill a promise of value and not simply as new technologies reside in the third level. Apple's ability to capture the consumer heart with its innovative products and avant-garde design has provided it with an emotional hook that goes beyond functional benefits of the product. The top two levels of the brand pyramid illustrate the concept that powerful brands attract and hold customers with their particular promises of value and brand personality. While the brand pyramid is in no way a revolutionary conceptualization of the branding process what it does reinforce is that the basics of branding remain same whether it is a consumer brand or a high-tech brand.

Even though revolutionary technological innovations that have high social impact lead to disruption in the marketplace and cause shifts in the behavior of the consuming population, the fundamental marketing principles remain the same. A revolutionary technological disruption provides opportunity for early innovator companies to quickly establish brand awareness-but only a momentary one. As technology matures, it is the consumer behavior that drives the market and continuously redefines your brand. A brand defined only by innovation cannot endure. In order to sustain brand relevancy and create lasting consumer relationships, both new and maturing technology companies must migrate from an inwardly focused operations orientation to a consumer-centric orientation. The innovation advantages that exist during introduction and initial rapid growth phase are nearly impossible to sustain throughout an entire brands' life cycle. As soon as more competitors enter the field, hi-tech firms face challenges like category encroachment, increased supply and often price erosion. Consumers in maturing marketplaces become more sophisticated and skeptical in their buying behavior. They begin to demand, from both Innovation and Evolutionary brands, further and continued meaningful differentiation. IBM, Amazon.com and AOL are successfully transitioning from a technology focus to a consumer-centric brand strategy and developing a much wider range of evolutionary solutions, to sustain themselves in the long-term. The only thing different about building and sustaining relevant, successful brands today is the radically increased speed of competitive disclosure, especially for high-tech brands. The new pace means brands have less time to respond to consumer demands and while Ford and IBM both had decades to build their brands, the new brands are not likely to be that fortunate. When it comes to creating and managing an enduring brand, the challenges are almost the same as they always were. What it was for IBM it would be for AOL, Amazon.com and also for dotcoms and click-and-mortar brands still to come.

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Case Study

Sosyo's Comeback

Sosyo, a brand of Surat-based Hajoori & Sons presents an interesting example of comeback. Sosyo enjoyed customers in a niche market who liked its unique fruity taste. The brand was mainly limited to Western India with its presence in Gujarat and Maharashtra. Its presence, over five decades, made Sosyo the preferred brand by certain sections of society. It enjoyed strong brand loyalty and commitment not from all market segments but a selected few. Gujaratis particularly exhibited special preference and affection for the brand.

Like any other market, competitive forces often disturb the equilibrium. With the arrival of the mighty Cola brands along with other non-Cola offerings, the pressures mounted on Sosyo. The intensity with which Cola players fought it out amongst themselves and the way consumers were attacked, drowned and lured, it appeared as if the life of a brand like Sosyo was over. Driven by this perception, the management decided to pull the brand out of the market. The brand presence was limited to only a few markets. The company, Hajoori & Sons, in order to make up for the loss of business, took up franchise of a soft drink company, which entered the market after Pepsi and Coke. But once the Cola war became bloodier, Cadbury Schweppes whose franchise the Sosyo owners had taken, began to feel the pinch. Its brands like Crush and Canada Dry were not doing all that well. The pressure to survive was intense. The competition which was hurting Cadbury Schweppes began to inflict wounds on Sosyo owners. The company was sandwiched between the vanishing Sosyo brand whose following it appeared was declining on the one hand and pressured franchise business on the other.

The company was in a fix as to what to do to wriggle out of a difficult situation like this. One option was to completely abandon the Sosyo brand because it seemed to have lost its values and customer loyalty. The Cola blitzkrieg apparently signified drying up scope for a conventional brand like Sosyo. But quite contrary to what was visible, the company thought of brand resurrection. Sosyo had something unique about it. It symbolized something which a select section of the market preferred and longed for. The brand loyalty was not dead. The result: Sosyo brand was relaunched in order to win back its customers who apparently had drifted away to other aerated drinks. The relaunch had wonderful results. The brand got immediately connected with 'its customers'. Returning to its roots paid off for Sosyo. The brand managed to re-establish its presence.

Question

Write down the case facts.

Self Assessment

Fill in the blanks:

7. The Brand Identity Prism includes a ……division.
8. ……a brand requires either that lost sources of brand equity are recaptured or new sources of brand equity are identified and established.

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14.11 Summary

- The firm selects the meaning of the brand. It is derived from basic consumer needs. One way of looking into consumer needs is to see them as functional, symbolic and experiential needs.
- Three stages of brand management can be identified: introduction, elaboration and fortification.
- Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of brand awareness and brand image.
- A brand migration strategy needs to be designed and implemented so that consumers understand how various brands in the portfolio can satisfy their needs as they potentially change over time.
- Taking a strategic long-term approach, presented a normative framework termed Brand Concept Management (BCM) for selecting, implementing and controlling brand image over time to enhance market performance. The framework consists of a sequential process of selecting, introducing, elaborating and fortifying a brand concept.
- David Aaker defines brand equity as a set of five categories 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 a service to a firm and/or to that firm's customers.
- Brand identity has become one of the most contemporary concepts for building and managing brands over time and Jean-Noel Kapferer, the famous French brand strategist, provides a different rendition of the concept.

14.12 Keywords

Brand Concept Management (BCM): Taking a strategic long-term approach, presented a normative framework termed Brand Concept Management (BCM) for selecting, implementing and controlling brand image over time to enhance market performance.

Brand Identity Prism: The Brand Identity Prism includes a vertical division. The facets on the left physique, relationship, reflection- are the social facets that give the brand its outward expression.

Revitalizing Brands: A number of changes can occur in a market over time including changes in consumer tastes and preferences, emergence of new technology and competitors, a change in the regulatory environment.

14.13 Review Questions

1. Write down the Stages of concept management.
2. What is Reinforcing Brands?
3. Briefly explain the Adjustments to the Brand Portfolio.
4. What is Brand Concept Management (BCM)?
5. What do you mean by retiring brands?
6. Discuss how to Manage Brands in Crisis?

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Answers: Self Assessment

1. Image
2. Fortification
3. Research and development
4. New customers
5. Functional, Symbolic and Experiential concept
6. Brand identity
7. Vertical
8. Revitalizing

14.14 Further Readings

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