Marketing 3

Product and Branding

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A product is anything capable of satisfying customer needs.

It is a *bundle of benefits*

It exists on three levels:

- Core
- Actual
- Augmented
The Product Life Cycle

- Both individual brands and product lines need to be managed over time.
- A useful concept for understanding the marketing of products is called the *product life cycle* (PLC).
- The classic PLC has four stages:
  - Introduction
  - Growth
  - Maturity
  - Decline
Product development and the product life-cycle
The Product Life Cycle
# Marketing Objectives and Strategies Over the PLC

<table>
<thead>
<tr>
<th></th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
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</thead>
<tbody>
<tr>
<td><strong>Strategic marketing objective</strong></td>
<td>Build</td>
<td>Build</td>
<td>Hold</td>
<td>Harvest/manage for cash</td>
</tr>
<tr>
<td><strong>Strategic focus</strong></td>
<td>Expand market</td>
<td>Penetration</td>
<td>Protect share</td>
<td>Productivity</td>
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<tr>
<td><strong>Brand objective</strong></td>
<td>Product awareness/trial</td>
<td>Brand preference</td>
<td>Brand loyalty</td>
<td>Brand exploitation</td>
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<tr>
<td><strong>Products</strong></td>
<td>Basic</td>
<td>Differentiated</td>
<td>Differentiated</td>
<td>Rationalized</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Creating awareness/trial</td>
<td>Creating awareness/trial repeat purchase</td>
<td>Maintaining awareness/repeat purchase</td>
<td>Cut/eliminated</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>High</td>
<td>Lower</td>
<td>Lowest</td>
<td>Rising</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td>Patchy</td>
<td>Wider</td>
<td>Intensive</td>
<td>Selective</td>
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New Product Development

• The introduction of new products to the marketplace is the lifeblood of corporate success

• Four broad categories of new product exist:
  – Product replacements: (45%) Include revisions and improvements to existing products
  – Additions to existing lines: (25%) Add to a company’s existing product lines
  – New product lines: (20%) Represent a move into a new market
  – New-to-the-world products: (10%) Create entirely new new markets
The diffusion of innovation process is a useful starting point for choosing a target market.

Not everyone will be in the same state of readiness to buy a new product when it is launched.

The adoption process:

- Awareness
- Interest
- Trial
- Adoption
Types of new product adopters

- Innovators – the first to try new things
- Early adopters – open to new ideas, but not the first to try
- Early majority – buy once the product is tried & tested
- Late majority – suspicious of new things. Wait until most people have one
- Laggards – only adopt new products when it becomes absolutely necessary to do so.
Adopter types

Diffusion of Innovation
Adopter Categories

- Innovators: 2.5%
- Early Adopters: 13.5%
- Early Majority: 34%
- Late Majority: 34%
- Laggards: 16%

Critical Mass

TIME
Brand and Product Management
What is a brand?

- At its core, a brand is a promise to consumers.
- The brand promise incorporates more than just those tangible products and services. It also includes the feelings that consumers get when they use your offering.
- Every brand has a persona. Think of your brand as a person. What is that person like?
- The brand image must be clear.
The Benefits of Brands to Organisations

- Company value
  - brand equity
- Consumer preference and loyalty
- Barrier to competition
- High profits
- Base for brand extensions
The Benefits of Brands to Consumers

- Communicates features and benefits
- Reduces the risk in purchasing
- Simplifies the purchase decision
- Symbolic value
Building Brands

Building brands involves making decisions about:

- The brand name
- How the brand is developed
- How the brand is positioned in the marketplace
Naming Brands

Brand name strategies

- Family brand names
- Individual brand names
- Combination brand names
# Brand Name Considerations

<table>
<thead>
<tr>
<th></th>
<th>A good brand name should:</th>
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<tbody>
<tr>
<td>1</td>
<td>evoke positive associations</td>
</tr>
<tr>
<td>2</td>
<td>be easy to pronounce and remember</td>
</tr>
<tr>
<td>3</td>
<td>suggest product benefits</td>
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<tr>
<td>4</td>
<td>be distinctive</td>
</tr>
<tr>
<td>5</td>
<td>use numerals when emphasizing technology</td>
</tr>
<tr>
<td>6</td>
<td>not infringe an existing registered brand name</td>
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</table>
# Brand Name Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td><strong>People:</strong></td>
<td>Cadbury, Mars, Heinz</td>
</tr>
<tr>
<td><strong>Places:</strong></td>
<td>Singapore Airlines, Deutsche Bank</td>
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<tr>
<td><strong>Descriptive:</strong></td>
<td>I Can’t Believe it’s Not Butter, The Body Shop, T-mobile</td>
</tr>
<tr>
<td><strong>Abstract:</strong></td>
<td>KitKat, Kodak, Prozac</td>
</tr>
<tr>
<td><strong>Evocative:</strong></td>
<td>Egg, Orange</td>
</tr>
<tr>
<td><strong>Brand extensions:</strong></td>
<td>Dove Deodorant, Virgin Direct, Playtex Affinity</td>
</tr>
<tr>
<td><strong>Foreign meanings:</strong></td>
<td>LEGO (from ‘play well’ in Danish), Thermos (meaning ‘heat’ in Greek)</td>
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Trademarks

- Legal protection for a brand name, brand mark or trade character is provided through the registration of trademarks

- As brands assume greater importance so too does their legal protection
The Anatomy of Brand Positioning

Figure 6.3 The anatomy of brand positioning

- Brand domain
- Brand values
- Brand reflection
- Brand personality
- Brand assets
- Brand heritage
The Boston Consulting Group Growth-Share Matrix

Figure 6.4 The Boston Consulting Group growth-share matrix
The BCG Matrix approach has been developed by the Boston Consulting Group.
Strategic Objectives

**Stars**
- These are market leaders in high-growth markets
- Prospects for further growth are good
- Resources should be invested to maintain/increase leadership position
- Competitive challenges should be repelled
- These are the cash cows of the future and need to be protected

**Problem Children**
- Also known as question marks
- These are cash drains due to low profitability
- The choice is either to increase investment to turn the problem child into a star or withdraw support either by harvesting or divesting
- Or find a small market segment (niche) where dominance can be achieved
### Strategic Objectives

<table>
<thead>
<tr>
<th><strong>Cash Cows</strong></th>
<th><strong>Dogs</strong></th>
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<tbody>
<tr>
<td>- High profitability, low investment associated with high market share in low growth markets</td>
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<td>- Cash cows should be defended</td>
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<tr>
<td>- Hold sales and/or market share</td>
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<tr>
<td>- Excess cash should be used to support stars, selected problem children and new product development</td>
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<tr>
<td>- Weak products that compete in low-growth markets</td>
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<tr>
<td>- Cash dogs achieve second or third place in marketplace</td>
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<tr>
<td>- Harvest or divest or focus on defendable niche</td>
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</tbody>
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