Biyani's Think Tank

Concept based notes

Product and Brand Management

(MBA)

Gurukpo.com
No 1 Educational Web Portal in India

Sujata Biyani

Karishma Gupta

Deptt. of Management

Biyani Institute of Science and Management

Biyani's Group of Girls' Colleges

Published by :

Think Tanks

Biyani Group of Colleges

Concept & Copyright :

Biyani Shikshan Samiti

Sector-3, Vidhyadhar Nagar,

Jaipur-302 023 (Rajasthan)

Ph : 0141-2338371, 2338591-95 Fax : 0141-2338007

E-mail : acad@biyanicolleges.org

Website :www.gurukpo.com; www.biyanicolleges.org

ISBN No: 978-93-81254-78-3

Edition : 2014

While every effort is taken to avoid errors or omissions in this Publication, any mistake or omission that may have crept in is not intentional. It may be taken note of that neither the publisher nor the author will be responsible for any damage or loss of any kind arising to anyone in any manner on account of such errors and omissions.

Leaser Type Setted by :

Biyani College Printing Department

Preface

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the "Teach Yourself" style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Prof. Sanjay Biyani, *Director* (*Acad.*) and Dr. Pawan Patodia Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this endeavour. They played an active role in coordinating the various stages of this endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

Sujata Biyani

Karishma Gupta

Gurukpo.com
No. 1 Educational Web Portal in India

Syllabus

Section-A

Module	Course Description	Contact Hours
Module 1	**Product Offering Decisions:** Marketing Mix and Product Strategy – Integrated Approach, Levels of a Product, Product Characteristics and Classifications, Product and services Differentiation, Product Life-Cycle Marketing Strategies.	8
Module II	**Setting Product Strategy:** Product-Mix Decisions, Product-Line Strategies, Product-Mix Pricing, Packaging and Labeling Decisions, Product Manager's role in organization, New Product Development, Consumer-Adoption Process.	6
Module III	**Brand Management:** Concept of a brand, Types of brands, Strategic Brand Management Process. Brand Building Blocks	4
Module IV	**Identifying and Establishing Brand Positioning and Values:** Concept of Brand Positioning, Choosing Points-of-Difference and Points-of-Parity, Positioning Strategies, Repositioning strategies.	4
Module V	**Managing Brands:** Brand Personality, Elements of Brand personality. Brand Awareness, Brand Loyalty. Brand Identity-concept and sources, Designing brand identity - Kapferer's Brand Identity Prism,	6

	Brand Image.	
Module VI	**Understanding Brand Equity:** Brand Equity – Definition and Significance, Brand Equity Models, Building brand equity, Brand Value and Brand Strength, Measuring brand equity-Cost Based Method. Price Based Method, Customer based Method.	6
Module VII	**Branding Strategy:** Designing and implementing Branding Strategies- name , symbol, slogan. Brand Extension- Meaning, Types, Need, Advantages & Disadvantages, Evaluating Brand Extension Opportunities, Reinforcing and revitalizing brands.	6
Module VIII	**Managing Brands over Geographic Boundaries and Market Segments:** Advantages and disadvantages of Global Marketing Programs, Standardization versus Customization, Global Brand Strategy, Building Global Customer-Based Brand Equity.	5

Section-B

At Least one Case Study from each module
Questions will be case/inferences/application based

Guru No. 1 Educational Web P

Content

Gurukpo.com
No. 1 Educational Web Portal in India

Module 1

Product Offering Decisions

The 9 Ps in Marketing Mix

Gladys Chan

Marketing Mix

We often heard about the marketing jargon - the 4 Ps, which are the basic ingredients of marketing mix. Now, more and more people are talking about the 9 Ps. What are marketing mix and the 9 Ps?

The term 'marketing mix' was coined in the article *The Concept of the Marketing Mix* written by Neil Borden of Harvard Business School in 1964. It is the planned mix of the controllable elements of a product's marketing plan. Traditionally, elements of the marketing mix are often referred to the 4Ps, proposed by E. Jerome McCarthy of Michigan State University in 1964: Product, Price, Promotion and Place. As society evolved, more Ps were added to the marketing mix and now we have 9 Ps in total.

William G. Nickels and Marvin A. Jolson of University of Maryland suggested the inclusion of Packaging as the 5th P in the 1970s, but it was not well accepted until the 21st century. In the meantime, three Ps have also been added to the marketing mix. They are People, Process and Physical Evidence respectively, which serve mainly in the service industry and are now widely recognized. In 2008, Bryan K. Law of Fox College of Business suggested Payment should also be included; as ease and security of transaction plays a crucial role in marketing, especially in this cyber age. This makes a total of 9 elements, the 9 Ps, in marketing.

The 9 Ps

'Product' is a tangible object or an intangible one for sale. Examples of tangible objects are gasoline and pens, and of course, real estate as well. Intangible products are service-based like transportation, hotel accommodations or insurance.

'Price' is the amount that a product is asking in the market. It is determined by a number of factors including market positioning, market share, competition, cost, product identity and the customer's perceived value. A business may increase or decrease the price of product if the product is in demand or in competition.

GuruKPO.com
No.1 Educational Web Portal in India

'Place' refers to the location where a product can be purchased or the target market of the product. It also refers to the channel where the product is available for sale. Therefore, it is often referred to as the distribution channel.

'Promotion' is all the communications that a marketer may use in the marketplace. It has five distinct elements: personal selling, advertising, sales promotion, direct marketing, and public relations.

'People' is the transactional interface between an organization and the consumers. In most of the cases, people buy from people; this is why Customer Relationship Management plays an important role in today's business culture. 'Process' is the procedure, mechanism and flow of activities to produce a product or to provide services or products to consumers. For example, the prevailing ISO standards (such as ISO 9001) are designed to help organizations ensure their process can meet the needs of customers and other stakeholders in their field. 'Physical Evidence' is the tangible element that allows the consumers to make judgements about the organization. Examples are: Premises Websites Paperwork(such as tickets) Brochures Signage (such as those on aircraft and vehicles) Uniforms Business cards 'Packaging' is the process of enclosing or protecting products for distribution, storage, sale, and use, it also refers to the process of design, evaluation, and production of packages and the image of the organization.

'Payment' is the consideration for the delivery of products and services. It can be in different formats: cash, cheque, credit and even barters or loyalty program points. Terms of payment affect the ease of transaction which may also affect the buying behaviour of the consumers.

Marketing strategy

An effective marketing strategy combines the 4 Ps of the marketing mix. It is designed to meet the company's marketing objectives by providing its customers with value. The 4 Ps of the marketing mix are related, and combine to establish the product's position within its target markets.

Weaknesses of the marketing mix

The four Ps of the marketing mix have a number of weaknesses in that they omit or underemphasize some important marketing activities. For example, services are not explicitly mentioned, although they can be categorized as products (that is, service products). As well, other important marketing activities (such as packaging) are not specifically addressed but are placed within one of the four P groups.

Another key problem is that the four Ps focus on the seller's view of the market. The buyer's view should be marketing's main concern.

The four Ps as the four Cs

The four Ps of the marketing mix can be reinterpreted as the four Cs. They put the customer's interests (the buyer) ahead of the marketer's interests (the seller).

Gurukpo.com
No 1 Educational Web Portal in India

- Customer solutions, **not products:** Customers want to buy value or a solution to their problems.
- Customer cost, **not price:** Customers want to know the total cost of acquiring, using and disposing of a product.
- Convenience, **not place:** Customers want products and services to be as convenient to purchase as possible.
- Communication, **not promotion:** Customers want two-way communication with the companies that make the product.

Marketing - Product Strategy

What is a product?

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

In other words, a product is the item(s) or service(s) that you are offering your customers.

A product can be a physical object or a service and may refer to a single item or unit, a group of equivalent products or a group of goods or services.

Products have 3 components:

Core product – this is the end benefit for the buyer and answers the question: What is the buyer really buying? For example, the buyer of a car is buying a means of transport, the buyer of an aspirin is buying pain relief and the buyer of financial advice is hoping to buy financial security and peace of mind.

Formal product – this is the actual physical or perceived characteristics of your product including its level of quality, special features, styling, branding and packaging.

Augmented product – the support items that complete your total product offering such as after-sales service, warranty, delivery and installation.

Products incorporate the following characteristics:

- **Product attributes**

Quality – the major tool in positioning your product. It encompasses two key elements: 1) quality level - how it is made or perceived, and 2) quality consistency - how it performs over its life.

Features – the physical or intrinsic characteristics of your product that contribute to the benefits it offers.

GurukPO.com No.1 Educational Web Portal in India

Design – a combination of how the product looks and how it performs.

• **Branding**

A brand is a name, term, sign, symbol or design, or a combination of these elements that identifies the maker or seller of a product or service. Branding is an important part of a product and contributes to its personality and perceived value. The power of a brand cannot be underestimated – many people buy on the strength of brand alone with no regard for price or performance.

• **Packaging**

Packaging incorporates the wrapper or container for your product. It serves to protect the product, ensuring it reaches the buyer in good condition and also conveys the personality of your brand and important safety and statutory information. There are usually two levels of packaging – the primary packaging containing each individual product (eg: a can) and the secondary packaging which contains a quantity of products (eg:a carton).

• **Labelling**

Labelling incorporates all the written information about your product and usually takes the form of an adhesive sticker, a tie-on tag or a printed piece of packaging.

Product positioning

Product positioning is the way a product or service is seen by consumers and how they view its important attributes in relation to competitor's products. For instance a car can be positioned on the basis of style, performance, safety or economy whilst a computer might be positioned on the basis of speed, capacity, reliability

Choosing and implementing your product positioning strategy is an important task. You need to determine your product's competitive advantages (ie: what sets it apart from its competitors) and then based on this information, decide how to position your offering in the market. Quality, features, design, branding, packaging, labelling and service all affect the way your product is positioned.

THE IMPORTANCE OF SERVICE IN YOUR PRODUCT STRATEGY

Many businesses underestimate the importance of quality customer service, but consumers today are becoming more educated, more discerning, more demanding, and more aware of their rights, so disregarding the customer service element in your product strategy could be a costly error.

When developing and implementing your customer service policy it's worth remembering the following points:

Firstly, it's a well researched fact that each dissatisfied customer will, on average, tell 15 other people of their negative experience - a satisfied customer will tell no more than 6 so with those odds, you really can't afford to have too many dissatisfied customers.

Gurukpo.com No.1 Educational Web Portal in India

Secondly, it's only loyal customers that take the time to complain - others simply take their business elsewhere - so you should treat a complaint as a golden opportunity by solving it and then going on to cement a positive and ongoing relationship with that customer.

Five product levels (Kotler)

According to **Philip Kotler**, who is an economist and a marketing guru, a product is more than a tangible ***'thing'***. A product meets the needs of a consumer and in addition to a tangible value this product also has an abstract value. For this reason Kotler states that there are five product levels that can be identified and developed.

In order to shape this abstract value, Kotler uses five product levels in which a product is located or seen from the perception of the consumer. These five product levels indicate the value that consumers attach to a product. The customer will only be satisfied when the specified value is identical or higher than the expected value.

Product Management: Product Levels, Product Hierarchy, Product Mix!

We will discuss about how a company manages its products. Marketers must determine the assortment of products they are going to offer consumers.

Some firms sell a single product; others sell a variety of products. A product item refers to a unique version of a product that is distinct from the organisations other products.

Product Levels:

Theodore Levitt proposes that in planning its market offering, the marketer needs to think through 5 levels of the product. Each level adds more customer value and taken together forms Customer Value Hierarchy.

i. Core Benefit or Product:

This is the most fundamental level. This includes the fundamental service or benefit that the customer is really buying. For example, a hotel customer is actually buying the concept of "rest and sleep"

ii. Basic or Generic Product:

The marketer at this level has to turn the core benefit to a basic product. The basic product for hotel may include bed, toilet, and towels.

iii. Expected Product:

At this level, the marketer prepares an expected product by incorporating a set of attributes and conditions, which buyers normally expect they purchase this product. For instance, hotel customers expect clean bed, fresh towel and a degree of quietness.

Gurukpo.com No.1 Educational Web Portal in India

iv. Augmented product:

At this level, the marketer prepares an augmented product that exceeds customer expectations. For example, the hotel can include remote-control TV, fresh, flower room service and prompt check-in and checkout. Today's competition essentially takes place at the product-augmentation level. Product augmentation leads the marketer to look at the user's total consumption system i.e. the way the user performs the tasks of getting, using fixing and disposing of the product.

Theodore Levitt pointed out that the real competition is not what the companies have manufactured in the factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing and other things that people value.

Some things should be considered in case of product-augmentation strategy.

i Each augmentation adds cost. The extra benefits available in hotels add cost

ii. Augmented benefits soon become expected benefits. The unexpected additions like flower, remote-controlled TV soon become very much expected by the customers from the hotel.

iii. As companies raise the price of their augmented product, some companies may offer a stripped- down" i.e. no-augmented product version at much lower price. There are always a set of low- cost hotel are available among the 5-star hotels.

v. Potential Product:

This level takes into care of all the possible augmentations and transformations the product might undergo in the future. This level prompts the companies to search for new ways to satisfy the customers and distinguish their offer. Successful companies add benefits to their offering that not only satisfy customers, but also surprise and delight them. Delighting is a matter of exceeding expectations.

Product Hierarchy:

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. There are 7 levels of the product hierarchy:

1. Need family:

The core need that underlines the existence of a product family. Let us consider computation as one of needs.

2. Product family:

All the product classes that can satisfy a core need with reasonable effectiveness. For example, all of the products like computer, calculator or abacus can do computation.

Gurukpo.com No. 1 Educational Web Portal in India

3. Product class:

A group of products within the product family recognised as having a certain functional coherence. For instance, personal computer (PC) is one product class.

4. Product line:

A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels or fall within given price range. For instance, portable wire-less PC is one product line.

5. Product type:

A group of items within a product line that share one of several possible forms of the product. For instance, palm top is one product type.

6. Brand:

The name associated with one or more items in the product line that is used to identity the source or character of the items. For example, Palm Pilot is one brand of palmtop.

7. Item/stock-keeping unit/product variant:

A distinct unit within a brand or product line distinguishable by size, price, appearance or some other attributes. For instance, LCD, CD- ROM drive and joystick are various items under palm top product type.

Product Mix:

An organisations product line is a group of closely related products that are considered a unit because of marketing, technical or end-use considerations. In order to analyse each product line, product- line managers need to know two factors. These are:

i. Sales and profits

ii. Market profile

A product mix or assortment is the set of all products and items that a particular seller offers for sale. A company's product-mix has some attributes such as.

1. Width:

This refers to how many different product lines the company carries.

2. Depth:

This refers to how many variants, shades, models, pack sizes etc. are offered of each product in the line

3. Length:

Gurukpo.com No.1 Educational Web Portal in India

This refers to the total number of items in the mix.

4. Consistency:

This refers to how closely the various product lines are related in end use, production requirements, distribution channels or some other way.

Let us take example of partial product assortment of HLL in its Home and Personal Care (HPC) division:

TABLE 4.1: PARTIAL PRODUCT ASSORTMENT OF HLL

Product Width

	Product line 1	Product line 2	Product line 3
	Detergents	Bathing Soaps	Shampoos
Product Length	Surf Surf Excel Wheel	Lifebuoy Lux Dove Liril Rexona Hamam	Sunsilk Clinic Plus

So you see that there are three product lines of detergent, bathing soaps and shampoos in our example. The list is illustrative and not exhaustive as HLL has many more product lines. Hence, in the example the product width is 3. If Sunsilk has 3 different formulations (oily, dry and normal hair) and 3 variations (sachet, 50 ml and 100 ml), then the depth of Sunsilk is 3 X 3 = 9.

The average depth of HLL's product mix can be calculated by averaging the depths of all brands, which signifies the average depth of each product. For example if Surf, Lifebuoy, Surf Excel, Lux, Clinic Plus, Sunsilk, Wheel, Liril, Rexona, Dove and Hamam have depths of 3, 2, 1, 3, 6, 9, 2, 3, 2, 1 and 2 respectively (all are hypothetical figures), then the average depth of HLL's HPC division is (3+2+1+3+6+9+2+3+2+1+2)/11i. e. 34/11 i.e. 3.1. The length of HPC division is 11. The average length of line is determined by dividing the total length by the width (i.e. the number of lines), which signifies the average number of products in a product line. In this case, the average length is 11/3 i.e. 3.67.

Product-Line Length:

Product-line managers are concerned with length of product line. If adding items to the product line can increase profits, then we can say that the product line is too short. On the contrary, the line is too long if dropping items can increase profits. They have to consider these two extremes of the product line and have to strike a balance between them.

Gurukpo.com
No.1 Educational Web Portal in India

Company objectives influence product-line length. Companies seeking high market share and market growth will carry longer lines. Companies that emphasise high profitability will carry shorter lines consisting of carefully chosen items.

A company can lengthen its product line in 2 ways viz. a) line stretching and b) line filling.

Line Stretching:

This occurs when a company lengthens its product line beyond its current range. This is a frequent measure taken by companies to enter new price slots and to cater to new market segments. The product may be stretched by the addition of new models, sizes, variants etc. The company can stretch in 3 ways:

1. Down-market stretch:

A company positioned in the upper market may want to introduce a lower price line. They offer the product in the same product line for the lower end markets. A company can take this strategy for 3 reasons:

i. Strong growth opportunities in the down-market

ii. Tie-up lower-end competitors who might try to move up-market

iii. Stagnating or declining middle market

The company has 3 choices in naming its down-market products.

i. Same name Eg: Sony

ii. Sub-brand name: Eg: Maruti 800

iii. Different name: Eg: Panasonic and JVG from Matshushita

ii. Up-market stretch:

Companies may wish to enter the high end of the market for more growth, higher margins or simply to position themselves as full-line manufacturers. So they offer the products in the same product line and cover the upper end market. For example, most of the car companies in India have cars in premium segments like GM (Chevrolet Forester), Ford (Endeavour), Hyundai (Terracan), Mitusubishi (Pajero), Maruti (Grand Vitara XL-7), Honda (CR-V) and Mercedes Benz (M-Class)

iii. Two-way stretch:

Companies serving the middle market may decide to stretch their line in both directions. Tata Motors had Multi-purpose Utility Vehicles (MU V) like Sumo and Safari targeted for middle segment of the market. It had launched Indica for lower segment of the market as well as Indigo Marina and Indigo Estate for up-market consumers.

GurukPO.com
No 1 Educational Web Portal in India

a) Line filling:

As the name applies, filling means adding a product to fill a gap in the existing line. The company wants to portray itself as full line company and that customers do not go to competitors for offers or models in particular price slots. There are several motives of line filling as follows:

i) Reaching for incremental profits

ii) Trying to satisfy dealers who complain about lost sales because of missing items in the line

iii) Trying to utilise the excess capacity

iv) Trying to be the leading full-line company

v) Trying to plug holes in the product-line to keep out the competitors

Line Modernisation:

Product lines need to be modernised continuously. Companies plan improvements to encourage customer migration to higher-valued, higher-priced items. For instance, Intel upgraded its Celeron microprocessor chips to Pentium 1, 2, 3 and now 4.

Line Featuring:

The product-line manager selects one or few items in the line to feature. Sometimes, a company finds one end of its line selling well and the other end selling poorly. Then the company may try to boost demand for the short sellers especially if they are produced in a factory that is idled by lack of demand.

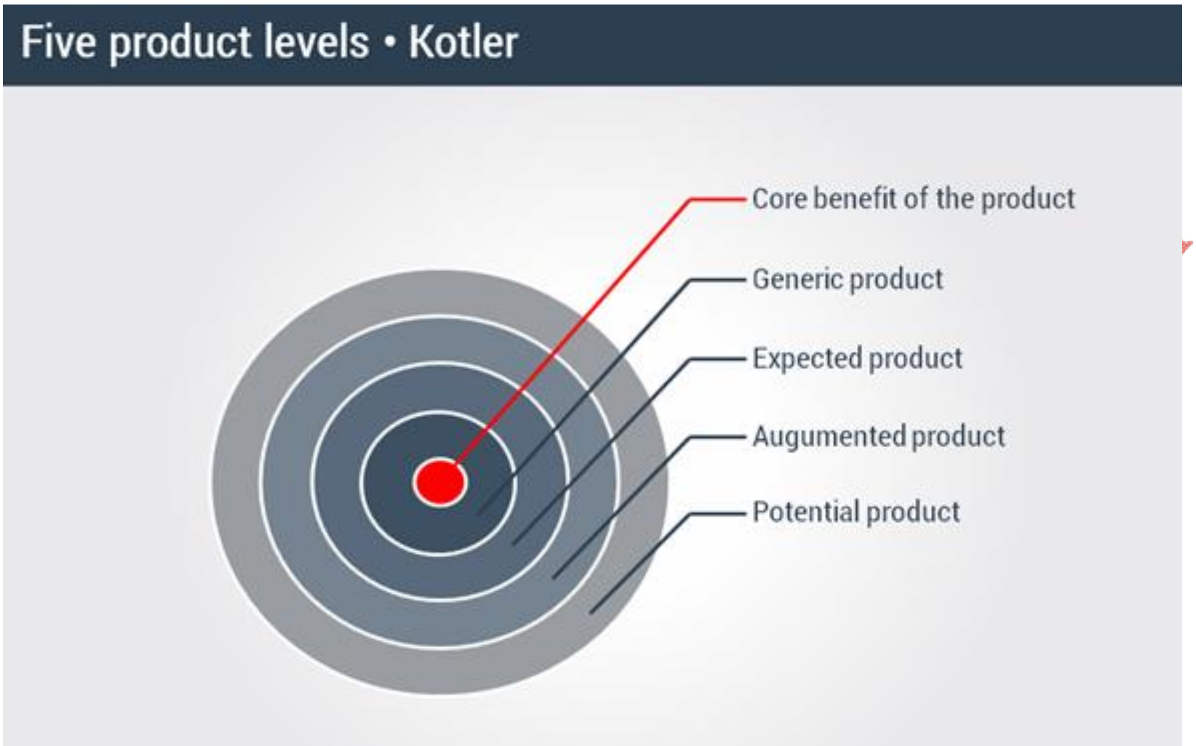
Line Pruning:

At times a company finds that over the years it has introduced many variants of a product in the product line. This was required may be because of the changing market situations. In this process the product lines become unduly complicated and long with too many variants, shapes or sizes. In the present situation it mind find out that efforts behind all these variants is leading to non-optimal utilisation of resources. In other words it might be profitable for the company to leave behind some of the variants.

So when the products are not satisfactorily performing, the product managers need to drop them form the product line. This may lead to increase in profitability. Thus line pruning is consciously taken decision by the product manager to drop some product variants from the line. For example Heads and Shoulders is a well-known brand of shampoo from P&G, which had 31 versions. They went for line pruning and now they have around 15 versions.

Gurukpo.com No. 1 Educational Web Portal in India

FIVE PRODUCT LEVELS BY PHILIP KOTLER



1. Core Product

This is the basic product and the focus is on the purpose for which the product is intended. For example, a warm coat will protect you from the cold and the rain.

2. Generic Product

This represents all the qualities of the product. For a warm coat this is about fit, material, rain repellent ability, high-quality fasteners, etc.

3. Expected Product

This is about all aspects the consumer expects to get when they purchase a product. That coat should be really warm and protect from the weather and the wind and be comfortable when riding a bicycle.

4. Augmented Product

This refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image. Is that warm coat in style, its colour trendy and made by a well-known fashion brand? But also factors like service, warranty and good value for money play a major role in this.

5. Potential Product

This is about augmentations and transformations that the product may undergo in the future. For example, a warm coat that is made of a fabric that is as thin as paper and therefore light as a feather that allows rain to automatically slide down.

Competition

The competition between businesses focuses mainly on the distinctiveness of the Augmented Product according to Kotler. It is about the perception a consumer experiences when purchasing a product and it is not so much about value. He states: *"Competition is determined not so much by what companies produce, but by what they add to their product in the form of packaging, services, advertising, advice, delivery (financing) arrangements and other things that can be of value to consumers"*.

Upward trend

For production companies it is important to deliver products in an upward trend from *'Core Product'* to *'Augmented Product'* and to have the potential to grow into the *'Potential Product'*. Under the guise of *'stagnation means decline'*, innovative companies such as Philips and Volkwagen focus on the latter category.

Added value

Each level of the five product levels adds value for the customer. The more efforts production companies make at all levels, the more likely they are to stand a chance to be distinctive. At the *'Augmented Product'* level, the competition is observed in order to copy certain techniques, tricks and appearance of each other's products. This makes it increasingly difficult for a consumer to define the distinctiveness of a product.

To be able to tower over the competition, production companies focus on factors which consumers attach extra value to such as extreme packaging, surprising advertisements, customer-oriented service and affordable payment terms. This is not just about satisfying the customers and exceeding their expectations but also about surprising them.

What Is Product Differentiation?

Today, many companies offer the same products and services. It may seem pointless to try to compete in an environment in which numerous other companies are already offering the same product or service you wish to sell. However, new companies often do come into the market place and successfully sell products and services that already existed in that market place. They are able to compete because they use product differentiation.

Product differentiation is a specific kind of business and marketing strategy. It focuses on a target market in which competitors already offer similar products or services. A company

Gurukpo.com No. 1 Educational Web Portal in India

that uses product differentiation tries to create the perception among certain target customers that the company's version of this product or service is somehow different and thus has added value that is not available from competitors.

Product differentiation is extremely important to running any kind of business. This is due to economic principles that have been demonstrated time and time again in nearly every market place. If the public perceives no difference between two competing products, then the only possible means of competition is through pricing. In a situation such as this, products are viewed by customers as very easy substitutes for one another. If one product is more expensive than the other, the customer will simply purchase the cheaper product. She does this because she views no difference between them. To compete, the company with the higher price will lower its price to the same level as the competition. Eventually, another company may ignore the standard price in the market and offer the same product at an even lower price. The other competitors have no choice but to lower their prices as well. They have to or they will lose their business. Eventually, this leads to a situation in which the prices are lowered to the point where no business in the market can make a profit off of that product. Situations such as these present themselves in markets where products are relatively similar. For example, people generally don't consider one brand of peas inherently superior to another. Due to this fact, they are likely to just purchase the cheapest brand. Entering into a business such of this doesn't seem like a lucrative proposition. Gaining market share and producing a sizable profit will be very difficult.

The answer to this problem based on economic principals is to make your product seem different from the competition. If the customers do perceive a difference, one product is less likely to be a perfect substitute for another. The ways a product can be differentiated from the competition are numerous. However, actual physical alteration of the product is not always necessary. For example, with the previous pea example, there seems to be little space for altering the actual product. A pea will generally be the same no matter where or how it's harvested. However, today, many consumers are highly conscious of the environment. They may, for example, be against the use of chemical pesticides and fertilizers in farming due to the effect that those chemicals can have on animals, plants, and human beings. These consumers tend to prefer purchasing what is known as organic vegetables that are harvested without the use of these synthetic chemicals. If a grocer offers peas that are labeled as having been organically grown, product differentiation from peas that do not carry this label has been achieved. One may be hard pressed to find a difference by simply comparing the appearance of an organic pea to a non-organic grown pea. However, since the consumer perceives a difference between the peas due to this organic label, the non-organically grown peas cannot be a substitute. In this situation, the shopper who must have organically grown vegetables is much more likely to pay a premium for those organic peas. Thus, through this product differentiation, the businesses that grow and sell these peas have escaped a situation in which they would only be competing in the market on the basis of price alone. Making a sizable profit in a crowded market place is once again possible.

GurukPO.com No.1 Educational Web Portal in India

Products can be differentiated through many different ways. This differentiation may for example take the form of different packaging. For example, certain beer drinkers may be receptive to a different can design with a wider mouth. It can also take the form of marketing. For example, a cell phone company may offer the same services to all age groups. However, it may target certain kinds of cell phones to teenagers and others to senior citizens. The possibilities are nearly limitless. As long as a business can come up with a creative way to differentiate its product or service, gaining a competitive advantage is possible.

Differentiation: Kotler on marketing

The stock market is a perfect example of an undifferentiated market. If you want to buy 100 shares of IBM, you will buy it at the lowest price. There may be 1,000 people ready to sell shares of IBM. All you care about is who will charge the least. No characteristic of the seller—how long he/she has held the shares, whether he/she cheats on income tax or spouse, what his/her religion is—matters to you.

We say that a product market resembles a commodity market when we don't care whose product or brand we take ("They are all the same") or we don't need to know anything about the seller. Thus we would say that oranges in a supermarket amount to a commodity if they all look alike and we don't care to know the grower or the orchard. But there are three things that could violate the assumption of an undifferentiated market.

- First, the products may look different. In the case of oranges, they may come in different sizes, shapes, colours, and tastes, and with different prices. We can call this *physical differentiation*.
- Second, the products may bear different brand names. We call this *brand differentiation*. Oranges carry brand names such as Sunkist or Florida's Best.
- Third, the customer may have developed a satisfying relationship with one of the suppliers. We call this *relationship differentiation*. For example, although the brands are well known, one company may have provided better and faster answers to the customer's questions.

Harvard's Theodore Levitt threw down the gauntlet when he said: **"There is no such thing as a commodity. All goods and services are differentiable."** [1] He saw commodities as simply products waiting for a redefinition. Frank Perdue, who produces one of the most popular brands of chicken, would boast: **"If you can differentiate a dead chicken, you can differentiate anything."** No wonder one professor tells his MBA class that any student who uses the word "commodity" during a case discussion would be fined $1.

Yet some companies believe they can win through pure will power. Some years ago, the runner-up razor blade manufacturer in Brazil challenged Gillette, the market leader. We asked the challenger if his company offered the consumer a better razor blade. "No" was the reply. "A lower price?" "No." "A better package?" "No." "A clever advertising campaign?" "No.""Better allowances to the trade?" "No." "Then how do you expect to take share away from Gillette?" "Sheer determination" was the reply. Needless to say, the offensive failed.

Tom Peters broadcasts the mantra: **"Be distinct or extinct."** But not every difference is distinctive. Establish "meaningful differences, not better sameness."

Differentiation can be achieved in many ways (see box).

Jack Trout's book, *Differentiate or Die*, shows dozens of ways companies have managed to produce a differentiated product, service, experience, or image in the minds of customers.

Greg Carpenter, Rashi Glazer, and Kent Nakamoto, don't even hold that the differentiation needs to be meaningful.[3] for some products, such as detergents, all the valuable attributes may have already been discovered and exploited. They argue that "meaningless differentiation" can work. For example, Alberto Culver makes a shampoo called Natural Silk to which it does add silk, despite admitting in an interview that silk does nothing for hair. But this kind of attribute attracts attention, creates a distinction, and implies a better working formula.

HOW TO DIFFERENTIATE

- Product (features, performance, conformance, durability, reliability, repairability, style, design)
- Service (delivery, installation, customer training, consulting, repair)
- Personnel (competence, courtesy, credibility, reliability, responsiveness, communication skill)
- Image (symbols, written and audio/video media, atmosphere, events)

WHAT IS SERVICE DIFFERENTIATION?

How do you differentiate your services from that of the competition? It's easier in products where the variables are tangibles but pretty different in case of services. When the physical product cannot be differentiated easily, the key to competitive success may lie in adding valued services and improving their quality. This is the outlook of service differentiation.

The main factors which can be used for service differentiation are:

1. **Ordering ease:** Refers to how easy it is for you to place an order with the company. Baxter Healthcare has eased the ordering process by supplying hospitals with computer through which they send orders directly to Baxter; consumers can now order and receive groceries without going to the supermarket through web-based service such as peapod and net grocer. Thus these services have differentiated themselves through ease of ordering.

2. **Delivery:** It is related to how well the product or service is delivered to the customer, covering speed, accuracy and customer care. Deluxe check printer, inc., has built an

Gurukpo.com No. 1 Educational Web Portal in India

impressive reputation for shipping out its checks one day after receiving an order-without being late once in 18 years.

3. **Installation**: refers to the work done to make a product operational in its planned location. Buyers of heavy equipment expect good installation service. Differentiation by installation is particularly important for companies that offer complex products such as computers.

4. **Customer training:** refers to how the customer's employees are trained to use the vendor's equipment properly and efficiently. General Electric not only sells installs expensive X-rays equipment in hospitals, but also gives extensive training to users of this equipment.

5. **Customer consulting** refers to data, information system and advising services that the seller offers to buyers. For example, the Rite aid drugstore chain's communications program, called the Vitamin Institute, provide customers with research so they can make more educated judgments and fell comfortable asking for help. On the Web, Rite Aid has teamed with drugstore.com to offer even more health-related information.

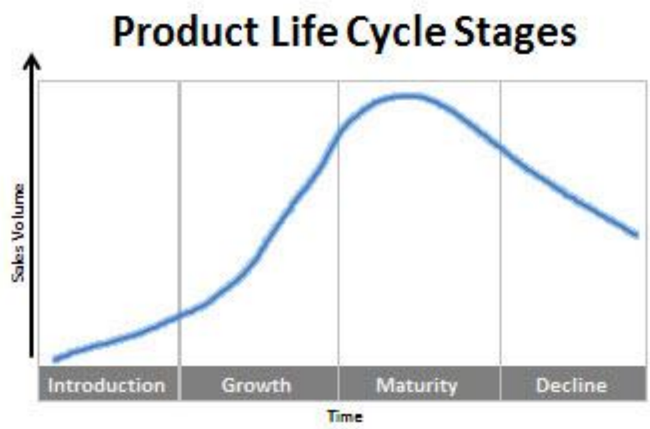
6. **Maintenance and repair**: describes the service program for helping customers keep purchasing products in good working order, an important consideration for many products.

These are 6 steps to achieve service differentiation. Each of these steps can be seen implemented in leading service chains / companies.

Web Portal in India

PRODUCT LIFE CYCLE AND ITS STAGES

Product Life Cycle Stages



As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

Product Life Cycle Stages Explained

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

Introduction Stage – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector.

Growth Stage – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

Maturity Stage – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

Decline Stage – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

Product Life Cycle Examples

It's possible to provide examples of various products to illustrate the different stages of the product life cycle more clearly. Here is the example of watching recorded television and the various stages of each method:

Introduction - 3D TVs

Growth - Blueray discs/DVR

Maturity - DVD

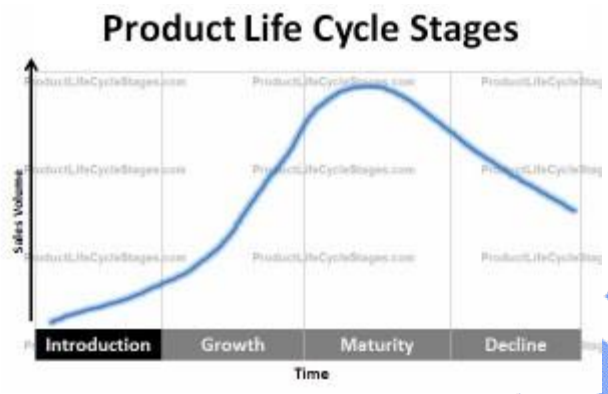
Decline - Video cassette

Gurukpo.com No.1 Educational Web Portal in India

The idea of the product life cycle has been around for some time, and it is an important principle manufacturers need to understand in order to make a profit and stay in business.

However, the key to successful manufacturing is not just understanding this life cycle, but also proactively managing products throughout their lifetime, applying the appropriate resources and sales and marketing strategies, depending on what stage products are at in the cycle.

Introduction



The first of the four product life cycle stages is the Introduction Stage. Any business that is launching a new product needs to appreciate that this initial stage could require significant investment. This isn't to say that spending a lot of money at this stage will guarantee the product's success. Any investment in research and new product development has to be weighed up against the likely return from the new product, and an effective marketing plan will need to be developed, in order to give the new product the best chance of achieving this return.

Challenges of the Introduction Stage

Small or no market: When a new product is launched, there is typically no market for it, or if a market does exist it is likely to be very small. Naturally this means that sales are going to be low to start off with. There will be occasions where a great new product or fantastic marketing campaign will create such a buzz that sales take off straight away, but these are generally special cases, and it often takes time and effort before most products achieve this kind of momentum

High costs: Very few products are created without some research and development, and once they are created, many manufacturers will need to invest in marketing and promotion in order to achieve the kind of demand that will make their new product a success. Both of these can cost a lot of money, and in the case of some markets these costs could run into many millions of dollars.

Losses, Not Profits: With all the costs of getting a new product to market, most companies will see negative profits for part of the Initial Stage of the product life cycle, although the amount and duration of these negative profits does differ from one market to another. Some manufacturers could start showing a profit quite quickly, while for companies in other sectors it could take years.

Benefits of the Introduction Stage

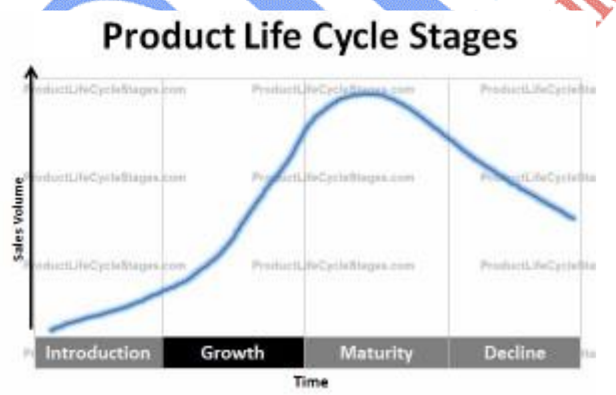
Limited competition: If the product is truly original and a business is the first to manufacture and market it, the lack of direct competition would be a distinct advantage. Being first could help an organisation to capture a large market share before other companies start launching competing products, and in some instances can enable a business's brand name to become synonymous with the whole range of products, like Walkman, Biro, Tannoy and Hoover.

High Price: Manufacturers that are launching a new product are often able to charge prices that are significantly above what will eventually become the average market price. This is because early adopters are prepared to pay this higher price to get their hands on the latest products, and it allows the company to recoup some of the costs of developing and launching the product. In some situations however, manufacturers might do the exact opposite and offer relatively low prices, in order to stimulate the demand.

Product Life Cycle Management

The initial stage of the product life cycle is all about building the demand for the product with the consumer, and establishing the market for the product. The key emphasis will be on promoting the new product, as well as making production more cost-effective and developing the right distribution channels to get the product to market.

Growth



The Growth stage is the second of stages in the product life cycle, and for many manufacturers this is the key stage for establishing a product's position in a market, increasing sales, and improving profit margins. This is achieved by the continued development of consumer demand through the use of marketing and promotional activity, combined with the reduction of manufacturing costs. How soon a product moves from the

Introduction stage to the Growth stage, and how rapidly sales increase, can vary quite a lot from one market to another.

Challenges of the Growth Stage

Increasing Competition: When a company is the first one to introduce a product into the market, they have the benefit of little or no competition. However, when the demand for their product starts to increase, and the company moves into the Growth phase of the product life cycle, they are likely to face increased competition as new manufacturers look to benefit from a new, developing market.

Lower Prices: During the Introduction stage, companies can very often charge early adopters a premium price for a new product. However, in response to the growing number of competitors that are likely to enter the market during the Growth phase, manufacturers may have to lower their prices in order to achieve the desired increase in sales.

Different Marketing Approach: Marketing campaigns during the Introduction stage tend to benefit from all the buzz and hype that surrounds the launch of a new product. But once the product becomes established and is no longer 'new', a more sophisticated marketing approach is likely to be needed in order to make the most of the growth potential of this phase.

Benefits of the Growth Stage

Costs are Reduced: With new product development and marketing, the Introduction stage is usually the most costly phase of a product's life cycle. In contrast, the Growth stage can be the most profitable part of the whole cycle for a manufacturer. As production increases to meet demand, manufacturers are able to reduce their costs through economies of scale, and established routes to market will also become a lot more efficient.

Greater Consumer Awareness: During the Growth phase more and more consumers will become aware of the new product. This means that the size of the market will start to increase and there will be a greater demand for the product; all of which leads to the relatively sharp increase in sales that is characteristic of the Growth stage.

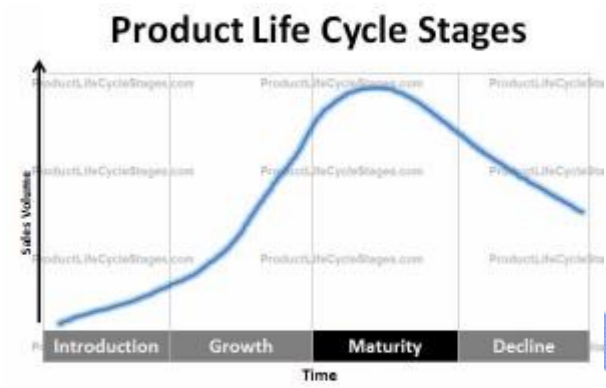
Increase in Profits: With lower costs and a significant increase in sales, most manufacturers will see an increase in profits during the Growth stage, both in terms of the overall amount of profit they make and the profit margin on each product they sell.

Gurukpo.com No. 1 Educational Web Portal in India

Product Life Cycle Management

The standard Product Life Cycle Curve typically shows that profits are at their highest during the Growth stage. But in order to try and ensure that a product has as long a life as possible, it is often necessary for manufacturers to reinvest some of those profits in marketing and promotional activity during this stage, to help guarantee continued growth and reduce the threat from the competition.

Maturity



After the Introduction and Growth stages, a product passes into the Maturity stage. The third of the product life cycle stages can be quite a challenging time for manufacturers. In the first two stages companies try to establish a market and then grow sales of their product to achieve as large a share of that market as possible. However, during the Maturity stage, the primary focus for most companies will be maintaining their market share in the face of a number of different challenges.

Challenges of the Maturity Stage

Sales Volumes Peak: After the steady increase in sales during the Growth stage, the market starts to become saturated as there are fewer new customers. The majority of the consumers who are ever going to purchase the product have already done so.

Decreasing Market Share: Another characteristic of the Maturity stage is the large volume of manufacturers who are all competing for a share of the market. With this stage of the product life cycle often seeing the highest levels of competition, it becomes increasingly challenging for companies to maintain their market share.

Profits Start to Decrease: While this stage may be when the market as a whole makes the most profit, it is often the part of the product life cycle where a lot of manufacturers can start to see their profits decrease. Profits will have to be shared amongst all of the competitors in the market, and with sales likely to peak during this stage, any manufacturer that loses market share, and experiences a fall in sales, is likely to see a subsequent fall in profits. This decrease in profits could be compounded by the falling prices that are often seen when the

Gurukpo.com
No. 1 Educational Web Portal in India

sheer number of competitors forces some of them to try attracting more customers by competing on price.

Benefits of the Maturity Stage

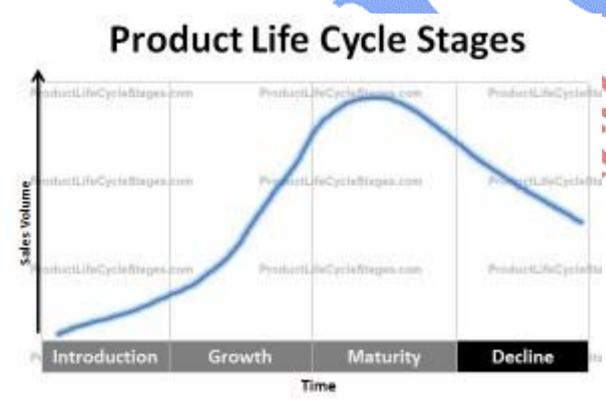
Continued Reduction in Costs: Just as economies of scale in the Growth stage helped to reduce costs, developments in production can lead to more efficient ways to manufacture high volumes of a particular product, helping to lower costs even further.

Increased Market Share through Differentiation: While the market may reach saturation during the Maturity stage, manufacturers might be able to grow their market share and increase profits in other ways. Through the use of innovative marketing campaigns and by offering more diverse product features, companies can actually improve their market share through differentiation and there are plenty of product life cycle examples of businesses being able to achieve this.

Product Life Cycle Management in the Maturity Stage

The Maturity stage of the product life cycle presents manufacturers with a wide range of challenges. With sales reaching their peak and the market becoming saturated, it can be very difficult for companies to maintain their profits, let alone continue trying to increase them, especially in the face of what is usually fairly intense competition. During this stage, it is organizations that look for innovative ways to make their product more appealing to the consumer that will maintain, and perhaps even increase, their market share.

Decline



The last of the product life cycle stages is the Decline stage, which as you might expect is often the beginning of the end for a product. When you look at the classic product life cycle curve, the Decline stage is very clearly demonstrated by the fall in both sales and profits. Despite the obvious challenges of this decline, there may still be opportunities for manufacturers to continue making a profit from their product.

Challenges of the Decline Stage

Market in Decline: During this final phase of the product life cycle, the market for a product will start to decline. Consumers will typically stop buying this product in favour of something newer and better, and there's generally not much a manufacturer will be able to do to prevent this.

Falling Sales and Profits: As a result of the declining market, sales will start to fall, and the overall profit that is available to the manufacturers in the market will start to decrease. One way for companies to slow this fall in sales and profits is to try and increase their market share which, while challenging enough during the Maturity stage of the cycle, can be even harder when a market is in decline.

Product Withdrawal: Ultimately, for a lot of manufacturers it could get to a point where they are no longer making a profit from their product. As there may be no way to reverse this decline, the only option many business will have is to withdraw their product before it starts to lose them money.

Benefits of the Decline Stage

Cheaper Production: Even during the Decline stage, there may be opportunities for some companies to continue selling their products at a profit, if they are able to reduce their costs. By looking at alternative manufacturing options, using different techniques, or moving production to another location, a business may be able to extend the profitable life of a product.

Cheaper Markets: For some manufacturers, another way to continue making a profit from a product during the Decline stage may be to look to new, cheaper markets for sales. In the past, the profit potential from these markets may not have justified the investment need to enter them, but companies often see things differently when the only other alternative might be to withdraw a product altogether.

Product Life Cycle Management

Many products going through the Decline stage of the product life cycle will experience a shrinking market coupled with falling sales and profits. For some companies it will simply be a case of continuing to manufacture a product as long as it is economically viable, but withdrawing it as soon as that's not the case. However, depending on the particular markets involved, some companies may be able to extend the life of their product and continue making a profit, by looking at alternative means of production and new, cheaper markets. Even in the Decline stage, a product can still be viable, and the most successful manufacturers are those that focus on effective product life cycle management, allowing them to make the most from the potential of each and every product the company launches.

Product Life Cycle Challenges

Gurukpo.com No.1 Educational Web Portal in India

The Product Life Cycle Curve is a popular marketing model that provides manufacturers with an understanding of how they can expect their products to perform throughout their lifetime. However, it isn't without is critics, with some arguing that there are a number of challenges with the well-recognized illustration of a product's lifespan, and companies need to take these into account when using the model as part of their decision-making process.

The Product Life Cycle Curve

To understand the challenges of using the Product Life Cycle Curve, it makes sense to look at it in a little more detail. The curve is a simple illustration that plots sales against time, providing a general picture of how a product is likely to perform through the four product life cycle stages – rising through the Introduction and Growth stages, before peaking in the Maturity stage, and eventually falling off during the Decline stage. Adaptations of the model also plot the level of profit as a second curve, which is often useful for highlighting the considerable investment and negative profits that are made in the first stage of the cycle.

What You Need to Bear in Mind

As a model, the curve provides a good approximation of the sales and profits that can be expected as products pass through the four stages of the typical life cycle. However, there are a few things to bear in mind when trying to apply the Product Life Cycle Curve in the real world.

Unpredictability: While a product's life may be limited, it is very hard for manufacturers to predict exactly how long it is likely to be, especially during the new product development phase. While most manufacturers are very good at making the best decisions based on the information they have, consumer demand can be unpredictable, which means they don't always get it right.

Change: The unpredictability of a products life span comes from the fact that all the factors that influence the product life cycle are constantly changing. For example, changes in the cost of production or a fall in consumer demand due to the launch of alternative products, could significantly alter the duration of the different product life cycle stages.

The Curve is a Model: Critics of the product life cycle have claimed that some manufacturers may place too much importance on the suggestions the model makes, so that

Gurukpo.com
No.1 Educational Web Portal in India

it eventually becomes self-fulfilling. To illustrate the point, if a company uses the product life cycle curve as a basis for its decisions, a decrease in sales may lead them to believe their product is entering the Decline stage and therefore spend less on promoting it, when the opposite strategy could help them to capture more market share and actually increase sales again.

While the Product Life Cycle Curve needs to be applied with a certain amount of care, and manufacturers are unlikely to rely solely on its simple illustration to predict their sales and profits, it is still a useful tool.

With a general appreciation of the kind of challenges that will be faced during each of the four stages, the model provides businesses and their marketing departments with the opportunity to be plan ahead and be better prepared to meet those challenges.

Gurukpo.com
No. 1 Educational Web Portal in India

Module 2

Setting Product Strategy

Product Characteristics and classifications Product Levels:

The Customer Value Hierarchy

The marketer needs to address five product levels. Each level adds more customer value, and five constitute a Customer value hierarchy.
Core benefit: It is the fundamental level. It is the benefit the customer is really buying.
Basic product: The marketer has to turn the core benefit in to the basic product.

Expected product: A set of attributes and conditions buyers normally expect when they purchase this product. Augmented product: The product that exceeds customer expectations. Potential product: It encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Product Classifications: Durability and Tangibility

1. Nondurable goods

2. Durable goods

3. Services

Consumer-Goods classification

1. Convenience goods: staple goods, impulse goods, emergency goods. 2. Shopping goods: homogeneous shopping goods, heterogeneous shopping goods. 3. Specialty goods 4. Unsought goods Industrial-Goods Classification 1. Material and Parts: Raw material products nclude farm products and natural products, manufactured materials and parts include component aterials and component parts. 2. Capital items: installations and equipments. 3. Supplies and Business services: Supplies include maintenance and repair items and operating supplies. Business services include maintenance and repair services and business advisor services. Differentiation to be branded, products must be differentiated. Product Differentiation: Form: The size, shape, or physical structure of a product. Features: Most products can be offered with varying features that supplement its basic function. Performance Quality: It is the level at which product's primary characteristics operates. Conformance Quality: It is the degree to which all the produced units are identical and meet the promised specifications. Durability: A measure of the product's expected operating life under natural conditions is a valued attribute for certain products. Reliability: A measure of the probability that a product will not malfunction or fail within a specified

time period. Reparability: It is a measure of the ease of fixing a product when it malfunctions or fails. Style: It described the product's look and feel to the buyer. Design: The Integrative Force As competition intensifies, design offers a potent way to differentiate and position a company's products and services. Design is the totality of features that affect how a product looks and functions in terms of customer requirements. Services Differentiation: Ordering ease: It refers to how easy it is for the customer to place an order with company. Delivery: It refers to how well the product or service is delivered to the customer. It included speed, accuracy, and care attending the delivery process. Installation: It refers to the work done to make a product operation in its planned location. Customer training: It refers to training the customer's employees to use the vendor's equipment properly and deficiently. Customer consulting: It refers to data, information systems, and advice services that the seller offers to buyers. Maintenance and repair: It describes the service program for helping the customers keep purchased products in good working order. Product and Brand Relationships the Product Hierarchy:

1. Need family

2. Product family

3. Product class

4. Product line

5. Product type

6. Item (also called stock keeping unit or product variant.)

Product systems and mixes: A product system is a group of divers but related items that function in a compatible manner. A product mix is the sell of all products and items a particular seller offers for sale. A company's product mix has a certain width, length, depth, and consistency.

- The width of a product mix refers to how many different product lines the company carries.
- The length of a product mix refers to the total number of items in the mix
- The depth of a product mix refers to how many variants are offered of each product in the line.
- The consistency of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

Product-Line analysis:

Companies normally develop a basic platform and modules that can be added to meet different customer requirements. This modular approach enables the company to offer variety while lowering production costs. Product line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest, or divest. They also need to understand each product line's market profile. Sales and Profits: Every company's product portfolio contains products with different margins. A company can classify its products into four types that yield different gross margins depending on sales volume and promotion. They are core product, staples, specialties, convenience items.

Market Profile: The product line manger must review how the line is positioned against competitor's lines. The product map must be developed which reveals possible locations for new items. It also identifies market segments. Product line analysis provides information for two key decision areas—product-line length and product-mix pricing.

Product-Line Length: Companies seeking high market share and market growth will generally carry longer product lines. Companies that emphasize high profitability will carry shorter lines consisting of carefully chosen items. Product lines tend to lengthen over time. Excess manufacturing capacity puts pressure on the product-line manager to develop new items. The sales force and distributors also pressure the company for a more complete product line to satisfy customer. A company lengthens its product line in two ways: by line stretching and line filling. Line Stretching It occurs when company lengthen its product line beyond its current range.

Down-Market Stretch: A company positioned in the middle market may want to introduce a lower-priced line for any reasons. Up-Market Stretch: Companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers.
Two-Way Stretch: Companies serving the middle market might decide to stretch their line in both directions.

Line filling a product line can also be lengthened by adding more items within the present range. There are several motives for line filling: reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, trying to be the leading full-line company, and trying to plug holes to keep out competitors.

Line Modernization, Featuring and Pruning Product lines need to do be modernized. The issue is whether to overhaul the line piecemeal or all at once. In rapidly changing product markets, modernization is continuous. Product line managers must periodically review the line for deadwood that is depressing profits. The weak items can be identified through sales and cost analysis.

Pruning is also done when the company is short of production capacity. Companies typically shorten their product lines in periods of tight demand and lengthen their lines in periods of slow demand.

Product-Mix Pricing

Price-setting logic must be modified when the product is part of a product mix. In this case, the firm searches for a set of prices that maximizes profits on the total mix. We can distinguish six situations involving product-mix pricing: product-line pricing, optional-feature pricing, captive-product pricing, two-part pricing, by-product pricing, and product-bundling pricing.

Co-Branding and Ingredient Branding Co-branding also called dual branding or brand building—in which two or more well-known existing brands are combined into a joint product and/or marketed together in some fashion. Various forms of Co-branding are same company co-branding, joint-venture co-branding, multiple-sponsor co-branding and retail co-branding. Ingredient branding is a special case of co-branding. It involves creating brand equity for materials, components, or parts that are necessarily contained within other branded products. Packaging, Labeling, Warranties, and Guarantees.

Packaging

It includes all the activities of designing and producing the container for a product. Packages might include three levels of material primary package, secondary package, shipping package. Various factors have contributed to the growing use of packaging as marketing tool: self service, consumer affluence, company and brand image, innovations opportunity. Objectives of packaging are as follows:

1. Identify the brand,
2. Convey descriptive and persuasive information.
3. Facilitate product transportation and protection.
4. Assist at-home storage, and
5. Aid product consumption.

Labeling

Seller must label products. The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. Functions of label: identification, grade, description, promotion.

Warranties and Guarantees Warranties are formal statements of expected product performance by the manufacturer. Products under warranty can be returned to the manufacturer or designated repair center for repair, replacement, or refund. Many seller offer either general guarantees or specific guarantees. Guarantees reduce the buyer's perceived risk. Guarantees are most effective in two situations. First is where the company or the product is not well known. Second is where the product's quality is superior to the competition.

Where does product management belong in the organization?

The role of product management spans many activities from strategic to tactical, some very technical, others less so. The strategic role of product management is to be "messenger of the market," delivering market and product information to the departments that need facts to make decisions. That is why it is not surprising that a good number of product managers report directly to the CEO, acting as his or her representative at the product level.

Many CEOs realize that product management brings process and business savvy to the creation and delivery of products. Perhaps that's why we've seen a shift over the years of where product managers report in the organization. Many organizations put the job within another department.

Traditional consumer companies have always considered product management to be a marketing role, which is why it seems to make sense to put product management there. And it does make sense-if marketing is defining and delivering products. Alas, many technology companies consider the term "marketing" to be synonymous with "marketing communications." So if the Marketing department is only about delivering products but not defining them, product managers should be elsewhere.

For technology companies, particularly those with enterprise or B2B products, the product management job is very technical. This is why we see many product managers reporting to Development or Engineering. However, we've seen a shift away from this in recent years. The problem appears to be technical product managers spend so much time writing requirements; they don't have time to visit the market to better understand the problems their products are designed to solve. They spend so much time building products that they're not equipped to help deliver them to the market.

Very few product managers find themselves in a Sales (or Sales & Marketing) department. It seems clear product managers in Sales will spend all of their time supporting sales people with demos and presentations. The product managers become the sales engineers.

In effect, subordinating product management relegates it to a support role for the primary goal of the department. Vice Presidents and department heads have a natural inclination to support their primary department's role. The VP of Development has a primary responsibility of delivering products, so tends to use product managers as project managers and Development gofers.

The VP of Marketing owns collateral, sales tools, lead generation, and awareness programs. So this VP often uses product managers as content providers to Marketing Communications.

GurukPo.com No.1 Educational Web Portal in India

And the VP of Sales, focused on new sales revenue, uses product managers to achieve that goal; product managers become "demo boys and demo girls" who support sales people one deal at a time.

Peter Drucker reports in *Management Challenges for the 21st Century* that organization charts really don't fix problems; process and personnel problems are never solved by a re-org. The truth is, it doesn't matter where product management reports. What matters is how the head of the organization holds product management accountable. In other words, what does "success" look like for a product manager?

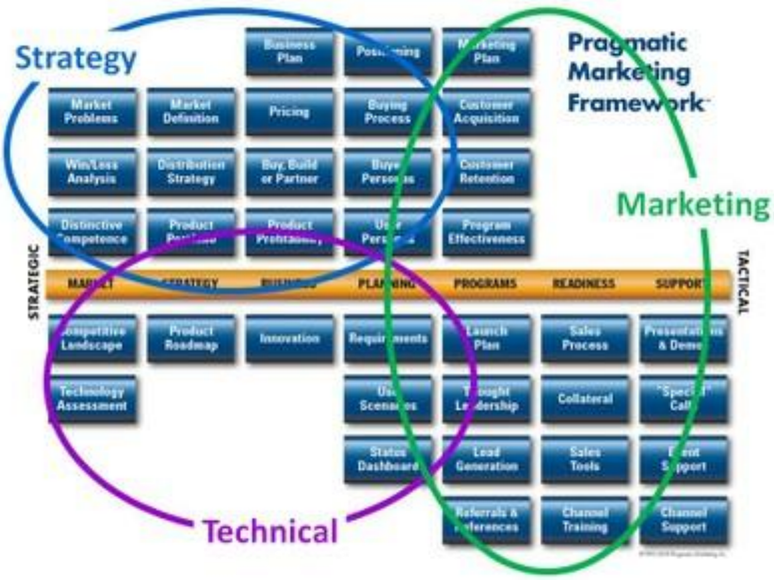
As our companies grow larger and become more mature, the company president needs someone thinking about the products we ought to be offering and new markets we could serve. The company president needs someone thinking about the future of the product. We already have people focused on product, promotion and place. Who—if anyone—is identifying market problems for the next round of products? Who is the VP of market problems? And what result does the company president want from Product Management?

Increasingly we see companies creating a VP of Product Management, a department at the same level in the company as the other major departments. This VP focuses the product management group on the business of the product. The product management group interviews existing and potential customers, articulates and quantifies market problems in the business case and market requirements documents, defines standard procedures for product delivery and launch, supports the creation of collateral and sales tools by Marketing Communications, and trains the sales teams on the market and product.

Product Management looks at the needs of the entire business and the entire market.

Recognizing that existing and future products need different levels of attention, some companies split the product management job into smaller bits: one group is responsible for next year's products while another group provides sales and marketing support for existing products. These companies often add a product marketing component to the marketing communications effort, supporting them with market information and product content.

Gurukpo.com
No. 1 Educational Web Portal in India



As we grow ever larger, the product marketing role expands further: we still need a group defining our go-to-market strategy and providing content to Marketing Communications, but now we also need more marketing assistance in the field. So field marketing is born: product marketing people in the sales regions who create specific programs for all of the sales people in a given geographic area.

As companies grow, the product management role entails three or four functions: product strategy, technical product management, product marketing, and field marketing. It is a big job. In a small company, all of these functions are performed by one person. In large companies, they are performed by four departments. But they are all part of product management.

Product Management's reporting structure corresponds to the results the company can expect from Product Management. In Development, product managers shepherd the development projects; in Marketing, they provide technical content; in Sales, they become sales support engineers.

If you want better products in the future, if you want a messenger for the market, Product Management should have a seat at the senior executive table; you need a VP of Product Management.

New Product Development Stages

Before a product can embark on its journey through the four product life cycle stages, it has to be developed. New product development is typically a huge part of any manufacturing process. Most organizations realize that all products have a limited lifespan, and so new products need to be developed to replace them and keep the company in business. Just as the product life cycle has various stages, new product development is also broken down into a number of specific phases.

Gurukpo.com No. 1 Educational Web Portal in India

New Product Development

Developing a new product involves a number of stages which typically center around the following key areas:

The Idea: Every product has to start with an idea. In some cases, this might be fairly simple, basing the new product on something similar that already exists. In other cases, it may be something revolutionary and unique, which may mean the idea generation part of the process is much more involved. In fact, many of the leading manufacturers will have whole departments that focus solely on the task of coming up with 'the next big thing'.

Research: An organization may have plenty of ideas for a new product, but once it has selected the best of them, the next step is to start researching the market. This enables them to see if there's likely to be a demand for this type of product, and also what specific features need to be developed in order to best meet the needs of this potential market.

Development: The next stage is the development of the product. Prototypes may be modified through various design and manufacturing stages in order to come up with a finished product that consumers will want to buy.

Testing: Before most products are launched and the manufacturer spends a large amount of money on production and promotion, most companies will test their new product with a small group of actual consumers. This helps to make sure that they have a viable product that will be profitable, and that there are no changes that need to be made before it's launched.

Analysis: Looking at the feedback from consumer testing enables the manufacturer to make any necessary changes to the product, and also decide how they are going to launch it to the market. With information from real consumers, they will be able to make a number of strategic decisions that will be crucial to the product's success, including what price to sell at and how the product will be marketed.

Introduction: Finally, when a product has made it all the way through the new product development stage, the only thing left to do is introduce it to the market. Once this is done, good product life cycle management will ensure the manufacturer makes the most of all their effort and investment.

Thousands of new products go on sale every year, and manufacturers invest a lot of time, effort and money in trying to make sure that any new products they launch will be a success. Creating a profitable product isn't just about getting each of the stages of new product

Gurukpo.com No 1 Educational Web Portal in India

development right, it's also about managing the product once it's been launched and then throughout its lifetime.

This product life cycle management process involves a range of different marketing and production strategies; all geared towards making sure the product life cycle curve is as long and profitable as possible.

New product development

In business and engineering, new product development (NPD) is the complete process of bringing a new product to market. New product development is described in the literature as the transformation of a market opportunity into a product available for sale and it can be tangible (that is, something physical you can touch) or intangible (like a service, experience, or belief). A good understanding of customer needs and wants, the competitive environment and the nature of the market represent the top required factors for the success of a new product. Cost, time and quality are the main variables that drive the customer needs. Aimed at these three variables, companies develop continuous practices and strategies to better satisfy the customer requirements and increase their market share by a regulate development of new products. There are many uncertainties and challenges throughout the process which companies must face. The use of best practices and the elimination of barriers to communication are the main concerns for the management of NPD process.

THE EIGHT STAGES

1. **Idea Generation** is often called the "NPD" of the NPD process.

- Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, Opportunities & Threats). Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.
- Lots of ideas are generated about the new product. Out of these ideas many are implemented. The ideas are generated in many forms. Many reasons are responsible for generation of an idea.
- Idea Generation or Brainstorming of new product, service, or store concepts - idea generation techniques can begin when you have done your OPPORTUNITY ANALYSIS to support your ideas in the Idea Screening Phase (shown in the next development step).

2. **Idea Screening**
    - The object is to eliminate unsound concepts prior to devoting resources to them.
    - The screeners should ask several questions:
    - Will the customer in the target market benefit from the product?

- What is the size and growth forecasts of the market segment / target market?
- What is the current or expected competitive pressure for the product idea?
- What are the industry sales and market trends the product idea is based on?
- Is it technically feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer at the target price?

3. Idea Development and Testing

- Develop the marketing and engineering details
- Investigate intellectual property issues and search patent databases
- Who is the target market and who is the decision maker in the purchasing process?
- What product features must the product incorporate?
- What benefits will the product provide?
- How will consumers react to the product?
- How will the product be produced most cost effectively?
- Prove feasibility through virtual computer aided rendering and rapid prototyping
- What will it cost to produce it?

4. **Testing the Idea** may involve asking a number of prospective customers to evaluate the idea

5. **Business Analysis**

- Estimate likely selling price based upon competition and customer feedback
- Estimate sales volume based upon size of market and such tools as the Fourt-Woodlock equation
- Estimate profitability and break-even point

6. **Beta Testing and Market Testing**

- Produce a physical prototype or mock-up
- Test the product (and its packaging) in typical usage situations
- Conduct focus group customer interviews or introduce at trade show
- Make adjustments where necessary
- Produce an initial run of the product and sell it in a test market area to determine customer acceptance

7. Technical Implementation

- New program initiation
- Finalize Quality management system
- Resource estimation
- Requirement publication
- Publish technical communications such as data sheets

GurukPO.com
No. 1 Educational Web Portal in India

- Engineering operations planning
- Department scheduling
- Supplier collaboration
- Logistics plan
- Resource plan publication
- Program review and monitoring
- Contingencies - what-if planning

8. Commercialization (often considered post-NPD)

- Launch the product
- Produce and place advertisements and other promotions
- Fill the distribution pipeline with product
- Critical path analysis is most useful at this stage

New Product Pricing

- Impact of new product on the entire product portfolio
- Value Analysis (internal & external)
- Competition and alternative competitive technologies
- Differing value segments (price, value and need)
- Product Costs (fixed & variable)
- Forecast of unit volumes, revenue, and profit

These steps may be iterated as needed. Some steps may be eliminated. To reduce the time that the NPD 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

For the more innovative products indicated on the diagram above, great amounts of uncertainty and change may exist which makes it difficult or impossible to plan the complete project before starting it. In this case, a more flexible may be advisable.

Because the NPD process typically requires both engineering and marketing expertise, cross-functional teams are a common way of organizing projects.[14] The team is responsible for all aspects of the project, from initial idea generation to final commercialization, and they usually report to senior management (often to a vice president or Program Manager). In those industries where products are technically complex, development research is typically expensive and product life cycles are relatively short, strategic alliances among several organizations helps to spread the costs, provide access to a wider skill set and speeds up the overall process

GurukPO.com No.1 Educational Web Portal in India

Because both engineering and marketing expertise are usually critical to the process, choosing an appropriate blend of the two is important. Observe (for example, by looking at the See also or References sections below) that this article is slanted more toward the marketing side. A new product pricing process is important to reduce risk and increase confidence in the pricing and marketing decisions to be made. Processes have been proposed to break down the complex task of new product pricing into more manageable elements.

The Path to Developing Successful New Products points out three key processes that can play critical role in product development: Talk to the customer; Nurture a project culture; Keep it focused.

Consumer Adoption Process

Adoption process is a series of stages by which a consumer might adopt a NEW product or service. Whether it be Services or Products, in todays competitive world, a consumer is faced with a lot of choices. How does he make a decision to ADOPT a new product is the Adoption process.

There are numerous stages of adoption which a consumer goes through. These stages may happen before or even after the actual adoption.

1. **Awareness** - This is the area where major marketers spend billions of dollars. Simply speaking, if you are not AWARE of the product, you are never going to BUY the product.
2. **Interest and Information Search** - Once you are aware, you start searching for information. Whether it be your daily soap, your car or for that matter your home, you won't buy it unless you KNOW about it.
3. **Evaluation / Trial** - Evaluation is wherein you test or have a trial of the product. This is pretty difficult in services as services are generally intangible in nature. However service marketing managers do find ways of offering Trial packs to users. Comparatively, it is pretty easier in Product marketing and finds a major usage in BTL (Below the Line) sales promotion.
4. **Adoption** - The actual adoption of the product. Wherein the consumer finally decides to adopt the product.

   Although this is a well scripted adoption process, however consumers might tend to skip over the whole process. For example you wife asks you to buy a product for her. Would you go through the process of actually collecting information, evaluating it and then making a decision??? I don't think so!!! So in this case (Word of Mouth) the consumer tends to directly adopt the product rather than going through stages. This is one of the primary reason word of mouth is so much in demand.

On the other hand, the process might end in Rejection. Any of the stages can result in rejection of the product. No brand recall, No interest generated, Trial improper, Product didn't satisfy, so on and so forth.

GurukPO.com No.1 Educational Web Portal in India

The task of the marketer here is to understand what is involved in the psychological adoption process of consumers for particular product and service in order to be able to positively influence such consumers at appropriate stages. Only when this process has been understood we can encourage our consumers to actually purchase the product / service offering.

For example -

Product trial may be an important stage to be completed before adopting some new products such as newly flavored soft drinks, prompting marketers to offer free samples of the products in supermarkets.

One strategy adopted in FMCG's is to give away small trial-sized packages of products such as shampoos or laundry detergents to encourage adoption. Yet, in adopting other products such as mobile phones, awareness, interest, and evaluation become more essential. Thus in these sectors, marketers emphasize on marketing communications and promotions to lead consumers towards adopting their product.

Finally, Market research needs to be done by marketers to understand the time and effort taken by the consumer in each stage of the adoption process so as to lead the consumer to the final stage of ADOPTION.

Gurukpo.com
No. 1 Educational Web Portal in India

Module 3

Brand Management

Brand

Brand is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers."[1] Brands are used in business, marketing, and advertising. Initially, livestock branding was adopted to differentiate one person's cattle from another's by means of a distinctive symbol burned into the animal's skin with a hot branding. A modern example of a brand is *Coca-Cola* which belongs to the Coca-Cola Company.

In accounting, a brand defined as an intangible asset is often the most valuable asset on a corporation's balance sheet. Brand owners manage their brands carefully to create shareholder value, and brand valuation is an important management technique that ascribes a money value to a brand, and allows marketing investment to be managed (e.g.: prioritized across a portfolio of brands) to maximize shareholder value. Although only acquired brands appear on a company's balance sheet, the notion of putting a value on a brand forces marketing leaders to be focused on long term stewardship of the brand and managing for value.

The word "brand" is often used as a metonym referring to the company that is strongly identified with a brand.

Marque or make are often used to denote a brand of motor vehicle, which may be distinguished from a car model. A *concept brand* is a brand that is associated with an abstract concept, like breast cancer awareness or environmentalism, rather than a specific product, service, or business. A *commodity brand* is a brand associated with a commodity.

A logo often represents a specific brand.

Concepts

Effective branding can result in higher sales of not only one product, but of other products associated with that brand. For example, if a customer loves Pillsbury biscuits and trusts the brand, he or she is more likely to try other products offered by the company - such as chocolate-chip cookies, for example. Brand is the personality *that identifies* a product, service or company (name, term, sign, symbol, or design, or combination of them) and how it relates to key constituencies: customers, staff, partners, investors etc.

Gurukpo.com No. 1 Educational Web Portal in India

Some people distinguish the psychological aspect (brand associations like thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on that become linked to the brand) of a brand from the experiential aspect. The experiential aspect consists of the sum of all points of contact with the brand and is known as the brand experience. The brand experience is a brand's action perceived by a person. The psychological aspect, sometimes referred to as the brand image, is a symbolic construct created within the minds of people, consisting of all the information and expectations associated with a product, service or the company(ies) providing them.

People engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand can therefore become one of the most valuable elements in an advertising theme, as it demonstrates what the brand owner is able to offer in the marketplace. The art of creating and maintaining a brand is called brand management. Orientation of an entire organization towards its brand is called brand orientation. Brand orientation develops in response to market intelligence.

Careful brand management seeks to make the product or services relevant to the target audience. Brands should be seen as more than the difference between the actual cost of a product and its selling price – they represent the sum of all valuable qualities of a product to the consumer.

A widely known brand is said to have "brand recognition". When brand recognition builds up to a point where a brand enjoys a critical mass of positive sentiment in the marketplace, it is said to have achieved brand franchise. Brand recognition is most successful when people can state a brand without being explicitly exposed to the company's name, but rather through visual signifiers like logos, slogans, and colors.[11] For example, Disney successfully branded its particular script font (originally created for Walt Disney's "signature" logo), which it used in the logo for go.com.

Consumers may look on branding as an aspect of products or services, as it often serves to denote a certain attractive quality or characteristic (see also brand promise). From the perspective of brand owners, branded products or services can command higher prices. Where two products resemble each other, but one of the products has no associated branding (such as a generic, store-branded product), people may often select the more expensive branded product on the basis of the perceived quality of the brand or on the basis of the reputation of the brand owner

The Types of Brands

Different types of brands work for different marketing approaches that your business might take. Basically, there are a few general types of brands that your business could fall into:

GurukPo.com No.1 Educational Web Portal in India

- **Product brands:** Products (commodities) become branded products when you win awareness in the marketplace that your product has compelling characteristics that make it different and better than others in the product category.
  Branding is a powerful tool that differentiates your offering in ways that create consumer preference and allow you to command premium pricing.
- **Service brands**: Services are products that people buy sight-unseen. People buy services purely based on their trust that the person or business they're buying from will deliver as promised. If you sell a service or run a service business, you absolutely, positively need to develop and manage a strong, positive brand image.
- **Business brands**: You can brand your business, itself, in addition to or instead of branding your products or services.
  If you can only build one brand — and that's the best advice to any business that's short on marketing expertise or dollars — make it a business brand because this brand can attract job applicants, investors, and (maybe most importantly) customers.
- **Personal brands:** Whether you know it or not, you have a personal brand. If people know your name or recognize your face, they hold your brand image in their minds.
- **Personality brands:** Personality brands are personal brands gone big-time. They're individual brands that are so large and strong that they not only deliver wide-reaching personal celebrity but also create significant value when associated with products or services. Think Martha Stewart, Emeril Lagasse, or Oprah, and you're on the right track. Sure, these are all just people, but their names are associated with a superior quality and subject expertise that speaks to their personality branding.

Strategic Brand Management Process

The process of strategic brand management basically involves 4 steps:

1. Identifying and establishing brand positioning.

Brand Positioning is defined as the act of designing the company's offer and image so that it occupies a distinct and valued place in the target consumer's mind.

Key Concepts:

- **Points of difference:** convinces consumers about the advantages and differences over the competitors
- **Mental Map**: visual depiction of the various associations linked to the brand in the minds of the Consumers
- **Core Brand Associations:** subset of associations i.e. both benefits and attributes which best Characterize the brand.
- **Brand Mantra:** that is the brand essence or the core brand promise also known as the Brand DNA.

2. Planning and Implementation of Brand Marketing Programs

Key Concepts:

- **Choosing Brand Elements:** Different brand elements here are logos, images, packaging, symbols, slogans, etc. Since different elements have different advantages, marketers prefer to use different subsets and combinations of these elements.
- **Integrating the Brand into Marketing Activities and the Support Marketing Program:** Marketing programs and activities make the biggest contributions and can create strong, favorable, and unique brand associations in a variety of ways.
- **Leveraging Secondary Associations:** Brands may be linked to certain source factors such as countries, characters, sporting or cultural events, etc. In essence, the marketer is borrowing or leveraging some other associations for the brand to create some associations of the brand's own and them to improve its brand equity.

3. Measuring and Interpreting Brand Performance

Key Concepts:

- **Brand Audit:** Is assessment of the source of equity of the brand and to suggest ways to improve and leverage it.
- **Brand Value chain**: Helps to better understand the financial impacts of the brand marketing investments and expenditures.
- **Brand Equity Measurement System:** Is a set of tools and procedures using which marketers can take tactical decision in the short and long run.

4.Growing and Sustaining Brand Equity:

Key Concepts:

- **Defining the brand strategy:** Captures the branding relationship between the various products /services offered by the firm using the tools of brand-product matrix, brand hierarchy and brand portfolio
- **Managing Brand Equity over time:** Requires taking a long -term view as well as a short term view of marketing decisions as they will affect the success of future marketing programs.
- **Managing Brand Equity over Geographic boundaries, Market segments** and Cultures: Marketers need to take into account international factors, different types of Consumers and the specific knowledge about the experience and behaviors of the new Geographies or market segments when expanding the brand overseas or into new market Segments.

Gurukpo.com No.1 Educational Web Portal in India

Keller's Brand Equity Model

Building a Powerful Brand

Use Keller's Brand Equity Model pyramid to strengthen your customers' perception of your brand.

Do you know what makes a brand strong? And if you had to make yours stronger, would you know how to do it?

Many factors influence the strength of a particular product or brand. If you understand these factors, you can think about how to launch a new product effectively, or work out how to turn a struggling brand into a successful one.

In this article, we'll look at Keller's Brand Equity model. This tool highlights four steps that you can follow to build and manage a brand that customers will support.

Overview

Keller's Brand Equity Model is also known as the Customer-Based Brand Equity (CBBE) Model. Kevin Lane Keller, a marketing professor at the Tuck School of Business at Dartmouth College, developed the model and published it in his widely used textbook, "Strategic Brand Management."

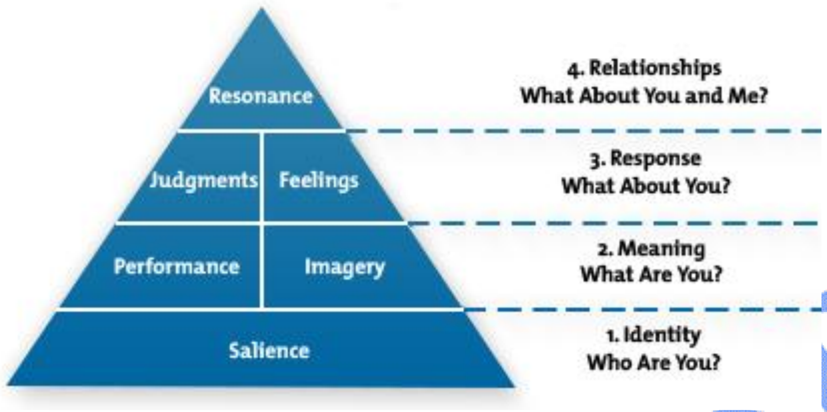
The concept behind the Brand Equity Model is simple: in order to build a strong brand, you must shape how customers think and feel about your product. You have to build the right type of experiences around your brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it.

When you have strong brand equity, your customers will buy more from you, they'll recommend you to other people, they're more loyal, and you're less likely to lose them to competitors.

The model, seen in Figure 1, illustrates the four steps that you need to follow to build strong brand equity.

Gurukpo.com
No. 1 Educational Web Portal in India

Figure 1 – Keller's Brand Equity Model



From "Strategic Brand Management: Building, Measuring, and Managing Brand Equity" by Kevin Lane Keller. © Pearson Education Limited 2013.

The four steps of the pyramid represent four fundamental questions that your customers will ask – often subconsciously – about your brand.

The four steps contain six building blocks that must be in place for you to reach the top of the pyramid, and to develop a successful brand.

Applying the Model

Let's look at each step and building block in detail, and discuss how you can apply the framework and strengthen your brand.

Step 1: Brand Identity – Who Are You?

In this first step, your goal is to create "brand salience," or awareness – in other words, you need to make sure that your brand stands out, and that customers recognize it and are aware of it.

You're not just creating brand identity and awareness here; you're also trying to ensure that brand perceptions are "correct" at key stages of the buying process.

Application

To begin, you first need to know who your customers are. Research your market to gain a thorough understanding of how your customers see your brand, and explore whether there are different market segments with different needs and different relationships with your brand.

Next, identify how your customers narrow down their choices and decide between your brand and your competitors' brands. What decision-making processes do your customers go

Gurukpo.com
No1 Educational Web Portal in India

through when they choose your product? How are they classifying your product or brand? And, when you follow their decision making process, how well does your brand stand out at key stages of this process?

You are able to sell your product because it satisfies a particular set of your customers' needs; this is your unique selling proposition , or USP. You should already be familiar with these needs, but it's important to communicate to your customers how your brand fulfills these. Do your clients understand these USPs when they're making their buying decisions?

By the end of this step, you should understand whether your clients perceive your brand as you want them to, or whether there are specific perceptual problems that you need to address – either by adjusting your product or service, or by adjusting the way that you communicate your message. Identify the actions that you need to take as a result.

Step 2: Brand Meaning – What Are You?

Your goal in step two is to identify and communicate what your brand means, and what it stands for. The two building blocks in this step are: "performance" and "imagery."

"Performance" defines how well your product meets your customers' needs. According to the model, performance consists of five categories: primary characteristics and features; product reliability, durability, and serviceability; service effectiveness, efficiency, and empathy; style and design; and price.

"Imagery" refers to how well your brand meets your customers' needs on a social and psychological level. Your brand can meet these needs directly, from a customer's own experiences with a product; or indirectly, with targeted marketing, or with word of mouth.

A good example of brand meaning is Patagonia®. Patagonia makes high quality outdoor clothing and equipment, much of which is made from recycled materials.

Patagonia's brand performance demonstrates its reliability and durability; people know that their products are well designed and stylish, and that they won't let them down. Patagonia's brand imagery is enhanced by its commitment to several environmental programs and social causes; and its strong "reduce, reuse, recycle" values make customers feel good about purchasing products from an organization with an environmental conscience.

Application

The experiences that your customers have with your brand come as a direct result of your product's performance. Your product must meet, and, ideally, exceed their expectations if you want to build loyalty. Use the Critical to Quality Tree and Kano Model Analysis models to identify your customers' needs, and then explore how you can translate these needs into a high quality product.

Gurukpo.com No. 1 Educational Web Portal in India

Next, think carefully about the type of experience that you want your customers to have with your product. Take both performance and imagery into account, and create a "brand personality." Again, identify any gaps between where you are now and where you want to be, and look at how you can bridge these.

Step 3: Brand Response – What Do I Think, or Feel, About You?

Your customers' responses to your brand fall into two categories: "judgments" and "feelings." These are the two building blocks in this step.

Your customers constantly make judgments about your brand and these fall into four key categories:

Quality: Customers judge a product or brand based on its actual and perceived quality.

Credibility: Customers judge credibility using three dimensions – expertise (which includes innovation), trustworthiness, and likability.

Consideration: Customers judge how relevant your product is to their unique needs.

Superiority: Customers assess how superior your brand is, compared with your competitors' brands.

Customers also respond to your brand according to how it makes them feel. Your brand can evoke feelings directly, but they also respond emotionally to how a brand makes them feel about themselves. According to the model, there are six positive brand feelings: warmth, fun, excitement, security, social approval, and self-respect.

Application

First, examine the four categories of judgments listed above. Consider the following questions carefully in relation to these:

What can you do to improve the actual and perceived quality of your product or brand?

How can you enhance your brand's credibility?

How well does your marketing strategy communicate your brand's relevancy to people's needs?

How does your product or brand compare with those of your competitors?

Next, think carefully about the six brand feelings listed above. Which, if any, of these feelings does your current marketing strategy focus on? What can you do to enhance these feelings for your customers?

Identify actions that you need to take as a result of asking these questions.

Gurukpo.com No. 1 Educational Web Portal in India

Step 4: Brand Resonance – How Much of a Connection Would I Like to Have With You?

Brand "resonance" sits at the top of the brand equity pyramid because it's the most difficult – and the most desirable – level to reach. You have achieved brand resonance when your customers feel a deep, psychological bond with your brand.

Keller breaks resonance down into four categories:

Behavioral loyalty: This includes regular, repeat purchases.

Attitudinal attachment: Your customers love your brand or your product, and they see it as a special purchase.

Sense of community: Your customers feel a sense of community with people associated with the brand, including other consumers and company representatives.

Active engagement: This is the strongest example of brand loyalty. Customers are actively engaged with your brand, even when they are not purchasing it or consuming it. This could include joining a club related to the brand; participating in online chats, marketing rallies, or events; following your brand on social media; or taking part in other, outside activities.

Application

Your goal in the last stage of the pyramid is to strengthen each resonance category.

For example, what can you do to encourage behavioral loyalty? Consider gifts with purchase, or customer loyalty programs.

Ask yourself what you can do to reward customers who are champions of your brand. What events could you plan and host to increase customer involvement with your brand or product? List the actions that you could take.

Example

Julie has recently been put in charge of a project to turn around an under-performing product. The product is a high quality, fair trade, organic tea, but it's never achieved the sales and customer loyalty that the organization expected. Julie decides to use the brand equity pyramid to think about the turnaround effort.

Step 1: Brand Identity

Julie's target customers are mid to high income, socially conscious women.

After careful analysis, she knows that she is marketing in the correct category, but she realizes that her marketing efforts aren't fully addressing customer needs. She decides to change the message from "healthy, delicious tea," to "delicious tea, with a conscience," which is more relevant and meaningful to her target market.

GurukpO.com No.1 Educational Web Portal in India

Step 2: Brand Meaning

Next, Julie examines the product's meaning, and looks at how the company communicates that meaning to its customers.

The performance of the tea is already moderately high; it's a single-source, fair trade tea of a higher quality than the competition's product. After assessing the organization's service effectiveness, Julie is disappointed to find that many of her representatives lack empathy with customers who complain. So, she puts everyone through a comprehensive customer service class to improve responses to customer complaints and feedback.

Last, Julie decides to post to the company's website personal stories from the fair trade farmers who grow and pick the tea. By doing this, she aims to educate customers on how beneficial this practice is for people around the world.

Step 3: Brand Response

After going over the four brand response judgments, Julie realizes that perceived quality might be an issue. The tea itself is high quality, but the pack size is smaller than the ones her competitors use. Julie doesn't want to lower the price, as this might affect how customers assess quality, so she decides to offer more tea in each box in order to surpass customer expectations.

She also decides to enhance the tea's credibility by becoming fair trade certified through an independent third-party organization.

Step 4: Brand Resonance

Julie knows that her target customers care deeply about fair trade. She decides to promote the organization's efforts by participating in a number of fair trade events around the country.

She also sets up a social networking framework to involve customers in the organization's fair trade efforts, and she creates a forum on the company website where customers can discuss issues surrounding fair trade. She also commits to championing the efforts of other fair trade organizations.

Gurukpo.com No. 1 Educational Web Portal in India

Module 4

Identifying and Establishing Brand Positioning and Values

Brand Positioning - Definition and Concept

Brand positioning refers to "target consumer's" reason to buy your brand in preference to others. It is ensures that all brand activity has a common aim; is guided, directed and delivered by the brand's benefits/reasons to buy; and it focuses at all points of contact with the consumer.

Brand positioning must make sure that:

- Is it unique/ distinctive vs. competitors?
- Is it significant and encouraging to the niche market?
- Is it appropriate to all major geographic markets and businesses?
- Is the proposition validated with unique, appropriate and original products?
- Is it sustainable - can it be delivered constantly across all points of contact with the consumer?
- Is it helpful for organization to achieve its financial goals?
- Is it able to support and boost up the organization?

In order to create a distinctive place in the market, a niche market has to be carefully chosen and a differential advantage must be created in their mind. Brand positioning is a medium through which an organization can portray its customers what it wants to achieve for them and what it wants to mean to them. Brand positioning forms customer's views and opinions.

Brand Positioning can be defined as an activity of creating a brand offer in such a manner that it occupies a distinctive place and value in the target customer's mind. For instance- Kotak Mahindra positions itself in the customer's mind as one entity- "Kotak "- which can provide customized and one-stop solution for all their financial services needs. It has an unaided top of mind recall. It intends to stay with the proposition of "Think Investments, Think Kotak". The positioning you choose for your brand will be influenced by the competitive stance you want to adopt.

Brand Positioning involves identifying and determining points of similarity and difference to ascertain the right brand identity and to create a proper brand image. Brand Positioning is the key of marketing strategy. A strong brand positioning directs marketing strategy by explaining the brand details, the uniqueness of brand and it's similarity with the competitive brands, as well as the reasons for buying and using that specific brand. Positioning is the

GurukPO.com
No. 1 Educational Web Portal in India

base for developing and increasing the required knowledge and perceptions of the customers. It is the single feature that sets your service apart from your competitors. For instance- Kingfisher stands for youth and excitement. It represents brand in full flight.

There are various positioning errors, such as-

1. **Under positioning-** This is a scenario in which the customer's have a blurred and unclear idea of the brand.
2. **Over positioning**- This is a scenario in which the customers have too limited a awareness of the brand.
3. **Confused positioning**- This is a scenario in which the customers have a confused opinion of the brand.
4. **Double Positioning**- This is a scenario in which customers do not accept the claims of a brand.
5. **Brand positioning** describes how a brand is different from its competitors and where, or how, it sits in a particular market. These differences might be real ones, but not have any motivating qualities about them. They would still, however, give a brand a 'positioning' in a market. For example, a beer might have the positioning of being an 'Alaskan beer', but this might not be very motivating to the consumer.
6. If the positioning of being an 'Alaskan beer' is motivating to consumers then this value begins to accrue propositional values as well as positional ones. It begins to literally 'proposition' the consumer. Much of marketing research is in fact involved in the task of evaluating whether the positional characteristics of a brand (or a product) can be transformed into propositional ones. This is, in many ways, what marketing is.
7. The two terms - positionings and propositions - are often confused together because, of course, many values and terms have BOTH some positioning and some propositional aspects. The terms 'economy' and 'premium' are good examples of this. They can be used to describe a brand's positioning in a market, but they also deliver meaning and motivational qualities to consumers as well. Despite these degrees of overlap, the concepts of positioning and proposition are, however, still working along quite distinct dimensions. A positioning describes how a brand is different in a market. A proposition encapsulates what it might mean to a consumer.

GurukPO.com No 1 Educational Web Portal in India

Brand Equity & Brand Positioning Concepts

Brand equity is the value your company name has in the marketplace beyond what your accounting records show. Positioning is the use of marketing to project differentiation in your company, products or services to targeted customers. Building and maintain a strong brand is a primary communication objective for successful companies.

Product Differentiation

Differentiation means to develop and communicate something bigger, better or distinct about your offering. If you don't present something distinct to the marketplace, you rely solely on arbitrary decision-making on the part of consumers. Developing a distinct and desired benefit mix and clearly telling your market segments about it helps drive customers to your business or products. Organic food makers or resellers pin their differentiation on the natural, healthy advantages their products provide.

Market Segmentation

Along with differentiation, the other key component of brand positioning is the target market to whom you position. You may offer an excellent, distinct benefit, but if you don't present it to the right market segment, it won't matter. Offering the lowest price to a highly affluent market segment doesn't make much sense, for instance, because customers with money typically look for superior product benefits or excellent service. Identifying customers based on shared demographic, geographic, behavioral or lifestyle qualities and focusing your efforts on them improves your potential for brand equity.

Customer Loyalty-

Customer loyalty is very closely tied to both brand positioning and brand equity. Customer loyalty is the penultimate goal in marketing communication. Once a customer becomes loyal, you have an emotional commitment from her. You generate this loyalty based on the effectiveness of your positioning in both promotion and delivery of a positive customer experience. A strong, loyal customer base is a major factor in brand equity. If your customers can easily get pulled away by a new or competing brand, it is hard to say that your brand has significant value beyond its financial assets.

Brand Extension

A brand extension occurs when you leverage your brand equity to market a new business or product to a new customer market. A prominent company example was Gap launching GapKids. Leading toilet paper brand Charmin expanded its brand by offering a lower-end option, Charmin Basic, to price-conscious consumers. Brand extensions only work if you have strong brand equity, because you essentially rely on your proven reputation to attract new business.

GurukPo.com No. 1 Educational Web Portal in India

Brand Positioning: Selecting A Point Of Difference

The selection of a brand's points of difference begins with its competitive strengths and insight about consumers' motivations for using the category and/or brand. The goal is to find a feature or benefit that distinguishes the brand from competitors in the same category and that is valued by consumers. When the point of difference is a benefit (rather than a product feature), the claim is strengthened by providing reasons to believe the benefit claim.

Fast-food chain Subway offers healthier meals than other quick-serve restaurants because its sandwiches have fewer grams of fat. Here, the healthier benefit is supported by an attribute "reason to believe": fewer grams of fat. Although attributes can offer a compelling way to support a benefit point of difference, in many cases they are readily imitable. For this reason, brand positions often rely on *image* to provide a rationale for a benefit point of difference—the type of person who uses the brand and the type of uses it has. Nike, for example, has used professional athletes to support the brand's claim of superior performance in athletic shoes rather than relying on attributes such as unique technology in product design. Image is also used when a category's attributes are not relevant to consumers. The endorsement of celebrities such as Mariah Carey, Kim Kardashian, or Paris Hilton provides consumers with a reason to believe that a particular brand of fragrance will enhance their personal appeal. Image brand positions are sustained by marketing support that links the image with the brand.

Leading brands typically adopt the benefit that motivates category use as their point of difference, whereas "follower" brands choose a niche. Tide, the leading detergent, is simply superior at cleaning clothes. Follower brands make narrower claims: Cheer cleans clothes in cold water and Wisk is strong against stains.

In choosing a point of difference, brand marketers usually prefer benefits that reflect an existing consumers' belief. For example, Honey Nut Cheerios developed a strong brand franchise by capitalizing on consumers' beliefs that honey is more nutritious than sugar (it is not) and that Cheerios is among the most nutritious brands of cereal. If, however, a brand is distinguished on a benefit or belief that consumers have not yet accepted, efforts can be made to change consumers' opinions. Prompting such change is generally more costly than adopting accepted consumer beliefs about benefits, but it is possible. Along these lines, Listerine mouthwash was successful in overcoming consumers' negative perceptions of its taste by convincing consumers that the unpleasant taste indicated that it was working to kill bacteria and combat bad breath.

For most brands, a single benefit serves as the point of difference. This enables the marketer to convince the consumer more simply and easily of the benefit's importance when making a brand choice. However, there are several circumstances in which a position is based on multiple benefits. When competitors are each focusing on a particular benefit, a brand might compete by claiming to do it all. In the soap category, Ivory is positioned as offering superior cleaning, Dove as providing better moisturizing, and Zest as ensuring greater deodorizing. When Lever 2000 was launched, it was positioned as the bar soap that does it all. This placed Lever 2000 in its own category as the one that offered all the benefits, with the other brands

Gurukpo.com No. 1 Educational Web Portal in India

being lumped together as incomplete. As a result, Lever 2000 enjoyed rapid growth in the bar soap market.

Multiple features are also used to position a brand on the basis of its value. A value position may be represented by the following equation:

$$\text{Value} = \frac{\text{Functional Benefits} + \text{Psychic Benefits}}{\text{Monetary Costs} + \text{Time Costs}}$$

This equation is conceptual, with the benefits of a brand presented in the numerator and the costs in the denominator. Value is enhanced by increasing the benefits and reducing the costs.

To illustrate the value equation, consider UPS's positioning. UPS is the leading ground parcel firm in the United States and second in air freight deliveries. UPS offers value by ensuring that packages and letters get to their destination on time. They do this by offering early-morning delivery (8:30 a.m.) and by routing their trucks to make as many right-hand turns as possible so as not to be slowed by oncoming traffic. One benefit of these services is psychic — customers are confident that packages will get to their destination on time. UPS saves companies money because its reliable delivery allows firms to produce product on demand, and thus limit the inventory required. And UPS's wireless tracking of shipments saves managers time by enabling them to monitor the progress of the packages while engaging in other activities. Thus, UPS enhances value by increasing the functional and emotional benefits and by reducing the monetary and time costs.

When selecting multiple benefits, it is important to assess their fit with each other. Specifically, brands possessing potentially opposing benefits can undermine consumer confidence in the brand's position. For example, when the value proposition is that a brand has high quality, a low price might undermine this belief. Similarly, when a food brand offers superior nutrition, consumers might be skeptical of a superior taste claim. And if a car is positioned as safe, consumers may doubt the claim that it also offers exceptional acceleration.

Finally, brand marketers should use caution in selecting benefits to convey a brand's point of difference on the basis of what consumers say. Consumers profess an interest in some benefits not because of the benefit's importance to their brand choice, but because they feel peer pressure to do so. Thus, consumers often indicate high interest in a car's safety and fuel efficiency even though there is not a correlation between these reports and actual brand choice.

GurukPO.com
No.1 Educational Web Portal in India

Choosing POP's and POD's

CHOOSING POPs AND PODs

Points-of-parity (POP) are driven by the needs of category membership to create category of POPs and the necessity of negating competitors â€™ Points of Difference (POD) to create competitive POPs. In choosing points-of-difference, two important considerations are that consumers find the POD desirable and that the firm has the capabilities to deliver on the POD.

There are three key consumer desirability criteria for PODs,

1. Relevance:

Target consumers must find the POD personally relevant and important. The Westin Stamford hotel in Singapore advertised that it was the world â€™s tallest hotel, but a hotel â€™s height is not important to many tourists.

2. Distinctiveness:

Target consumers must find the POD distinctive and superior. When entering a category where there are established brands, the challenge is to find a viable basis for differentiation. Splenda sugar substitute overtook Equal and Sweet â€˜n Low to become the leader in its category in 2003 by differentiating itself on its authenticity as a product derived from sugar, without any of the associated drawbacks.

3. Believability:

Target consumers must find the POD believable and credible. A brand must offer a compelling reason for choosing it over the other options. Mountain Dew may argue that it is more energizing than other soft drinks and support this claim by noting that it has a higher level of caffeine. Chanel No. 5 perfume may claim to be the quintessential elegant French perfume and support this claim by noting the long association between Chanel and haute coutre.

There are three key deliverability criteria.

1. Feasibility:

The firm must be able to actually create the POD. The product design and marketing offering must support the desired association. Does communicating the desired association involve real changes to the product itself, or just perceptual ones as to how the consumer thinks of the product or brand? It is obviously easier to convince consumers of some fact about the brand that they were unaware of and may have overlooked than to make changes in the product and convince consumers of these changes. General Motors had to work to overcome public perceptions that Cadillac is not a youthful, contemporary brand.

Gurukpo.com
No. 1 Educational Web Portal in India

2. Communicability:

It is very difficult to create an association that is not consistent with existing consumer knowledge or that consumers, for whatever reason, have trouble believing. Consumers must be given a compelling reason and understandable rationale as to why the brand can deliver the desired benefits. What factual, verifiable evidence or â€œproof pointsâ€? Can be given as support so that consumers will actually believe in the brand and its desired associations? Substantiates often come in the form of patented, branded ingredients, such as Nivea Wrinkle Control CrÃ¨me with Q10 co-enzyme or Herbal Essences hair conditioner with Hawafena.

3. Sustainability:

Is the positioning preemptive, defensible, and difficult to attack? Can the favorability of a brand association be reinforced and strengthened over time? If yes, the positioning is likely to be enduring. Sustainability will depend on internal commitment and use of resources as well as external market forces.

Point of difference

Point of difference is a term used for an outcome of product differentiation. In business economics, differentiation is seen as an important strategic move for companies to make. 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.

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 define the brand.

Points-of-parity/points-of-difference

Definitions

Points-of-difference (PODs) – Attributes or benefits consumers strongly associate with a brand, positively evaluate and believe they could not find to the same extent with a competing

GurukPO.com No.1 Educational Web Portal in India

brand i.e. points where you are claiming superiority or exclusiveness over other products in the category.

Points-of-parity (POPs) – Associations that are not necessarily unique to the brand but may be shared by other brands i.e. where you can at least match the competitors claimed bets. While POPs may usually not be the reason to choose a brand, their absence can certainly be a reason to drop a brand.

While it is important to establish a POD, it is equally important to nullify the competition by matching them on the POP. As a late entrant into the market, many brands look at making the competitor's POD into a POP for the category and thereby create a leadership position by introducing a new POD.

Assessment

The assessment of consumer desirability criteria for PODs should be against:

1. Relevance
2. Distinctiveness
3. Deliverability

Whilst when assessing the deliverability criteria for PODs look at their:

1. Feasibility
2. Communicability
3. Sustainability

These will help understand how successful these PODs are likely to be in the minds of the consumer.

Kevin Keller and Alice Tybout note there are three types of difference: brand performance associations; brand imagery associations; and consumer insight associations. The last only comes into play when the others are at parity. Insight alone is a weak point of difference, easily copied. Putting these together, check their desirability, deliverability and eliminate contradictions.

Traditionally, the people responsible for positioning brands have concentrated on the differences that set each brand apart from the competition. But emphasizing differences isn't enough to sustain a brand against competitors. Managers should also consider the frame of reference within which the brand works and the features the brand shares with other products.

Asking three questions about your brand can help:

Have we established a frame? A frame of reference signals to consumers the goal they can expect to achieve by using a brand.

Gurukpo.com No1 Educational Web Portal in India

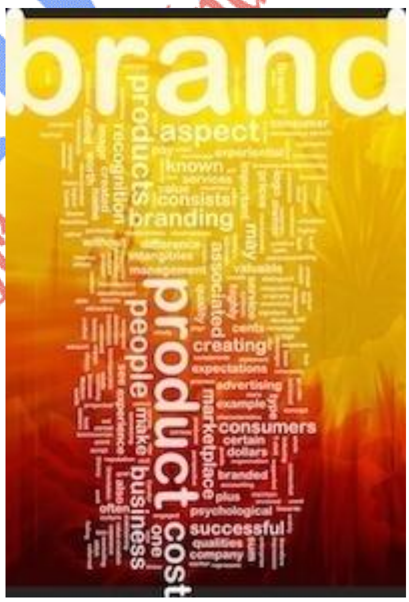
Are we leveraging our points of parity? Certain points of parity must be met if consumers are to perceive your product as a legitimate player within its frame of reference.

Are the points of difference compelling? A distinguishing characteristic that consumers find both relevant and believable can become a strong, favorable, unique brand association, capable of distinguishing the brand from others in the same frame of reference.

Market Positioning Strategy

While every company's situation is unique, we know from long experience that there are common criteria for a company's success in reaching and winning a market. Whether your company is centered on consumer packaged goods, business services or emerging technology, your part-time CMO and the Chief Outsiders team will consider the following dimensions in developing a market positioning strategy:

- Brand Positioning Strategy
- Product Positioning Strategy
- Competitive Pricing Strategy
- Competitive Positioning Strategy
- Alternatives to Marketing Consulting Firms



Brand Positioning Strategy

Positioning a brand is serious business. There are several key questions which have to be answered in brand positioning. First, you determine WHAT dimensions are critical to the positioning. This has everything to do with the target customers. What are the top two to five core criteria for their decision making? Then, you need to understand WHERE the brand is currently positioned, assuming you're already in market, against these brand criteria. Often this sort of analysis is conducted to determine what GAPS are underserved, which presents a potential positioning opportunity of WHERE you'd like to be positioned. You then need to determine if the new positioning opportunity is purely a matter of messaging (relating what you do, why it's relevant, and how it's different) or a matter of bolstering your offerings.

This analysis might result in something as simple as identifying which products or features are the primary reasons to buy, and rallying your offerings – even your company – around this highly attractive dimension. In the end, you're trying to determine what your brand should stand for. (Note: not all that you or your products and services can do.) Then, we'll work on establishing how you'll deliver this brand positioning strategy in your marketing and sales activities. Here are some terrific articles on other dimensions of brand strategy.

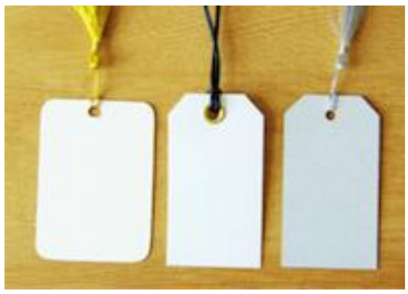
Gurukpo.com No. 1 Educational Web Portal of India

Product Positioning Strategy

Good product positioning strategy requires looking both internally and externally. First, your business as a whole needs to be properly positioned, then your product or services portfolio needs to be positioned. Some companies fail to recognize that their own offerings need to "hang together" and make sense – relative to one another and to your business overall. When a company has diverging offerings or brands, they might best consider two different company banners. Similarly, when companies try to extend the brand of a product in too many directions they can dilute the value of the offering and confuse the customer. With a product portfolio that makes sense, your business also needs to successfully differentiate each product from its competition. Typically, there are three key dimensions to positioning: functionality, relevance and differentiation. When offerings are new (perhaps based on new technology) and not well understood, the positioning is around what the offering does (e.g., now you can watch movies in high definition). When offerings are commodities, the positioning is around differentiation and in extreme cases, positioning around the emotional experience (e.g., a beer might claim to be the coldest, which is not actually a unique attribute of the product. It may then go further by putting a temperature gauge on the can to prove it's cold. You get the idea). Additional thoughts and guidance on product strategy? Read this article.

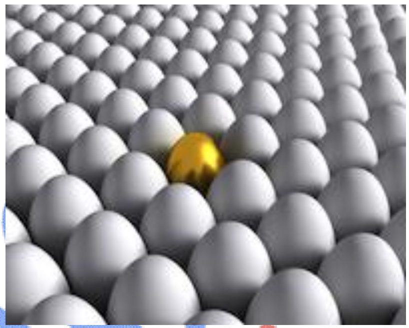
Competitive Pricing Strategy

Pricing strategy has its roots in the very heart of competitive positioning. If your company boasts a better product or service and also leads in market reputation (or brand) then you have the opportunity to command premium pricing. However, an initial question becomes: to what degree are my customers price- sensitive? In many cases, especially in small or middle market companies, the unique value your offerings bring may fully justify a premium price. On the other hand, if you lack a competitive presence or are subject to a negative reputation, no amount of pricing discount may equalize your handicap. Understanding these basic dynamics in your competitive marketplace will allow you to create a model to inform your pricing strategy – are you optimizing for volume, or margin, or for predictability? Your pricing strategy may also allow for opportunistic situations such as capturing first order to prove value for a longer term relationship. The main caution in developing a competitive pricing strategy is this: don't make your sales organization your sole source of input. Dig deeper and broader to ensure you have a balanced perspective. Excellent guidance from our CMOs in these pricing strategy articles.



Competitive Positioning Strategy

Positioning strategy, by its very nature, involves your value relative to your competition. What do you do or offer that's better (or not as competitive) as others who offer similar products and services? When these differences are identified, supported with proof points, and properly merchandised your prospects will have an accurate and compelling basis to compare your company to others. However, there is always more to understanding your offerings that defining them in light of competitive offers. Companies can easily make the mistake of "over positioning" their products and services. As there are three dimensions to establishing value propositions – what it is you DO, why it's RELEVANT and how it's DIFFERENT – companies, marketers and sales teams can spend too much attention on differentiation before assuring the first two dimensions are understood. Your customers are typically most interested in getting their problems solved. If it's not clear how you're going to do that, comparing yourself to your competition (even subtly) won't matter. CMO Slade Kobran has this to say about positioning and differentiation.



Alternatives to Marketing Consulting Firms

Mid-market CEOs will do well to solicit executive management consultants or top marketing consulting firms rather than a marketing agency or advertising firm when developing strategies for market positioning. Solid work up front will ensure both effective and efficient go-to-market planning and execution. An alternative to strategic consulting firms is the use of fractional or part-time executives. For more information on this fast growing and cost-effective alternative to expensive, full-time executives see this article on Executives-as-a-Service (Eaas).

Market Repositioning Strategies

If a product is not selling as well as might be expected, or if its performance has declined from previous rates of success, it may well be that the brand positioning strategy needs to be reconsidered, in order either to promote the product more effectively to its target audience, or to identify a new customer segment to whom it might be better suited.

Getting to the core of market repositioning strategies

Market repositioning strategies vary depending on product, segment and market share, but all essentially pivot around three basic questions:

1. What is the current position of your product?
2. What is the optimum or ideal position of your product?
3. What is the most effective way of getting there?

Of course, the third question is the most difficult to answer, and many brand positioning consultants have come up with different market repositioning strategies for every product they have worked with, reasoning that the large number of variables at play (company profile, market share, competitive landscape, to name but a few) means that each problem must be approached from a unique standpoint.

What do all market repositioning strategies have in common?

However, by and large, brand positioning consultants will take the same key factors into consideration when planning their market repositioning strategies.

Consumers: If a product's sales are flagging, or if the brand positioning consultant believe they have yet to reach their full potential, one of the first ports of call will be to identify and assess the brand's relationship with its customers, current and potential, and to ascertain whether the market segment towards which the product is aimed is in fact viable or sustainable. In some cases marketrepositioning strategies may be geared towards identifying or carving out a new target market, and consultants may work in tandem with market research experts.

Competitors: One obvious reason a product may fail is that it is unable to stand up to the offerings of a company's competitors. This may not always be because the competitor's product is intrinsically superior – it may simply be that the competitor has been more successful in its brand positioning, or simply better at identifying its target market.

Laying the foundations of market repositioning strategies

Brand positioning is one of the areas where detailed, accurate and effective market research can make a vital contribution. A capable market researcher will be able to discover not only the consumer perception of the brand they are engaged to promote, but also of the products, profile and position of major competitors, helping the business to identify key lacunae in their own and their competitors market share, and to find areas into which they might more profitably expand and promote their own product. The most successful market repositioning strategies will enjoy a tight and productive synergy between market researchers and brand positioning consultants, each contributing their particular expertise to a single aim.

Gurukpo.com No. 1 Educational Web Portal in India

Module 5

Managing Brand

BRAND PERSONALITY

What is Brand Personality?

Brand personality is the way a brand speaks and behaves. It means assigning human personality traits/characteristics to a brand so as to achieve differentiation. These characteristics signify brand behaviour through both individuals representing the brand (i.e. it's employees) as well as through advertising, packaging, etc. When brand image or brand identity is expressed in terms of human traits, it is called brand personality. For instance - Allen Solley brand speaks the personality and makes the individual who wears it stand apart from the crowd. Infosysrepresents uniqueness, value, and intellectualism.

Brand personality is nothing but personification of brand. A brand is expressed either as a personality who embodies these personality traits (For instance - Shahrukh Khan and Airtel, John Abraham and Castrol) or distinct personality traits (For instance -Dove as honest, feminist and optimist; Hewlett Packard brand represents accomplishment, competency and influence). Brand personality is the result of all the consumer's experiences with the brand. It is unique and long lasting.

Brand personality must be differentiated from brand image, in sense that, while brand image denote the tangible (physical and functional) benefits and attributes of a brand, brand personality indicates emotional associations of the brand. If brand image is comprehensive brand according to consumers' opinion, brand personality is that aspect of comprehensive brand which generates it's emotional character and associations in consumers' mind.

Brand personality develops brand equity. It sets the brand attitude. It is a key input into the look and feel of any communication or marketing activity by the brand. It helps in gaining thorough knowledge of customers feelings about the brand. Brand personality differentiates among brands specifically when they are alike in many attributes. For instance - Sony versus Panasonic. Brand personality is used to make the brand strategy lively, i.e, to implement brand strategy. Brand personality indicates the kind of relationship a customer has with the brand. It is a means by which a customer communicates his own identity.

Brand personality and celebrity should supplement each other. Trustworthy celebrity ensures immediate awareness, acceptability and optimism towards the brand. This will influence consumers' purchase decision and also create brand loyalty. For instance - Bollywood actress Priyanka Chopra is brand ambassador for J.Hampstead, international line of premium shirts.

Gurukpo.com No.1 Educational Web Portal in India

Brand personality not only includes the personality features/characteristics, but also the demographic features like age, gender or class and psychographic features. Personality traits are what the brand exists for.

The Five Dimensions of Brand Personality (Elements)

As we focus this month on Brand Communities, it is important to recognize that this is far from a new idea.

For more than four decades, marketers have used sophisticated techniques to segment their consumer universes into psychographic sets, the progenitors of today's online communities. These techniques have been able to reveal hidden truths underlying group actions as in the case of Helicopter Parents or Metrosexuals. As a result, they have allowed marketers to dig deeper than simple demographics to target messages much closer to the heart of action than general measures like age or sex. In fact, a case can be made that these older groupings have had far deeper roots than today's like- and tweet- based communities.

At the core of psychographic segmentation lies the recognition that all human behavior derives from a small set of fundamentals, the so-called Big Five Personality Traits. All the broad variation in human action, at heart, comes down to different mixes of these elemental traits. By isolating these human behavioral fundamentals using analytical techniques, marketers can build up full profiles of what is driving the behavior of their targets customers and prospects.

The Big Five was originally propounded way back in 1961, but only came into broader use in the 1980s. Since then, it has become a hallmark of marketing and psychology. Everyone who ever took a "personality test" at work has experienced an expression of the Big Five. The Big Five attributes are:

- Openness to experience – (inventive/curious vs. consistent/cautious). Appreciation for art, emotion, adventure, unusual ideas, curiosity, and variety of experience. Openness reflects the degree of intellectual curiosity, creativity and a preference for novelty and variety. Some disagreement remains about how to interpret the openness factor, which is sometimes called "intellect" rather than openness to experience.
- Conscientiousness – (efficient/organized vs. easy-going/careless). A tendency to show self-discipline, act dutifully, and aim for achievement; planned rather than spontaneous behavior; organized, and dependable.
- Extraversion – (outgoing/energetic vs. solitary/reserved). Energy, positive emotions, surgency, assertiveness, sociability and the tendency to seek stimulation in the company of others, and talkativeness.
- Agreeableness – (friendly/compassionate vs. cold/unkind). A tendency to be compassionate and cooperative rather than suspicious and antagonistic towards others.

  Neuroticism – (sensitive/nervous vs. secure/confident). The tendency to experience unpleasant emotions easily, such as anger, anxiety, depression, or vulnerability.

Gurukpo.com No.1 Educational Web Portal in India

- Neuroticism also refers to the degree of emotional stability and impulse control, and is sometimes referred by its low pole – “emotional stability”.

So much for the history lesson. Now for the 64-dollar question for modern Social brand communities: Do brand personalities all derive from The Big Five, as if brands were themselves people? Or, does each brand create its own unique universe, with its own unique set of core behavior elements driving the brand’s personality?

What researchers have found falls in the middle ground. Brands personality, in fact, is not derived directly from The Big Five, but neither does it stem from random, unique brand universes. Rather, there appears to be a separate set of universal markers that delineate brand personalities. People don’t react to brands as people, but do, if appears, react to brands in a consistent, measurable way, call it the Brand Five.

The personalities of brands devolve from this separate Brand Five as noted in this chart:

FIVE DIMENSIONS OF BRAND PERSONALITY

NAME	DIMENSION	TRAITS WITH THE HIGHEST ITEM-TO-TOTAL CORRELATION
Sincerity	1	Domestic, honest, genuine, cheerful
Excitement	2	Daring, spirited, imaginative, up-to-date
Competence	3	Reliable, responsible, dependable, efficient
Sophistication	4	Glamorous, pretentious, charming, romantic
Ruggedness	5	Tough, strong, outdoorsy, rugged

The emergence of these two sets of fundamental markers for human behavior has made it possible for statisticians, and the marketers who rely on them, to craft rich and measurable analytical images of brands and their customers. These actionable “brand personalities” and the psychographic sets they define have transformed the way marketers can approach target audiences. They have lead to the creation of techniques that drive the development of today’s vibrant, social-network driven brand communities.

BRAND AWARENESS

Brand awareness is the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product. Expressed usually as a percentage of the target market, brand awareness is the primary goal ofadvertising in the early months or years of a product's introduction.

Brand awareness is related to the functions of brand identities in consumers’ memory and can be reflected by how well the consumers can identify the brand under various conditions. Brand awareness includes brand recognition and brand recall performance. Brand recognition refers to the ability of the consumers to correctly differentiate the brand they previously have been exposed to. This does not necessarily require that the consumers identify the brand name. Instead, it often means that consumers can respond to a certain brand after viewing its visual packaging images. Brand recall refers to the ability of the consumers to correctly generate and retrieve the brand in their memory.

A brand name that is well known to the great majority of households is also called a household name.

Importance

"Awareness, attitudes, and usage (AAU) metrics relate closely to what has been called the Hierarchy of Effects, an assumption that customers progress through sequential stages from lack of awareness, through initial purchase of a product, to brand loyalty." In total, these AAU metrics allow companies to track trends in customer knowledge and attitudes.

Although the hierarchy of effects is considered as a one-way linear relationship, these three stages are not "clear-cut". The causal link might be reversed. The usage could cause the awareness while the attitudes can also influence the awareness. For example, one owned a Dell wireless mouse and had excellent using experience. Such experience might determine the one's favorite brand attitude toward Dell.

Brand awareness plays a major role in a consumer's buying decision-making process. During this process, the category need is stimulated first. For example, you need to do food shopping. You will only write down the food categories, like chocolate, instead of brand names on your list. You will scan the packages of chocolate on the shelf and recognize different brands. Such recognition might be based on the knowledge of an acquaintance or friend having used the product in the past or constant advertisement. In this situation, brand awareness does not require brand recall because brand awareness may occur along with brand recognition. However, in other situations, brand recall is required. For instance, you are in a hurry and want to grab a bite at a fast-food restaurant. It is not possible for you to drive around and make a decision. You need to retrieve different fast-food brands in your memory, choose one and go there directly. In this situation, constant advertisement is important in consumers' memory retrieval because the consumers are willing to go to the first brand that can be recalled.

The eventual goal of most businesses is to make profits and increase sales. Businesses intend to increase their consumer pool and encourage repeat purchases. Apple is a brilliant example of how there is a very high recognition of the brand logo and high anticipation of a new product being released by the company. An iPod is the first thing that pops into our minds when we think of purchasing an mp3 player. iPod is used as a replaceable noun to describe an mp3 player. Finally, high brand awareness about a product suggests that the brand is easily recognizable and accepted by the market in a way that the brand is differentiated from similar products and other competitors. Brand building also helps in improving brand loyalty.

GurukPo.com No. 1 Educational Web Portal in India

Measures of Brand Awareness

Aided Awareness- This type of awareness is generated in a consumer. When asked about a product category, if the consumer is aided with a list of company names and he recognizes the company from the given set it is categorized as aided awareness.

Spontaneous awareness --- When asked about a product category, the consumers are asked to list brands they know without any cues.

Top of the mind Awareness- When the name of the company is automatically recollected because the consumer very promptly associates the brand with the product category, it is called a top of the mind awareness of the product.[5] It's the first brand name listed by the consumers when asked to name brands they know without any cues.

Methodologies

Mokhira discussion in industry and practice about the meaning and value of various brand awareness metrics. Recently, anempirical study appeared to put this debate to rest by suggesting that all awareness metrics were systematically related, simply reflecting their difficulty, in the same way that certain questions are more difficult in academic exams.

Channels of Brand Awareness

There are many ways to generate brand awareness in the consumers. Listed below are four such channels

Advertising is the activity or profession of producing information for promoting the sale of commercial products or services. Advertising is used through various media to generate brand awareness within consumers. They can be aired as radio ads, television commercials, internet etc.

Guerrilla Marketing creative campaigns allow every small firm to compete with bigger firms by carving out narrow but profitable niches. Nowadays, big firms also use guerrilla marketing to catch consumers' attention at low cost. These tactics include (1) extreme specialization, (2) aiming every effort at favourably impressing the customers, (3) providing service that goes beyond the customers' expectations, (4) fast response time, (5) quick turnaround of jobs, and (6) working hours that match the customer's requirements. The term 'Guerrilla Marketing' is a registered trademark of author Jay Levinson who popularized it through his several 'Guerrilla' books.

It is an out of the ordinary way of marketing a product. Low-cost channels can be utilised to generate a high level of interest in the product and create brand awareness. Utilisation of personal contacts is the most popular way of guerrilla marketing. Product Placement is an advertising technique used by companies to subtly promote their products through a non-traditional advertising technique, usually through appearances in film, television, or other media.

Gurukpo.com No 1 Educational Web Portal in India

A formal agreement between the product manufacturer and a media company can be generated through which the media company also receives an economic benefit, usually in the form of a fee. The media company in return will showcase the product through any of the various means they have available to make the brand stand out. Some people, however, consider product placement to be deceptive and unethical.

For example, Coca-Cola could pay a given fee to have the title character drinking a Coke, instead of a Pepsi beverage, or Toyota might pay to have one of the characters drive their newest automobile. Through product placement, companies hope that moviegoers will take note of the products used by the characters, and therefore think more strongly about using the products themselves. Social Media is the most contemporary and cost-effective way of creating a brand awareness with an online audience. Many companies use social media like Facebook, YouTube, blogs etc.

Challenges

Maintaining Brand Awareness is a very important aspect in marketing a company. It is imperative and very helpful to analyze the response your audience has towards the change in packaging, advertising, products and messages sent across through various means. Working towards creating an image in the minds of the consumers is not the last thing a company should aim to do. Inviting consumer feedback and maintaining a constant presence in the market is equally essential. Availability of the product to the consumer is one such way of doing this. The consumer should not have to come looking for you when he is in need of making a second purchase of the product, dealerships and outlets at convenient places should make the consumer think of the brand as the most convenient and best solution to their needs of fulfillments.

While brand awareness scores tend to be quite stable at aggregate level, individual consumers show considerable propensity to change their responses to aided recall based brand awareness measures. For unaided recall based brand awareness measures, consumers' brand awareness remain relatively stable. For top of mind recall measures, consumers give the same answer in two interviews typically only 50% the time. Similar low levels of consistency in response have been recorded for other cues to elicit brand name responses.

Brand loyalty

Definition

Brand loyalty occurs when a customer chooses to repeatedly purchase a product produced by the same company instead of a substitute product produced by a competitor. For example, some people will always buy Coke at the grocery store, while other people will always purchase Pepsi.

Conceptual Framework

Brand loyalty is often based upon perception. A consumer will consistently purchase the same product because she perceives it as being the superior product among the choices available. You should note that brand loyalty usually relates to a product, not a company. For example, while you may be loyal to your Honda Accord, when it comes to motorcycles, you might believe that a Harley leaves a Honda motorcycle in the dust.

Brand loyalty is important for several reasons. First, it reduces the cost of production because the sales volume is higher. Second, companies with brand-loyal customers don't have to spend as much money on marketing the product, which will permit the company to either retain more earnings or to invest resources elsewhere. Third, companies may use premium pricing that will increase profit margins. Finally, loyal customers tend to recommend products that they like.

Businesses do have to exert significant effort to facilitate brand loyalty. You need to convince potential customers that your product has a significant advantage over other products to justify consistent purchases of your product. Businesses also will attempt to leverage brand loyalty developed for a product to other products offered by the company. The hope is to create brand loyalty for as many products as possible.

Examples

Examples of brand loyalty abound:

- Mac users v. PC users
- Pepsi drinkers v. Coke drinkers
- McDonalds v. Burger King devotees
- iPhone v. Android smart phones

Brand Identity - Definition and Concept

Brand identity stems from an organization, i.e., an organization is responsible for creating a distinguished product with unique characteristics. It is how an organization seeks to identify itself. It represents how an organization wants to be perceived in the market. An organization communicates its identity to the consumers through its branding and marketing strategies. A brand is unique due to its identity. Brand identity includes following elements - Brand vision, brand culture, positioning, personality, relationships, and presentations.

Brand identity is a bundle of mental and functional associations with the brand. Associations are not "reasons-to-buy" but provide familiarity and differentiation that's not replicable getting it. These associations can include signature tune(for example - Britannia "ting-ting-ta-ding"), trademark colours (for example - Blue colour with Pepsi), logo (for example - Nike), tagline (for example - Apple's tagline is "Think different"),etc.

Brand identity is the total proposal/promise that an organization makes to consumers. The brand can be perceived as a product, a personality, a set of values, and a position it occupies in consumer's minds. Brand identity is all that an organization wants the brand to be

Gurukpo.com No. 1 Educational Web Portal in India

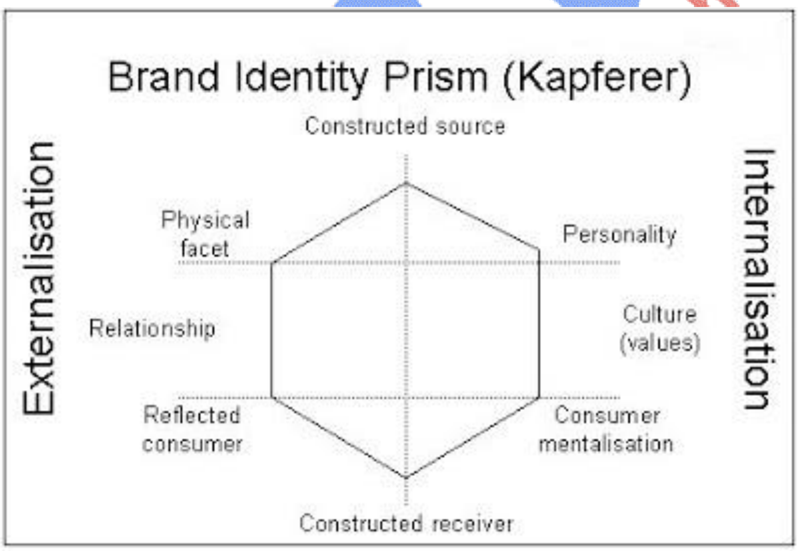
considered as. It is a feature linked with a specific company, product, service or individual. It is a way of externally expressing a brand to the world.

Brand identity is the noticeable elements of a brand (for instance - Trademark colour, logo, name, symbol) that identify and differentiates a brand in target audience mind. It is a crucial means to grow your company's brand.

Brand identity is the aggregation of what all you (i.e. an organization) do. It is an organizations mission, personality, promise to the consumers and competitive advantages. It includes the thinking, feelings and expectations of the target market/consumers. It is a means of identifying and distinguishing an organization from another. An organization having unique brand identity have improved brand awareness, motivated team of employees who feel proud working in a well branded organization, active buyers, and corporate style. Brand identity leads to brand loyalty, brand preference, high credibility, good prices and good financial returns. It helps the organization to express to the customers and the target market the kind of organization it is. It assures the customers again that you are who you say you are. It establishes an immediate connection between the organization and consumers. Brand identity should be sustainable. It is crucial so that the consumers instantly correlate with your product/service.

Brand identity should be futuristic, i.e, it should reveal the associations aspired for the brand. It should reflect the durable qualities of a brand. Brand identity is a basic means of consumer recognition and represents the brand's distinction from it's competitors.

Brand Identity Prism (Kapferer)



The conception of brand identity was mentioned for the first time in Europe by Kapferer, 1986. The importance of the conception and its understanding quickly disseminated in the entire world. The literature on brand management, which has been widely examined, uses the terms "equity" (Aaker, 1996).

According to J. Kapferer, brand identity could be de-fined by answering the following questions:

- What is the aim and individual vision of a brand?

- What makes a brand distinguished?

- How satisfaction could be achieved?

- What is brand"s equity?

- What are brand competence, validity and legitimacy?

- What are the features of its recognition?

It could be claimed that the conception of brand identity includes the uniqueness, meaning, aim, values, and personality and provides a possibility to position the brand better, and, thus, achieve the competitive advantage.

Sources of Brand Identity:

Goods

Name

Personage (emblem)Visual Symbols and Logotypes

Brand developer

Communication together with its content and form

Prism of brand identity

First of all brand contains an external specificity that is **physical appearance**, which is the core of brand and its value added. This determines a traditional brand management due to orientation to "know how", classical positioning, selecting a principal good or brand features and the benefit. The first step building up a brand is the definition of physical factors, identifying what it is, what it does and how does it look like. Physical appearance is closely connected with a brand prototype, revealing the quality of a brand (for example Coca-Cola bottles on tins of Coca-Cola).

The second element of identity prism is **brand personality**. With a help of communication brand character is being developed and this is a way by which any brand "talks" about its goods and services and indicates a particular human person. The trait of personality within the prism of identity is inner source. It should not be mixes up with the image of consumer‟s reflection which is an ideal portrait of every recipient. Brand personality is described and measured using those features of consumer personality that are directly related to brands. Since 1996 the research was directed towards studies of brand personality (Kapferer, 2003). D. Grundey (2002) claims that the success of brand expression percentage in the market depends on the choice of every element of personality and its reconciliation. Brand personality is closely connected with self-image and image of a consumer because the identification of consumers‟ with a particular segment reflects brand features.

Brand is culture. Brands possess that **culture** in which they originated. Brand is a representative of its culture, including communication. From this perspective culture entails a lot of values that provide brand with inspiration. Cultural features a correlated with external principles of brand management (a good and communication) Culture is in the core of brand. Global brands usually reveal their culture (Benetton, Coca-cola, IBM). The aspect of culture enables to discover differences between other competing brands. The attention is focused on brand personality; however, eventually only those brands become leaders that possess not only personality but culture. Brand culture is based on the culture, values and aims of an enterprise. This is one of good lineaments while comparing brands of different companies as it is not likely that tow different companies will have identical cultural features (Grundey, 2002). Countries producers are the sources of brand culture as well. However, this is not the only factor, providing value added. The degree of brand freedom is frequently restricted by the culture of a company as this is the most visible and external brand feature. Culture plays the essential role in brand differentiation as it indicated what moral values are embodied in goods and services. This feature helps identifying the strongest brands because sources, basic ideals and a set of values are revealed.

Brand includes **relationship** as brands frequently take the most important place in the process of human transactions and exchange. This is extremely reflected in the sphere of services and retail companies. This feature emphasizes the way of behavior which is identified with brand most of all. A lot of actions such as the fact how brands influence and provide services in connection to their consumers determine this feature. According to Kapferer (2003), brand is a voice that consumers should hear because brands survive in the market because of communication. D. Grundey (2002) singles out the following ways of communication:

-Advertising and other support elements;

-Direct consumer‟s communication while purchasing a good. Marketing culture of a company is extremely significant as it is a constitutive part of company‟s culture, manifested through the relationship of consumers and the company. Invisible communication is created with a means of associations and its can start between people (a seller, buyer or employee) seeking for the same or different goals. Communicating it is important to reconcile different need of people and present the entire useful information allowing perceiving the essence and peculiarities of a brand.

Gurukpo.com No.1 Educational Web Portal in India

Brand is a **customer reflection**. Consumers can easily define what goods of a particular brand are produced for a particular type of consumers (for example, this automobile was developed only for show stars). Brand communication and goods aim at reflecting a consumer, for whom those goods are addressed. Consumer reflection is often confused with the target market (Kapferer, 2003). The target market determines potential consumers though consumer reflection does not define target market. A consumer has to be reflected in a way, which would show how he or she could image themselves consuming a particular good. The representatives of the target market should be presented differently from what they are but what they would like to be. Consumers use goods of certain brands seeking to create their own identity. Brands should control their consumer reflection. A constant repetition stating that this brand was developed for a certain target group weakens brand image.

Consumer self-image. Brand is closely related to the understanding of consumer self-image that is the features with which consumers identify themselves and the very same features they would like to be reflected by the chosen good and its brand. Consumer self-image is important in the explanation of consumer behaviour as consumers purchase goods, corresponding to their self-image. The conception of consumer self-image includes an amount of individual ideas, thoughts and feelings about him in relationship with other objects within socially defined boundaries (Onkvisitir Shaw, 1994). This is the understanding of an individual about his ability, semblance and characteristics on personality. The conception of consumer self-image is developed within timeframes and is based on that what a consumer sees around himself and how other consumers evaluate and respond to him. The conception is a set of beliefs about oneself, retained in memory. The conception of consumer self-image can be determined and strengthened by examining purchase and consumption. Consumers acquire the reconciliation of oneself having positive attitude towards a certain goods of that brand (for example, a man who identifies himself as strong and muscular will choose Marlboro" cigarettes, while a woman, identifying herself as attractive and modern will choose,Virginia Slims cigarettes) (Graeff, 1996).

All six elements emphasize brand identity. The prism of identity originated from the basic conception that brand is marked by the gift of "speech". Brands can exist only then when they communicate. Physical appearance and personality allow determining the sender. The recipient is defined by consumer reflection and self-image. The last two elements of brand identity: culture and relationship link the sender and the recipient.

The prism of brand identity maintains a vertical subdivision: the elements on the left such as physical appearance, relationship and consumer reflection are social and provide brand with external expression (image) and are visible.
The elements on the right such as personality, culture and consumer self-image are connected with the inside of a brand and its soul.

Gurukpo.com
No.1 Educational Web Portal in India

Summing on the prism of brand identity it can be noted that it is the unit of brand identity as a live system of elements, possessing internal and external sides and determining possible limits for brand development and variation.

Brand Image

Brand image is the current view of the customers about a brand. It can be defined as a unique bundle of associations within the minds of target customers. It signifies what the brand presently stands for. It is a set of beliefs held about a specific brand. In short, it is nothing but the consumers' perception about the product. It is the manner in which a specific brand is positioned in the market. Brand image conveys emotional value and not just a mental image. Brand image is nothing but an organization's character. It is an accumulation of contact and observation by people external to an organization. It should highlight an organization's mission and vision to all. The main elements of positive brand image are- unique logo reflecting organization's image, slogan describing organization's business in brief and brand identifier supporting the key values.

Brand image is the overall impression in consumers' mind that is formed from all sources. Consumers develop various associations with the brand. Based on these associations, they form brand image. An image is formed about the brand on the basis of subjective perceptions of associations bundle that the consumers have about the brand. Volvo is associated with safety. Toyota is associated with reliability.

The idea behind brand image is that the consumer is not purchasing just the product/service but also the image associated with that product/service. Brand images should be positive, unique and instant. Brand images can be strengthened using brand communications like advertising, packaging, word of mouth publicity, other promotional tools, etc.

Brand image develops and conveys the product's character in a unique manner different from its competitor's image. The brand image consists of various associations in consumers' mind - attributes, benefits and attributes. Brand attributes are the functional and mental connections with the brand that the customers have. They can be specific or conceptual. Benefits are the rationale for the purchase decision. There are three types of benefits: Functional benefits - what do you do better (than others),emotional benefits - how do you make me feel better (than others), and rational benefits/support - why do I believe you(more than others). Brand attributes are consumers overall assessment of a brand.

Brand image has not to be created, but is automatically formed. The brand image includes products' appeal, ease of use, functionality, fame, and overall value. Brand image is actually brand content. When the consumers purchase the product, they are also purchasing it's image. Brand image is the objective and mental feedback of the consumers when they purchase a product. Positive brand image is exceeding the customers expectations. Positive brand image enhances the goodwill and brand value of an organization.

GuruKpo.com
No.1 Educational Web Portal in India

Module 6

Understanding Brand Equity

Brand equity

Brand equity is a phrase used in the marketing industry which describes the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well known name, as consumers believe that a product with a well-known name is better than products with less well-known names.

Some marketing researchers have concluded that brands are one of the most valuable assets a company has, as brand equity is one of the factors which can increase the financial value of a brand to the brand owner, although not the only one. Elements that can be included in the valuation of brand equity include (but not limited to): changing market share, profit margins, consumer recognition of logos and other visual elements, brand language associations made by consumers, consumers' perceptions of quality and other relevant brand values.

Consumers' knowledge about a brand also governs how manufacturers and advertisers market the brand. Brand equity is created through strategic investments in communication channels and market education and appreciates through economic growth in profit margins, market share, prestige value, and critical associations. Generally, these strategic investments appreciate over time to deliver a return on investment. This is directly related to marketing ROI. Brand equity can also appreciate without strategic direction. A Stockholm University study in 2011 documents the case of Jerusalem's city brand. The city organically developed a brand, which experienced tremendous brand equity appreciation over the course of centuries through non-strategic activities. A booming tourism industry in Jerusalem has been the most evident indicator of a strong ROI.

Brand equity is strategically crucial, but famously difficult to quantify. Many experts have developed tools to analyze this asset, but there is no agreed way to measure it.

As one of the serial challenges that marketing professionals and academics find with the concept of brand equity, the disconnect between quantitative and qualitative equity values is difficult to reconcile.

Quantitative brand equity includes numerical values such as profit margins and market share, but fails to capture qualitative elements such as prestige and associations of interest. Overall, most marketing practitioners take a more qualitative approach to brand equity because of this challenge. In a survey of nearly 200 senior marketing managers, only 26 percent responded that they found the "brand equity" metric very useful.

Keller's Brand Equity Model

Brand Equity Models

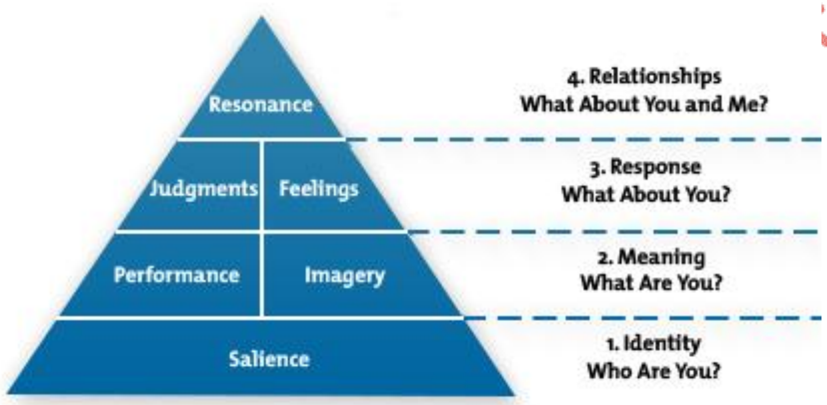
Keller's Brand Equity Model is also known as the Customer-Based Brand Equity (CBBE) Model. Kevin Lane Keller, a marketing professor at the Tuck School of Business at Dartmouth College, developed the model and published it in his widely used textbook, "Strategic Brand Management."

The concept behind the Brand Equity Model is simple: in order to build a strong brand, you must shape how customers think and feel about your product. You have to build the right type of experiences around your brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it.

When you have strong brand equity, your customers will buy more from you, they'll recommend you to other people, they're more loyal, and you're less likely to lose them to competitors.

The model, seen in Figure 1, illustrates the four steps that you need to follow to build strong brand equity.

Figure 1 – Keller's Brand Equity Model



From "Strategic Brand Management: Building, Measuring, and Managing Brand Equity" by Kevin Lane Keller. © Pearson Education Limited 2013.

The four steps of the pyramid represent four fundamental questions that your customers will ask – often subconsciously – about your brand.

The four steps contain six building blocks that must be in place for you to reach the top of the pyramid, and to develop a successful brand.

Applying the Model

Let's look at each step and building block in detail, and discuss how you can apply the framework and strengthen your brand.

Step 1: Brand Identity – Who Are You?

In this first step, your goal is to create "brand salience," or awareness – in other words, you need to make sure that your brand stands out, and that customers recognize it and are aware of it.

You're not just creating brand identity and awareness here; you're also trying to ensure that brand perceptions are "correct" at key stages of the buying process.

Application

To begin, you first need to know who your customers are. Research your market to gain a thorough understanding of how your customers see your brand, and explore whether there are different market segments with different needs and different relationships with your brand.

Next, identify how your customers narrow down their choices and decide between your brand and your competitors' brands. What decision-making processes do your customers go through when they choose your product? How are they classifying your product or brand? And, when you follow their decision making process, how well does your brand stand out at key stages of this process?

You are able to sell your product because it satisfies a particular set of your customers' needs; this is your unique selling proposition , or USP. You should already be familiar with these needs, but it's important to communicate to your customers how your brand fulfills these. Do your clients understand these USPs when they're making their buying decisions?

By the end of this step, you should understand whether your clients perceive your brand as you want them to, or whether there are specific perceptual problems that you need to address – either by adjusting your product or service, or by adjusting the way that you communicate your message. Identify the actions that you need to take as a result.

Step 2: Brand Meaning – What Are You?

Your goal in step two is to identify and communicate what your brand means, and what it stands for. The two building blocks in this step are: "performance" and "imagery."

"Performance" defines how well your product meets your customers' needs. According to the model, performance consists of five categories: primary characteristics and features; product reliability, durability, and serviceability; service effectiveness, efficiency, and empathy; style and design; and price.

"Imagery" refers to how well your brand meets your customers' needs on a social and psychological level. Your brand can meet these needs directly, from a customer's own experiences with a product; or indirectly, with targeted marketing, or with word of mouth.

A good example of brand meaning is Patagonia®. Patagonia makes high quality outdoor clothing and equipment, much of which is made from recycled materials.

Patagonia's brand performance demonstrates its reliability and durability; people know that their products are well designed and stylish, and that they won't let them down. Patagonia's brand imagery is enhanced by its commitment to several environmental programs and social causes; and its strong "reduce, reuse, recycle" values make customers feel good about purchasing products from an organization with an environmental conscience.

Application

The experiences that your customers have with your brand come as a direct result of your product's performance. Your product must meet, and, ideally, exceed their expectations if you want to build loyalty. Use the Critical to Quality Tree and Kano Model Analysis models to identify your customers' needs, and then explore how you can translate these needs into a high quality product.

Next, think carefully about the type of experience that you want your customers to have with your product. Take both performance and imagery into account, and create a "brand personality." Again, identify any gaps between where you are now and where you want to be, and look at how you can bridge these.

Step 3: Brand Response – What Do I Think, or Feel, About You?

Your customers' responses to your brand fall into two categories: "judgments" and "feelings." These are the two building blocks in this step.

Your customers constantly make judgments about your brand and these fall into four key categories:

Quality: Customers judge a product or brand based on its actual and perceived quality.

Credibility: Customers judge credibility using three dimensions – expertise (which includes innovation), trustworthiness, and likability.

Consideration: Customers judge how relevant your product is to their unique needs.

Superiority: Customers assess how superior your brand is, compared with your competitors' brands.

Customers also respond to your brand according to how it makes them feel. Your brand can evoke feelings directly, but they also respond emotionally to how a brand makes them feel about themselves. According to the model, there are six positive brand feelings: warmth, fun, excitement, security, social approval, and self-respect.

Application

First, examine the four categories of judgments listed above. Consider the following questions carefully in relation to these:

What can you do to improve the actual and perceived quality of your product or brand?

How can you enhance your brand's credibility?

How well does your marketing strategy communicate your brand's relevancy to people's needs?

How does your product or brand compare with those of your competitors?

Next, think carefully about the six brand feelings listed above. Which, if any, of these feelings does your current marketing strategy focus on? What can you do to enhance these feelings for your customers?

Identify actions that you need to take as a result of asking these questions.

Step 4: Brand Resonance – How Much of a Connection Would I Like to Have With You?

Brand "resonance" sits at the top of the brand equity pyramid because it's the most difficult – and the most desirable – level to reach. You have achieved brand resonance when your customers feel a deep, psychological bond with your brand.

Keller breaks resonance down into four categories:

Behavioral loyalty: This includes regular, repeat purchases.

Attitudinal attachment: Your customers love your brand or your product, and they see it as a special purchase.

Sense of community: Your customers feel a sense of community with people associated with the brand, including other consumers and company representatives.

Active engagement: This is the strongest example of brand loyalty. Customers are actively engaged with your brand, even when they are not purchasing it or consuming it. This could include joining a club related to the brand; participating in online chats, marketing rallies, or events; following your brand on social media; or taking part in other, outside activities.

Application

Your goal in the last stage of the pyramid is to strengthen each resonance category.

For example, what can you do to encourage behavioral loyalty? Consider gifts with purchase, or customer loyalty programs.

Ask yourself what you can do to reward customers who are champions of your brand. What events could you plan and host to increase customer involvement with your brand or product? List the actions that you could take.

Example

Julie has recently been put in charge of a project to turn around an under-performing product. The product is a high quality, fair trade, organic tea, but it's never achieved the sales and customer loyalty that the organization expected. Julie decides to use the brand equity pyramid to think about the turnaround effort.

Step 1: Brand Identity

Julie's target customers are mid to high income, socially conscious women.

After careful analysis, she knows that she is marketing in the correct category, but she realizes that her marketing efforts aren't fully addressing customer needs. She decides to change the message from "healthy, delicious tea," to "delicious tea, with a conscience," which is more relevant and meaningful to her target market.

Step 2: Brand Meaning

Next, Julie examines the product's meaning, and looks at how the company communicates that meaning to its customers.

The performance of the tea is already moderately high; it's a single-source, fair trade tea of a higher quality than the competition's product. After assessing the organization's service effectiveness, Julie is disappointed to find that many of her representatives lack empathy with customers who complain. So, she puts everyone through a comprehensive customer service class to improve responses to customer complaints and feedback.

Last, Julie decides to post to the company's website personal stories from the fair trade farmers who grow and pick the tea. By doing this, she aims to educate customers on how beneficial this practice is for people around the world.

Step 3: Brand Response

After going over the four brand response judgments, Julie realizes that perceived quality might be an issue. The tea itself is high quality, but the pack size is smaller than the ones her competitors use. Julie doesn't want to lower the price, as this might affect how customers assess quality, so she decides to offer more tea in each box in order to surpass customer expectations.

She also decides to enhance the tea's credibility by becoming fair trade certified through an independent third-party organization.

Step 4: Brand Resonance

Julie knows that her target customers care deeply about fair trade. She decides to promote the organization's efforts by participating in a number of fair trade events around the country.

She also sets up a social networking framework to involve customers in the organization's fair trade efforts, and she creates a forum on the company website where customers can discuss issues surrounding fair trade. She also commits to championing the efforts of other fair trade organizations.

GurukPo.com No. 1 Educational Web Portal in India

5 Steps for Building Strong Brand Equity

Building a successful brand requires using creative marketing and branding strategies to create strong brand equity. In today's competitive market, a brand can only achieve success if it can connect with consumers and effectively communicate its unique qualities in a way in which they create a positive impression in the minds of consumers. However, products or service cannot generate brand equity on their own – this requires marketers to develop creative efforts that result in consumers bestowing on the product/service the desired brand image.

The following steps are essential for building a strong brand:

1. **Introduce a Quality Product into the Marketplace** – This may seem obvious but it is extremely important to deliver a product that attracts a positive reaction from consumers. This can be achieved through labeling, packaging, delivery or the value its offers to users.
2. **Monitoring Trends and Competitors** – A strong brand has the ability to adapt to changes in the marketplace in order to stay relevant. To achieve this, marketers must monitor industry trends and market conditions.
3. **Build a Consistent Brand Image** – It is important to reinforce your brand by providing a consistent positive experience in the minds of consumers.
4. **Consistency of Brand Messaging** – When creating your brand messaging ensure that it is easy to remember and reminds consumers about the qualities that they care most about.
5. **Capture Customer Feedback** – Since the real power of a brand exists in the mind of consumers, it is necessary for marketers to always capture and analyze customer feedback.

Brand valuation

Brand valuation is the job of estimating the total financial value of the brand. Like the valuation of any product, of self review, or conflicts of interest if those that value the brand also were involved in its creation. The ISO 10668 standard sets out the appropriate process of valuing brands, and sets out six key requirements:

1. transparency,
2. validity,
3. reliability,
4. sufficiency,
5. objectivity, and
6. Financial, behavioural, and legal parameters.

Brand valuation is distinguished from brand equity.

Valuing Brands and Brand Equity: Methods and Processes

Executive Summary

While there has been much research on Branding and Brand Equity in recent years, relatively little has been published on Brand Valuation, despite it being a key managerial issue. This paper reviews the Brand Valuation literature. It highlights Brand Valuation research, the obstacles to Brand Valuation and valuation approaches. The various approaches available for Brand valuation are discussed. Important but neglected issues such as the discount rate, growth rate and useful life are highlighted in the context of valuing brands. Guidelines are provided for managers and a process for valuing brands is suggested.

Introduction

Branding as a concept has been around for many years now. Brands help identify and differentiate the goods and services of one organization from those of another. From a customer`s point of view, brands simplify shopping, aid in the processing of information about products, and makes them feel confident of their purchase decision. Managers have also become aware of the fact that the brand has become an important company asset, and focus is needed on the creation of brand equity.

Brand equity as a concept has been developed over the last decade (Aaker 1991; Keller 1998). One of the main issues still to be resolved is how to value brands. Summarizing the primary thrust of articles published in the Journal of Marketing Research during 1987-1997, Malhotra et al concluded that in the area of brand evaluation and choice, future research should focus on further measurements of the brand equity construct (Malhotra, et al 1999). They proposed that a generally accepted measure could further the overall understanding of the strategic role of brand equity in extending the brand and in financially benefiting the firm. While there are a number of approaches available to managers, it is still uncertain which approach is best, and the issues around the discount rate, growth rate and useful life have to be resolved (Kapferer, 1994).

As capital becomes less of a constraint on businesses there will be far greater emphasis on how this capital is used to creatively differentiate the organisation. The abundance of capital means that physical assets can be replicated with ease (Drucker, 1998). The point of differentiation (and the source of shareholder value) will flow from intangible assets. Two main trends are driving the need for a greater understanding of the techniques used to measure brand equity. The first is the growing need to evaluate the "productivity" of marketing spend (Sheth and Sisoda, 2000); and the second is the accounting requirement that purchased brands are capitalized and amortized.

The benefit of ascertaining the correct brand value will ensure that resources are appropriately channeled to where they will deliver the greatest value to the organization, particularly in optimizing a brand portfolio. Decisions regarding the correct level of marketing spend, the evaluation of brand manager performance, and the initial decision whether to build a strong brand will be simplified. Another potential use is ensuring that the correct value is determined for mergers and acquisition purposes. It is time for marketing as

GURUKPO.com No. 1 Educational Web Portal in India

a profession to adopt common standards much like the accounting profession has adopted standards of practice in their field. Furthermore, an accurate brand equity valuation ensures that brand-licensing fees correctly reflect the benefits received (Keller, 1998).The objectives of this article are : to identify and review the various approaches and methods used to value brands and to discuss the issues managers need to consider when evaluating valuation methods. The major contribution of this article is that it provides managers with guidelines on what to look for when going through a brand valuation process.

Brand Valuation

Initial research into the valuation of brands originated from two areas : marketing measurement of brand equity, and the financial treatment of brands. The first was popularized by Keller (1993), and included subsequent studies by Lassar et al (1995) on the measure of brand strength, by Park and Srinivasan (1994) on evaluating the equity of brand extension, Kamakura and Russell (1993) on single-source scanner panel data to estimate brand equity, and Aaker (1996) and Montameni and Shahrokhi (1998) on the issue of valuing brand equity across local and global markets.

The financial treatment of brands has traditionally stemmed from the recognition of brands on the balance sheet (Barwise et.al., 1989, Oldroyd, 1994, 1998), which presents problems to the accounting profession due to the uncertainty of dealing with the future nature of the benefits associated with brands, and hence the reliability of the information presented. Tollington (1989) has debated the distinction between goodwill and intangible brand assets. Further studies investigated the impact on the stock price of customer perceptions of perceived quality, a component of brand equity (Aaker and Jacobson, 1994), and on the linkage between shareholder value and the financial value of a company's brands (Kerin and Sethuraman, 1998).

Simon and Sullivan (1993) developed a technique for measuring brand equity, based on the financial market estimates of profits attributable to brands. The co-dependency of the marketing and accounting professions in providing joint assessments of the valuation of brands has been recognized by Calderon et al (1997) and Cravens and Guilding (1999). They provide useful alternatives to the traditional marketing perspectives of brands (Aaker, 1991; Kapferer, 1997; Keller, 1998; Aaker & Joachimsthaler, 2000).

The debate over the appropriate method of valuation continues in the literature (Perrier, 1997) and in the commercial world. The commercial valuation of brands has been led by Interbrand, a UK-based firm specializing in valuing brands, Financial World, a magazine which has provided annual estimates of brand equity since 1992, and Brand Finance Limited, a British consulting organization. These organizations utilize formulae approaches, and highlight the importance of brand valuation in the business environment.

Obstacles to Brand Valuation

In a study conducted by Robbin (1991), the number one concern was "the wide range of alternative valuation methods which will yield significantly different results" (Robbin 1991, p 56). A second concern was the difficulty in assessing the brand's useful life. There are several

GurukPo.com No.1 Educational Web Portal in India

other obstacles to brand valuation. There is a lack of an active market for brands. This means that estimates of model accuracy cannot be tested empirically nor can one gain some sort of assurance of testing the value by putting the brand on the market. Many practitioners are unwilling to publish their models and open them up to academic debate. In addition, the large number of models cause confusion amongst marketers and they are difficult to conceptualise. Another important obstacle is that it is difficult to separate brand equity from other intangibles like goodwill. Barwise, Higson, Likierman and Marsh (1989 p7) suggest that "at present, there is no general agreement on valuation methods. Nor can existing methods be regarded as either totally theoretically valid nor empirically verifiable."

It is important to recognize that only after careful consideration of all the enterprise's intangible assets will the valuer be able to determine the importance of the brand in the organization's current market position. Reilly and Schweihs (1999) list many possible intangible assets. These include marketing related assets such as trademarks, logos and brand names, and corporate identity. Customer related intangible assets include customer lists and customer relationships. A further problem arises in the process of valuing an intangible asset such as a brand which, often requires estimation and subjectivity.

Brands on the Balance Sheet

Robbin (1991) highlighted reasons why an organization should recognise brands as an asset. These include the fact that it decreases the firm's gearing ratio as a result of the larger asset base. It is also an internally generated asset and thus increases shareholder equity. In addition, a large premium for mergers and acquisitions can be justified.

However, Robbin (1991) also highlights reasons for keeping brands off the balance sheet. It decreases the return on assets as the firm now has a larger capital base. Companies that have adopted Economic Value Added (EVA) would have to raise a capital charge against the asset. The issue of brand value or measurement also is a negative until acceptable methods can be found.

Valuation Approaches

The concept of value is one of the most difficult concepts to grasp. Value has different meanings to different people and thus is not an objective concept. The valuation approach used is effectively the objective of the valuation. The objective of the valuation is determined by its use. Some of the more common valuation approaches can be classified into five categories:

1. Cost-based approaches
2. Market-based approaches
3. Economic use or income-based approaches
4. Formulary approaches
5. Special situation approaches

GurukPo.com No.1 Educational Web Portal in India

Cost-based approaches consider the costs associated with creating the brand or replacing the brand, including research and development of the product concept, market testing, promotion, and product improvement. The accumulated cost approach will determine the value of the brand as the sum of accumulated costs expended on the brand to date. This method is the easiest to perform, as all the data should be readily available. Unfortunately, this historic valuation does not bear any resemblance to the economic value (Aaker, 1991; Keller, 1998).

The replacement cost approach determines the cost that would be incurred to replace the asset if it is destroyed (Aaker, 1991; Keller, 1998). An advantage of this method is that it provides a better reflection of the true value of the brand. A disadvantage of this approach is that the value does not bear a relation to the open market value. One could over-capitalise, by over investing in that asset which may not be recouped if the asset was sold.

Market-based approaches are based on the amount for which a brand can be sold. The open market valuation is the highest value that a "willing buyer and willing seller" is prepared to pay for the asset. This would exclude a strategic buyer who may have other objectives (Reilly and Schweihs, 1999). This valuation basis should be used when one wishes to sell the brand. Barwise et al. (1989) suggest that the market value of an asset should reflect the possible alternative uses; the value of future options as well as its value in existing activities; and realism rather than conservatism. Modern financial theory states that one should sell off assets if the value that a buyer is willing to pay exceeds the discounted benefits of the brand (Brealey and Meyers, 1991).

Economic use approaches, also referred to as "in-use" or income-based approaches, consider the valuation of future net earnings directly attributable to the brand to determine the value of the brand in its current use (Keller, 1998; Reilly and Schweihs, 1999; Cravens and Guilding, 1999). This basis is often appropriate when valuing an asset that is unlikely to be sold as a flanking brand that is being used for strategic reasons. This method reflects the future potential of a brand that the owner currently enjoys. This value is useful when compared to the open market valuation as the owner can determine the benefit foregone by pursuing the current course of action.

Formulary approaches consider multiple criteria to determine the value of a brand. While similar in certain respects to income-based or economic use approaches, they are included as a separate category due to their extensive commercial usage by consulting and other organizations.

Special situation approaches recognize that brand valuation can be related to particular circumstances that are not necessarily consistent with external or internal valuations. A strategic buyer is often willing to pay a premium above the market value (Bradley and Viswanathan, 2000). This may be a result of synergies that they are able to develop which other buyers may not be able to achieve. When an asset is valued, in the absence of a written offer from the strategic buyer, it cannot be assumed that a buyer will appear and be prepared to pay a premium price. Each case has to be evaluated on individual merit, based on how

GurukPO.com No. 1 Educational Web Portal in India

much value the strategic buyer can extract from the market as a result of this purchase, and how much of this value the seller will be able to obtain from this strategic buyer.

The liquidation value is the value that the asset would fetch in a distress sale. The value under a liquidation sale is normally substantially lower than in a willing buyer and seller arrangement. The costs of liquidating the asset should normally be deducted in determining the value of the asset.

When valuing an asset for special purposes, for example, income tax, the method that the assessing authority requires should be used. The advantage of this approach is that one is assured that all requirements are met. The drawback of the above approach is that the value may bear little relevance to economic reality or serve another useful purpose.

Available Approaches for Brand Valuation

Reilly and Schweihs (1999) identified the attributes that affect the value of brands, but there are five main aspects that need to be considered when calculating a brand's value. These are: what additional price premium the product can command over a generic; how much additional market share can be gained; what cost savings can result from an ability to exercise increased control over the channel; what additional revenue can be gained through licensing and brand extensions; and the additional marketing costs that need to be incurred in providing the point of differentiation as a competitive strategy.

The approaches available for brand valuation can be grouped into the four major categories, cost based; market-based; economic use; and formulary approaches.

Some of the more common valuation models will now be discussed.

1. <u>Cost-based Approaches</u>

Brand Equity Based on Accumulated Costs

The basis of this approach is that it aggregates all the historical marketing costs as the value (Keller 1998). The real difficulty here is determining the correct classification as to what constitutes a marketing cost and what does not. By way of an example, if an accountant spends two days a month preparing reports for the marketing department, is that a cost that can be capitalized to the brand? Even if the classification difficulty were overcome the next problem would be how to amortize the marketing cost, as a percentage of sales over the brand's expected life?

The only advantage of the approach is that the brand manager knows the actual amount that has been spent. Alternate models have been proposed, but they all suffer from the same problems. An alternative approach that has been suggested is to adjust the actual cost of launching the brand by inflation every year. This inflation adjusted launch cost would be the brand's value. (Reilly and Schweihs, 1999).

Gurukpo.com No. 1 Educational Web Portal in India

Replacement Cost Based on Launching a New Brand

This is one of the most difficult valuation bases to calculate. Aaker (1991) proposes that the cost of launching a new brand is divided by its probability of success. The advantage of this approach is that it is easy to calculate. One problem with this approach is that it neglects to take into account the success of established brands. A brand may be worth a $100 million. However the cost of launching a brand may be $5 million with a 10% success rate and it therefore has a value of $50 million.

A company in this situation is in a very weak strategic position if a competitor would enter this market. This approach also does not take the benefit of first entry into account. The first brand in the category has a natural advantage over other brands as they do not have to overcome the clutter. With each new attempt the probability of success diminishes.

Using Conversion Models

A possible alternative approach to replacement cost would be to estimate the amount of awareness that needs to be generated in order to achieve the current level of sales. This approach would be based on conversion models, i.e., taking the level of awareness, that induces trial, that induces regular repurchase (Aaker, 1991). The output may be used for two purposes: one is to determine the cost of acquiring new customers and the other would be the replacement cost of brand equity.

From this an estimate for the value of existing awareness can be made. This can be done if an estimate of the rate that the awareness decreases is taken and one values the additional margin from the brand at each interval is valued. The sum of the profit will equal the value of the existing awareness. An assumption needs to be made that no new investment in marketing will take place, and an estimate of the useful life of the current awareness needs to be made.

A major shortcoming of this approach is that the differential in the purchase patterns of a generic and a branded product is needed. Another problem is that the conversion ratio between awareness and purchase is higher for an unbranded generic than the branded product. This may indicate that awareness is not a key driver of sales and that the marketing mix is incorrect.

Although customers may be aware of a product this does not mean that they understand what the brand stands for. In the Young & Rubicam Brand Asset Valuator (Aaker, 1991) a distinction is made between vitality, a factor of differentiation and relevance, and stature, based on esteem and knowledge. One needs to be strong on all four aspects in order to have a strong brand. Awareness is only one of many factors.

Brand Based on Customer Preference

Aaker (1991) proposed that the value of the brand can be calculated by observing the increase in awareness and comparing it to the corresponding increase in the market share. Aaker (1991) identified the problem as being how much of the increased market share is attributable

Gurukpo.com No1 Educational Web Portal in India

to the brand's awareness increase and how much to other factors. A further issue is that one would not expect a linear function between awareness and market share.

2. Market-based Approaches

Comparable Approach

This approach takes the premium (or some other measure) that has been paid for similar brands and applies this to brands that the company owns, e.g., a company pays two times sales for a similar brand. This multiple is then applied to brands that the company owns (Reilly and Schweihs, 1999).

The advantage of this approach is that it is based on what third parties are actually willing to pay and it is easy to calculate. The shortcomings are that there is a lack of detailed information on the purchase price of brands and that two brands are seldom alike.

Brand Equity based on Equity Evaluation

Simon and Sullivan (1993) presented a paper on using the financial market value to estimate the value of brand equity. This approach has numerous advantages in that it recognizes that it is based on empirical evidence. The shortcomings are that it assumes a very strong state of the efficient market hypothesis (EMH), and that all information is included in the share price. It is well documented that this is not the case (Bodie, Kane and Marcus, 1999). Depending on the stock market, it is merely a debate on the level of efficiency.

The approach works as follows:

1. The value of the intangibles are calculated by subtracting the replacement cost of the tangible assets from the market value (market capitalization plus the market value of debt and other securities) of the firm.
2. The value of the intangible assets are broken down into three components, namely brand equity, value of non brand factors that reduce the firm costs such as R&D and patents, and finally industry wide factors that permit super normal profits (eg regulations).
3. The brand equity component is further broken down into two components, namely a demand-enhancing component and a component that caters for diminished marketing spend due to the brand being established.
4. The demand-enhancing component is calculated using increased market share. Market share is broken down into two components, one for the brand and the other for non-brand factors. The non-brand market share is the factor of company's share of patents and research and development (R&D) share. The market share attributable to the brand is a function of the order of entry and the relative advertising share.
5. The reduced marketing costs are a factor of order of market entry and the brand's advertising expenditure relative to that of its competitors.

Gurukpo.com No.1 Educational Web Portal in India

The Use of Real Options in Brand Valuation

The use of real options has been proposed for the valuation of brand assets (Damodaran, 1996). In order to value an option the following variables need to be calculated: the risk free interest rate; the implied volatility (variance) of the underlying asset; the current exercise price; the value of the underlying asset; and the time to expiration of the option. The value of the brand is the value of the underlying asset, and the cost of developing the brand is the exercise price.

This method may be useful in calculating the potential value of line extensions. However the assumptions inherent in this approach make any practical application very difficult.

The Residual Method

Keller (1998) has proposed that the residual value, when the market capitalization is subtracted from the net asset value, is equal to the value of the "intangibles" one of which is the brand. Furthermore this is the upper limit that certain procedures will value a brand at (e.g., Interbrand). There are two assumptions inherent in this approach. The first is that the market is efficient in the strong state (ie that ALL information is included into the share price) and the second, is that the assets are being used to their full potential.

It is widely recognized that market efficiency is a myth and the only debate that rages on now is the degree of inefficiency. Shares often trade at below their net asset value. Shares of companies who trade at below their net asset value (NAV) by implication have a negative brand equity. If the brand had been capitalized into the balance sheet, a worthless balance sheet would have been produced.

<u>Economic-use approaches</u>

Royalty Relief Method

The Royalty Relief method is the most popular in practice. It is premised on the royalty that a company would have to pay for the use of the trademark if they had to license it (Aaker 1991). The methodology is as follows:

Determine the underlining base for the calculation (percentage of turnover, net sales or another base, or number of units)

Determine the appropriate royalty rate

Determine a growth rate, expected life and discount rate for the brand

This appears to be very easy. However the real skill is determining what the appropriate royalty rate is. Two rules of thumb have emerged, the "25% rule" and the "5% rule". The "25% rule" proposes that the royalty should be 25% of the net profit. The "5% rule" proposes that the royalty should be 5% of turnover. Both these "rules" have their base in the pharmaceutical industry.

GurukPO.com No. 1 Educational Web Portal in India

Professional valuers spend a considerable amount of time and effort determining the appropriate royalty rate. They rely on databases that publish international royalty rates for the specific industry and the product. This investigation will provide a range of appropriate royalty rates. The final royalty rate is decided upon after looking at the qualitative aspects around the brand, such as the strength of the brand team and management as well as many other factors.

The advantages of this approach are that the valuation is industry specific and has been accepted by many tax authorities as an acceptable model. The disadvantage of this approach is that very few brands are truly comparable and usually the royalty rate encompasses more than just the brand. Licenses are normally for a limited time period and cover some sort of technical know-how payments (Barwise, et al. 1989).

Price Premium

The premise of the price premium approach is that a branded product should sell for a premium over a generic product (Aaker, 1991). The value of the brand is therefore the discounted future sales premium. The major advantage of this approach is that it is transparent and easy to understand. The relationship between brand equity and price is easily explained. The disadvantages are where a branded product does not command a price premium; the benefit arises on the cost and market share dimensions.

Conjoint Analysis

Conjoint analysis is very similar to the premium price model. It is possible to determine the market share for a given product at a given price level (Aaker, 1996a). Conjoint analysis asks respondents to make trade off judgments about product attributes. In order to determine the brand value, an analysis would be commissioned of the purchase behaviour of a sample of customers. The brand value would be calculated as the discounted future revenue potential.

Apart from the problems that the premium price normally suffers from, as one begins to alter price levels the perceived value of the brand may diminish. By means of an example, conjoint analysis might indicate that the manner to maximize sales is to drop the price as the volume gain would more than offset the discount price, however once this has been achieved the positioning of the brand may be compromised which could result in an element of brand switching. If the brand premium changes on a regular basis, confusion may be created in customers' minds, as the positioning of the brand changes.

Brand equity based on differences in Return on Investment, Return on Assets and Economic Value Added

There are three approaches that fall into this category. They are models based on differences between return on investment, return on assets or economic value added. These models are based on the premise that branded products deliver superior returns, therefore if we value the "excess" returns into the future we would derive a value for the brand (Aaker, 1991).

GURUKPO.com No. 1 Educational Web Portal in India

The main shortcoming of these approaches are that they do not make the distinction between brands and other intangible assets that give rise to the superior performance. As these are also accounting based models, one has to ensure that all the amounts are treated and classified in a similar manner in order to ensure that the comparison is meaningful. Another shortcoming is the difficulty of finding a company that is in the same industry that has a similar asset base or capital structure. A further criticism is that these returns are not risk adjusted, i.e., the variability of earnings in the two companies could be quite different. The only place that one can make adjustment for this is in the discount rate (the discount rate affects the implied multiplier). The advantages of this model are that it is easy to explain, the information is readily available, and the calculation is easy to do.

The Use of Price to Sales Ratios

Increasingly investors are beginning to use the price to sales multiple (in conjunction with the price earnings and the price to book ratio) in order to evaluate investment decisions (Damodaran, 1996). The value of the brand name is the difference between the price to sales ratio of a branded firm to that of a generic firm.

The advantages of this approach are that the information is readily available and it is easy to conceptualize. The drawbacks are that few firms are truly comparable and it makes no distinction between the brand and other intangible assets such as good customer relationships.

Brand Value based on Future Earnings

In this approach the valuer attempts to determine the earnings that arise from the brand. They would attempt to forecast the brand profit and discount it back at an appropriate discount rate (Reilly and Schweihs, 1999). At the end of the forecast period, if it has been determined that the brand's useful life will exceed the period of the forecast, a perpetuity value will be calculated. The main drawback is trying to determine what part of the profits are attributable to brand equity and not other intangible factors. It also fails to take any balance sheet implications into consideration such as increased working capital.

Brand Equity based on Discounted Cash Flow

This method suffers from the same problems that are faced when trying to determine the cash flows (profit) attributable to the brand. From a pure finance perspective it is better to use Free Cash Flows as this is not affected by accounting anomalies; cash flow is ultimately the key variable in determining the value of any asset (Reilly and Schweihs, 1999). Furthermore Discounted Cash Flow do not adequately consider assets that do not produce cash flows currently (an option pricing approach will need to be followed) (Damodaran, 1996). The advantage of this model is that it takes increased working capital and fixed asset investments into account.

Gurukpo.com No. 1 Educational Web Portal in India

Formulary Approaches

Interbrand Approach

The Interbrand approach is a variation on the Brand Earnings approach. Interbrand determines the earnings from the brand and capitalizes them after making suitable adjustments (Keller, 1998).

Interbrand takes the forecast profit and deducts a capital charge in order to determine the economic profit (EVA). Interbrand then attempts to determine the brand's earnings by using the "brand index". The "brand index" is based on seven factors. The factors as well as their weights are:

1. Market (10%) – Whether the market is stable, growing and has strong barriers to entry
2. Stability (15%) – Brands that have been established for a long time that constantly command customer loyalty
3. Leadership (25%) – A brand that leads the sector that it competes in
4. Trend (10%) – Gives an indication where the brand is moving
5. Support (10%) – The support that the brand has received
6. Internationalization/Geography (25%) – The strength of the brand in the international arena
7. Protection (5%) – The ability of the company to protect the brand

The advantages of this approach is that it is widely accepted and it takes all aspects of branding into account; by using the economic profit figure all additional costs and all marketing spend have been accounted for. The major shortcoming is that it compares "apples with oranges". The international component should not be applied over the local brand earnings. If a company wants to bring the international aspect into play it must include potential international profits. Here two valuation bases are muddled. On the one hand there is an "in use" basis and on the other hand, there is an "open market" valuation.

The appropriate discount rate is very difficult to determine as parts of the risks usually included in the discount rate have been factored into the Brand Index score. Even the appropriate rate for the capital charge is difficult to ascertain.

Aaker (1996a pg 314) reveals that ". The Interbrand system does not consider the potential of the brand to support extensions into other product classes. Brand support may be ineffective; spending money on advertising does not necessarily indicate effective brand building. Trademark protection, although necessary, does not of itself create brand value."

Financial World Method

The *Financial World* magazine method utilizes the Interbrand Brand Strength multiplier or "brand index", comprising the same seven factors and weightings. The premium profit attributable to the brand is calculated differently, however; this premium is determined by estimating the operating profit attributable to a brand, and then deducting from this the earnings of a comparable unbranded product. This latter value could be determined, for

Gurukpo.com No.1 Educational Web Portal in India

example, by assuming that a generic version of the product would generate a 5% net return on capital employed (Keller, 1998). The resulting premium profit is adjusted for taxes, and multiplied by the brand strength multiplier.

Brand Equity Ten

Aaker's "Brand Equity Ten" utilizes five categories of measures to assess brand equity (Aaker, 1996a):

Loyalty Measures

1. Price premium
2. Customer satisfaction or loyalty

Perceived Quality or Leadership Measures

3. Perceived quality
4. Leadership or popularity

Other customer-oriented associations or differentiation measures

5. Perceived value
6. Brand personality
7. Organizational associations

Awareness measures

8. Brand awareness

Market behavior measures

9. Market share
10. Market price and distribution coverage

These measures represent the customer loyalty dimension of brand equity. They can be utilized to develop a brand equity measurement instrument, depending on the type of product or market, and the purpose of the instrument.

Brand Finance Method

Another commercial approach to brand valuation has been developed by Brand Finance Limited, a UK consulting organization. This method comprises four elements (David Haigh in Jones, 1999):

Total market modeling : to identify the position of the brand in the context of a competitive marketplace

Specific branded business forecasting : to identify total business earnings from the brand

Business drivers research: to determine the added value of total earnings attributed specifically to the brand

Brand risk review: to assess the earnings or "Beta" risk factor associated with the earnings

Gurukpo.com No. 1 Educational Web Portal in India

Brand valuation is determined by assessing the brand added value after tax, and discounting this at a rate that reflects the risk profile of the brand.

Discount Rate, Growth Rate and Useful Life

The discount rate, growth rate and the useful life of the brand are often the most neglected issues in brand valuation, yet they play an important role in the eventual valuation of the brand. Managers need to ask brand valuers pertinent questions regarding the assumptions made in determining these key variables. Most approaches make use of the discount rate and the growth rate in order to determine an appropriate multiplier that needs to be applied to the estimated annual value of brand earnings.

The perpetuity formula that is the basis for all these calculations is stated as: Implied Multiplier = (1+ growth rate)/ (Discount rate – growth rate)

The discount rate is one of the most difficult variables to determine. In most Discounted Cash Flow analysis (DCF) the discount rate used is the firm's weighted average cost of capital (WACC) (Breally and Meyers, 1996). This is shown as:

WACC = after tax cost of debt x target debt to total assets ratio + cost of equity x target equity to total assets ratio

Using a firm specific WACC raises certain issues. The first issue is that WACC is a factor of the firm's gearing ratio. It therefore seems illogical that an asset's value can change based on the leverage of the firm. It would be far more appropriate if the WACC represented the gearing that a financial institution would extend to this firm or the standard industry wide gearing ratio.

The second issue is how does a firm determine the correct cost of equity. The most commonly used method is the Capital Asset Pricing Model (CAPM). This model determines the risk of the company relative to the market by regressing the share price movements against the market movements (Damodaran, 1996). The problems with CAPM are well documented (Bodie, Kane and Marcus, 1999).

These problems include the appropriate rate for a non listed company. Proxy beta's can be used, but assumptions need to be made with regard to the capital structure and operating similarities of different firms.

The last issue is whether using a firm specific WACC in the first place is the correct measure. One of the major benefits of branding is that the earnings are less volatile. By using the firm's WACC one may be undervaluing the brand. Less volatile earnings result in a lower Beta and consequently a lower cost of equity.

This is a classic case of double counting. Some alternatives to using a firm specific WACC include an industry WACC; using a debt: equity ratio based on what a financial institution

Gurukpo.com No. 1 Educational Web Portal in India

would extend to the company in order to purchase this asset; and determining the discount rate from economic principles.

The growth rate is another area where there is considerable debate. According to Damodaran (1996) there are a number of measures used to determine the growth rate. These include historical trends; forecast growth; an estimate of future real growth in the economy; and the inflation rate plus a real growth adjustment. Numerous factors should be considered when determining the appropriate growth rate. These factors include the industry size and prospects as well as the company's ability to satisfy the market demands in terms of the growth rate (Damodaran, 1996).

Determining the useful life of a brand is another area that requires a considerable amount of thought. Many of the world's leading brands have been around for over 50 years. Most brand managers hold the belief that their brands will have a similar life. However manager's need to be realistic and consider a brand in terms of its lifecycle and what plans are being made to keep their brand contemporary.

Managerial Issues

There are a number of issues that need to be discussed when considering the approaches managers want to use to value their brands.

The first is the portfolio effect. Some companies have developed a portfolio of brands for strategic reasons. The value of the brands individually do not equal the value of the brands as a whole. A method of valuing a portfolio of brands would be to value the brand in its current use as well as add on the effect of that brand not entering into the single brand optimum space.

Secondly, umbrella brands or co-brands infer benefits due to the associations with the company (Aaker, 1996a). The difficulty here is to determine how much of the benefits are due to the product's brand name and how much is due to the umbrella or corporate brand.

Thirdly, media inflation plays a role. It makes it more difficult for companies to recreate the brand, and the cost of maintaining the brand increases. Some strength of a brand is related to awareness levels, due partly at least to the media inflation. A generic competitor does not have this pressure on their costs.

Fourthly, when a competitor enters the market, a decline in market share could result. In most models, this would be seen as a reduction in brand equity. However, it can be argued that the customers that remain loyal are now worth more, resulting in an increase in brand equity.

Fifthly, Aaker (1991) goes into detail about the effect of sales promotions on brand equity and the temptation to milk the brand. Most of the models use current sales. Mathematically the temptation is to raise brand equity by discounting the brand and thereby raising revenue. However, there is a possibility that this could destroy brand equity.

Gurukpo.com No. 1 Educational Web Portal in India

Sixthly, approaches that rely on marketing research need to ensure that the methodology used in the research conform to the scientific standards. Inappropriate sample sizes, bias, and other errors could occur, thus influencing the calculations.

Lastly, there are a number of practical issues that need to be considered with respect to brand valuation. These include the legal, accounting and tax implications. While these factors differ from country to country, managers must understand that no brand valuation will be complete without dealing with these requirements in their country.

Conclusion and Implications

It is relatively easy to manipulate the results of measuring brand equity in order to deliver any value that management wishes. The only way to prevent this abuse is to understand the objective of the valuation and to use the appropriate assumptions in order to derive a fair value.

No single approach will give all the answers to a correct valuation. The starting point is to understand the purpose of the valuation and what benefits the brand delivers. Due to a lack of transparency of the workings and the underlying assumptions, some managers are not prepared to accept brand equity valuations. Provided that information on the assumptions are made available to managers, they can make their own judgements on what the correct value should be. "Valuation is neither the science that some of its proponents make it out to be nor the objective search for true value that idealists would like it to become. The models that we use in valuation may be quantitative, but there is a great reliance on subjective inputs and judgements. "Thus the final value that we obtain from these models is coloured by the bias that we bring into the process" (Damodaran 1996, p2).

When management is embarking on an exercise to value their organization's brands, it is recommended that they do the following:

Management must firstly understand the nature of their firm's intangible assets. If one of the organization's intangible assets is marketing related, they must determine on what attribute the brand derives its benefit. The purpose of the valuation must then be determined. A method must then be chosen that meets management's needs in terms of the attribute it measures, the information requirements and the model's shortcomings. Management must also ensure that an appropriate discount rate, growth rate and useful life are used. They must ensure that the model used is robust enough to deal with the peculiarities of the organisation. A key issue is to check and question the underlying assumptions.

Lastly, management should ensure that the mathematical calculations have been done correctly.

GURUKPO.com No.1 Educational Web Portal in India

Module 7

Branding Strategy

Brand Strategy

Your brand is more than your logo, name or slogan — it's the entire experience your prospects and customers have with your company, product or service.

Your **brand strategy** defines what you stand for, a promise you make, and the personality you convey. And while it includes your logo, color palette and slogan, those are only creative elements that convey your brand. Instead, your brand lives in every day-to-day interaction you have with your market:

The images you convey

The messages you deliver on your website, proposals and campaigns

The way your employees interact with customers

A customer's opinion of you versus your competition

The Value of Creating Defined Brand Strategy

Branding is crucial for products and services sold in huge consumer markets. It's also important in B2B because it helps you stand out from your competition. Your **brand strategy brings your competitive positioning to life**, and works to position you **as a certain "something"** in the mind of your prospects and customers.

Note: Check out our brand strategy development tools – see if they increase the strength of your brand.

Think about successful consumer brands like Disney, Tiffany or Starbucks. You probably know what each brand represents. Now imagine that you're competing against one of these companies. If you want to capture significant market share, start with a strong brand strategy or you may not get far.

In your industry, there may or may not be a strong B2B brand. But when you put two companies up against each other, the one that represents something valuable will have an easier time reaching, engaging, closing and retaining customers.

Gurukpo.com No.1 Educational Web Portal in India

Successful branding also creates **"brand equity"** – the amount of money that customers are willing to pay just because it's your brand. In addition to generating revenue, brand equity makes your company itself more valuable over the long term.

Does your company follow a defined strategy for your brand? Which case you fall under?

Best Case	Neutral Case	Worst Case
Prospects and customers know exactly what you deliver. It's easy to begin dialogue with new prospects because they quickly understand what you stand for. You acquire customers quickly because your prospects' experience with you supports everything you say. You can charge a premium because your market knows why you're better and is willing to pay for it.	The market may not have a consistent view or impression of your product and company, but in general you think it's positive. You haven't thought a lot about branding because it doesn't necessarily seem relevant, but you admit that you can do a better job of communicating consistently with the market.	You don't have a brand strategy and it shows. It's more difficult to communicate with prospects and convince them to buy. They don't have an impression of your product/service or why it's better. What you do, what you say and how you say it may contradict each other and confuse your prospects. Competitors typically have an easier time acquiring customers.

Brand Strategy Key Concepts & Steps

Before you begin

Before working on your brand strategy, make sure you've identified your competitive positioning strategy – your brand strategy will bring it to life.

If you have a brand strategy, make sure it's as effective as possible

Poll your customers, employees and vendors. Are their impressions consistent with your strategy? If not, work on the elements you can improve.

Develop your brand around emotional benefits

List the features and benefits of your product / service. A feature is an attribute – a color, a configuration; a benefit is what that feature does for the customer.

Determine which benefits are most important to each of your customer segments.

Identify which benefits are emotional – the most powerful brand strategies tap into emotions, even among business buyers.

Look at the emotional benefits and boil them down to one thing that your customers should think of when they think of you. That's what your brand should represent.

Define your brand personality, story and positioning statements

Think of your brand as a person with a distinct personality. Describe him or her, then convey these traits in everything you do and create.

Write positioning statements and a story about your brand; use them throughout your company materials.

Choose colors, fonts and other visual elements that match your personality.

Determine how your employees will interact with prospects and customers to convey the personality and make sure your brand "lives" within your company.

After Brand Strategy

Together with your competitive positioning strategy, your brand strategy is the essence of what you represent. A great brand strategy helps you communicate more effectively with your market, so follow it in every interaction you have with your prospects and customers.

Designing and Implementing Branding Strategies

Customer based brand equity is created when brand knowledge comprising of brand awareness and brand image are at highest level in customer mind. Brand awareness level is raised in customer by first understanding consumer taste, preference and present level of awareness. This analysis leads to designing of marketing programs and outcomes of those programs are also recorded. Designing of marketing programs is a complex process as it may have to encompass wide range of product and brands. Purpose of all marketing program is to maximize brand equity and also to capture or create long lasting impression in consumer mind.

Gurukpo.com
No. 1 Educational Web Portal in India

Branding strategies deal with creating brand names, logos, style etc. for it to be distinguished from competitors and also whether product brand should be separate from corporate brand or a separate brand away from other individual brands. Implication of branding strategies is that it creates brand awareness for consumer to ascertain point of difference and point of similarity with competitors. Second implication is brand image for association of brand equity from brand to product.

Brand-product matrix looks to explain brand portfolio and brand extension strategies. In the matrix all products offered under different brands are represented by a row. This helps marketers understand the current brand line and explore further opportunity in expanding the product line. In the matrix all current existing brand are represented in form of column referred to as brand portfolio. The brand portfolio analysis is essential to design and develop new marketing strategies to target a given product category.

Product line facilitates marketers to devise strategy with regards to future treatment for a given brand. This strategy focuses on decision, as to whether product line can be extended or new variants of existing product should be introduced. When taking brand extension decision companies needs to carry SWOT (Strength, Weakness, Opportunity, Threat) analysis to fully understand market conditions, current category structure and environmental(economic, social, political, regulatory) dynamics. This analysis will give companies product line and categories to follow active branding strategy.

Active branding strategy with respect to product line involves creating multiple brands; this provides depth to the branding process. For example- car maker General Motors, it created multiple brands to expand the product class category from SUV to sports car. This sort of strategy is also used by consumer goods giant P & G and Unilever. By creating individual brands companies can create different marketing strategies. This strategy ensures no market in given industry remains un-tapped.

Brand product matrix helps in showcasing different brand in any given product category. In that respect Brand Hierarchy is graphical representation of company's products and its brands. Hierarchical structure starts with corporate brand and then showcases different product category and below brands. This sort of presentation helps devise marketing strategy at many levels and forms. There is no fix way to go about formulating marketing strategy but generally it can fit into 3 categories. First strategy gives more importance to corporate brand and less prominence to product brand. Second strategy sees importance been given to two or more product brands and some highlighting to the corporate brand. Third strategy looks at promoting only the product brand and there is no mention of corporate entity at all.

Another brand building strategy which has gain prominence in recent times is cause marketing or social responsibility marketing. In cause marketing company contributes some amount of revenue generate from product sales towards designated cause. For example- American Express started RED campaign along with U2 singer Bono where in 1 percent of card charges were dedicated to fight AIDS in Africa. This sort of marketing improves brand

Gurukpo.com No 1 Educational Web Portal in India

awareness as well as brand image and it can generate sense of pride not only for consumers but also for employees.

There are various ways through which a successful brand build strategy can be created, maintained and enhanced. But one things which comes out from exploring different strategies is that companies have to proactive in designing marketing campaign and react accordingly to challenges of dynamic environment.

Brand extension

Brand extension or brand stretching 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. The new product is called a spin-off. Organizations use this strategy to increase and leverage brand equity(definition: the net worth and long-term sustainability just from the renowned name). An example of a brand extension is Jello-gelatin creating Jello pudding pops. It increases awareness of the brand name and increases profitability from offerings in more than one product category.

A brand's "extendibility" depends on how strong consumer's associations are to the brand's values and goals. Ralph Lauren's Polo brand successfully extended from clothing to home furnishings such as bedding and towels. Both clothing and bedding are made of linen and fulfill a similar consumer function of comfort and hominess. Arm & Hammer leveraged its brand equity from basicbaking soda into the oral care and laundry care categories. By emphasizing its key attributes, the cleaning and deodorizing properties of its core product, Arm & Hammer was able to leverage those attributes into new categories with success. Another example is Virgin Group, which was initially a record label that has extended its brand successfully many times; from transportation (aeroplanes, trains) to games stores and video stores such a Virgin Megastores.

In the 1990s, 81 percent of new products used brand extension to introduce new brands and to create sales. Launching a new product is not only time-consuming but also needs a big budget to create brand awareness and to promote a product's benefits. Brand extension is one of the new product development strategies which can reduce financial risk by using the parent brand name to enhance consumers' perception due to the core brand equity.

While there can be significant benefits in brand extension strategies, there can also be significant risks, resulting in a diluted or severely damaged brand image. Poor choices for brand extension may dilute and deteriorate the core brand and damage the brand equity. Most of the literature focuses on the consumer evaluation and positive impact on parent brand. In practical cases, the failures of brand extension are at higher rate than the successes. Some studies show that negative impact may dilute brand image and equity. In spite of the positive impact of brand extension, negative association and wrong communication strategy do harm to the parent brand even brand family.

Gurukpo.com No. 1 Educational Web Portal in India

Product extensions are versions of the same parent product that serve a segment of the target market and increase the variety of an offering. An example of a product extension is Coke vs. Diet Coke in same product category of soft drinks. This tactic is undertaken due to the brand loyalty and brand awareness they enjoy consumers are more likely to buy a new product that has a tried and trusted brand name on it. This means the market is catered for as they are receiving a product from a brand they trust and Coca-Cola is catered-for as they can increase their product portfolio and they have a larger hold over the market in which they are performing in.

Types of Brand Extensions

Brand extension is an effective tool/weapon in brand management, and it basically means extending a brand name to more products.

Types of Brand Extensions

A brand name can be extended in three ways:

1. Extended to other items in the same product line

Sunrise coffee was extended to other Sunrise Premium and Sunrise Extra coffee catering to different segments. This is called line extension. All are products in the same line-coffee.

2. Extended to items in a related product line Maggi initially was a brand of noodles. Later, the brand name was extended to other product lines in the related category food-Maggi Ketchup, Maggi Soup, etc. It is a case food items. This is called related brand extension or category extension.

3. Extended to items in an unrelated product line

The brand name Enfield, initially used for motorcycles, was later extended to television and gensets. Here, the products belong to different and unrelated categories. It is a case of unrelated brand extension, or outside the category extension.

Line Extension

Line extension has earlier been dealt with to an extent in the chapter on Managing the Product, while discussing product line enlargement. In this chapter, we shall analyse it further in the context of a firm's brand strategy. Line extension is the simplest from of brand extension. The idea is to make some additions to the line and cater to different segments of users of the product. In line extensions, the key criteria are whether the core strength of the parent brand can be leveraged for the new items. This is known as the principle of 'benefit transfer'. The new items (extensions) also give back some benefits to the parent brand. Lifebuoy's line extension into Lifebuoy Plus is an example of line extension working well when this criterion is fulfilled.

Surf:-In detergents, HLL launched Surf Ultra, Surf Excel, Surf Excelmatic and International Surf Excel as line extensions of Surf.

Gurukpo.com No. 1 Educational Web Portal in India

2. Extending a Brand name to products in a related line (Category extension)

Here, the brand name is extended over different products, but the products are related in some way. In order words, they belong to a category. The Maggie example cited earlier fits this description. Dettol can be cited as another example.

Dettol :For years, Dettol has been a well known brand of Antiseptic lotion. When the company, Reckitt & Colman, decided to expand into new antiseptic products, they decided to launch them under the Dettol brand name, i.e., as brand extensions in related category. They felt that it would enable the new products to gain immediate identification as sister products of Dettol and they would easily move under the Dettol name. The Dettol brand name was extended to number of related products as shown below:

Dettol soap – Antiseptic Soap

Dettol Plaster – Antiseptic Bandage

Dettol Hand wash – Antiseptic Wash

Line and Category extensions by Ponds:

Ponds Dreamflower talc.

Ponds Dreamflower talc magic.

Ponds Sandal talc.

Ponds Cold soap.

Ponds Cold cream.

Ponds moisturising lotion.

Ponds moisturising cleansing bar.

3. Extending a Brand Name to Products in an unrelated line (Outside category extension) :

Here, the Brand Name is extended across completely new and unrelated products, falling under all together different product categories. It is here that brand extension is put to the severest test and the value of the brand is leveraged to the maximum. In other words, it is when a brand name is extended to products in unrelated lines that the reward, as well as the risk, is the maximum. The reward arises from the substantial savings in the cost and time involved in developing and all together new brand. We will understand this dimension when we analyses the basic condition for success of brand extensions.

Gurukpo.com No.1 Educational Web Portal in India

Brand Extension –

Meaning, Advantages and Disadvantages

Brand Extension is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories. A renowned/successful brand helps an organization to launch products in new categories more easily. For instance, Nike's brand core product is shoes. But it is now extended to sunglasses, soccer balls, basketballs, and golf equipments. An existing brand that gives rise to a brand extension is referred to as parent brand. If the customers of the new business have values and aspirations synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.

Extending a brand outside its core product category can be beneficial in a sense that it helps evaluating product category opportunities, identifies resource requirements, lowers risk, and measures brand's relevance and appeal.

Brand extension may be successful or unsuccessful.

Instances where brand extension has been a success are-

Wipro which was originally into computers has extended into shampoo, powder, and soap.

Mars is no longer a famous bar only, but an ice-cream, chocolate drink and a slab of chocolate.

Instances where brand extension has been a failure are-

In case of new Coke, Coca Cola has forgotten what the core brand was meant to stand for. It thought that taste was the only factor that consumer cared about. It was wrong. The time and money spent on research on new Coca Cola could not evaluate the deep emotional attachment to the original Coca- Cola.

Rasna Ltd. - Is among the famous soft drink companies in India. But when it tried to move away from its niche, it hasn't had much success. When it experimented with fizzy fruit drink "Oranjolt", the brand bombed even before it could take off. Oranjolt was a fruit drink in which carbonates were used as preservative. It didn't work out because it was out of synchronization with retail practices. Oranjolt need to be refrigerated and it also faced quality problems. It has a shelf life of three-four weeks, while other soft- drinks assured life of five months.

Advantages of Brand Extension

Brand Extension has following advantages:

1. It makes **acceptance of new product easy**.
    - It increases brand image.

- The risk perceived by the customers reduces.
- The likelihood of gaining distribution and trial increases. An established brand name increases consumer interest and willingness to try new product having the established brand name.
- The efficiency of promotional expenditure increases. Advertising, selling and promotional costs are reduced. There are economies of scale as advertising for core brand and its extension reinforces each other.
- Cost of developing new brand is saved.
- Consumers can now seek for a variety.
- There are packaging and labeling efficiencies.
- The expense of introductory and follow up marketing programs is reduced.

2. There are feedback benefits to the parent brand and the organization.
   - The image of parent brand is enhanced.
   - It revives the brand.
   - It allows subsequent extension.
   - Brand meaning is clarified.
   - It increases market coverage as it brings new customers into brand franchise.
   - Customers associate original/core brand to new product, hence they also have quality associations.

Disadvantages of Brand Extension

1. Brand extension in unrelated markets may lead to loss of reliability if a brand name is extended too far. An organization must research the product categories in which the established brand name will work.
2. There is a risk that the new product may generate implications that damage the image of the core/original brand.
3. There are chances of less awareness and trial because the management may not provide enough investment for the introduction of new product assuming that the spin-off effects from the original brand name will compensate.
4. If the brand extensions have no advantage over competitive brands in the new category, then it will fail.

Evaluating Brand Extension Opportunities

Define Actual and desired Consumer knowledge about the Brand

It is critical to fully understand the depth and breadth of awareness of the parent brand and the strength, favorability, and uniqueness of its associations. Moreover, before any extension decision are contemplated, it is important that the desired knowledge structures have been fully articulated.

Gurukpo.com No. 1 Educational Web Portal in India

Identify Possible Extension Candidates

Consumer factors when identifying potential brand extensions, marketers should consider parent brand association – especially as they related to the brand positioning and core benefits – and product categories that might seem to fit with that brand image in the minds of consumers.

Evaluate the Potential of the Extension Candidate

In forecasting the success of the proposed brand extension, it is necessary to assess – through judgment and research – the likely hood that the extension would realize the advantages and avoid the disadvantages of brand extension.

Design Marketing Program to Launch Extension

Too often extension are used as a shortcut means of introducing a new product, and insufficient attention is paid to developing a branding and marketing strategy that will maximize the equity of the brand extension as well as enhance the equity of the parent brand.

Evaluate Extension Success and Effects of Parent Brand Equity

The final step in evaluating brand extension opportunities involves assessing the extent to which an extension is able to achieve its own equity as well as contribute to the equity of the parent brand. A number of decisions have to be made concerning the introduction of a brand extension, and a number of factors will affect the brand's success.

Reinforcing Brands

Brand Reinforcement and Revitalization Strategies

Managing brand equity involves reinforcing brands or, if necessary, revitalizing brands. **Brand equity** is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of: 1) What products the brand represents; what core benefits it supplies; and what needs it satisfies; and 2) How the brand makes those products superior and which strong, favorable, and unique brand associations exist in the minds of consumers. 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. Consistency does not mean that marketers should avoid making any changes in the marketing program — many tactical changes may be necessary to maintain the strategic thrust and direction of the brand. Unless there is some change in the marketing environment, however, there is little need to deviate from a successful positioning. In such cases, the critical brand associations that represent sources of brand equity should be vigorously preserved and defended.

GuruKPO.com No.1 Educational Web Portal in India

Reinforcing brands depends on the nature of the brand association involved. For brands whose core associations are primarily product-related attributes and/or functional benefits, innovation in product design, manufacturing, and merchandising is especially critical to maintaining or enhancing brand equity. For brands whose core associations are primarily non-product-related attributes and symbolic or experiential benefits, relevance in user and usage imagery is especially critical to maintaining or enhancing brand equity. In managing brand equity, it is important to recognize the trade-offs that exist between those marketing activities that fortify the brand and reinforce its meaning and those that attempt to leverage or borrow from its existing brand equity to reap some financial benefit. At some point, failure to fortify the brand will diminish brand awareness and weaken brand image. Without these sources of brand equity, the brand itself may not continue to yield as valuable benefits.

According to Keller (2012), Brand Reinforcement involves the following:

1. **Maintaining brand consistency** – This helps to enhance brand's positive reputation with customers and without it, the meaning of the brand would vary across its several touch points. Brand consistency leads consumers to get familiarized with the brand and enhance their perception about brand uniqueness, resulting in brand reputation.
2. **Protecting sources of brand equity** – Though brand should always try to defend the existing sources of brand equity, they should also look for potentially powerful new sources of equity. However, there is very little need to deviate from a successful positioning, unless the current positioning is being affected by some internal or external factor which is making it less powerful.
3. **Fortifying vs. Leveraging** – Fortifying refers to enhancing brand equity in terms of awareness and perception, whereas Leveraging refers to making money from a brand. Failure to fortify a brand might result in brand decay and there would be no leveraging from the brand any more. Therefore, there should be a proper balance between fortifying and leveraging brands.
4. **Fine-tuning Supporting Marketing Program** – This could be done through improving product related performance associations and non-product related

GurukPO.com No. 1 Educational Web Portal in India

imagery associations. This should also be done, only when the current ones are no longer creating the desired results to maintain and strengthen brand equity.

So, Brand Reinforcement is all about maintaining brand equity; in other words, it is about making sure that the consumers do have the desired knowledge structures so that the brands continues having its necessary sources of brand equity. This could be done by marketing activities that would persistently carry the meaning of the brand, to the consumers – which could be in form of brand awareness and brand image.

There are many situations where brand reinforcement strategies are not enough to alter an underperforming brand. A wide spectrum of factors is requiring today's marketers to rethink their positions. Changes in the customer needs, increased competitive aura caused by the new entrants and product innovations and the proliferation of new channels and promotional campaigns are among many examples. In such cases, revitalization of a brand is required. It includes the efforts to regain the customer equity and generate new sources. It is majorly important to reinforce the breadth and depth of the brand awareness to determine the "strength, favorability and uniqueness" of the brand associations of customers. (Keller, 2001)

Revitalizing a brand requires either that lost sources of brand equity are recaptured or that new sources of brand equity are identified and established. According to the customer-based brand equity framework, two general approaches are possible: 1) Expand the depth and/or breadth of brand awareness by improving brand recall and recognition of consumers during purchase or consumption settings; and 2) Improve the strength, favorability and uniqueness of brand associations making up the brand image. This latter approach may involve programs directed at existing or new brand associations.

With a fading brand, the depth of **brand awareness** is often not as much of a problem as the breadth — consumer tend to think of the brand in very narrow ways. Strategies to increase usage of and find uses for the brand are necessary. Although changes in brand awareness are probably the easiest means of creating new sources of brand equity, a new marketing program often may have to be implemented to improve the strength, favorability, and uniqueness of brand associations. As part of this re-positioning, new markets may have to be tapped. The challenge in all of these efforts to modify the brand image is to not destroy the equity that already exists.

The brand regeneration takes place in that, the marketing schedule is changed and secondary brand associations are established. This enables to resurface the sources of brand equity. If brand awareness is also lagging behind the characteristics of the brand itself, the company should investigate newer ways to communicate the product with the potential customers and reach out closely to the point of purchase. There are also many cases where the product is under-performing due to multiple problems with the brand image. It might be the lack of strength, favorability over other competitors, uniqueness and brand perceptions. The brand therefore needs to concentrate on the points-of-differences (POD) in order to remove itself from the clutter, differentiate the brand and include itself in the consideration set of consumers.

GurukPo.com No.1 Educational Web Portal in India

A number of different possible strategies designed to both acquire new customers and retain existing ones are possible. Different possible strategies are also available to retire those brands whose sources of **brand equity** have essentially "dried up" or who had acquired damaging and difficult-to-change also must be considered. Enhancing brand equity over time also requires that the branding strategy itself may have to change somewhat. Adjustments in the branding program may involve brand consolidations (where two brands are merged), brand deletion (where brands are dropped), and brand name changes.

Gurukpo.com
No. 1 Educational Web Portal in India

Module 8

Managing Brands over Geographic Boundaries and Market Segments

Managing Brands over Geographic Boundaries and Market Segments

In current times every company is wanting to be a global player, some companies this out of compulsion, for some its natural extension, whatever the case companies need to have marketing programs, which can create and sustain brand equity across geographical boundaries and market segments. However, before studying the global view for marketing strategies, it is important to understand regional market segments, profile, etc.

An interesting phenomenon has raised its head in recent time where companies are focusing on regional markets in an effort to counter globalization. In this regionalization, companies focus on geographic locations treating them as market segments. For example, Pepsi has created four regions within USA to focus on individual market segment and designing a marketing program. The reason why companies are employing a regional approach is that mass markets have to cease to exist, as diversity in form of culture; demographics, etc. are in the forefront. A typical large US city has Asian, Hispanic and African American population, there are by creating a need for marketing programs, which can make products and services reachable to this audience.

The world is becoming flat just no in terms of communication power but also in terms of migration and movement of labor across the globe. Globalization is here to stay and every company is in the fray to take advantage of this phenomenon. There could many reasons for which companies may decide to be a global player. Bigger markets like China and India provide unending opportunities not only as a market but also as production hubs there by reducing overall cost for to be global players. Furthermore, by catering to different markets, companies can reduce the risk as a result of diversification.

It is clear there are many reasons for becoming global player, but there are outright advantages also for global marketing programs. Looking at the production side, as production increases per unit cost of the product will decrease, thereby reducing cost of the marketing program. As standardization increases in packaging, distribution and other marketing activities cost associated with them would decrease. For example, Sony its marketing campaign has universal appeal thereby assigning equal cost to products and geographies. Another advantage is that with global presence and acceptance confidence with

GurukPO.com No.1 Educational Web Portal in India

consumer reaches altogether a different level. It creates a sense of pride and ownership looking at the universal demand for the product. With the uniform marketing program across geographical boundaries, companies can have consistent brand knowledge, this is especially important for mobile consumers. Furthermore, another advantage for companies is the ability to sell a good product universally at one go, thereby gaining a complete first mover advantage.

But with advantages in operating on a global there are also challenges and disadvantages. With standardization companies are unable to satisfy needs of consumer, which comes with different culture, demographics, etc., For example, consumption of carbonated drinks and beer is much more in USA, Australia in comparison to that of India and China. As perception and needs vary from culture to culture, consumer response to a standard marketing program may not equally have felt as per company acceptation. Every product undergoes a life cycle which begins from the day it is launch in the market, so every geographical location may be having different product life cycle stage, so marketing programs also accordingly have to vary. Other challenge companies face is that of environmental like social, political and regulatory.

Therefore, **a brand to succeed across geographical boundaries companies need to device marketing programs, which can create global consumer based brand equity**. And for that marketing programs have to highlight point of differences and point of similarities across boundaries. Furthermore, companies should understand brand building is tedious and time consuming. Brand name, logos, symbol has to be designed in a way that it properly communicates brand knowledge and not creates confusion in consumer's mind. And at the same time construct and execute a global brand equity measurement system so that focus always remains of develop a strong consumer based brand equity.

Global marketing Advantages and Disadvantages

- **Advantages ;**
  Economies of scale in production and distribution
  Lower marketing costs
  Power and scope
  Consistency in brand image
  Ability to leverage good ideas quickly and efficiently
  Uniformity of marketing practices
  Helps to establish relationships outside of the "political arena"
  Helps to encourage ancillary industries to be set up to cater for the needs of the global player
- **Disadvantages ;**
  Differences in consumer needs, wants, and usage patterns for products
  Differences in consumer response to marketing mix elements
  Differences in brand and product development and the competitive environment
  Differences in the legal environment, some of which may conflict with those of the home market.

GurukPo.com No 1 Educational Web Portal in India

Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
Differences in administrative procedures
Differences in product placement.

Issue Global Marketing Standardisation Vs Customisation Marketing

Customized v/s Standardized Marketing Strategy

In recent years, there has been an urgency amongst local organizations to diversify their operations in the international market to enhance their revenues, competitiveness and global market share.

Globalization has led to an increased integration of economies and trade amongst several nations across the globe. These factors have made it essential for organizations to adopt international marketing strategies to guard them against foreign competition. However, there have been certain controversies regarding which international marketing strategy should be implemented in order to maximize an organizations goals and objectives. Also, the design of the international marketing strategies involves evaluation of external environmental factors, which vary from country to country.

Customized Strategy

Customized strategy is based on the ideology that 'due to cultural and other difference amongst countries, marketing strategies should be tailor made for each country'. This strategy is influenced by three distinct differences amongst countries:

a) Buyer behavior characteristics

b) Socioeconomic condition

c) Competitive environment

Standard Strategy

The Standard strategy is in complete contrast to the customized strategy. It is argued that due to globalization, several economies have been integrated and hence leading to organizations to create homogeneous products. Standardizations strategy helps Multinational corporations increase their competitive advantage by achieving cost competency and benefits from economies of scale.

Standard strategy reduces costs for organizations through elimination of Research and Development in foreign countries. For instance, Gillette Razor uses the same technology to manufacture the Mach 3 all over the world across various countries. It also helps reducing costs that are required for product design and packaging in foreign subsidiaries. For example. Sony uses the same packaging across several countries for its Playsation product. Also, the Standard strategy helps Multinational corporations to achieve a common global

GurukPO.com No.1 Educational Web Portal in India

image for its products across the universe and eventually aid them in increasing its global sales. For instance, an individual loyal to a product in one country will buy the same product in another country due to brand loyalty. It has been proven that products successful in one country will achieve success in another country with similar market and competitive conditions.

There have been cases of successful implementation of standardized strategies by Multinational Corporations. For instance, amongst consumer durable-the strategy used by Mercedes Benz to sell its cars all across the globe. Amongst non-durable goods. Coca-Cola has prevailed successful in the global market while for industrial Boeing jets are sold using common marketing strategies across the globe.

Global Brand Strategy

What is global strategy? And why is it important?

'Global Strategy' is a shortened term that covers three areas: global, multinational and international strategies. Essentially, these three areas refer to those strategies designed to enable an organisation to achieve its objective of international expansion.

In developing 'global strategy', it is useful to distinguish between three forms of international expansion that arise from a company's resources, capabilities and current international position. If the company is still mainly focused on its home markets, then its strategies outside its home markets can be seen as **international**. For example, a dairy company might sell some of its excess milk and cheese supplies outside its home country. But its main strategic focus is still directed to the home market.

In South Korea, international and global soft drinksstrategy will involve mixing both the global brands like *Coke* and *Sprite* with the local brands like*Pocara* Sweat (and, no, I don't know what the brand tastes like!)

However, the Apple iPod was essentially following the same strategy everywhere in the world: in this case, the advertising billboard was in North America but it could have been anywhere.

One of the basic decisions in global strategy begins by considering just how much local variation, if any, there might be for a brand.

Another more basic decision might be whether to undertake any branding at all. Branding is expensive. It might be better to manufacture products for other companies that then undertake the expensive branding. Apple iPods are made in China with the Chinese company manufacturing to the Apple specification. The Chinese company then avoids the expense of building a brand. But faces the strategic problem that Apple could fail to renew its contract with the Chinese company, which might then be in serious financial difficulty.

As international activities have expanded at a company, it may have entered a number of different markets, each of which needs a strategy adapted to each market. Together, these strategies form a multinational strategy. For example, a car company might have one strategy for the USA – specialist cars, higher prices – with another for European markets – smaller cars, fuel efficient – and yet another for developing countries – simple, low priced cars.

For some companies, their international activities have developed to such an extent that they essentially treat the world as one market with very limited variations for each country or world region. This is called a global strategy. For example, the luxury goods company Gucchi sells essentially the same products in every country.

Importantly, global strategy on this website is a shorthand for all three strategies above.

Implications of the three definitions within global strategy:

- **International strategy**: the organisation's objectives relate primarily to the home market. However, we have some objectives with regard to overseas activity and therefore need an international strategy. Importantly, the competitive advantage – important in strategy development – is developed mainly for the *home* market.
- **Multinational strategy**: the organisation is involved in a number of markets beyond its home country. But it needs distinctive strategies for each of these markets because customer demand and, perhaps competition, are different in each country. Importantly, competitive advantage is determined *separately for each country*.
- **Global strategy**: the organisation treats the world as largely one market and one source of supply with little local variation. Importantly, competitive advantage is developed largely on a global basis.

Why is global strategy important?

There are at least four answers to this question depending on the context:

From a company perspective, international expansion provides the opportunity for new sales and profits. In some cases, it may even be the situation that profitability is so poor in the home market that international expansion may be the only opportunity for profits.

Gurukpo.com
Educational Web Portal in India

For example, poor profitability in the Chinese domestic market was one of the reasons that the Chinese consumer electronics company, TCL decided on a strategy of international expansion. It has then pursued this with new overseas offices, new factories and acquisitions to develop its market position in the two main consumer electronics markets, the USA and the European Union.

In addition to new sales opportunities, there may be other reasons for expansion beyond the home market. For example, oil companies expand in order to secure resources – called ***resource seeking***. Clothing companies expand in order to take advantage of low labour costs in some countries – called ***efficiency seeking***. Some companies acquire foreign companies to enhance their market position versus competitors – called ***strategic asset seeking***. These issues are identified in the film that you will shortly be able to see on the page 'How do you build a global strategy?'

From a customer perspective, international trade should – in theory at least – lead to lower prices for goods and services because of the economies of scale and scope that will derive from a larger global base. For example, Nike sources its sports shoes from low labour cost countries like the Philippines and Vietnam. In addition, some customers like to purchase products and services that have a global image. For example, Disney cartoon characters or 'Manchester United' branded soccer shirts.

From the perspective of international governmental organisations – like the World Bank - the recent dominant thinking has been to bring down barriers to world trade while giving some degree of protection to some countries and industries. Thus global strategy is an important aspect of such international negotiations.

From the perspective of some international non-governmental organisations like Oxfam and Medicin sans Frontières, the global strategies of some – but not necessarily all – multinational companies are regarded with some suspicion. Such companies have been accused of exploiting developing countries – for example in terms of their natural mineral resources – in ways that are detrimental to those countries. This important aspect of global strategy is explored in the separate web section on *Globalization*.

GurukPO.com No. 1 Educational Web Portal in India

Economy of scope: McDonalds used the same colour transparency for its restaurants in Prague (above) and Budapest (below)

What are the benefits of a global strategy? And what are the costs?

Benefits of a global strategy

The business case for achieving a global strategy is based on one or more of the factors set out below –*see* academic research by Theodore Leavitt, Sumanthra Ghoshal, Kenichi Ohmae, George Yip and others.For the full, detailed references, go to the end of Chapter 19 in either of my books, *Corporate Strategy* or*Strategic Management*

1. *Economies of scope*: the cost savings developed by a group when it shares activities or transfers capabilities and competencies from one part of the group to another – for example, a biotechnology sales team sells more than one product from the total range.
2. *Economies of scale*:the extra cost savings that occur when higher volume production allows unit costs to be reduced – for example, an Arcelor Mittal steel mill that delivers lower steel costs per unit as the size of the mill is increased.
3. *Global brand recognition*: the benefit that derives from having a brand that is recognized throughout the world – for example, Disney..
4. *Global customer satisfaction*: mulitnational customers who demand the same product, service and quality at various locations around the world – for example, customers of the Sheraton Hotel chain expect and receive the same level of service at all its hotels around the world.

5. *Lowest labour and other input costs*: these arise by choosing and switching manufacturers with low(er) labour costs – for example, computer assembly from imported parts in Thailand and Malaysia where labour wages are lower than in countries making some sophisticated computer parts (such as high-end computer chips) in countries like the USA
6. *Recovery of research and development (R&D) costs and other development costs across the maximm number of countries* – new models, new drugs and other forms of research often amounting to billions of US dollars. The more countries of the world where the goods can be sold means the greater number of countries that can contribute to such costs. For example, the Airbus Jumbo A380 launched in 2008 where development costs have exceeded US$ 10 billion.
7. Emergence of new markets: means greater sales from essentially the same products.

Costs of a global strategy

The costs of operating a global strategy may be greater than the benefits –

there are at least six economic costs of international and global strategies:

1. *Lack of sensitivity to local demand:* Leavitt argued that people would be prepared to compromise on their individual tastes if the product was cheap enough deriving from economies of scale and scope. Is this really correct? Other writers argued that there could be costs in adapting products to match local tastes, local conditions like the climate and other local factors like special laws on environmental issues.
2. *Transport and logistics costs*: if manufacturing takes place in one country, then it will be necessary to transport the finished products to other countries. The costs for some heavy products, like steel bars, may be greater than the economies of scale from centralised production in one country.
3. *Economies of scale benefits may be difficult to obtain in practice:* plant takes time to commission, local competitors still using old plant and cheap labour may still be competitive. For an example, see the Tate & Lyle Case in Chapter 19 of Lynch.
4. *Communications costs will be higher*: standardisation of products and services needs to be communicated to every country. In virtually every case, it will also be necessary to monitor and control the result. All this is time consuming, expensive and at the mercy of local managers who may have their own agendas and interests.
5. *Management coordination costs*: in practice, managers and workers in different countries often need to be consulted, issues need to be explored and discussed, local variations in tax and legal issues need to be addressed. This means that senior managers operating a global strategy need to spend time visiting countries. It cannot all be done on the telephone and worldwide web. This takes a tremendous toll of people personally.
6. *Barriers to trade*: taxes and other restrictions on goods and services set by national governments as the goods cross their national borders.

Gurukpo.com No. 1 Educational Web Portal in India

7. *Other costs imposed by national governments to protect their home industries* - like special taxes or restrictions on share holdings.

Gurukpo.com
No. 1 Educational Web Portal in India

Model Question Paper

MBA III Semester
Product And Brand Management

'SECTION A'

1. (a) Define a Product? Explain the various levels of a product with the help of an example?

   (b) Explain in details how Product Focused Organization is different from Market Focused Organization. Also point out factors influencing design of the product?

2. (a) What do you understand by Brand Equity? Explain various methods of calculating Brand Equity.

   (b) Explain the Hofstele Model for understanding Core Value of Brand?

3. Brand is built in the minds of people. Do you agree? Explain this in context to "Asian Paints".

   OR

   Write short notes on the following:-
   a) Brand Differentiation
   b) Co-branding
   c) Celebrity Endorsement – Pros and Cons
   d) Brand Positioning
   e) Brand Extension

4. A leading hair oil company plans to enter into the antiseptic skin cream business in competition with the market leader Boroline. Discuss the positioning and Brand building strategies that the company can use.

5. (a) Define seven stages of Product Life Cycle along with the Managerial Applications?

   (b) Why is the product deletion important to the health of the company?

'SECTION B'

6. Read the case given below and answer the questions given at the end of the case.

Gurukpo.com No.1 Educational Web Portal in India

THE PREMIUM DILEMMA

Vinod Tahil's mind was a riot. For the first time in many years, the marketing manager of white goods manufacturer Electra India was questioning the marketing theories he had always believed in. Was he right in wanting to abandon the super premium route to brand building, or was he, in fact, trapped in the classical middle-class mindset which made him averse to premium Product ?

The previous sunday, Tahil had had a long discussion on the issue with Gautam Sarin, his squash partner and marketing head of Plimsoll Watches. Tahil had walked into the squash court right after a stiff debate with his CEO, Arun Raja, over Electra's plans to launch a super premium, multifacility refrigerator from its intemational stable, the Eva 755.

In Eva 755 was a state-of-the-art multi-door fridge, with lots of features and plenty of storage space. It had two zero-degree compartments, an ice crusher, a dispenser for chiled water, a built-in deodorizer and an alarm that went off if the door was not shut properly. The price : a cool Rs 1 lakh.

The previous year, the company had launched its three-and four-door refrigerators. It followed that up with a 7.5 kg fully automatic washing machine, Ergo,which also carried a premium price tag. This, in fact, was Electra's strategy. If preferred to enter with its premium range rather than follow with mass. market route, CEO Raja wanted to build brands first. Volumes would be a natural consequence, he said.

But Tahil had his doubts whether Eva would cut much ice with the customer. In a market which was skewed in favour oI the value-for-money double-door refrigerator, the multi-door refrigerator seemed very ambitious to him. It was unlikely to build much saliency for Electra, he felt.

To begin with, the very idea of a large-sized refrigerator seemed irrelevant in the Indian context. In the West, convenience stores were fast being replaced by supermarket chains. As a parallel behaviour pattern, consumers there were using refrigerator not just for preserving foodstuffs, but also for long-term storage.

In India, however, the neighbourhood grocer had gained in strength and supermarkets had not become the norm yet. For the same reason, the Westem pattern of long-term storage could not be replicated here. "India is a tropical country and there are lots of vendors for fresh vegetables and fruit. So, who needs vast storage facilities in India ?" he asked.

Raja was convinced that there was a clear consumer segment which sought premium and super premium products. "There are 3.8 million households in the A1 and A2 socio-economic classes. It's not the 150-million middle class but this super premium, super label conscious segment that I want to target. The self-employed and high-salaried people in this segment are virtually indifferent to high prices," said Raja.

Tahil would not buy the argument. "The so-called high-income group that you refer to comprises largely nuclear families. That means that these families consume less food than joint families do. There may be 3.8 million such families, but they are dispersed all over the country. A rich farmer from Gurgaon, who has a high disposable agricultural income and heads a family of 14, is the one who actually needs this product. But you have no means of getting your product to him."

An entry through a premium segment would entail lower distribution costs, but only if a mass product already existed. "If you have a mass product, you could piggyback on its distribution network and get

GurukpO.com No 1 Educational Web Portal in India

your premium product to the rich farmer in Gurgaon," said Tahil. "In its absence, reaching out to the dispersed consumer will be prohibitively costly. Also, it will be difficult to get the required volumes."

Raja had other plans. He wanted to enter the super premium segment so that Eva could be Electra's image leader. "Why did Titan launch Tanishq ? Certainly not for volumes." he argued. "The premium range has a positive rub-off on the medium range. If a company launches a super premium product, its image becomes so overwhelming that the consumer does not question the price or the quality of its other product." he said.

"That 'image leader' angle is a double-edged sword," countered Tahil. "If the super premium product fails to make a mark in three years' time, its image as well as the company's image will take a beating."

Raja cited the example of BPL. "When it entered the refrigerator market, BPL was aware it was taking on the might of Videocon, a sturdy, reliable, home grown brand. To gain a quantum leap over Videcon's image perception, BPL first launched the three door refrigerator. Its launch stoked the interest of consumers,who gushed and gawked and went home and told their neighbours about it. So, the next time someone wanted to buy a basic 165-litre refrigerator, he first checked out a BPL fridge. Soon after that, BPL launched its home entertainment system, another super premium product. No one questioned the price or whether the product would be successful because they all knew that there were buyers for the quality that BPL had to offer. Thereafter, every offering from BPL was viewed with respect," he said.

Brand building, Tahil felt, worked when it ran parallelto volume building. "The middle class is very aware and iscontinuously upgrading its information. It will want toknow how many Indians are buying Electra and we need to answer that with some volumes," he said.

In such a scenario, the launch of Eva appeared to bea wasteful exercise. "The premium you can charge on aproduct must have a meaningful price to quality/valueratio," argued Tahil. "Price is no longer the deciding factor, it is value instead. As we go along you'll find consumers are less likely to compare prices than they didin the past," declared Raja.

Tahil disagreed with Raja on the significance of price. "Price will always be a key factor in the purchase decision.The people you are targeting for Eva watch the market, evaluate products and are very aware. They may buy a pair of Reebok shoes for Rs. 2,000, but a refrigerator for Rs. 1 lakh ? That's going too far," he said.

Raja left after coffee, but Tahil carried hisdisagreement to the squash court. "Raja is trapped in amythical view of the Indian middle class," he said to Sarin."All around us lie the debris of companies whichoverestimated the middle class' willingness to pay forglobal brands. Yet he believes that Eva has potential," he said.

Sarin felt Tahil was underestimating the market. "Inthe wake of liberalization, there was a lot of brouhaha -over the relevance of some of the products entering India.

People asked, 'Who needs KFC ? Who needs Reebok ?'But we must realize that the consumers aspired for anything global. Now they are asking for particular fearures and design improvement, he said.

"Who are these consumers ?" asked Tahil. "Theglorious middle class ?"

"Tahil, in durables you have to benchmarkdifferently. When you are selling potato chips or cornflakes, you are looking at one set of consumer behaviourpatterns. But in durables, which can replace manual

Gurukpo.com No. 1 Educational Web Portal in India

tasks,the consumer is seeking higher value delivery. Within this,there is also a segment which is indifferent to high prices the self-employed and the high-flying executive. Theyhave access to soft loans and hefty perk. Money is noobject for thern. They are eating out twice a week, buying shoes worth Rs. 2,000 and paying Rs. 1 lakh for healthclub memberships.

Questions:

a) Critically evaluate the price band being suggested forEva. Do you agree with Rajan's assessment of the targeted consumer or with Tahil's ? Justify you answer.

b) What in your view are the target customers for this kind of product ? What is the brand positioning that you would suggest for Eva in view of the target market identified by you ?

Gurukpo.com
No. 1 Educational Web Portal in India

Model Question Paper

MBA III Semester
Product And Brand Management

1. Justify your answer to following questions in maximum 2 sentences:

   a. "Observation with one eye and attention with half the mind is the maximum impact of an advertisement that an advertiser can expect from its target customers" .Do you agree?

   b. "Distribution is the last dark continent of marketing" –do you agree?

   c. "Milkmaid was re-positioned as the testiest milk made when there was scarcity of milk" -is such re-positioning appropriate?

   d. "Marlboro cigarette's advertisement showing a cowboy is considered to be the advertisement of the 20th century and proves brand personality's influence on sales volume" -do you agree?

   e. "The no. of cows and dogs in a portfolio of a corporate house does not influence decision-making about investment and composition of SBU's" -correct?

   f. "Toyata's USP is performance and conformance" is the statement correct?

   g. "Nirma's success is based on correct positioning" -is it true?

   h. "Brand is the most enduring asset of an organization" -is it correct?

   i. "The space in the mental black box is available only on rent and it is not available for sale or even on 99 years lease" -do you agree?

   j. "Co-branding includes strategic alliance" -is it untrue?

2.

   a. "Positioning is the fountainhead from which flows the decisions of marketing mix" -substantiate this statement with an example.

   b. "Perceptual mapping guides a marketer to gauge the extent of acceptability of the target market vis-a vis the relevant attributes of products/services" -explain with appropriate examples

3.

   a. The value of intangible element of brand is highly significant in brand building process" - do you agree? Justify your answer.

Gurukpo.com No. 1 Educational Web Portal in India

b. Explain the integration method of M/S interbrand UK for brand evaluation.

4.

a. Why is GE model of porfolio analysis considered to be an improvement upon the BCG model?explain the difference between the two models and highligh the salient features of GE model.

b. What are the major limitations of the BCG model?

5. Explain strategies tobe followed by an organization at different stages of the product life cycle in relation to-
1.Product
2.Price
3.Place
4.Promotion

6 ."Managing a brand involves management of the brand's identity,personality,positioning and other related factors"-substantiate this statement by highlighting the influence of a brand's identity,personality,equity etc on overall brand management.

7. "House of quality is an excellent model of integration of consumers'perception of competitors' products, their (customers) varied needs and their weightages,manufacturers' operational feasibility and costs"-explain the statement by developing a matrix showing the inter-relationship amongst the various parameters nooted above.Only a simplistic conceptual presenation is required-need not be supported by figures.

OR

Write short notes on:
Benefit segmentation
Brand equity
Differentiation

Gurukpo.com
No. 1 Educational Web Portal in India

Bibliography

1. Chitale A .K, Product Policy and Brand Management, PHI Learning's.

2. Gary L Lilien, Arvind Rangaswamy, New Product and Brand Management Prentice Halls.

3. U. C. Mathur, Product and Brand Management, Excel Books.

Gurukpo.com
No. 1 Educational Web Portal in India