11 Managing Successful Products, Services, and Brands

LEARNING OBJECTIVES

After reading this chapter you should be able to:

LO 11-1 Explain the product life-cycle concept.

LO 11-2 Identify ways that marketing executives manage a product's life cycle.

LO 11-3 Recognize the importance of branding and alternative branding strategies.

LO 11-4 Describe the role of packaging, labeling, and warranties in the marketing of a product.

Gatorade: Bringing Science to Sweat for 50 Years

Why is the thirst for Gatorade unquenchable? Look no further than constant product improvement and masterful brand management.

Like Kleenex in the tissue market, Jell-O among gelatin desserts, and Scotch for cellophane tape, Gatorade is synonymous with sports drinks. Concocted in 1965 at the University of Florida as a rehydration beverage for the school's football team, the drink was coined "Gatorade" by an opposing team's coach after watching his team lose to the Florida Gators in the Orange Bowl. The name stuck, and a new beverage product class was born. Stokely-Van Camp, Inc. bought the Gatorade formula in 1967 and commercialized the product.

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Creating the Gatorade Brand

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The Quaker Oats Company acquired Stokely-Van Camp in 1983 and quickly increased Gatorade sales through a variety of means. More flavors were added. Multiple package sizes were offered using different containers. Distribution expanded from convenience stores and supermarkets to mass merchandisers such as Walmart. Consistent advertising and promotion effectively conveyed the product's unique performance benefits and links to athletic competition. International opportunities were vigorously pursued.

Today, Gatorade is a global brand and is sold in more than 80 countries. It is also the official sports drink of NASCAR, the National Football League, Major League Baseball, the National Basketball Association, the National Hockey League, Major League Soccer, and the Women's National Basketball Association.

Masterful brand management spurred Gatorade's success. Gatorade Frost was introduced in 1997 and aimed at expanding the brand's reach beyond organized sports to other usage occasions. Gatorade Fierce appeared in 1999. In the same year, Gatorade entered the bottled-water category with Propel Fitness Water, a lightly flavored water fortified with vitamins. The Gatorade Performance Series was introduced in 2001, featuring a Gatorade Energy Bar, Gatorade Energy Drink, and Gatorade Nutritional Shake.

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Building the Gatorade Brand

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Brand development accelerated after PepsiCo, Inc. purchased Quaker Oats and the Gatorade brand in 2001. Gatorade Xtremo, developed with a bilingual label for Latino consumers, was launched in 2002. Gatorade X-Factor followed in 2003. In 2005, Gatorade Endurance Formula was created for serious runners, construction

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workers, and other people doing long, sweaty workouts. Gatorade Rain, a lighter-tasting version of regular Gatorade, arrived in 2006. A low-calorie Gatorade called G2 appeared in 2008.

Source: PepsiCo

In 2009, Gatorade executives unleashed a bevy of enhanced beverages in bold new packaging. “Just like any good athlete, Gatorade is taking it to the next level,” said Gatorade’s chief marketing officer. “Whether you’re in it for the win, for the thrill or for better health, if your body is moving, Gatorade sees you as an athlete, and we’re inviting you into the brand.” According to a company announcement, “The new Gatorade attitude would be most visible through a total packaging redesign.” For example, Gatorade Thirst Quencher now displays the letter G front and center along with the brand’s iconic bolt. “For Gatorade, G represents the heart, hustle, and soul of athleticism and will become a badge of pride for anyone who sweats, no matter where they’re active.”

Gatorade's marketing performance is a direct result of continuous product improvement and masterful brand management as defined by the "Gatorade bath."
© J. Meric/Getty Images

To differentiate the range of Gatorade offerings from the traditional Gatorade Thirst Quencher, newly enhanced beverages convey the attitude of a tough-love coach or personal trainer through in-your-face names on the label and nutrition benefits inside. For example, Gatorade Fierce is now Bring It and Gatorade X-Factor is now Be Tough. Continuing product development efforts guided the creation of the G Series of products in 2010 and 2011.

Beginning in 2011, Gatorade underwent a brand repositioning during which it developed different lines of Gatorade products targeted at different types of athletes. These lines included the traditional G Series for athletes and the G Series Endurance for extreme sports athletes. Product development within these lines continues today as evidenced by the launch of Gatorade Endurance Carb Energy chews.[1]

VIDEO 11-1

Gatorade Ad

kerin.tv/13e/v11-1

The marketing of Gatorade illustrates continuous product development and masterful brand management in a dynamic marketplace. Not surprisingly, Gatorade remains a vibrant multibillion-dollar brand 50 years after its creation. This chapter shows how the actions taken by Gatorade executives exemplify those made by successful marketers.

CHARTING THE PRODUCT LIFE CYCLE

LO 11-1

Explain the product life-cycle concept.

Products, like people, are viewed as having a life cycle. The concept of the **product life cycle** describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline (**Figure 11–1**).[2] The two curves shown in this figure, total industry sales revenue and total industry profit, represent the sum of sales revenue and profit of all firms producing the product. The reasons for the changes in each curve and the marketing decisions involved are detailed next.

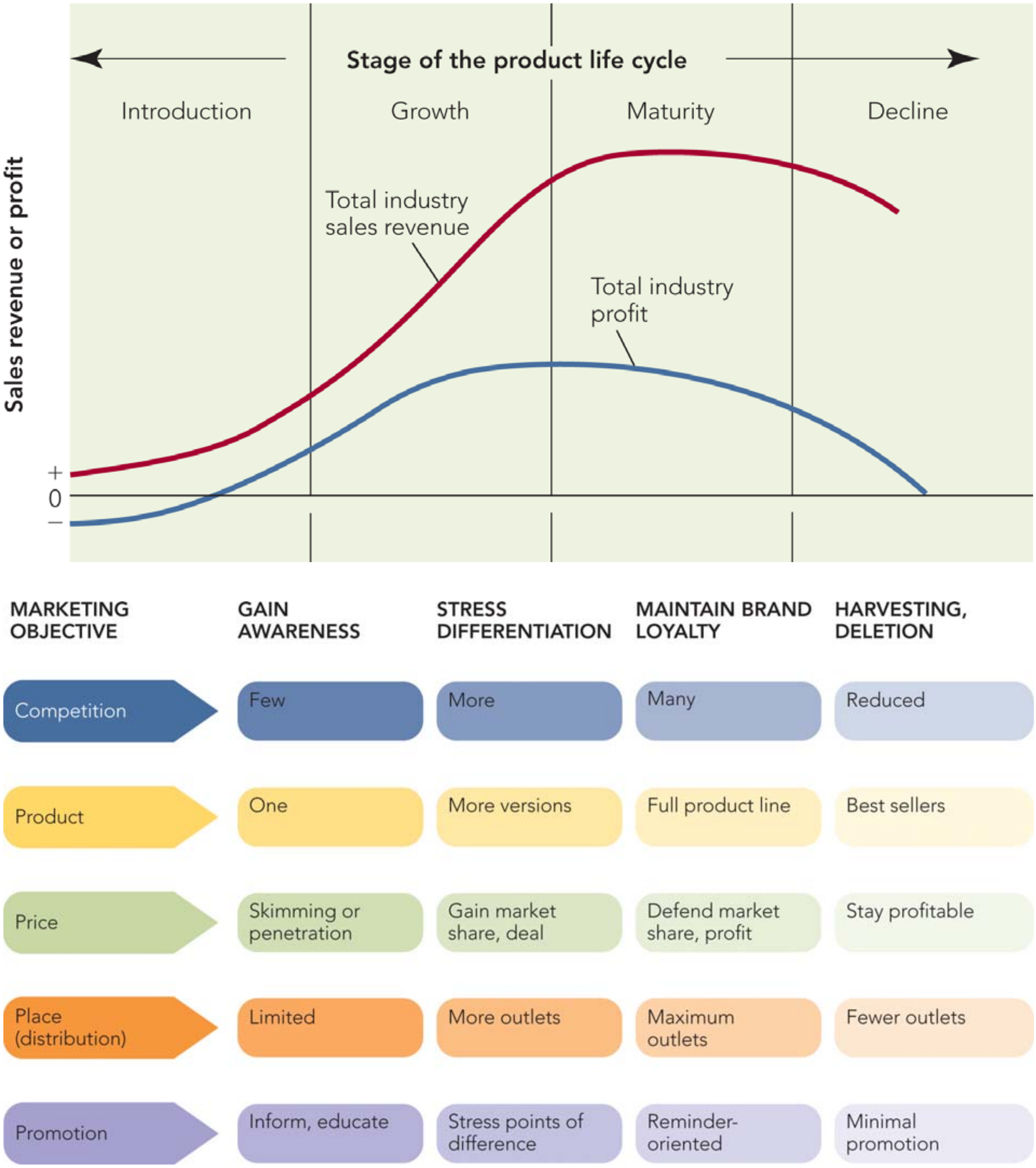


Figure 11–1 How stages of the product life cycle relate to a firm's marketing objectives and marketing mix actions.

Introduction Stage

The introduction stage of the product life cycle occurs when a product is introduced to its intended target market. During this period, sales grow slowly, and profit is minimal. The lack of profit is often the result of large investment costs in product development, such as the millions of dollars spent by Gillette to develop the Gillette Fusion razor shaving system. The marketing objective for the company at this stage is to create consumer awareness and stimulate *trial*—the initial purchase of a product by a consumer.

Companies often spend heavily on advertising and other promotion tools to build awareness and stimulate product trial among consumers in the introduction stage. For example, Gillette budgeted $200 million in advertising to introduce the Fusion shaving system to male shavers. The result? Over 60 percent of male shavers became aware of the new razor within six months and 26 percent tried the product.[3]

The success of the Gillette Fusion shaving system can be understood using product life-cycle concepts as discussed in the text.
© Mike Hruby

Advertising and promotion expenditures in the introduction stage are often made to stimulate *primary demand*, the desire for the product class rather than for a specific brand, since there are few competitors with the same product. As more competitors launch their own products and the product progresses along its life cycle, company attention is focused on creating *selective demand*, the preference for a specific brand.

Other marketing mix variables also are important at this stage. Gaining distribution can be a challenge because channel intermediaries may be hesitant to carry a new product. Also, a company often restricts the number of variations of the product to ensure control of product quality. As an example, the original Gatorade came in only one flavor—lemon-lime.

During introduction, pricing can be either high or low. A high initial price may be used as part of a *skimming* strategy to help the company recover the costs of development as well as capitalize on the price insensitivity of early buyers. A master of this strategy is 3M. According to a 3M manager, "We hit fast, price high, and get the heck out when the me-too products pour in."[4] High prices tend to attract competitors eager to enter the market because they see the opportunity for profit. To discourage competitive entry, a company can price low, referred to as *penetration pricing*. This pricing strategy helps build unit volume, but a company must closely monitor costs. These and other pricing techniques are covered in **Chapter 14**.

Figure 11–2 charts the stand-alone fax machine product life cycle for business use in the United States from the early 1970s to 2016.[5] Sales grew slowly in the 1970s and early 1980s after Xerox pioneered the first portable fax machine. Fax machines were first sold direct to businesses by company salespeople and were premium priced. The average price for a fax machine in 1980 was a hefty $12,700, or almost $35,000 in today's dollars! Those fax machines were primitive by today's standards. They contained mechanical parts, not electronic circuitry, and offered few features seen in today's models.

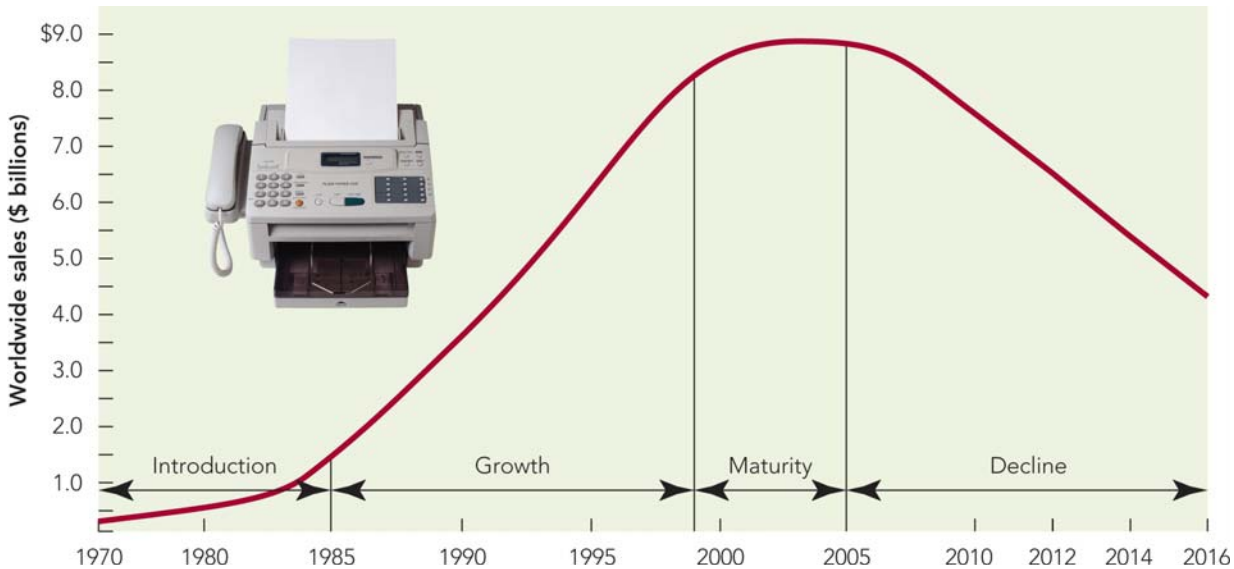


Figure 11–2 Product life cycle for the stand-alone fax machine for business use: 1970–2016. All four product life-cycle stages appear: introduction, growth, maturity, and decline.
© Getty Images

Several product classes are in the introductory stage of the product life cycle today. These include smart TVs and all-electric-powered automobiles.

Growth Stage

The growth stage of the product life cycle is characterized by rapid increases in sales. It is in this stage that competitors appear. For example, **Figure 11–2** shows the dramatic increase in sales of fax machines from 1986 to 1998. The number of companies selling fax machines also increased, from 1 in the early 1970s to 4 in the late 1970s to 7 manufacturers in 1983, which sold 9 brands. By 1998 there were some 25 manufacturers and 60 brands from which to choose.

The result of more competitors and more aggressive pricing is that profit usually peaks during the growth stage. For instance, the average price for a fax machine plummeted from $3,300 in 1985 to $500 in 1995. At this stage, advertising shifts emphasis to stimulating selective demand; product benefits are compared with those of competitors' offerings for the purpose of gaining market share.

Product sales in the growth stage grow at an increasing rate because of new people trying or using the product and a growing proportion of *repeat purchasers*—people who tried the product, were satisfied, and bought again. For the Gillette Fusion razor, over 60 percent of men who tried the razor adopted the product permanently. For successful products, the ratio of repeat to trial purchases grows as the product moves through the life cycle. Durable fax machines meant that replacement purchases were rare. However, it became common for more than one machine to populate a business as the machine's use became more widespread.

Changes appear in the product in the growth stage. To help differentiate a company's brand from competitors, an improved version or new features are added to the original design, and product proliferation occurs. Changes in fax machines included (1) models with built-in telephones; (2) models that used plain, rather than thermal, paper for copies; and (3) models that integrated electronic mail.

In the growth stage, it is important to broaden distribution for the product. In the retail store, for example, this often means that competing companies fight for display and shelf space. Expanded distribution in the fax industry is an example. Early in the growth stage, just 11 percent of office machine dealers carried this equipment. By the mid-1990s, over 70 percent of these dealers sold fax equipment, and distribution was expanded to other stores selling electronic equipment, such as Best Buy and Office Depot.

Numerous product classes or industries are in the growth stage of the product life cycle today. Examples include smartphones, e-book readers, and other tablet devices such as the iPad.

Electric automobiles like the Chevrolet Spark made by General Motors are in the introductory stage of the product life cycle. By comparison, smartphones such as the Apple iPhone 6 are in the growth stage of the product life cycle. Each product faces unique challenges based on its product life-cycle stage.
Left: © Kevork Djansezian/Getty Image; Right: Source: Apple

General Motors Company
www.gm.com

Apple
www.apple.com

Maturity Stage

The maturity stage is characterized by a slowing of total industry sales or product class revenue. Also, marginal competitors begin to leave the market. Most consumers who would buy the product are either repeat purchasers of the item or have tried and abandoned it. Sales increase at a decreasing rate in the maturity stage as fewer new buyers enter the market. Profit declines due to fierce price competition among many sellers, and the cost of gaining new buyers at this stage rises.

Marketing attention in the maturity stage is often directed toward holding market share through further product differentiation and finding new buyers and uses. For example, Gillette modified its Fusion shaving system with the addition of ProGlide, a five-blade shaver with an additional blade on the back for trimming. Fax machine manufacturers developed Internet-enabled multifunctional models with new features such as scanning, copying, and color reproduction. They also designed fax machines suitable for small and home businesses, which today represent a substantial portion of sales. Still, a major consideration in a company's strategy in this stage is to control overall marketing cost by improving promotional and distribution efficiency.

Fax machines entered the maturity stage in the late 1990s. At the time, about 90 percent of industry sales were captured by five producers (Hewlett-Packard, Brother, Sharp, Lexmark, and Samsung), reflecting the departure of marginal competitors. By 2004, 200 million stand-alone fax machines were installed throughout the world, sending more than 120 billion faxes annually.

Numerous product classes and industries are in the maturity stage of their product life cycle. These include carbonated soft drinks and presweetened breakfast cereals.

Decline Stage

The decline stage occurs when sales drop. Fax machines for business use moved to this stage in early 2005. By then, the average price for a fax machine had sunk below $100. Frequently, a product enters this stage not because of any wrong strategy on the part of companies, but because of environmental changes. For example, digital music pushed compact discs into decline in the recorded music industry. Will Internet technology and e-mail make fax machines extinct any time soon? The Marketing Matters box offers one perspective on this question that may surprise you.[6]

Marketing **Matters**

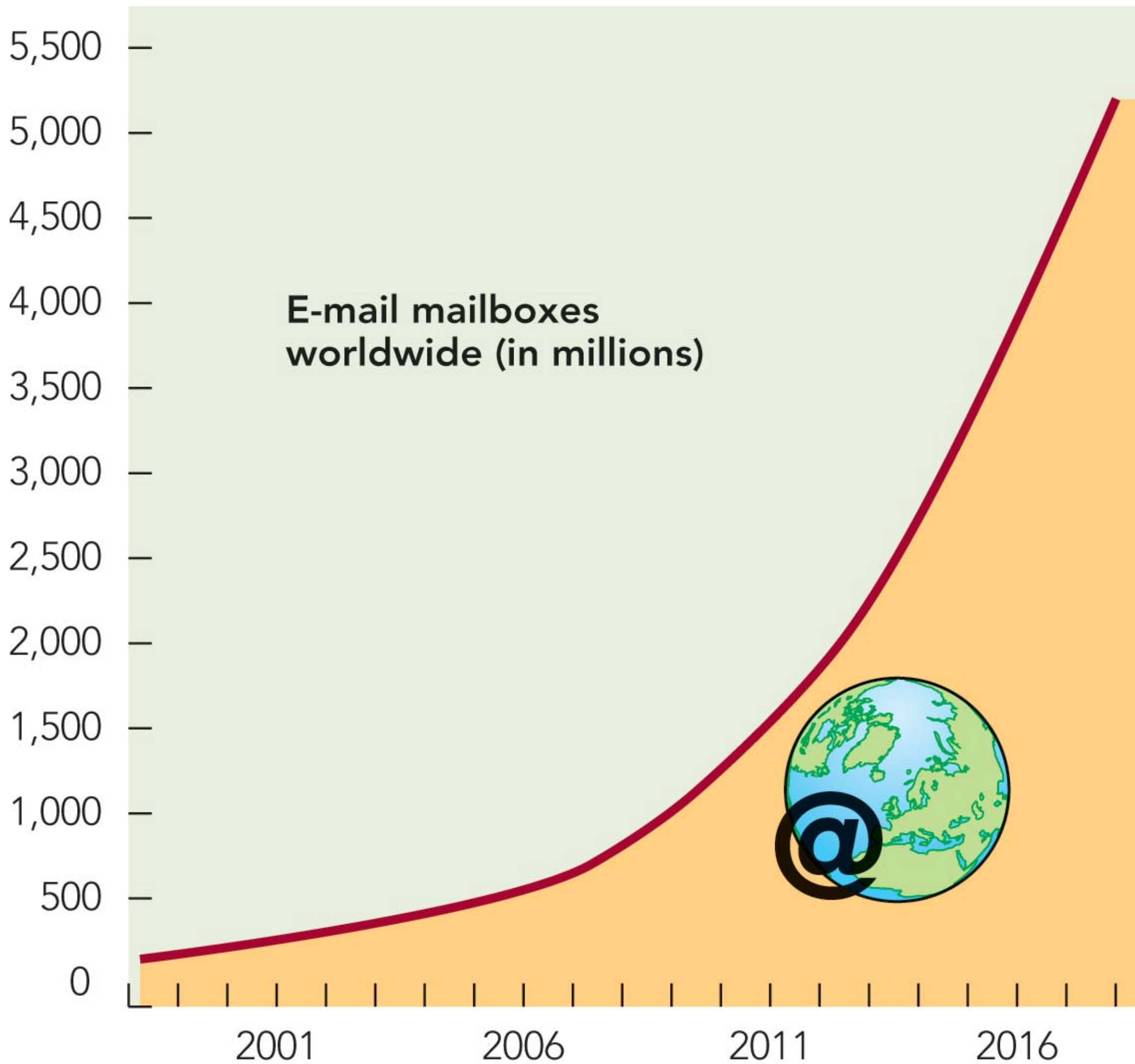
customer value

Will E-mail Spell Extinction for Fax Machines?

Technological substitution that creates value for customers often causes the decline stage in the product life cycle. Will e-mail replace fax machines?

This question has been debated for years. Even though e-mail continues to grow with broadening Internet access, millions of fax machines are still sold each year. Industry analysts estimated that the number of e-mail mailboxes worldwide would be 5.2 billion in 2018. However, the phenomenal popularity of e-mail has not brought fax machines to extinction. Why? The two technologies do not directly compete for the same messaging applications.

E-mail is used for text messages. Faxing is predominately used for communicating formatted documents by business users, notably doctors, concerned about Internet security. Fax usage is expected to increase through 2018, even though unit sales of fax machines have declined on a worldwide basis. Internet technology and e-mail may eventually replace facsimile technology and paper and make fax machines extinct, but not in the immediate future.



Numerous product classes or industries are in the decline stage of their product life cycle. Two prominent examples include analog TVs and desktop personal computers.

Products in the decline stage tend to consume a disproportionate share of management and financial resources relative to their future worth. A company will follow one of two strategies to handle a declining product: deletion or harvesting.

Deletion

Product *deletion*, or dropping the product from the company's product line, is the most drastic strategy. Because a residual core of consumers still consume or use a product even in the decline stage, product elimination decisions are not taken lightly. For example, Sanford Corporation continues to sell its Liquid Paper correction fluid for use with typewriters in the era of word-processing equipment.

Harvesting

A second strategy, *harvesting*, is when a company retains the product but reduces marketing costs. The product continues to be offered, but salespeople do not allocate time in selling nor are advertising dollars spent. The purpose of harvesting is to maintain the ability to meet customer requests. Coca-Cola, for instance, still sells Tab, its first diet cola, to a small group of die-hard fans. According to Coke's CEO, "It shows you care. We want to make sure those who want Tab, get Tab."[7]

Three Aspects of the Product Life Cycle

Some important aspects of product life cycles are (1) their length, (2) the shape of their sales curves, and (3) the rate at which consumers adopt products.

Length of the Product Life Cycle

There is no set time that it takes a product to move through its life cycle. As a rule, consumer products have shorter life cycles than business products. For example, many new consumer food products such as Frito-Lay's Baked Lay's potato chips move from the introduction stage to maturity in 18 months. The availability of mass communication vehicles informs consumers quickly and shortens life cycles. Technological change shortens product life cycles as new-product innovation replaces existing products. For instance, smartphones have largely replaced digital cameras in the amateur photography market.

Shape of the Life-Cycle Curve

The product life-cycle sales curve shown in **Figure 11–1** is the *generalized life cycle*, but not all products have the same shape to their curve. In fact, there are several life-cycle curves, each type suggesting different marketing strategies. **Figure 11–3** shows the shape of life-cycle sales curves for four different types of products: high-learning, low-learning, fashion, and fad products.

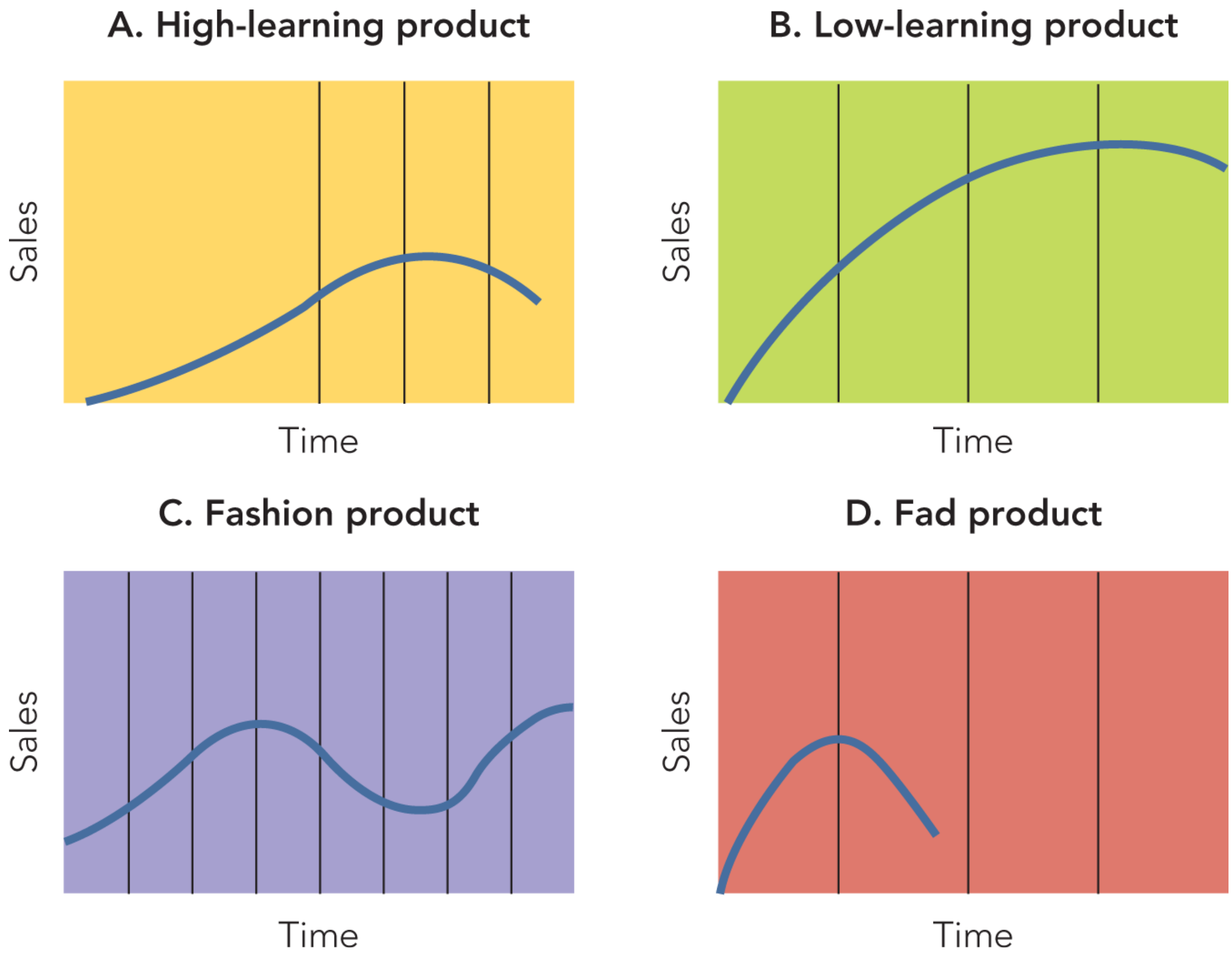


Figure 11–3 Alternative product life-cycle curves based on product types. Note the long introduction stage for a high-learning product compared with a low-learning product. Read the text for an explanation of the different product life-cycle curves.

A *high-learning product* is one for which significant customer education is required and there is an extended introductory period (**Figure 11–3A**). It may surprise you, but personal computers had this life-cycle curve. Consumers in the 1980s had to learn the benefits of owning the product or be educated in a new way of performing familiar tasks. Convection ovens for home use required consumers to learn a new way of cooking and alter familiar recipes used with conventional ovens. As a result, these ovens spent years in the introductory period.

In contrast, sales for a *low-learning product* begin immediately because little learning is required by the consumer and the benefits of purchase are readily understood (**Figure 11–3B**). This product often can be easily imitated by competitors, so the marketing strategy is to broaden distribution quickly. In this way, as competitors rapidly enter, most retail outlets already have the innovator's product. It is also important to have the manufacturing capacity to meet demand. A successful low-learning product is Gillette's Fusion razor. This product achieved $1 billion in worldwide sales in less than three years.

A *fashion product* (**Figure 11–3C**) is a style of the times. Life cycles for fashion products frequently appear in women's and men's apparel. Fashion products are introduced, decline, and then seem to return. The length of the cycles may be months, years, or decades. Consider women's hosiery. Product sales have been declining for years. Women consider it more fashionable to not wear hosiery—bad news for Hanes brands, the leading marketer of women's sheer hosiery. According to an authority on fashion, "Companies might as well let the fashion cycle take its course and wait for the inevitable return of pantyhose."[8]

A *fad product* experiences rapid sales on introduction and then an equally rapid decline (**Figure 11–3D**). These products are typically novelties and have a short life cycle. They include car tattoos, sold in Southern California and described as the first removable and reusable graphics for automobiles, and vinyl dresses and fleece bikinis made by a Minnesota clothing company.[9]

The Product Level: Class and Form

The product life cycle shown in **Figure 11–1** is a total industry or generalized product class sales curve. Yet, in managing a product it is often important to distinguish among the multiple life cycles (class and form) that may exist.

Product class refers to the entire product category or industry, such as prerecorded music. **Product form** pertains to variations of a product within the product class. For prerecorded music, product form exists in the technology used to provide the music such as cassette tapes, compact discs, and digital music downloading and streaming. **Figure 11–4** shows the life cycles for these three product forms and demonstrates the impact of technological innovation on sales.[10]

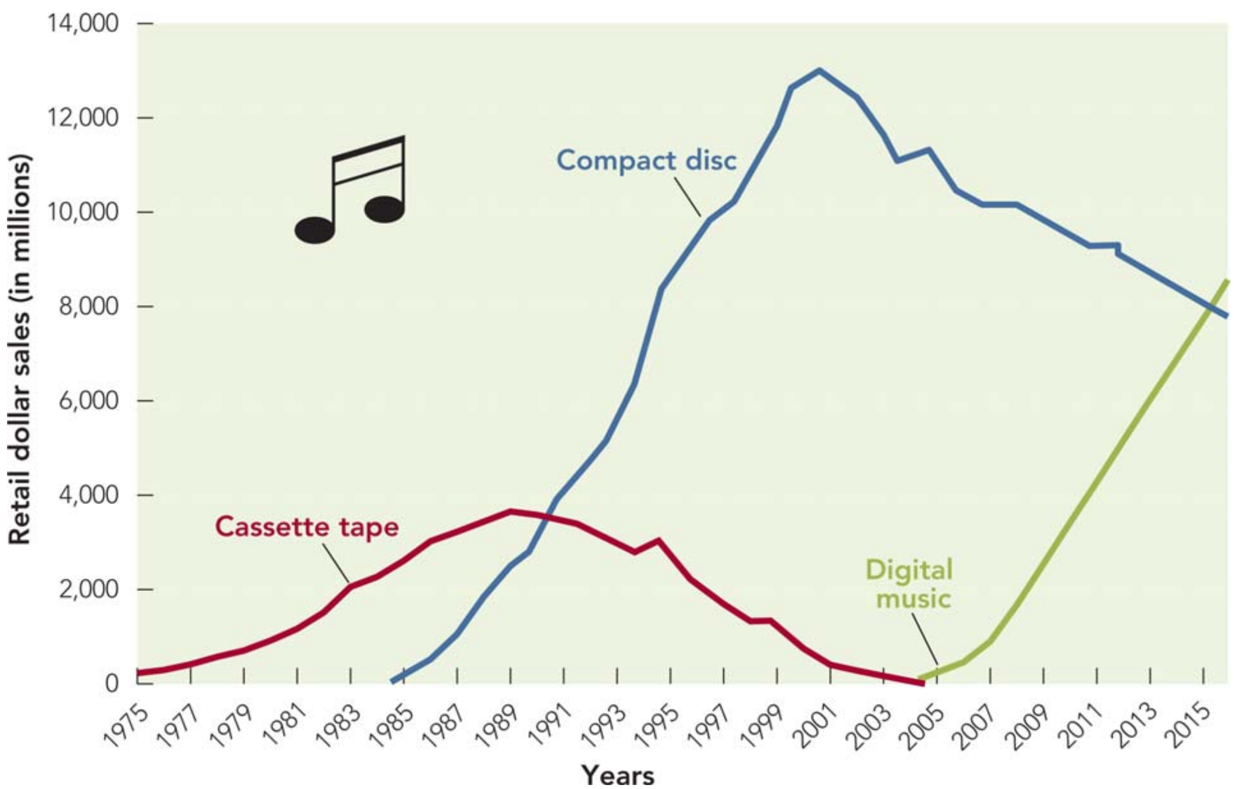


Figure 11–4 Prerecorded music product life cycles by product form illustrate the effect of technological innovation on sales. Compact discs replaced cassette tapes, and digital music replaced compact discs in 2015. Do you even remember the cassette tape?

The Product Life Cycle and Consumer Behavior

The life cycle of a product depends on sales to consumers. Not all consumers rush to buy a product in the introductory stage, and the shapes of the life-cycle curves indicate that most sales occur after the product has been on the market for some time. In essence, a product diffuses, or spreads, through the population, a concept called the *diffusion of innovation*.[11]

Some people are attracted to a product early. Others buy it only after they see their friends or opinion leaders with the item. **Figure 11–5** shows the consumer population divided into five categories of product adopters based on when they adopt a new product. Brief profiles accompany each category. For any product to be successful, it must be purchased by innovators and early adopters. This is why manufacturers of new pharmaceuticals try to gain adoption by respected hospitals, clinics, and physicians. Once accepted by innovators and early adopters, successful new products move on to the early majority, late majority, and laggard categories.

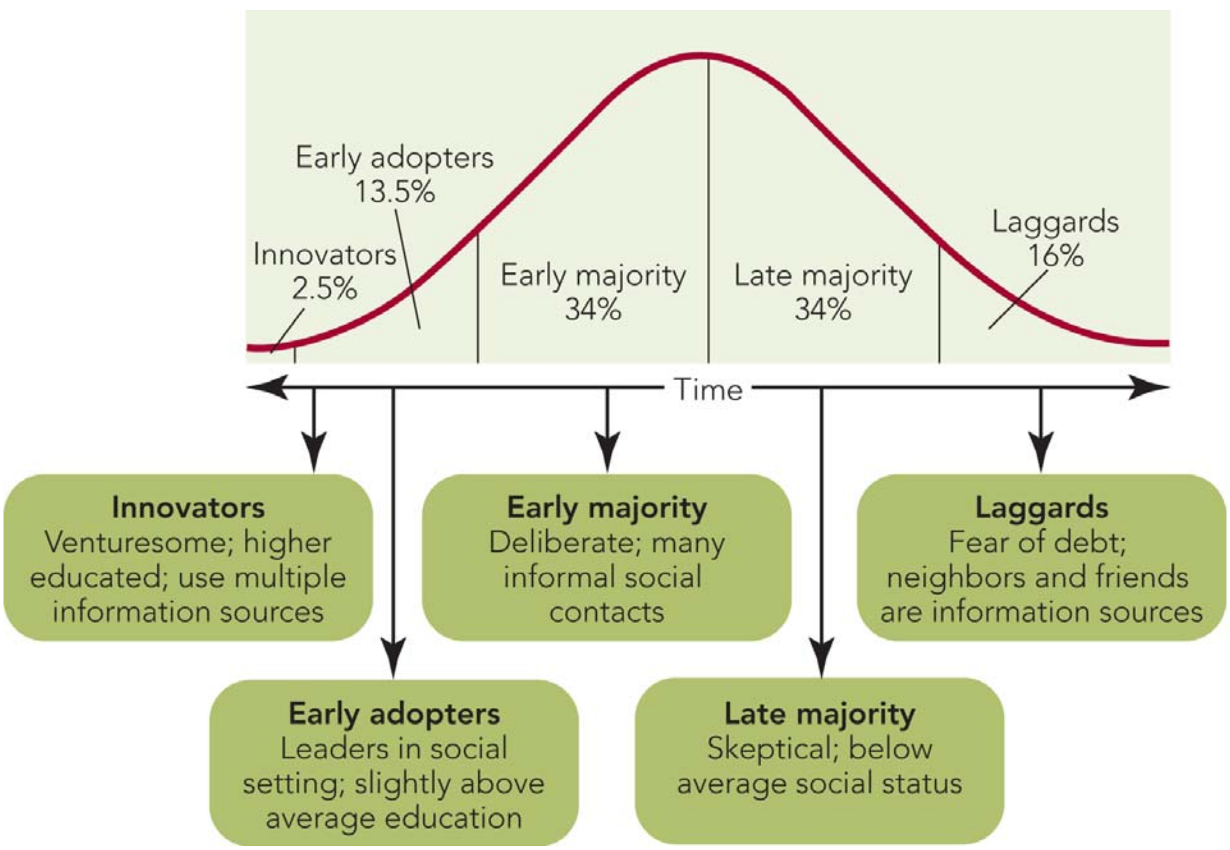


Figure 11–5 Five categories and profiles of product adopters. For a product to be successful, it must be purchased by innovators and early adopters.

Several factors affect whether a consumer will adopt a new product or not. Common reasons for resisting a product in the introduction stage are *usage barriers* (the product is not compatible with existing habits), *value barriers* (the product provides no incentive to change), *risk barriers* (physical, economic, or social), and *psychological barriers* (cultural differences or image).[12]

These factors help to explain the slow adoption of all-electric-powered automobiles in the United States. About one-third of 1 percent of cars sold in 2015 were all-electric-powered vehicles. Industry analysts cite the usage barrier for disappointing sales. They note that prospective buyers believe these cars are not compatible with existing driving habits. Analysts also mention a value barrier. Consumers have not recognized the superiority of all-electric cars over vehicles with internal combustion engines. Third, a risk barrier exists in large measure to buyer uncertainty about the actual cost of all-electric-powered car ownership. According to one auto industry analyst, “The innovators and early adopters have purchased all-electric vehicles, but mainstream consumers have not followed.” Not surprisingly, all-electric-powered automobiles remain in the introductory stage of the product life cycle.[13]

Companies attempt to overcome these barriers in numerous ways. For example, manufacturers of all-electric-powered automobiles provide low-cost leasing options to overcome usage, value, and risk barriers. Other companies provide warranties, money-back guarantees, extensive usage instructions, demonstrations, and free samples to stimulate initial trial of new products. For example, software developers offer demonstrations downloaded from the Internet. Cosmetics consumers can browse through the Embrace Your Face site at **www.covergirl.com** to find out how certain makeup products will look. Free samples are one of the most popular means to gain consumer trial. In fact, 71 percent of consumers consider a sample to be the best way to evaluate a new product.[14]

learning review

11-1. Advertising plays a major role in the ________________ stage of the product life cycle, and _______________ plays a major role in maturity.

11-2. How do high-learning and low-learning products differ?

11-3. What are the five categories of product adopters in the diffusion of innovations?

MANAGING THE PRODUCT LIFE CYCLE

LO 11-2

Identify ways that marketing executives manage a product's life cycle.

An important task for a firm is to manage its products through the successive stages of their life cycles. This section describes the role of the product manager, who is usually responsible for this, and presents three ways to manage a product through its life cycle: modifying the product, modifying the market, and repositioning the product.

Role of a Product Manager

The product manager, sometimes called a *brand manager*, manages the marketing efforts for a close-knit family of products or brands. The product manager style of marketing organization is used by consumer goods firms, including General Mills and PepsiCo, and by industrial firms such as Intel and Hewlett-Packard.

All product managers are responsible for managing existing products through the stages of the life cycle. Some are also responsible for developing new products. Product managers' marketing responsibilities include developing and executing a marketing program for the product line described in an annual marketing plan and approving ad copy, media selection, and package design.

Product managers also engage in extensive data analysis related to their products and brands. Sales, market share, and profit trends are closely monitored. Managers often supplement these data with two measures: (1) a category development index (CDI) and (2) a brand development index (BDI). These indexes help to identify strong and weak market segments (usually demographic or geographic segments) for specific consumer products and brands and provide direction for marketing efforts. The calculation, visual display, and interpretation of these two indexes for Hawaiian Punch are described in the Applying Marketing Metrics box.

Applying **Marketing Metrics**

Knowing Your CDI and BDI

Where are sales for my product category and brand strongest and weakest? Data related to this question are displayed in a marketing dashboard using two indexes: (1) a category development index and (2) a brand development index.

Your Challenge

You have joined the marketing team for Hawaiian Punch, the top fruit punch drink sold in the United States. The brand has been marketed to mothers with children under 13 years old. The majority of Hawaiian Punch sales are in gallon and 2-liter bottles. Your assignment is to examine the brand's performance and identify growth opportunities for the Hawaiian Punch brand among households that consume prepared fruit drinks (the product category).

Your marketing dashboard displays a category development index and a brand development index provided by a syndicated marketing research firm. Each index is based on the calculations below:

$$\text{Category Development Index (CDI)} = \frac{\begin{array}{c}\text{Percent of a product category's total}\\ \text{U.S. sales in a market segment}\end{array}}{\begin{array}{c}\text{Percent of the total U.S. population in}\\ \text{a market segment}\end{array}} \times 100$$

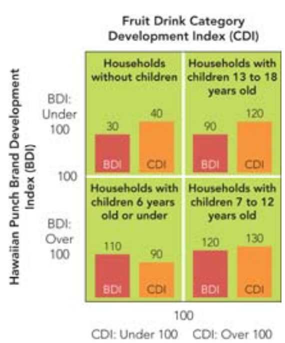
$$\text{Brand Development Index (BDI)} = \frac{\text{Percent of a brand's total U.S. sales in a market segment}}{\text{Percent of the total U.S. population in a market segment}} \times 100$$

A CDI over 100 indicates above-average product category purchases by a market segment. A number under 100 indicates below-average purchases. A BDI over 100 indicates a strong brand position in a segment; a number under 100 indicates a weak brand position.

You are interested in CDI and BDI displays for four household segments that consume prepared fruit drinks: (1) households without children; (2) households with children 6 years old or under; (3) households with children aged 7 to 12; and (4) households with children aged 13 to 18.

Your Findings

The BDI and CDI metrics displayed below show that Hawaiian Punch is consumed by households with children, and particularly households with children under age 12. The Hawaiian Punch BDI is over 100 for both segments—not surprising since the brand is marketed to these segments. Households with children 13 to 18 years old evidence high fruit drink consumption with a CDI over 100. But Hawaiian Punch is relatively weak in this segment with a BDI under 100.



Your Action

An opportunity for Hawaiian Punch exists among households with children 13 to 18 years old—teenagers. You might propose that Hawaiian Punch be repositioned for teens. In addition, you might recommend that Hawaiian Punch be packaged in singleserve cans or bottles to attract this segment, much like soft drinks. Teens might also be targeted for advertising and promotions.

Modifying the Product

Product modification involves altering one or more of a product's characteristics, such as its quality, performance, or appearance, to increase the product's value to customers and increase sales. Wrinkle-free and stain-resistant clothing made possible by nanotechnology revolutionized the men's and women's apparel business and stimulated industry sales of casual pants, shirts, and blouses. A common approach to product modification to increase a product's value to consumers is called *product bundling*—the sale of two or more separate products in one package. For example, Microsoft Office is sold as a bundle of computer software, including Word, Excel, and PowerPoint.

New features, packages, or scents can be used to change a product's characteristics and give the sense of a revised product. Procter & Gamble revamped Pantene shampoo and conditioner with a new vitamin formula and relaunched the brand with a multi-million-dollar advertising and promotion campaign. The result? Pantene, a brand first introduced in the 1940s, is now a top-selling shampoo and conditioner in the United States in an industry with more than 1,000 competitors.

Modifying the Market

With **market modification** strategies, a company tries to find new customers, increase a product's use among existing customers, or create new use situations.

Finding New Customers

As part of its market modification strategy, LEGO Group is offering a new line of products to attract consumers outside of its traditional market. Known for its popular line of construction toys for young boys, LEGO Group has introduced a product line for young girls called LEGO Friends. Harley-Davidson

Harley-Davidson redesigned some of its motorcycle models to feature smaller hand grips, a lower seat, and an easier-to-pull clutch lever to create a more comfortable ride for women. According to Genevieve Schmitt, founding editor of **WomenRidersNow.com**, "They realize that women are an up-and-coming segment and that they need to accommodate them."

© Gary Gardiner/Bloomberg via Getty Images

Harley-Davidson, Inc.
www.harley-davidson.com

has tailored a marketing program to encourage women to take up biking, thus doubling the number of potential customers for its motorcycles.

Increasing a Product's Use

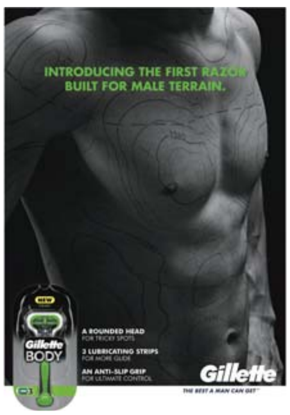
Promoting more frequent usage has been a strategy of Campbell Soup Company. Because soup consumption rises in the winter and declines during the summer, the company now advertises more heavily in warm months to encourage consumers to think of soup as more than a cold-weather food. Similarly, the Florida Orange Growers Association advocates drinking orange juice throughout the day rather than for breakfast only.

Creating a New Use Situation

VIDEO 11-2

Gillette Ad

kerin.tv/13e/v11-2



Gillette razors, blades, and gels have been adapted for shaving men's body hair in areas below the neckline. This new use situation for its shaving products is called "manscaping."
Source: Procter & Gamble

Finding new uses for an existing product has been the strategy behind Gillette, the world leader for men's shaving products. The company now markets its Gillette Body line of razors, blades, and shaving gels for "manscaping"—the art of shaving body hair in areas below the neckline—that represents a new use situation.

Repositioning the Product

Often a company decides to reposition its product or product line in an attempt to bolster sales. *Product repositioning* changes the place a product occupies in a consumer's mind relative to competitive products. A firm can reposition a product by changing one or more of the four marketing mix elements. Four factors that trigger the need for a repositioning action are discussed next.

Reacting to a Competitor's Position

One reason to reposition a product is because a competitor's entrenched position is adversely affecting sales and market share. New Balance, Inc. successfully repositioned its athletic shoes to focus on fit, durability, and comfort rather than competing head-on against Nike and Adidas on fashion and professional sports. The company offers an expansive range of shoes and networks with podiatrists, not sports celebrities.

Reaching a New Market

When Unilever introduced iced tea in Britain, sales were disappointing. British consumers viewed it as leftover hot tea, not suitable for drinking. The company made its tea carbonated and repositioned it as a cold soft drink to compete as a carbonated beverage and sales improved. Johnson & Johnson effectively repositioned its St. Joseph aspirin from a product for infants to an adult low-strength aspirin to reduce the risk of heart problems or strokes.

Catching a Rising Trend

Changing consumer trends can also lead to product repositioning. Growing consumer interest in foods that offer health and dietary benefits is an example. Many products have been repositioned to capitalize on this trend. Quaker Oats makes the FDA-approved claim that oatmeal, as part of a low-saturated-fat, low-cholesterol diet, may reduce the risk of heart disease. Calcium-enriched products, such as Kraft American cheese and Uncle Ben's Calcium Plus rice, emphasize healthy bone structure for children and adults. Weight-conscious consumers have embraced low-fat and low-calorie diets in growing numbers. Today, most food and beverage companies offer reduced-fat and low-calorie versions of their products.

Changing the Value Offered

In repositioning a product, a company can decide to change the value it offers buyers and trade up or down. **Trading up** involves adding value to the product (or line) through additional features or higher-quality materials. Michelin, Bridgestone, and Goodyear have done this with a "run-flat" tire that can travel up to 50 miles at 55 miles per hour after suffering total air loss. Dog food manufacturers, such as Ralston Purina, also have traded up by offering super-premium foods based on "life-stage nutrition." Mass merchandisers, such as Target and Walmart, can trade up by adding a designer clothes section to their stores.

Trading down involves reducing a product's number of features, quality, or price. For example, airlines have added more seats, thus reducing legroom, and limited meal service by offering snacks only on most domestic flights. Trading down also exists when companies engage in *downsizing*—reducing the package content without changing package size and maintaining or increasing the package price. Companies are criticized for this practice, as described in the Making Responsible Decisions box.[15]

Making **Responsible Decisions** Ethics

Consumer Economics of Downsizing—Get Less, Pay More

For more than 30 years, Starkist put 6.5 ounces of tuna into its regular-sized can. Today, Starkist puts 6.125 ounces of tuna into its can but charges the same price. Frito-Lay (Doritos and Lay's snack chips), PepsiCo (Tropicana orange juice), and Häagen-Dazs (ice cream) have whittled away at package contents 5 to 10 percent while maintaining their products' package size, dimensions, and prices.

Procter & Gamble recently kept its retail price on its jumbo pack of Pampers and Luvs diapers, but reduced the number of diapers per pack from 140 to 132. Similarly, Unilever reduced the number of Popsicles in each package from 24 to 20 without changing the package price. Georgia-Pacific reduced the content of its Brawny paper towel six-roll pack by 20 percent without lowering the price.

***

© McGraw-Hill Education/Editorial Image, LLC, photographer

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Consumer advocates charge that downsizing the content of packages while maintaining prices is a subtle and unannounced way of taking advantage of consumer buying habits. They also say downsizing is a price increase in disguise and a deceptive, but legal, practice. Some manufacturers argue that this practice is a way of keeping prices from rising beyond psychological barriers for their products. Other manufacturers say prices are set by individual stores, not by them.

Is downsizing an unethical practice if manufacturers do not inform consumers that the package contents are less than they were previously?

learning review

11-4. How does a product manager manage a product's life cycle?

11-5. What does "creating a new use situation" mean in managing a product's life cycle?

11-6. Explain the difference between trading up and trading down in product repositioning.

BRANDING AND BRAND MANAGEMENT

LO 11-3

Recognize the importance of branding and alternative branding strategies.

A basic decision in marketing products is **branding**, in which an organization uses a name, phrase, design, symbols, or combination of these to identify its products and distinguish them from those of competitors. A **brand name** is any word, device (design, sound, shape, or color), or combination of these used to distinguish a seller's products or services. Some brand names can be spoken, such as a Gatorade. Other brand names cannot be spoken, such as the white apple (the *logotype* or *logo*) that Apple puts on its machines and in its ads. A **trade name** is a commercial, legal name under which a company does business. The Coca-Cola Company is the trade name of that firm.

A **trademark** identifies that a firm has legally registered its brand name or trade name so the firm has its exclusive use, thereby preventing others from using it. In the United States, trademarks are registered with the U.S. Patent and Trademark Office and protected under the *Lanham Act*. A well-known trademark can help a company advertise its offerings to customers and develop their brand loyalty. For example, Kylie and Kendall Jenner, cast members of *Keeping Up with the Kardashians* reality television show, have filed to have their first names trademarked for use in "entertainment, fashion, and pop culture."[16]

Because a good trademark can help sell a product, *product counterfeiting*, which involves low-cost copies of popular brands not manufactured by the original producer, is a serious problem. Counterfeit products can steal sales from the original manufacturer or harm the company's reputation. U.S. companies lose about $250 billion each year to counterfeit products. The five most counterfeited branded products are, in order, handbags and wallets, watches and jewelry, clothing and accessories, consumer electronics, and shoes. To counteract counterfeiting, the U.S. government passed the *Stop Counterfeiting in Manufactured Goods Act* (2006), which makes counterfeiters subject to 20-year prison sentences and $15 million in fines.

Consumers may benefit most from branding. Recognizing competing products by distinct trademarks allows them to be more efficient shoppers. Consumers can recognize and avoid products with which they are dissatisfied, while becoming loyal to other, more satisfying brands. As discussed in **Chapter 5**, brand loyalty often eases consumers' decision making by eliminating the need for an external search.

Are you interested in creating a business using your name? If you are, you might first check to see if your name has been registered with the U.S. Patent and Trademark Office by visiting its website. See the Marketing Insights About Me box for details.

Marketing Insights About Me

Do You Want to Start a Business Using Your Own Name? Better Check First!

More than a million brand names or trade names are registered with the U.S. Patent and Trademark Office. Thousands more are registered each year.

© Brand X Pictures/Stockbyte/Getty Images

An important step in choosing a brand or trade name is to determine whether the name has been registered already. The U.S. Patent and Trademark Office (**www.uspto.gov**) offers a valuable service by allowing individuals and companies to quickly check to see if a name has been registered.

Do you have an idea for a business that features your name? Check to see if your name has been registered by clicking "Trademarks," then "Trademark Search." Enter your name to find out if someone has registered it. You may already be a trademark!

The strong brand equity for the Louis Vuitton brand name permits the company to charge premium prices for its products.
The Advertising Archives

Louis Vuitton
www.louisvuitton.com

Brand Personality and Brand Equity

Product managers recognize that brands offer more than product identification and a means to distinguish their products from those of competitors.[17] Successful and established brands take on a **brand personality**, a set of human characteristics associated with a brand name. Research shows that consumers assign personality traits to products—traditional, romantic, rugged, sophisticated, rebellious—and choose brands that are consistent with their own or desired self-image.

VIDEO 11-3

Dr Pepper Ad

kerin.tv/13e/v11-3

Marketers can and do imbue a brand with a personality through advertising that depicts a certain user or usage situation and conveys emotions or feelings to be associated with the brand. For example, personality traits linked with Coca-Cola are all-American and real; with Pepsi, young and exciting; and with Dr Pepper, nonconforming and unique. The traits often linked to Harley-Davidson are masculinity, defiance, and rugged individualism.

Brand name importance to a company has led to a concept called **brand equity** , the added value a brand name gives to a product beyond the functional benefits provided. This added value has two distinct advantages. First, brand equity provides a competitive advantage. The Sunkist brand implies quality fruit. The Disney name defines children's entertainment. A second advantage is that consumers are often willing to pay a higher price for a product with brand equity. Brand equity, in this instance, is represented by the premium a consumer will pay for one brand over another when the functional benefits provided are identical. Gillette razors and blades, Bose audio systems, Duracell batteries, Cartier jewelry, and Louis Vuitton luggage all enjoy a price premium arising from brand equity.

Creating Brand Equity

Brand equity doesn't just happen. It is carefully crafted and nurtured by marketing programs that forge strong, favorable, and unique customer associations and experiences with a brand. Brand equity resides in the minds of consumers and results from what they have learned, felt, seen, and heard about a brand over time. Marketers recognize that brand equity is not easily or quickly achieved. Rather, it arises from a sequential building process consisting of four steps (see **Figure 11–6**).[18]

- The first step is to develop positive brand awareness and an association of the brand in consumers' minds with a product class or need to give the brand an identity. Gatorade and Kleenex have achieved this in the sports drink and facial tissue product classes, respectively.
- Next, a marketer must establish a brand's meaning in the minds of consumers. Meaning arises from what a brand stands for and has two dimensions—a functional, performance-related dimension and an abstract, imagery-related dimension. Nike has done this through continuous product development and improvement and its links to peak athletic performance in its integrated marketing communications program.
- The third step is to elicit the proper consumer responses to a brand's identity and meaning. Here attention is placed on how consumers think and feel about a brand. Thinking focuses on a brand's perceived quality, credibility, and superiority relative to other brands. Feeling relates to the consumer's emotional reaction to a brand. Michelin elicits both responses for its tires. Not only is Michelin thought of as a credible and superior-quality brand, but consumers also acknowledge a warm and secure feeling of safety, comfort, and self-assurance without worry or concern about the brand.

Page 306

The final, and most difficult, step is to create a consumer–brand connection evident in an intense, active loyalty relationship between consumers and the brand. A deep psychological bond characterizes a consumer–brand connection and the personal identification customers have with the brand. Brands that have achieved this status include Harley-Davidson, Apple, and eBay.

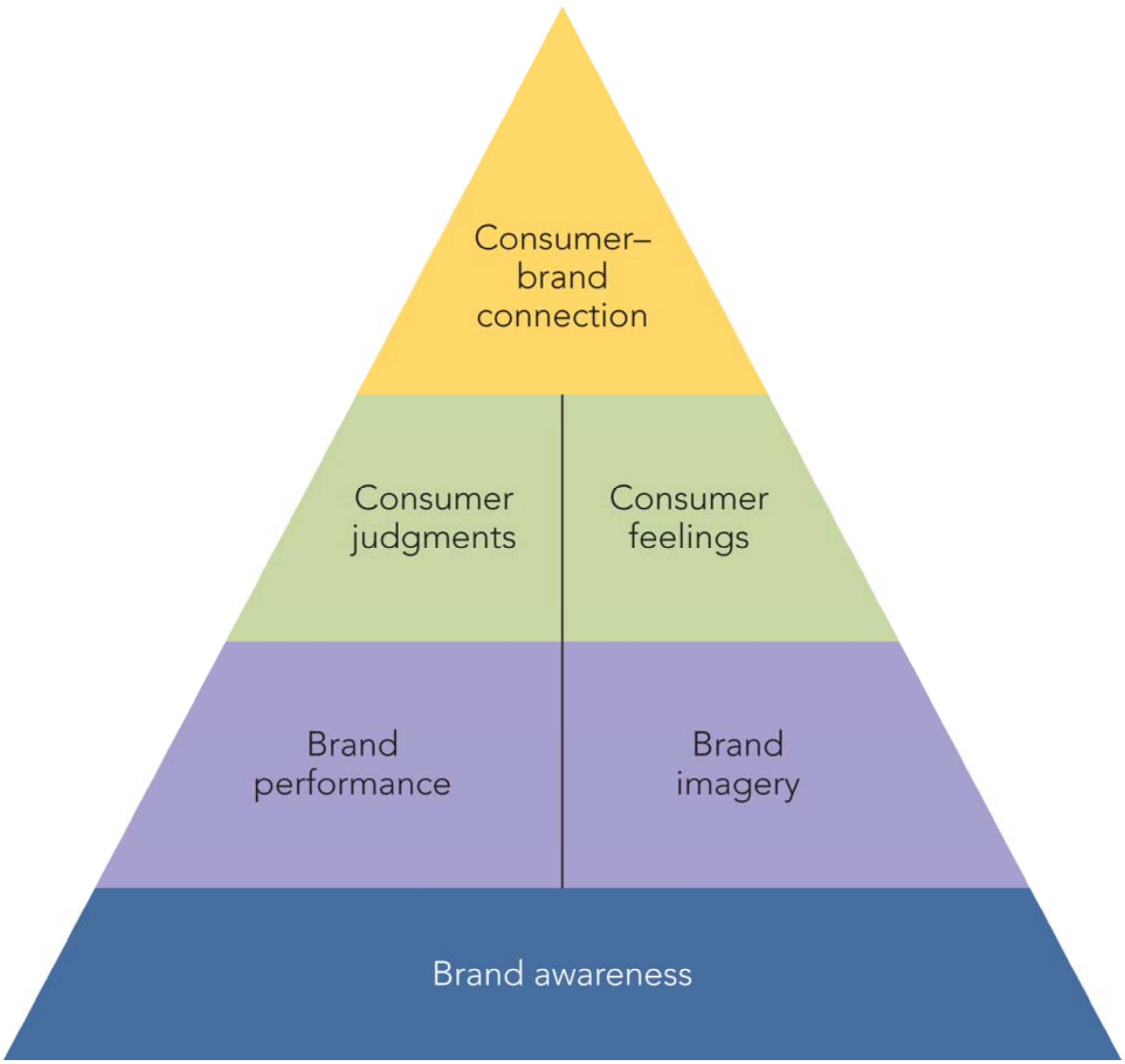


Figure 11–6 The customer-based brand equity pyramid shows the four-step building process that forges strong, favorable, and unique customer associations with a brand.

Valuing Brand Equity

Brand equity also provides a financial advantage for the brand owner.[19] Successful, established brand names, such as Gillette, Louis Vuitton, Nike, Gatorade, and Apple, have an economic value in the sense that they are intangible assets. The recognition that brands are assets is apparent in the decision to buy and sell brands. For example, Triarc Companies bought the Snapple brand from Quaker Oats for $300 million and sold it three years later to Cadbury Schweppes for $900 million. This example illustrates that brands, unlike physical assets that depreciate with time and use, can appreciate in value when effectively marketed. However, brands can lose value when they are not managed properly. Consider the purchase and sale of Lender's Bagels. Kellogg bought the brand for $466 million only to sell it to Aurora Foods for $275 million three years later following deteriorating sales and profits.

Financially lucrative brand licensing opportunities arise from brand equity.[20] **Brand licensing** is a contractual agreement whereby one company (licensor) allows its brand name(s) or trademark(s) to be used with products or services offered by another company (licensee) for a royalty or fee. For example, Playboy earns more than $62 million licensing its name and logo for merchandise. Disney makes billions of dollars each year licensing its characters for children's toys, apparel, and games. Licensing fees for Winnie the Pooh alone exceed $3 billion annually.

Successful brand licensing requires careful marketing analysis to ensure a proper fit between the licensor's brand and the licensee's products. World-renowned designer Ralph Lauren earns over $140 million each year by licensing his Ralph Lauren, Polo, and Chaps brands for dozens of products, including paint by Glidden, furniture by Henredon, footwear by Rockport, eyewear by Luxottica, and fragrances by L'Oréal.[21] Kleenex diapers, Bic perfume, and Domino's fruit-flavored bubble gum are a few examples of poor matches and licensing failures.

Ralph Lauren has a long-term licensing agreement with Luxottica Group, S.p.A. of Milan for the design, production, and worldwide distribution of prescription frames and sunglasses under the Ralph Lauren brand. The agreement is an ideal fit for both companies. Ralph Lauren is a leader in the design, marketing, and distribution of premium lifestyle products. Luxottica is the global leader in the premium and luxury eyewear sector.

© Rebecca Sapp/WireImage for Mediaplacement/Getty Images

Luxottica Group, S.p.A.
www.luxottica.com

Ralph Lauren Corporation
www.ralphlauren.com

Picking a Good Brand Name

We take brand names such as Red Bull, iPad, Android, and Axe for granted, but it is often a difficult and expensive process to pick a good name. Companies will spend between $25,000 and $100,000 to identify and test a new brand name. Six criteria are mentioned most often when selecting a good brand name.[22]

- *The name should suggest the product benefits.* For example, Accutron (watches), Easy Off (oven cleaner), Glass Plus (glass cleaner), Cling-Free (antistatic cloth for drying clothes), Chevrolet Spark (electric car), and Tidy Bowl (toilet bowl cleaner) all clearly describe the benefits of purchasing the product.
- *The name should be memorable, distinctive, and positive.* In the auto industry, when a competitor has a memorable name, others quickly imitate. When Ford named a car the Mustang, Pinto and Bronco soon followed. The Thunderbird name led to the Phoenix, Eagle, Sunbird, and Firebird from other car companies.
- *The name should fit the company or product image.* Sharp is a name that can apply to audio and video equipment. Bufferin, Excedrin, Anacin, and Nuprin are scientific-sounding names, good for analgesics. Eveready, Duracell, and DieHard suggest reliability and longevity—two qualities consumers want in a battery.
- *The name should have no legal or regulatory restrictions.* Legal restrictions produce trademark infringement suits, and regulatory restrictions arise through the improper use of words. For example, the U.S. Food and Drug Administration discourages the use of the word *heart* in food brand names. This restriction led to changing the name of Kellogg's Heartwise cereal to Fiberwise, and Clorox's Hidden Valley Ranch Take Heart Salad Dressing had to be modified to Hidden Valley Ranch Low-Fat Salad Dressing. Increasingly, brand names need a corresponding website address on the Internet. This further complicates name selection because over 250 million domain names are already registered globally.
- *The name should be simple* (such as Bold laundry detergent, Axe deodorant and body spray, and Bic pens) *and should be emotional* (such as Joy and Obsession perfumes and Caress soap, shower gel, and lotion).
- *The name should have favorable phonetic and semantic associations in other languages.* In the development of names for international use, having a nonmeaningful brand name has been considered a benefit. A name such as Exxon does not have any prior impressions or undesirable images among a diverse world population of different languages and cultures. The 7UP name is another matter. In

Shanghai, China, the phrase means “death through drinking” in the local dialect. Sales have suffered as a result.

Branding Strategies

Companies can choose from among several different branding strategies, including multiproduct branding, multibranding, private branding, and mixed branding (see **Figure 11–7**).

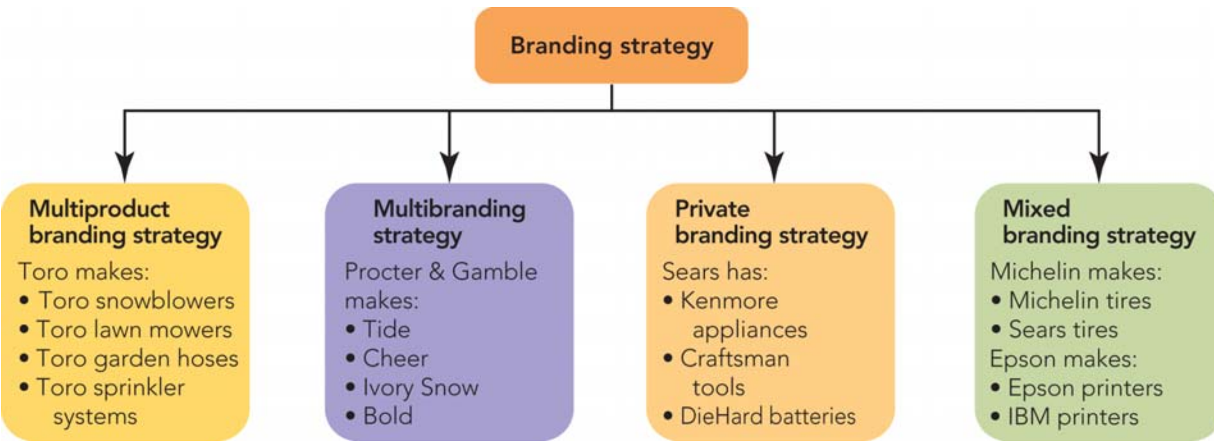


Figure 11–7 Alternative branding strategies present both advantages and disadvantages to marketers. See the text for details.

Multiproduct Branding Strategy

With **multiproduct branding**, a company uses one name for all its products in a product class. This approach is sometimes called *family branding* or *corporate branding* when the company's trade name is used. For example, Microsoft, General Electric, Samsung, Gerber, and Sony engage in corporate branding—the company's trade name and brand name are identical. Church & Dwight uses the Arm & Hammer family brand name for all its products featuring baking soda as the primary ingredient.

There are several advantages to multiproduct branding. Capitalizing again on brand equity, consumers who have a good experience with the product will transfer this favorable attitude to other items in the product class with the same name. Therefore, this brand strategy makes possible *product line extensions*, the practice of using a current brand name to enter a new market segment in its product class.

What branding concept is American Express using with its multicolored cards?
© Peter Jobst/Alamy

Campbell Soup Company employs a multiproduct branding strategy with soup line extensions. It offers regular Campbell's soup, home-cooking style, and chunky varieties and more than 100 soup flavors. This strategy can result in lower advertising and promotion costs because the same name is used on all products, thus raising the level of brand awareness. A risk with line extension is that sales of an extension may come at the expense of other items in the company's product line. Line extensions work best when they provide incremental company revenue by taking sales away from competing brands or attracting new buyers.

Some multiproduct branding companies employ *subbranding*, which combines a corporate or family brand with a new brand, to distinguish a part of its product line from others. Consider American Express. It has applied subbranding with its American Express Green, Gold, Platinum, Optima Blue, and Centurion charge cards, with unique service offerings for each. Similarly, Porsche successfully markets its higher-end Porsche Carrera and its lower-end Porsche Boxster.

A strong brand equity also allows for *brand extension*: the practice of using a current brand name to enter a different product class. For instance, equity in the Huggies family brand name has allowed Kimberly-Clark to successfully extend its name to a full line of baby and toddler toiletries. This brand extension strategy generates $500 million in annual sales globally for the company. Honda's established name for motor vehicles has extended easily to snowblowers, lawn mowers, marine engines, and snowmobiles.

For how Kimberly-Clark has used a brand extension strategy to leverage its Huggies brand equity among mothers, see the text.

© *Mike Hruby*

Kimberly-Clark Corporation

www.kimberly-clark.com

However, there is a risk with brand extensions. Too many uses for one brand name can dilute the meaning of a brand for consumers. Some marketing experts claim this has happened to the Arm & Hammer brand given its use for toothpaste, laundry detergent, gum, cat litter, air freshener, carpet deodorizer, and antiperspirant.[23]

Multibranding Strategy

Alternatively, a company can engage in **multibranding**, which involves giving each product a distinct name. Multibranding is a useful strategy when each brand is intended for a different market segment. Procter & Gamble makes Camay soap for those concerned with soft skin and Safeguard for those who want deodorant protection. Black & Decker markets its line of tools for the household do-it-yourselfer segment with the Black & Decker name but uses the DeWalt name for its professional tool line.

Multibranding is applied in a variety of ways. Some companies array their brands on the basis of price-quality segments. Marriott International offers 18 hotel and resort brands, each suited for a particular traveler experience and budget. To illustrate, Marriott

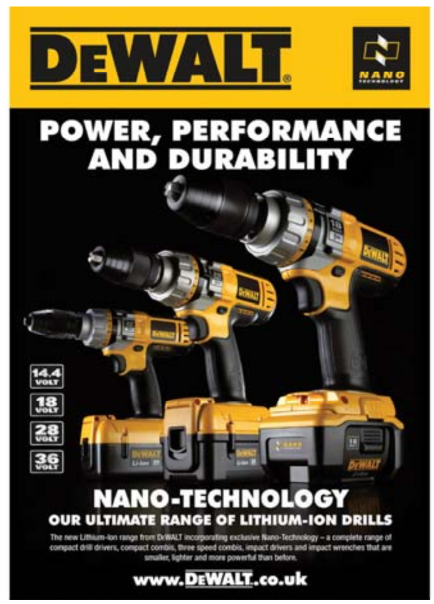
EDITION hotels and Vacation Clubs offer luxury amenities at a premium price. Marriott and Renaissance hotels offer medium- to high-priced accommodations. Courtyard hotels and TownePlace Suites appeal to economy-minded travelers, whereas the Fairfield Inn is for those on a very low travel budget.

Other multibrand companies introduce new product brands as defensive moves to counteract competition. Called *fighting brands*, their chief purpose is to confront competitor brands.[24] For instance, Frito-Lay introduced Santitas brand tortilla chips to go head-to-head against regional tortilla chip brands that were biting into sales of its flagship Doritos and Tostitos brand tortilla chips. Ford launched its Fusion brand to halt the defection of Ford owners who were buying competitors' midsize cars. According to Ford's car group marketing manager, "Every year we were losing around 50,000 people from our products to competitors' midsize cars. We were losing Mustang, Focus, and Taurus owners. Fusion is our interceptor."[25]

Compared with the multiproduct strategy, advertising and promotion costs tend to be higher with multibranding. The company must generate awareness among consumers and retailers for each new brand name without the benefit of any previous impressions. The advantages of this strategy are that each brand is unique to each market segment and there is no risk that a product failure will affect other products in the line. Still, some large multibrand firms have found that the complexity and expense of implementing this strategy can outweigh the benefits. For example, Procter & Gamble recently announced that it would prune 100 of its brands through product deletion and sales to other companies.[26]

Private Branding Strategy

A company uses **private branding** , often called *private labeling* or *reseller branding*, when it manufactures products but sells them under the brand name of a wholesaler or retailer. Rayovac, Paragon Trade Brands, and ConAgra Foods are major suppliers of private-label alkaline batteries, diapers, and grocery products, respectively. Costco, Sears, Walmart, and Kroger are large retailers that have their own brand names. Private branding is popular because it typically produces high profits for manufacturers and resellers. Consumers also buy them. It is estimated that one of every five items purchased at U.S. supermarkets, drugstores, and mass merchandisers bears a private brand.[27]



Black & Decker uses a multibranding strategy to reach different market segments. Black & Decker markets its tool line for the do-it-yourselfers with the Black & Decker name, but uses the DeWalt name for professionals.

Left: Source: The Black & Decker Corporation; Right: Source: DEWALT

Black & Decker www.blackanddecker.com

Mixed Branding Strategy

A fourth branding strategy is **mixed branding**, where a firm markets products under its own name(s) and that of a reseller because the segment attracted to the reseller is different from its own market. Companies such as Del Monte, Whirlpool, and Dial produce private brands of pet foods, home appliances, and soap, respectively.

PACKAGING AND LABELING PRODUCTS

LO 11-4

Describe the role of packaging, labeling, and warranties in the marketing of a product.

The **packaging** component of a product refers to any container in which it is offered for sale and on which label information is conveyed. A **label** is an integral part of the package and typically identifies the product or brand, who made it, where and when it was made, how it is to be used, and package contents and ingredients. To a great extent, the customer's first exposure to a product is the package and label, and both are an expensive and important part of marketing strategy. For Pez Candy, Inc., the central element of its marketing strategy is the character-head-on-a-stick plastic container that dispenses a miniature candy tablet. For more on how packaging creates customer value for Pez Candy, see the Marketing Matters box.[28]

Marketing **Matters**

customer value

Creating Customer Value through Packaging—Pez Heads Dispense More Than Candy

Customer value can assume numerous forms. For Pez Candy, Inc. (**www.pez.com**), customer value manifests itself in some 450 Pez character candy dispensers. Each refillable dispenser ejects tasty candy tablets in a variety of flavors that delight preteens and teens alike in more than 60 countries.

Pez was formulated in 1927 by Austrian food mogul Edward Haas III and successfully sold in Europe as an adult breath mint. Pez, which comes from the German word for peppermint, *pfefferminz*, was originally packaged in a hygienic, headless plastic dispenser. Pez first appeared in the United States in 1953 with a headless dispenser, marketed to adults. After conducting extensive marketing research, Pez was repositioned with fruit flavors, repackaged with licensed character heads on top of the dispenser, and remarketed as a children's product in the mid-1950s. Since then, most top-level licensed characters and hundreds of other characters have become Pez heads. Consumers buy about 80 million Pez dispensers and 3 billion Pez tablets a year in the U.S. alone, and company sales growth exceeds that of the candy industry as a whole.

© Bob Eighmie/KRT/Newscom

The unique Pez package dispenses a "use experience" for its customers beyond the candy itself, namely, fun. And fun translates into a 98 percent awareness level for Pez among teenagers and an 89 percent awareness level among mothers with children. Pez has not advertised its product for years. With that kind of awareness, who needs advertising?

Creating Customer Value and Competitive Advantage through Packaging and Labeling

Packaging and labeling cost U.S. companies about 15 cents of every dollar spent by consumers for products.[29] Despite their cost, packaging and labeling are essential because both provide important benefits for the manufacturer, retailer, and ultimate consumer. Packaging and labeling also can provide a competitive advantage.

Communication Benefits

A major benefit of packaging is the label information it conveys to the consumer, such as directions on how, where, and when to use the product and the source and composition of the product, which is needed to satisfy legal requirements of product disclosure. For example, the labeling system for packaged and processed foods in the United States provides a uniform format for nutritional and dietary information. Many packaged foods contain informative recipes to promote usage of the product. Campbell Soup estimates that the green bean casserole recipe on its cream of mushroom soup can accounts for $20 million in soup sales each year![30] Other information consists of seals and symbols, either government-required or commercial seals of approval (such as the Good Housekeeping Seal).

Functional Benefits

For the functional benefits provided by Pringles' cylindrical packaging, see the text.
© Mike Hruby

Packaging often plays a functional role—providing storage, convenience, or protection or ensuring product quality. Stackable food containers are one example of how packaging can provide functional benefits. For example, beverage companies have developed lighter and easier ways to stack products on shelves and in refrigerators. Examples include Coca-Cola beverage packs designed to fit neatly onto refrigerator shelves and Ocean Spray Cranberries's rectangular juice bottles that allow 10 units per package versus 8 of its former round bottles.

The convenience dimension of packaging is increasingly important. Kraft Miracle Whip salad dressing, Heinz ketchup, and Skippy Squeez'It peanut butter are sold in squeeze bottles; microwave popcorn has been a major market success; and Chicken of the Sea tuna and Folgers coffee are packaged in single-serving portions. Nabisco offers portion-control package sizes for the convenience of weight-conscious consumers. It offers 100-calorie packs of Oreos, Cheese Nips, and other products in individual pouches.

Consumer protection is another important function of packaging, including the development of tamper-resistant containers. Today, companies commonly use safety seals or pop-tops that reveal previous opening. Consumer protection through labeling exists in “open dating,” which states the expected shelf life of the product.

Functional features of packaging also can affect product quality. Pringles, with its cylindrical packaging, offers uniform chips, minimal breakage, and for some consumers, better value for the money than chips packaged in flex-bags.

Perceptual Benefits

A third component of packaging and labeling is the perception created in the consumer’s mind. Package and label shape, color, and graphics distinguish one brand from another, convey a brand’s positioning, and build brand equity. According to the director of marketing for L’eggs hosiery, “Packaging is important to the positioning and equity of the L’eggs brand.”[31] Why? Packaging and labeling have been shown to enhance brand recognition and facilitate the formation of strong, favorable, and unique brand associations.

Packaging has been a major element of L’eggs hosiery positioning since its launch in 1969.

© Mike Hruby

Hanes Brands, Inc.
www.leggs.com

Successful marketers recognize that changes in packages and labels can update and uphold a brand’s image in the customer’s mind. Pepsi-Cola embarked on a packaging change to uphold its image among teens and young adults. Beginning in 2013, Pepsi-Cola introduced new package graphics that change every few weeks to reflect different themes, such as sports, music, fashion, and cars.

Because labels list a product’s source, brands competing in the global marketplace can benefit from “country of origin or manufacture” perceptions as described in **Chapter 7**. Consumers tend to hold stereotypes about country-product pairings that they judge “best”—English tea, French perfume, Italian leather, and Japanese electronics—which can affect a brand’s image. Increasingly, Chinese firms are adopting the English language and Roman letters for their brand labels sold in China. This is being done because of a common perception in many Asian countries that “things Western are good.”[32]

Packaging and Labeling Challenges and Responses

Package and label designers face four challenges. They are (1) the continuing need to connect with customers; (2) environmental concerns; (3) health, safety, and security issues; and (4) cost reduction.

Connecting with Customers

Packages and labels must be continually updated to connect with customers. The challenge lies in creating aesthetic and functional design features that attract customer attention and deliver customer value in their use. If done right, the rewards can be huge. For example, the marketing team responsible for Kleenex tissues converted its standard rectangular box into an oval shape with colorful seasonal graphics. Sales soared with this aesthetic change in packaging. After months of in-home research, Kraft product managers discovered that consumers often transferred Chips Ahoy! cookies to jars for easy access and to avoid staleness. The company solved both problems by creating a patented resealable opening on the top of the bag. The result? Sales of the new package doubled that of the old package.

Environmental Concerns

Because of widespread global concern about the growth of solid waste and the shortage of viable landfill sites, the amount, composition, and disposal of packaging material continue to receive much attention. For example, PepsiCo, Coca-Cola, and Nestlé have decreased the amount of plastic in their beverage bottles to reduce solid waste. Recycling packaging material is another major thrust. Procter & Gamble now uses recycled cardboard in over 70 percent of its paper packaging. Its Spic and Span liquid cleaner is packaged in 100 percent recycled material. Other firms, such as Walmart, are emphasizing the use of less packaging material. Since 2008, the company has worked with its 600,000 global suppliers to reduce overall packaging and shipping material by 5 percent.

Health, Safety, and Security Issues

A third challenge involves the growing health, safety, and security concerns of packaging materials. Today, most consumers believe companies should make sure products and their packages are safe and secure, regardless of the cost, and companies are responding in numerous ways. Most butane lighters sold today, like those made by Scripto, contain a child-resistant safety latch to prevent misuse and accidental fire. Childproof caps on pharmaceutical products and household cleaners and sealed lids on food packages are now common. New packaging technology and materials that extend a product's *shelf life* (the time a product can be stored) and prevent spoilage continue to be developed.

Cost Reduction

About 80 percent of packaging material used in the world consists of paper, plastics, and glass. As the cost of these materials rises, companies are constantly challenged to find innovative ways to cut packaging costs while delivering value to their customers. Many food and personal care companies have replaced bottles and cans with sealed plastic or foil pouches. Pouches cut packaging costs by 10 to 15 percent.[33]

PRODUCT WARRANTY

A final component for product consideration is the **warranty** , which is a statement indicating the liability of the manufacturer for product deficiencies. There are various types of product warranties with different implications for manufacturers and customers.

Hyundai has made a commitment to offer the best automobile warranty for buyers.
Hyundai Motor America

www.hyundaiusa.com

Some companies, like Hyundai, offer *express warranties*, which are written statements of liabilities. In recent years, the FTC has required greater disclosure on express warranties to indicate whether the warranty is a limited-coverage or full-coverage alternative. A *limited-coverage warranty* specifically states the bounds of coverage and, more important, areas of noncoverage. A *full warranty* has no limits of noncoverage. The *Magnuson-Moss Warranty/FTC Improvement Act* (1975) regulates the content of consumer warranties and so has strengthened consumer rights with regard to warranties. Increasingly, manufacturers are being held to *implied warranties*, which assign responsibility for product deficiencies to the manufacturer. Studies show that the type of warranty can affect a consumer's product evaluation. Brands with limited warranties tend to receive less positive evaluations compared with full-warranty items.

Warranties are also important in light of product liability claims. In the early part of the 20th century, the courts protected companies. The trend now is toward "strict liability" rulings, where a manufacturer is liable for any product defect, whether it followed reasonable research standards or not. This issue remains hotly contested between companies and consumer advocates.

learning review

11-7. What are the six criteria mentioned most often when selecting a good brand name?

11-8. What are the three major benefits of packaging and labeling?

11-9. What is the difference between an express and an implied warranty?

LEARNING OBJECTIVES REVIEW

LO 11-1 *Explain the product life-cycle concept.*

The product life cycle describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline. Product sales growth and profitability differ at each stage, and marketing managers have marketing objectives and marketing mix strategies unique to each stage based on consumer behavior and competitive factors. In the introductory stage, the need is to establish primary demand, whereas the growth stage requires selective demand strategies. In the maturity stage, the need is to maintain market share; the decline stage necessitates a deletion or harvesting strategy. Some important aspects of product life cycles are (*a*) their length, (*b*) the shape of the sales curve, (*c*) how they vary by product classes and forms, and (*d*) the rate at which consumers adopt products.

LO 11-2 *Identify ways that marketing executives manage a product's life cycle.*

Marketing executives can manage a product's life cycle three ways. First, they can modify the product itself by altering its characteristics, such as product quality, performance, or appearance. Second, they can modify the market by finding new customers for the product, increasing a product's use among existing customers, or creating new use situations for the product. Finally, they can reposition the product using any one or a combination of marketing mix elements. Four factors trigger a repositioning action. They include reacting to a competitor's position, reaching a new market, catching a rising trend, and changing the value offered to consumers.

LO 11-3 *Recognize the importance of branding and alternative branding strategies.*

A basic decision in marketing products is branding, in which an organization uses a name, phrase, design, symbols, or a combination of these to identify its products and distinguish them from those of its competitors. Product managers recognize that brands offer more than product identification and a means to distinguish their products from those of competitors. Successful and established brands take on a brand personality and acquire brand equity—the added value a given brand name gives to a product beyond the functional benefits provided—that is crafted and nurtured by marketing programs that forge strong, favorable, and unique consumer associations with a brand. A good brand name should suggest the product benefits, be memorable, fit the company or product image, be free of legal restrictions, be simple and emotional, and have favorable phonetic and semantic associations in other languages. Companies can and do employ several different branding strategies. With multiproduct branding, a company uses one name for all its products in a product class. A multibranding strategy involves giving each product a distinct name. A company uses private branding when it manufactures products but sells them under the brand name of a wholesaler or retailer. Finally, a company can employ mixed branding, where it markets products under its own name(s) and that of a reseller. Page 314

LO 11-4 *Describe the role of packaging, labeling, and warranties in the marketing of a product.*

Packaging, labeling, and warranties play numerous roles in the marketing of a product. The packaging component of a product refers to any container in which it is offered for sale and on which label information is conveyed. Manufacturers, retailers, and consumers acknowledge that packaging and labeling provide communication, functional, and perceptual benefits. Contemporary packaging and labeling challenges include (*a*) the continuing need to connect with customers, (*b*) environmental concerns, (*c*) health, safety, and security issues, and (*d*) cost reduction. Warranties indicate the liability of the manufacturer for product deficiencies and are an important element of product and brand management.

LEARNING REVIEW ANSWERS

11-1 **Advertising plays a major role in the _____ stage of the product life cycle, and _____ plays a major role in maturity.**
Answer: introduction; product differentiation or finding new buyers

11-2 **How do high-learning and low-learning products differ?**
Answer: A high-learning product requires significant customer education and there is an extended introductory period. A low-learning product requires little customer education because the benefits of purchase are readily understood, resulting in immediate sales.

11-3 **What are the five categories of product adopters in the diffusion of innovations?**
Answer: The five categories of product adopters based on the diffusion of innovation are: (1) innovators—2.5 percent; (2) early adopters—13.5 percent; (3) early majority—34 percent; (4) late majority—34 percent; and (5) laggards—16 percent.

11-4 How does a product manager help manage a product's life cycle?

Answer: A product manager shepherds a product through its life cycle by (1) modifying the product, which involves altering one or more of its characteristics to increase its value to customers and thus increase sales; (2) modifying the market, which involves finding new customers, increasing a product's use among existing customers, or creating new use situations; and (3) repositioning the product, which involves changing the place it occupies in consumers' minds relative to competitive products.

11-5 What does "creating a new use situation" mean in managing a product's life cycle?

Answer: Creating a new use situation means finding new uses or applications for an existing product.

11-6 Explain the difference between trading up and trading down in product repositioning.

Answer: Trading up involves adding value to the product (or line) through additional features or higher-quality materials. Trading down involves reducing the number of features, quality, price, or downsizing—reducing the content of packages without changing package size and maintaining or increasing the package price.

11-7 What are the six criteria mentioned most often when selecting a good brand name?

Answer: A good brand name should: (1) suggest the product benefits; (2) be memorable, distinctive, and positive; (3) fit the company or product image; (4) have no legal or regulatory restrictions; (5) be simple and emotional; and (6) have favorable phonetic and semantic associations in other languages.

11-8 What are the three major benefits of packaging and labeling?

Answer: Packaging and labeling provide important benefits for the manufacturer, retailer, and ultimate consumer that can create a competitive advantage for the firm. The three benefits are: (1) communication benefits through label information; (2) functional benefits through storage, convenience, protection, or product quality; and (3) perceptual benefits such as package and label shape, color, and graphics that can both position a firm's brand relative to others and build brand equity.

11-9 **What is the difference between an express and an implied warranty?**

Answer: Express warranties are written statements of liabilities. Implied warranties assign responsibility for product deficiencies to the manufacturer even if the retailer sells the product.

FOCUSING ON KEY TERMS

brand equity, **304**

brand licensing, **306**

brand name, **303**

brand personality, **304**

branding, **303**

label, **310**

market modification, **300**

mixed branding, **310**

multibranding, **308**

multiproduct branding, **308**

packaging, **310**

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product class, **298**

product form, **298**

product life cycle, **292**

product modification, **300**

trade name, **303**

trademark, **303**

trading down, **302**

trading up, **302**

warranty, **312**

APPLYING MARKETING KNOWLEDGE

1. Listed here are three different products in various stages of the product life cycle. What marketing strategies would you suggest to these companies? (*a*) Canon digital cameras—maturity stage, (*b*) Hewlett-Packard tablet computers—growth stage, and (*c*) handheld manual can openers—decline stage.
2. It has often been suggested that products are intentionally made to break down or wear out. Is this strategy a planned product modification approach?

3.

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The product manager of GE is reviewing the penetration of trash compactors in American homes. After more than two decades in existence, this product is in relatively few homes. What problems can account for this poor acceptance? What is the shape of the trash compactor life cycle?

4. For years, Ferrari has been known as a manufacturer of expensive luxury automobiles. The company plans to attract the major segment of the car-buying market that purchases medium-priced automobiles. As Ferrari considers this trading-down strategy, what branding strategy would you recommend? What are the trade-offs to consider with your strategy?
5. The nature of product warranties has changed as the federal court system reassesses the meaning of warranties. How does the regulatory trend toward warranties affect product development?

BUILDING YOUR MARKETING PLAN

For the product offering in your marketing plan,

1. Identify (*a*) its stage in the product life cycle and (*b*) key marketing mix actions that might be appropriate, as shown in **Figure 11–1**.
2. Develop (*a*) branding and (*b*) packaging strategies, if appropriate for your offering.

Video Case 11 Video Case 11: P&G's Secret Deodorant: Finding Inspiration in Perspiration

VIDEO 11-4

Secret Video Case

kerin.tv/13e/v11-4

How do you revitalize a 50-plus-year-old brand? By focusing the brand's marketing efforts on its core purpose—a purpose that is both benefit-driven and inspirational—and using that purpose to build essential one-to-one personal connections with consumers.

Procter & Gamble's (P&G's) Secret brand, launched in 1956, has dominated the women's antiperspirant deodorant category for many years. Secret maintains its leadership position as one of many products in what is typically considered a low-involvement product category. Underarm deodorant isn't traditionally the type of product consumers think about engaging with in an ongoing, meaningful way. However, Secret has demonstrated that delivering the product benefit is important to establish trust and build engagement. This type of engagement often results in amplifying the brand's marketing investment, or paid media. Since 2009, Secret's purpose has been at the center of its marketing efforts, resulting in tremendous growth and brand advocacy among consumers.

PRODUCT BACKGROUND

Secret was the first deodorant marketed exclusively to women. In the 1960s and 1970s, Secret's growth was supported by a recurring series of ads featuring a husband and wife dealing with issues of the day, such as having children and returning to work afterward. "It was all about empowering women to make the right choices for themselves and to embrace those choices fearlessly," according to Kevin Hochman, marketing director for skin and personal care at P&G North America at the time.

However, in 2004–2005, brand executives felt the theme was getting dated, so Secret backed off from that positioning. “We walked away,” Hochman says. “We thought, women are empowered, and maybe this isn’t so relevant. That was a mistake. Of course the idea was still relevant; we just hadn’t modernized it in a contemporary way.” Secret made a deliberate decision to go back to its roots.

THE ROAD TO PURPOSE

Secret started to experience slower growth in 2008 due to a down economy. The launch of a super-premium line of antiperspirant, Secret Clinical Strength, helped increase sales and market share, but competitors soon followed suit with similar products. Meanwhile, top P&G management began infusing the idea of purpose-driven marketing throughout the organization. The companywide vision focused on building brands through lifelong, one-to-one personal connections that ultimately build relationships and fulfill the company’s purpose to “touch and improve more lives of more consumers more completely.”

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With this in mind, Secret brand management realized it needed to get clear on defining who Secret was, why Secret existed, and what Secret's purpose was. The brand needed a reason for its consumers to care and wanted to give them a reason to share.

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Through the leadership and efforts of its senior brand management and partner agencies, including MEplusYOU (formerly imc^2), Leo Burnett Co., SMG, Marina Maher Communications, and consultancy group BrightHouse, the Secret brand team began to establish the brand's purpose and convey it across all marketing touch points in ways that resonated with target consumers' core values and beliefs. "It becomes about more than selling deodorant, or promoting functional benefits, and more about rallying around something higher-order," says Hochman.

The Secret team started by defining the brand's core beliefs: "We believe in the equality of the genders and that all people should be able to pursue their goals without fear. We believe that by acting courageously, supporting others, empathizing with their challenges and finding innovative solutions, we can help women be more fearless." Armed with Secret's core belief, the team developed a purpose statement that is grounded in the product benefit and allowed for fearlessness when you're not sweating: "Helping women of all ages to be more fearless."

"Just a few years ago, the majority of marketers' activities and expenditures occurred across unidirectional media channels that could only talk *at* consumers. This limited the role marketing could play in developing relationships between brands and people," says Ian Wolfman, principal and chief marketing officer of MEplusYOU. "Today, new media, in combination with mature media, allows marketers to play a more sophisticated role in facilitating deep, trusting relationships between brands and people as we simultaneously drive strong transactional activity. Brands like Secret realize that taking a stand on values it shares with consumers is the key to translating a brand's purpose into meaningful relationships and profit."

The brand carefully constructed an ecosystem of tactical marketing "ignitions." Each of these ignitions focused on sparking the interest of like-minded consumers and were designed to flex and surge with the needs of the brand. The brand's purpose served as the basis for each ignition in order to engage consumers across all channels (online and offline). With Facebook as the hub, Secret brand management used the Secret.com website, print advertising, public relations, creative and social media, and appropriate paid and organic search programs to complete each ignition.

DRIVING CONSUMER ENGAGEMENT AND SALES GROWTH THROUGH IGNITIONS

Secret brand management focused on activating brand purpose around the timeless idea of being more fearless and freshened it up with contemporary topics and pop culture. This effort included several ignitions. Two of these are Let Her Jump and Mean Stinks.

Let Her Jump

The first time Secret struck gold by focusing on purpose was through Let Her Jump, an effort to sanction women's ski jumping as an official Olympic sport. The Let Her Jump ignition was a companion piece to work P&G was already doing for the 2010 Winter Olympics.

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Secret launched Let Her Jump with a small online media buy and a Facebook Page that included an inspirational video, petition, and Facebook Fan Page. The inspiring video encouraged viewers to visit LetHerJump.com (a custom fan page within Facebook), where they could lead the charge to get women's ski jumping included in the 2014 Winter Olympics. In 2011, the International Olympic Committee approved women's ski jumping for the 2014 Winter Games.

Let Her Jump was one of many elements that, in the spirit of a living brand purpose, helped fuel growth over the previous year. In addition to the video being viewed more than 700,000 times, 57 percent of visitors said this initiative improved brand perception, and

Secret saw a double-digit purchase intent increase among women and teens. “This [ignition] was the first time we could pinpoint that activating against purpose generated a huge sales lift,” Hochman said. “We saw the Clinical Sport [stock keeping units] up 85 percent during the [2010] Olympics. We changed the world for the better. In a small way, yes, but a deodorant brand influencing pop culture is very exciting when you can then directly attribute it to business results.” As an added bonus, the Let Her Jump program won the coveted Forrester Groundswell Award in 2010. The award recognizes excellence in achieving business and organizational goals with social technology applications and is awarded to some of the best social media programs in the world.

The success of Let Her Jump helped pave the way for investment in another ignition. After proving that purpose-driven work leads to profitable growth for the brand, the team was ready to tackle one of the biggest fears young girls face—bullying. While Let Her Jump was tied to a distinct event in time, the team was excited at the prospect of rallying behind something that could live on and continue to do good in the world.

Mean Stinks

The Secret brand waged a battle for niceness through its Mean Stinks program, the next and biggest step in Secret’s fearless movement. Through media monitoring and social listening, the Secret team determined that bullying was a critical issue facing many teen girls—which led to the creation of the Mean Stinks ignition. Mean Stinks, launched in early 2011, focused on ending girl-to-girl meanness, encouraging girls to grow up to be fearless, while providing a safe hub for conversation and creating brand affinity for Secret.

Through the Secret Mean Stinks movement, Secret brought a positive message to high school hallways, leading the charge to end the mean streak by showing teen girls that petty isn’t pretty. Raising awareness of bullying is big, but “the need for education is tremendous—people aren’t sure how to identify bullying, or what to do when it occurs,” says Hochman. “And what’s so compelling about the Mean Stinks program is how true it is to the brand’s original essence.”

The Secret team launched a Facebook media buy for Secret Mean Stinks to create awareness of the program, asking fans (primarily teen girls aged 13–24 and role models aged 25+) to share their stories. The Mean Stinks Facebook Wall was flooded with thousands of public apologies and heartfelt messages of empathy and encouragement. And as Secret continued to make a difference, women celebrities joined to take a stand, offering "nice advice" to girls through the Mean Stinks Facebook app and iAd.

In a single day, Secret gained over 200,000 Facebook fans—bringing its total number of fans to over a million, while its Mean Stinks Page gained over 20,000 new fans. Within the first two weeks, visitors accessed the Mean Stinks Facebook app more than 250,000 times and Secret became the second-fastest-growing Facebook Page globally for one week. This ignition also helped contribute to 10 percent overall sales growth for the entire fiscal year, 11.5 percent in the six-month period during which Mean Stinks was launched.

In the summer of 2011, Secret and Apple joined forces to create an iAd experience that tackled the issue for girls on the device that's most personal—their iPhone. The ignition received unusually high engagement levels and led to many "firsts" for Secret:

- First brand to create and share customized wallpapers via iPhone and iPod touch devices, which led to an "average time spent" rate that was 16 percent higher than average.
- First brand to use transition banners on the iAd Network, which resulted in exceeding benchmarks for banner "Tap through Rates" (50 percent higher than average for iAd).
- First brand to drive donations for a cause through the iAd, which resulted in donations to PACER's National Bullying Prevention Center.

In the first 10 days after launch, 23,000 consumers engaged with the Secret iAd, with more than eight page views per visit and an average of 80 seconds spent on the ad.

WHAT'S NEXT FOR SECRET

Secret executives saw success behind the purpose activation the year after it was established, but they noticed it wasn't truly part of the brand's DNA or fully integrated into every marketing element. "[At first] we had a lot of grandiose ideas, but they added layers to our existing plan. Dollars were tight, and the purpose ideas started getting cut. Old Spice was ahead of us, and I wondered what they were doing differently," says Hochman. "By [working with our agency partners], we finally were able to ensure that [the ignitions] weren't just elements of our plans; they WERE our plan," Hochman says. "The way the Secret team operates now compared with four years ago—it's like day and night."

Hochman says the brand has more ideas that include educating, generating awareness, and empowering people to take meaningful action. Secret is recognized as being best in its class, something the brand is happy to tout. "But [success] isn't a Secret-only thing ... it's a priority for all of our brands. And when people are living the brand, they're more excited to come to work. It's much more enabling and inspiring," Hochman says. And to continue in this success, Hochman suggests remembering that a brand's purpose is inextricably linked to the overall plan, it pervades everything about the business—including team culture—and it's in the company's roots.

Hochman emphasizes the importance of transparency, something he believes Secret will continue to win out on in the future. "Today, information is free and plentiful. If there's a lack of sincerity, consumers know it."[34]

Questions

1. What is "purpose-driven marketing" from a product and brand management perspective at Procter & Gamble?
2. How does "purpose-driven" marketing for Secret deodorant relate to the hierarchy of needs concept detailed in **Chapter 4**?
3. What dimensions of the consumer-based brand equity pyramid have the Secret brand team focused on with its "Let Her Jump" and "Mean Stinks" ignitions?

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