MARKETING MANAGEMENT

Dr. K. Karunakaran
Marketing Management

(Strictly as per the Syllabus of Pune University for MBA, Semester – II)

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Preface

Learning theories and concepts without knowing their practice or application is of little use. It is one thing obtaining an MBA degree, but quite another to connect what you learned about a theory or concept into practice in a real-life situation. Theories and concepts should work, and as a student, you should know how they work.

This book, Marketing Management, addresses these issues fully, and will provide you some fundamental ideas about the practical side of the concepts discussed therein. It introduces the concept of Marketing Mix as a framework for marketing decisions. In addition to this, many examples picked out from the current Indian marketing scenario are included in the text. The book is profusely illustrated with samples of product offers, and advertisements relevant to each topic. These will help you to understand the practical side as you learn the theory.

This book is a handy, simple textbook that covers all the topics and the full syllabus prescribed by the Pune University, includes all the concepts, and provides suitable examples from the Indian market context. Written in a capsule form, this book will meet the above-mentioned requirements of the MBA students. It is logically sequenced in tune with the syllabus contents of the MBA course of the Pune University.

Ten case studies on successful marketing practices of products and services in the Indian market are included for the benefit of students.

Written in simple, lucid style, without diluting the conceptual qualities of the subject, this book will be handy and useful as a textbook for both the students and the faculty of the Pune University.

Dr. K. Karunakaran
Course Objectives:

1. To introduce the concept of Marketing Mix as a framework for Marketing Decision Making.
2. To emphasize the need, importance and process of Marketing Planning and Control.
3. To sensitize the students to the dynamic nature of Marketing Function.

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New Product Development and Product Life Cycle

Learning Objectives
After studying this unit, you will understand:
1.1 Need for New Products and Classification of New Products
1.2 New Product Development Process
1.3 Meaning of a Brand
1.4 Meaning and Role of Packaging and Labelling
1.5 Concepts and Characteristics of Product Life Cycle and Strategies Involved

1.1 NEED FOR NEW PRODUCTS AND CLASSIFICATION OF NEW PRODUCTS

Need for New Product Development
One of the major challenges in marketing planning is to develop ideas for new products and to launch them successfully. The company will have to find replacements for its products that have entered the declining stage. Because of changes in the customers’ tastes, technology and competition, there is a need for marketing companies to develop new products. For example, the old radio became obsolete and transistors were developed. Then came tape recorders, two in ones and walkman. When technology improved, CD players and Discman were launched. Also, many new products fail in the market for various reasons and need replacements. Customers always want new products, and competitors will do their best to supply them, unless the company acts fast.

Different Types of New Products
It is important to understand the different types of new products before going into the modalities of new product development. The development, marketing and launch strategies will be influenced by the type of the new product. The different types of new products are given below:

1. New products for Mankind: These are new products which are the result of new discoveries or inventions. They come out only once in the lifetime of an individual. Examples for an earlier period are telephone, television, aeroplanes and computers. Examples for the modern era are mobile phones, Bluetooth, MP3/MP4, LED TV, the Internet, video conferencing, induction cooker, etc.
2. **New products for the Country:** These are products which have been marketed in other countries, but introduced for the first time in our home country. 3D TV, GPS, 2G and 3G telephony have been used in many advanced countries but are being introduced in India only now. E books and Kindle have also come to India only recently.

3. **New products for the Industry:** This type includes products which are totally new for any particular industry. Examples are laptops and netbooks launched in the computer industry, cars with power steering, power windows and automatic gear system introduced in the automobile industry. Launch of Tata Nano as the small and cheapest car and Bugati Vernon 16 as the costliest car are also good examples.

4. **New product in a Product Category:** These are products which represent an innovation in an already existing product category. Introduction of men’s cosmetics like Garnier face cream, Fair and Handsome and Colgate Total are examples.

5. **New product for the Company:** This consists of products which are new only to a particular company. There is nothing new in terms of an innovation, for the country, for the industry and for the product category. A company launches the same product which is already available in the market under a new brand name. The only thing that is new in this case is the brand name. In order to differentiate its product, the company comes out with innovative marketing strategies and marketing communications to ensure the success of the brand. The recent launches of Airtel’s Dish TV, DOCOMO, and MTS as new mobile service providers, Go Air, Indigo and Spice Jet airlines are all good examples of this type of new products and services.

**Box 1.1: General Motors has Quite a Few Cars up its Sleeve for the Indian Market**

General Motors is one company which is not looking back, at least in their Indian operation. With Rajiv Chaba firmly in the driver’s seat, there are lots of new models being planned. Soon they will launch their new product in India – a 3.2 litre Tavera. This will be an ultra-luxury version with seating for 5 people and all kinds of high technology appointments. Next, they plan to launch the Aveo model, which will initially come in the hatchback variant, as a value-packed offering. Later they will bring out the Spark, as a compact car, which will give competition to the likes of Maruti’s Alto, and yet to be announced Tata small car. This car is expected to address the needs of the average middle-class Indian consumer. Daewoo has been a great acquisition for General Motors because all of a sudden they can source cheaper vehicles for the Indian market, and other developing markets around the world. Over the years we would see many more new product launches in India from this American auto major (though this company is not doing all that well back home). All this is good news for the Indian car buyer who is not afraid to invest in a car being marketed by a company, which is not particularly known for its small car.

*Source: The Times of India, 26 May 2005.*

**Booz, Allen and Hamilton Classification of New Products**

Booz, Allen and Hamilton suggested that two principal dimensions need to considered while classifying new products.

(a) How new is the product to the company?

(b) How new is it to the marketplace?
This led them to propose a 6-stage classification scheme as shown below.

![Categories of New Products/Revising the Product](image)

1. **New-to-the-world products**: These types of new products create an entirely new market. For example, introduction of products like laptops and palmtops has created a new market of mobile computing.

2. **New product lines**: New products may allow a company to enter an established market for the first time. Philips has developed flat TV to target a new segment of already crowded CTV market.

3. **Additions to existing product lines**: New products can supplement a company’s established product lines. For instance, McDonald’s introduced pudina flavoured burgers for Indian consumers.

4. **Improvements and revisions of existing products**: These are the new products that replace existing products by providing improved performance or greater perceived value. For example, Microsoft replaced its MS-DOS by Windows as an improved, user-friendly GUI (Graphical User Interface) based operating system. They also updated Windows regularly and launched the versions of Windows 95, 98, 2000 and XP.

5. **Repositioning**: Existing products can be targeted to new markets or market segments. For example, Sahara Airlines is revising its fares to target the railway AC 2/3 tier passengers.

6. **Cost reductions**: New products may be developed that provide similar performance at lower cost. The mobile service providers like Airtel, Hutch and Reliance India Mobile are introducing new post-paid schemes with low rental and outgoing facility.

### 1.2 NEW PRODUCT DEVELOPMENT PROCESS

New product development is a growth strategy, because of the heavy role that marketing plays in finding, developing and launching successful new products. New products can be original products, product improvements, product modifications, and new brands that the company develops through its own R&D efforts. A key factor in effective new product development process is to establish workable organizational structures. Companies handle this through the Product Managers, New-Product Managers, New Product Committees and New Product Departments. The product development process involves eight stages. They are:
1. Idea Generation

The new product development process starts with the search for ideas. Top management should define the products and markets to emphasise. It should state the new product objectives, whether it is high cash flow, market share domination, etc. It should state how much effort should be devoted to developing original products, modifying existing products, and imitating competitors’ products. New product ideas can be derived from many sources: customers, scientists, competitors, company sales people, dealers and top management. Idea generating techniques like Attribute Listing, Forced Relationships, Morphological Analysis, Problem Analysis, Brainstorming, and Synetics help generate better ideas.

2. Idea Screening

The second stage is idea pruning or reducing by screening. In this stage, the company must avoid the ‘Drop-error’, i.e., permitting a poor idea to move into development and commercialisation, or dropping a good idea.

The purpose of screening is to spot and drop poor ideas as early as possible. ‘Idea rating’ is done by describing the product, the target market, and the competition, and making some rough guesses as to market size, product price, development time and costs, manufacturing costs and rate of return. Even if the idea looks good, the questions arise, ‘Is it appropriate for the particular company? Does it mesh well with the company’s objectives, strategies and resources?’ Ideas that do not satisfy one or more of these questions are dropped.
Box 1.2: Coke to Launch Two New Juice Brands

Coca-Cola, the world’s biggest soft drink company, plans to launch two new juice brands called ‘Ube’ and ‘Haven’ in 2006, according to the November 4 issue of the trade publication, Beverages Digest. Coke is said to have a number of new products in development, some of which will make it to the market and some that won’t.

The new product ‘Ube’ will be fortified with vitamins and minerals and will be packed in a glass container. The market for energy drinks which typically contain caffeine, vitamins and other ingredients to boost a person’s energy, has grown rapidly since the 1990s.

The category is attracting the attention of soft drink companies because the margins are much higher than those for the sluggish carbonated drinks category and even the rapidly growing bottled water segment. While non-carbonated products are achieving spectacular growth, Coke’s flagship Coca-Cola brand and other carbonated drinks have been a disappointment. In the US, the company is planning to phase out its Vanilla Coke, Vanilla Diet Coke and Diet Coke with Lemon beverages shortly, due to sluggish customer response.

Source: Beverages Digest (US), November 2005.

3. Concept Development and Testing

Surviving ideas must now be developed into product concepts. A ‘product idea’ is an idea for a possible product that the company can see itself offering to the market. A ‘product concept’ is an elaborated version of the idea expressed in meaningful consumer terms. For example, producing a powder to add to milk to increase its nutritional level and taste is a product idea. Who is to use the product? What primary benefit can be built into this product? What is the primary occasion for this drink? By asking such questions, the company can form several product concepts like an instant breakfast drink for adults, a tasty snack-drink for children, a health supplement for elders, etc.

Box 1.3: Horlicks – Product Concept Variations

A jar of Horlicks occupies a visible position in most Indian kitchens. Since the 1930s it is one of the best-known brands in the health food category. It owes its success to a strong brand heritage, commitment to quality, focused communication, a strong distribution network and a deep understanding of consumer needs. The Horlicks product concept was invented by James Horlicks, who, along with his brother William, started the company in Chicago, US.

The market for malted milk powders in India is huge as the product is widely used as a nutrition and energy supplement by children and adults. The size of the market is estimated at ₹ 10,170 million. Horlicks occupies the leading position with over 50% market share (ORG-MARG 2002).

Horlicks is able to maintain its market share due to innovative product modifications and offers based on varying product concepts. Mother’s Horlicks is targeted at pregnant and lactating mothers, while Junior Horlicks (in different flavours) has been especially formulated for little children. Fortification with vitamins and minerals was another variation.

Upto 1960, Horlicks was positioned as an adult restorative drink that gave extra energy, especially during convalescence. The 1970s saw its position shift to ‘The Great Nourisher’.

Source: www.superbrandsindia.com/horlicks
Each concept requires concept positioning so that its real competition would be understood, when compared to existing brands or substitutes. The concepts have to be tested with an appropriate group of target consumers. The concepts may be presented symbolically or physically. The consumers are asked to react to each concept with some standard questions. The consumers will help the company determine which concept has the strongest appeal.

4. Marketing Strategy Development

The new product manager will have to develop a preliminary marketing strategy statement for introducing this new product into the market. This will be refined in subsequent stages. The marketing strategy statement consists of three parts. The first part describes the size, structure and behaviour of the target market, the planned product positioning, the sales, market share and profit goals sought in the first few years. The second part outlines the product’s planned price, distribution strategy, and marketing budget for the first year. The third part describes the planned long-run sales and profit goals, and marketing mix strategy over time.

5. Business Analysis

The next stage is to evaluate the business attractiveness of the proposal. The management must review the sales, cost, and profit projections to determine whether they satisfy the company’s objectives. If they do, the product concept can move to the product development stage. As new information comes in, there will be further revision of the business analysis.

The management needs to estimate whether sales will be high enough to return a satisfactory profit to the firm. This is done by estimating first-time sales, replacement sales and repeat sales. After preparing the sales forecast, the management should estimate the expected costs and profits of this venture. This is done by the R&D, manufacturing, marketing and finance departments.

6. Product Development

If the product concept passes the business test, it moves to the R&D and/or the engineering department to be developed into a physical product. Up to now it has existed only as a word description, a drawing or a very crude model. This stage will answer whether the product idea can be translated into a technically and commercially feasible product. The R&D department will develop one or more physical versions of the product concept. It hopes to find a prototype that satisfies the following criteria:

- Consumers see it as embodying the key attributes described in the product concept statement.
- The prototype performs safely under normal use and conditions.
- The prototype can be produced for the budgeted manufacturing costs.

When the prototypes are ready, they must be put through rigorous functional and consumer tests. The functional tests are conducted under laboratory and field conditions to make sure that the product performs safely and effectively. Consumer tests can take a variety of forms, from bringing consumers into a lab to test the product versions to giving them samples to use in their houses.
Box 1.4: Levi Strauss Launches ‘Signature’ Brand


The company has launched the new products initially in South Indian metros and plans to roll out the market by the end of next year to the rest of the country. It plans to have 200 exclusive outlets and 1000 multi-brand outlets.

In the first phase, Levi Strauss will be launching the product in 150 towns. The company will be setting up nine exclusive outlets in the South. Already there are two exclusive outlets in Chennai. The company appointed Poshak Industries as the first licensee for making Signature brand products.

The company will be targeting the standard segment by making available the products in the price range of ₹ 599 - 999.

The company launched the signature brand in the U.S. in 2003 exclusively for consumers who shop in the mass channels such as Kmart, Wal-Mart and Target. In India, Signature is targeted to attract the standard segment, which accounted for 27 percent of the total jeans business.


7. Test Marketing

After the management is satisfied with the product’s functional performance, the product is ready to be dressed up with a brand name, packing and a preliminary marketing programme, to be tested in more authentic consumer settings.

The purpose of test marketing is to learn how consumers and dealers react to handling, using and repurchasing the actual product and how large the market is.
For test marketing consumer goods, the methodology involves sales-wave research, simulated store technique, controlled test marketing and test markets.

New industrial products typically undergo extensive product testing in the labs to measure performance, reliability, design and operating cost. The next most common method is a product use test where the manufacturer selects some potential customers who agree to use the new product for a limited period. A second common market test is to introduce the new industrial product at trade shows. Testing can also be done in distribution and dealer display rooms.

8. Commercialisation

Test marketing presumably gives the management enough information to make a final decision about whether to launch the new product.

In launching a new product, the company must make four decisions:

- **When**: The first decision is whether it is the right time to introduce the product.
- **Where**: Secondly, the company must decide whether to launch the new product in a single locality, a region, several regions, the national market or the international market. Normally, companies develop a market rollout over time.
- **To whom**: Within the rollout markets the company must target its distribution and promotion to the best prospect groups, like early adopters, heavy users, opinion leaders and so on.
- **How**: The company must develop an action plan for introducing the new product into the rollout markets. It must allocate the marketing budget among the marketing mix elements and sequence the various activities.

Product Launch

Introducing a new product into the market is known as product launch. The new product launch is a challenging activity for marketing people. It offers an opportunity for the marketing people to apply their theoretical and practical knowledge in their job and watch their plans succeeding. A lot of planning has to go into the product launch. Hasty and illogical actions will result in the new product failing in the market. A new product will generally succeed only if the target customers are offered a clear advantage or it meets some unmet need or at least the customer perceives it as totally different and unique.

Marketing Plan for Product Launch

The marketing plan for new product launch is a statement of the course of action to be followed for the product’s introduction into the market. It should clearly specify the marketing objectives, strategies and programme. Marketing planning is a continuous activity in the new product development process and informally starts at the stage of idea development itself. Formally, the planning starts as soon as the product development stage begins.

The marketing plan for new product launch consists of the following activities:

1. Setting objectives for new products
2. Situation analysis
3. Market analysis
4. Defining and selecting the target market
5. Product strategy and positioning strategy
6. Pricing the new product
7. Promoting the new product
8. Distribution of the new product
9. Planning the final launch

1. Setting objectives for new products: Marketing objectives for new products will decide a specific goal that the team strives to achieve. Objectives should be stated clearly, defined, should be measurable and time-bound. It should be communicated to the new product team to have a synergising effect on the team’s activities. The marketing objectives should contain the estimated unit (quantity) or rupee value sales of the product for the year, market share planned to achieve within a year, and product profitability in terms of percentage margins and return on investment. Initially, only rough estimates will be made due to limited information, but as more data comes up from market studies, test marketing feedback, and internal cost data, the objectives can be refined to make it more realistic.

2. Situation Analysis: For the success of the plan, an analysis of the marketing environment for the proposed new product is to be made. Situation analysis will cover the macro environmental analysis, the market analysis and the internal (microenvironment) analysis. The macro environment analysis involves the detailed study of factors that lie outside the company and have implication on the product’s market and the company. Specifically, this will cover a study of the economic situation, the political and legal situation, the demographic, technological and social situation. PEST analysis is usually resorted to for this study. This analysis provides a useful basis for developing marketing plan for the new product.

3. The Market Analysis: Analysis of the market is undertaken to help provide an input in designing a successful marketing strategy for the new product. Market analysis will include the following:

(a) Market overview: An assessment of the quantitative and qualitative aspects of market size and growth prospects.

(b) Market segment overview: What is the target market segment? How are the segments distinguished? How are they defined in terms of size and growth trends?

(c) Consumer overview: A definition of who are the buyers, the purchase influencers? What, when and how do these target consumers buy? Why do they buy? What are their preferences, needs, wants and buying habits?

(d) Competition overview: A definition of the competitors and their relative strengths and weaknesses, segment wise. A critical assessment of their products and consumer’s perceptions of their products, about competitors, strategies for pricing, advertising, distribution. An assessment of competitor’s market position.

The internal (micro) analysis pertains to an assessment of the company’s capabilities and resources with reference to the new product. In respect of the marketing plan, there is need to specifically analyse the following internal aspects:

(a) The sales force: Assessment of the present sales force’s capabilities of selling the new product, their requirements (if any) of additional training inputs, or the requirement of new sales force are to be looked into.
(b) **Promotional set-up:** Is there a requirement for significant changes in the advertising and promotional set up available at present?

(c) **Distribution set-up:** How do you evaluate the service and distribution system with reference to the new product? Do you require significant modification? What needs to be done to assume dealer support to the new product?

The internal assessment must also consider the strength and weaknesses of the other functional areas that have a direct bearing on new product development, like production, research and development, finance and marketing.

4. **Defining and Selecting the Target Market:** Market segmentation will help to define the sub-groups of customers who have relative homogeneity in needs and wants. The most preferred method of segmentation for new products is benefit segmentation. Benefit segmentation recognizes that consumers seek different benefits from their purchases and have different motivation to purchase. Using this method, it is possible to define the benefits and attributes that must be built into the new product and communicated to the consumers. In fact, the positioning and communication strategies are largely defined by the benefit segment selected for the product.

Segmentation analysis will yield a number of potential market segments and present alternative benefit/attribute packages which can be built into the product to make it more appealing to a segment. The criteria used to select an appropriate market segment are as below:

(a) Segment attractiveness in terms of market size, growth and future potential

(b) Accessibility in terms of selling effort, distribution channel network, etc.

(c) Degree of fit in terms of the closeness of match between needs and preferences of each segment and the attributes and benefits of the new product.

(d) Competitive situation in terms of where the competition is lowest, weakest or most vulnerable.

(e) Relative advantage in terms of the differential advantage that the new product may have relating to product features and benefits as well as entry strategy. Possibilities of competitive edge (USP) - Unique Selling Proposition - will be a relative advantage in the segment.

(f) Profitability in terms of offering the greatest possibility of meeting the profit as well as sales targets for the new product.

5. **Product Strategy and Positioning Strategy:** Along with the definition of target market, the product strategy takes shape. In the context of new products, the product strategy will mean finalization of the product benefits, features and attributes and developing a growth strategy. The product benefit is a character that is of some value to the consumer. The planner has to list his product benefits as they become important determinants of positioning. For example, a benefit of a new mobile phone handset may be its memory power, battery backup, Bluetooth, Internet access, video recording or video conferencing. These benefits have to be translated into the product features.

Product positioning decides how the product will be perceived by potential customers as against competitor’s products. A product positioning statement should clearly indicate the end-use and the benefit proposed to be delivered to customers. Various positioning strategy alternatives are available and the best suited should be selected for positioning the new product.

6. **Pricing the New Product:** Pricing is a major and also risky decision for new product as it will directly affect the sales volume thereby generating revenue for the company. It is risky because a high
price or a low price may affect the product’s acceptance or reduce contribution to the company. But arriving at the optimum price for a new product is very uncertain as there is no past experience to guide as to how the market or the competitors will react to a new product at a given price.

The general guidelines, however, state that a new product should be priced in such a way that it provides the company with reasonable profits, reasonable and continued market share and also reasonable unit-wise sales.

Usually, two pricing strategy alternatives are used for new product pricing:

- **Skimming pricing**
- **Penetration pricing**

Skimming pricing involves charging a very high price for products, especially which are distinct from existing products. Skimming can be of two types - rapid skimming or slow skimming. In rapid skimming, high price is supported by heavy expenditure on promotion, to get immediate sales and maximum profits. In slow skimming, the price is high, but promotion is low, as the marketer expects to slowly develop the market demand. The purpose of skimming is to skim the market, i.e., recover maximum profit in the short-run. When Nokia mobile handsets were launched in India, they sold only the expensive models or high end models - a good example of skimming pricing strategy. LED TVs, IPods and I Pads are other examples.

The skimming pricing strategy works well when:
- (a) The unit-wise sales of the product are not affected by the price at least in the early stages or till the time the product’s substitutes flood the market.
- (b) The market is large and only those customers who can afford to buy the product are targeted. This improves short-run profitability.
- (c) The initial high price becomes a source to feel the demand and to cover up the initial high cost of promotion.
- (d) The objective is to earn initial high profits rather than initial high market share.

Penetration pricing strategy involves pricing a new product low so as to appeal to a wide range of customers and enter the mass market at the initial stages of the product’s life cycle. The strategy helps in mass marketing, i.e., to sell the product in large quantities with the objective of securing a large market share. This strategy also has two types - rapid penetration and slow penetration strategy. In rapid penetration method, the price is low but promotion will be very high to create brand awareness and loyalty. Nirma washing powder used this strategy in India successfully. In slow penetration method, the price and promotion will be at a low level, aiming to capture the market slowly. Times of India newspaper entered Bangalore city using this method by selling at Re.1, while other papers were being sold at ₹ 3 per issue. Maruti 800 and TATA Nano are also good examples.

The penetration strategy will work when:
- (a) The unit-wise sales of the product are highly dependent on its price.
- (b) Sufficient economies of scale have been obtained and the costs of production have been brought down considerably.
- (c) The competitors are expected to enter the market very soon.
- (d) The buyers who can pay high price do not exist in the market.
Another strategy is the price of an initially high-priced product being lowered at any stage of the product’s life cycle. This helps in stretching the product’s life cycle by adopting the penetration pricing strategy at a later stage while pursuing skimming pricing strategy at the initial stage. Nokia did this for their mobile handsets in India, when they started marketing cheaper sets for ₹ 1000 as against initial high-priced models.

In addition to the above, the nature of the product, the estimated demand for the new product, the total cost (unit cost plus marketing costs) and the marketing and sales objectives (sales volume, market share, profit expectations, etc.) also influence the new product’s pricing decision.

7. Promotion of the New Product: There are two options for deciding the promotion of a new product - high promotion or low promotion. This method was explained in pricing (item 6 above). The first method where price is high and promotion is also high, or price is high but promotion is low. In the second, price is low, promotion is also low. The company has to dovetail the distribution policy also according to the requirements of the promotion strategy.

To ensure that customers are aware of the new product, develops interest and desire to own the product and finally acts - buys the product. Promotion takes up the responsibility for achieving this along with the process of moving the customer through the adoption process (awareness, interest, evaluation, trial and adoption). The promotion mix used for new products will consist of advertising personal selling, sales promotion, publicity, direct marketing and public relations. Depending on the nature and type of the new product, and the market situation, the marketer has to exercise a blend of these promotion components in desired combinations.

After considering the required promotional activities for the new product, a promotion budget has to be prepared by the marketer, for each activity. This is usually done by establishing a relationship with the expected sales, media to be used (TV, newspaper, magazines, outdoor, etc.), its frequency, reach and cost factors. Similarly, for sales promotion activity a budget has to be prepared, covering cost of items like free distribution of samples, posters, leaflets, discounts, offers, exhibitions, etc. Press and TV publicity will have to be organized for which separate budget needs to be prepared. Sometimes, special campaigns for promotion are held with the help of advertising agencies. Harley Davidson, for example, conducted a ‘buzz marketing’ campaign when their bikes were introduced in India, where many riders rode the bikes around in metros, in groups, creating a buzz.

8. Distribution of the New Product: Making the new product available in the selected target market extensively is the distribution task. It should be made available in all the retail shops in the case of consumer goods. The product manager will have to monitor the movement of the new product along with others, to the retail points and ensure that replenishments are done on time to avoid loss of sales due to out of stock situations. He should have proper co-ordination with the distribution manager on a continuous basis. The quantities required at each sale point will have to be decided and ensured that they are made available as per the schedule given to production and distribution departments.

9. Planning the final Launch: After all the earlier processes have been ensured, the product manager has to plan a detailed launch schedule for the new product. He should plan conferences for the sales people and the territory-in-charge, educate them and share all information possible to them with regard to the new product and its benefits. This will help the sales force to build up their confidence level in the new product and motivate them to sell the product in the near future. While planning the launch schedule, a product manager should also ensure that the product would be available with the retailers much in advance, prior to the official launch date. This needs co-ordination
with the distribution department, because distribution can decide the success or failure of the new product in the market, however good it is or however great the promotions have been.

It has been found that most new products earn half their sales and profits far earlier in their product life cycle. Later, they are crushed by the competitive clutter. So, with the correctly planned launch, new products have great advantages during the early period - competition will be light, media and consumer interest will be heavy, sales force and channel enthusiasm will be very passionate and buyers are energized by the novelty of the product’s promised benefits.

For successful product launch, therefore, the marketer has to ensure that a launch process is in place first. A cleverly written, comprehensive action plan should spell out individual responsibilities and overall objectives, strategy, time-frames and requirements. Objectives and success measurements should be set and a formal and comprehensive integrated Product Launch Plan developed. This plan should address the following critical components:

(a) Structure and organize resources for success.  
(b) Define launch objectives.  
(c) Gather market intelligence  
(d) Develop launch strategy, action plan, budget and time frames.  
(e) Craft a supportive publicity and PR strategy and plan.  
(f) Effectively position the product  
(g) Ensure product readiness in retail points.  
(h) Guarantee sales force and channel readiness  
(i) Create critical marketing and sales tools.  
(j) Develop new product programmes.  
(k) Track, monitor and report on execution.  
(l) Measure performance.  

There may be many excuses for why the product launch cannot occur in the established time frame. The product manager should not succumb to them. He should track and monitor the plan every day, anticipate bottlenecks and have elimination solutions ready to implement. All the contributors should be held accountable for the entrusted responsibility of action. The product manager should also gain the support of top management so that they will eagerly use their influence when complex issues threaten to slow the launch process.

In most cases, new products are launched in the market only stage by stage. Initially the introduction is limited to a few regions or a few cities. This is done to avoid short supply due to initial gaps in production and distribution. This strategy also helps the marketers to establish a strong footing in the initial markets and later ‘roll out’ the target market to other areas. Planning, implementing and monitoring of the launch also become easy by this method, which ensures success.

The Diffusion and Adoption Process

The Diffusion Process

The acceptance of new products and services by consumers is an important factor which determines their success or failure. The framework for exploring consumer acceptance of new products is drawn from the area of research known as the diffusion of innovations. This consists of
two closely related processes – the **diffusion process** and **adoption process**. Diffusion is a process concerned with the spread of a new product (an innovation) from its source to consuming public. Adoption is a process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.

Diffusion of Innovations is a theory of how, why, and at what rate new ideas and technology spread through cultures. It was Everett Rogers who popularized this theory in his book, Diffusion of Innovations (1964). He defined diffusion as the process by which an innovation is communicated through certain channels over time among the members of a social system. Rogers identified six major traditions that impacted diffusion research: anthropology, early sociology, rural sociology, and educational, industrial and medical sociology. The diffusion of innovation theory has been largely influenced by the work of rural sociologists.

The key elements in diffusion of innovations are - the innovation, types of communication channels, time or rate of adoption, and the social system which frames the innovation decision process. There are three types of innovation decision within diffusion of innovations. An individual or organization or a social system bases the type of decision on whether an innovation is adopted or rejected. The three types of decisions are: (i) Optional innovation - decisions, (ii) collective innovation-decisions, (iii) authority innovation decisions. The optional innovation-decision is made by an individual who is in some way distinguished from others in a social system (totally independent). Collective innovation-decision is made collectively by all individuals of a social system. Authority innovation-decision is made for the entire social system by a few individuals in position or power (ministers, religious leaders and so on).

The diffusion process is concerned with how innovations spread, i.e., how they are assimilated within a market. It is the process by which the acceptance of an innovation (a new product, new service, or new idea) is spread by communication (mass media, sales people, or word of mouth) to members of a social system (a target market) over a period of time.

All products that are new do not have equal potential for consumer acceptance. Some products may catch on almost overnight (e.g. cordless phones and mobile phones), whereas, others take a very long time to gain acceptance or never seem to achieve widespread consumer acceptance (e.g. dishwashers). Five product characteristics have been noticed to influence consumer acceptance of new products, especially the rate or speed of adoption:

1. **Relative advantage**: The degree to which potential customers perceive a new product as superior to existing substitutes is its relative advantage.
   
   *Example*: Mobile phones, fax machine

2. **Compatibility**: The degree to which potential consumers feel a new product is consistent with their present needs, values, and practices is a measure of its compatibility.
   
   *Example*: Mobile phones, laptops.
3. Complexity: The degree to which a new product is difficult to understand or use, affects product acceptance. The easier it is to understand and use a product, the more likely it is to be accepted.

Example: iPod, camera phones

4. Triability: This is the degree to which a new product is capable of being tried on a limited basis. The greater the opportunity to try a new product, the easier it is for consumers to evaluate it and ultimately adopt it. Sample ‘trial’ packets of FMCG are examples.

5. Observability: This is the ease with which a product’s benefits or attributes can be observed, imagined, or described to potential customers. Products that have a high degree of social visibility, such as fashion items like clothing, a car, watches, etc., are more easily diffused than products that are used in private, such as a new type of deodorant. Similarly, a tangible product is promoted much more easily than an intangible product such as a service.

The Adoption Process

This process involves the stages through which an individual consumer passes while arriving at a decision to try or not to try or to continue using or to discontinue using a new product. It is assumed that the consumer moves through five stages in arriving at a decision to purchase or reject a new product:

1. Awareness
2. Interest
3. Evaluation
4. Trial and
5. Adoption (or rejection)

1. Awareness: The consumer is first exposed to the product innovation through print, audio-visual media or demonstration, and becomes aware of the existence of the new product.

Example: Advertisement for Nokia N-Series, and VIAO laptop on TV.

2. Interest: The consumer becomes interested in the product and searches for additional information.

Example: The customer going to the Nokia or VIAO showroom and a salesman showing and explaining about the product.

3. Evaluation: The consumer decides whether or not to believe that this product or service will satisfy the need – a kind of ‘mental trial’.

Example: Based on evaluation of the features and benefits of Nokia N Series or VAIO laptop, the consumer feels it is worth buying.

4. Trial: The consumer uses the product on a limited basis, like trial or sample packs of FMCGs or a 30day trial offer with full refund guarantee if not satisfied for Nokia N series handset.

5. Adoption (or Rejection): If trial is favourable, the consumer decides to use the product on a fuller rather than limited basis, which is known as the adoption process. If unfavourable, the consumer decides to reject it.

Example: The customer of Nokia N Series deciding to keep the handset, as it is easy to use, has many features and quality is excellent.
Rates of Adoption of Innovations

The rate of adoption is defined as the relative speed with which members of a social system adopt an innovation. It is usually measured by the length of time required for a certain percentage of the members of a social system to adopt an innovation. The rates of adoption for innovations are determined by an individual’s adopter category (explained below). In general, individuals who first adopt and innovation require a shorter adoption period (adoption process) than late adopters. Within the rate of adoption, there is a point at which an innovation reaches critical mass. This is a point in time within the adoption curve that enough individuals have adopted an innovation in order that the continued adoption of the innovation is self-sustaining. See Fig. 1.1 below.

In describing how an innovation reaches critical mass, Rogers outlines several strategies in order to help an innovation reach this stage. These strategies are:

- Have an innovation adopted by a highly respected individual within a social network (opinion leader).
- Create an instinctive desire for specific information.
- Inject an innovation into a group of individuals who would readily use an innovation (like mobile phone handsets and new model bikes for students).
- Provide positive reactions and benefits for early adopters of an innovation (like free registration and insurance for the first year for new models of cars).

Adoption Categories

Consumers vary in their behavior, especially in terms of time taken for adopting a new product. The concept of adopter categories involves classification of consumers as innovators, early adopters, early majority, late majority and laggards.

Innovators

Innovators are the first individuals who adopt an innovation. Innovators are willing to take risks, youngest in age, have the highest social class, have great financial resources, very social and have excellent contacts through networking with others belonging to the same lifestyle. They are always ready to try out new products.
Early Adopters

This is the second fastest category of individuals who adopt an innovation. These individuals have the highest degree of opinion leadership among the other adopter categories. Early adopters are typically younger in age, have a high social class, have more financial resources, advanced education, and are more socially forward than late adopters. They are treated as role models and other categories of people check with them before adopting or even trying a new idea or product.

Early Majority

Individuals in this category adopt an innovation after varying degrees of time. This time of adoption is significantly longer than the innovators and early adopters. Early majority tend to be slower in the adoption process as they deliberate for some time, have above average social status, and contact with early adopters, and show some opinion leadership.

Laggards

Individuals in this category are the last to adopt an innovation. Unlike some of the previous categories, individuals in this category show little to no opinion leadership. These individuals typically have an aversion to change-agents and tend to be advanced in age. Laggards typically tend to be focused on ‘traditions’, have lowest social status, lowest financial resources, and are the oldest of all other adopters, in contrast with only family and close friends, with very little to no opinion leadership.

Throughout the diffusion process there is evidence that not all individuals exert an equal amount of influence over all individuals. In this sense, there are ‘opinion leaders’ who are influential in spreading either positive or negative information about an innovation. Opinion leaders have most influence during the evaluation stage of the innovation-decision process. They also typically have greater exposure to the mass media, are more cosmopolitan, have greater contacts with change agents, more social experience, more social exposure, and higher socio-economic status, and are more innovative. Nowadays, however, due to popularity of social networking on the Internet and also information/opinion seeking through websites, it is found that innovations get diffused faster and adoption is also catching speed.

The adoption of some products and services may have minimal consequences whereas the adoption of other innovations may lead to major behavioural and lifestyle changes. Examples of innovations with such major impact on society include the automobile, the telephone, the refrigerator, the television, the airplane, and the personal computer.

The consumer adoption process is later followed by the consumer loyalty process, which is the concern of the established producer.

1.3 BRANDING

Introduction to Branding

The origin of the word ‘brand’ could be traced to the Norwegian word ‘brandr’ meaning to ‘burn’. Owners of livestock (cows and sheep) had the habit of putting some identification mark on the body of the animals by using a burning hot iron, to distinguish their possession. Similarly, companies started resorting to branding to distinguish their marketing offerings (products and services) from similar products and services provided by their competitors. Amul, Nirma, Lux, Titan, Bajaj, and Nokia are examples of popular brand names.
“A brand is a name, term, sign, symbol, or design, or a combination of these, that identifies the maker or seller of a product or service.” (Philip Kotler). Consumers perceive brand as an important part of a product and branding adds value to a product.

Brands can be considered as the major enduring assets of a company. In the case of many successful companies, the brand value will be more than the value of the land and factory they own. Brands are powerful assets that must be carefully developed and managed. Brands are more than just names and symbols. They represent consumers’ perceptions and feelings about a product and its performance — in fact, everything that the product or service means to consumers. The real value of a strong brand is its power to capture consumer preference and loyalty.

**Product vs. Brand**

A product is anything offered to a market for attention, acquisition, use or consumption that might satisfy a need or want. A product may be a physical good like a mobile handset, a TV, a motor cycle, a car or a service such as an airline, bank, a retail store, a musician or an idea. It will be a genetic thing without any name, design or individual identity.

A brand is a name, term, sign, symbol or design or a combination of them, intended to identify the products and services of one marketer and to differentiate them from those of competition. The different components of a brand that identify and differentiate it are brand elements.

A brand is, therefore, more than a product because it can have dimensions that differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible – related to product performance of the brand – or more symbolic, emotional and intangible – related to what the brand represents.

*Examples:*

<table>
<thead>
<tr>
<th>Car</th>
<th>vs.</th>
<th>BMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>vs.</td>
<td>Samsung</td>
</tr>
<tr>
<td>Coffee</td>
<td>vs.</td>
<td>Nescafe</td>
</tr>
<tr>
<td>Bank</td>
<td>vs.</td>
<td>State Bank of India</td>
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</tbody>
</table>

**Meaning of a Brand**

Branding is an important tool for marketers to create separate identity for a company’s product. A brand is a name, term, sign, symbol, or design, or a combination of these, that identifies the maker or seller of a product or service (Philip Kotler). Branding adds value to a product and consumers view a brand as an important part of a product.

In today’s marketing scenario, branding has become a powerful and essential tool and hardly anything goes unbranded. Even products like salt, oil, fruits, milk, and poultry are branded.

*Example:* Tata salt, Sungold mangoes, Amul and Nandini milk, Real Good chicken.

Consumers have many advantages in branding. Brand names help them to identify products which might benefit them. Brands also tell the consumer something about product quality. Regular buyers of a brand are sure of getting the same benefits, features and quality each time they buy.
### Box 1.5: Brand Successes and Failures

<table>
<thead>
<tr>
<th>Success Stories</th>
<th>Reasons for Success</th>
</tr>
</thead>
</table>
| **Clinic Plus Shampoo** | • Successful positioning and distinct identity with the anti-dandruff/health platform.  
• Captured the South Indian market – a predominantly health market.  
• Reacted fast to product redefinitions like sachets.  
• ‘Clinic’ and ‘Plus’ created positive associations with the doctor in rural areas. |
| **Ponds Talc** | • Early advantage and is now a ‘pillar brand’, the bench-mark in the talc market with over 50% market share.  
• Good product.  
• Cost cutting by bulk buying of packaging material. |
| **Lifebuoy Soap** | • Value for money – low price, 150 gm soap.  
• Long-lasting benefit appeals to target audience.  
• Positioning – health and being a winner.  
• Stayed contemporary without changing core values. |
| **Close-up Toothpaste** | • Creatively positioned in the market on the social confidence plank.  
• Innovative product ‘gel’.  
• Advertising and promotional support.  
• Positive in-use experience by consumers. |

<table>
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<tr>
<th>Flop Shows</th>
<th>Reasons for Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crowning Glory Soap</strong></td>
<td>• Improper targeting – a soap for hair and body targeted at an up-market audience.</td>
</tr>
</tbody>
</table>
| **Camay Soap** | • Went for a low-price positioning in India whereas its international positioning is the reversal.  
• Confused brand identity. |
| **Promise JFK** | • Worldwide, kids’ toothpaste market is miniscule (2% (Just–For–Kids) of the total market).  
• Tooti-frooti flavor made parents worry about children swallowing the toothpaste.  
• Indian families do not buy more than one toothpaste especially for children. |

**Source:** Brand Management: The Indian Context by YLR Moorthi, Vikas Pubn.

The marketers or sellers also have several advantages in branding. The brand name becomes the basis on which a whole story can be built about a product’s special attributes and qualities. The seller’s brand name and trade mark provide legal protection for unique product features that otherwise might be copied by competitors. Branding helps sellers to establish brand image, brand personality, brand equity and brand loyalty for products. Branding will also facilitate the seller to segment markets and practice differential marketing.
Brand Equity and Brand Elements

Brands vary in the amount of power and value they have in the market. A powerful brand has high brand equity. “Brand equity is the positive differential effect that knowing the brand name has on consumer response to the product or service. A measure of a brand’s equity is the extent to which customers are willing to pay more for the brand” (Philip Kotler). For example, compared to the price of ₹ 500 for an unknown brand of walkman, a customer may be willing to pay ₹ 1000 for a Philips or Sony.

David Aaker has defined brand equity as “the unique set of brand assets and liabilities that is linked to a brand.” Brand equity is the net result of all the investments and efforts that a marketer puts into building a brand. “Usership of the brand, customer loyalty towards it, its perceived quality, positive symbols and favourable associations around the brand— a bundle of all these attributes together results in brand equity.” Only by continuously monitoring all these aspects, does the marketer convert what really is a product into a brand. In simple terms, brand equity is the value or worth of a brand.

A brand with strong brand equity is a very valuable asset for any company. Brand value is normally measured and expressed as the total financial value of a brand. According to an estimate, the brand value of Microsoft is $65 billion, Coca Cola is $69 billion and IBM is $53 billion.

High brand equity provides a company with many competitive advantages. A powerful brand enjoys a high level of consumer brand awareness and loyalty. Since the brand name carries high credibility, the company can more easily launch line and brand extensions. Example: Coca Cola launching Diet Coke, P&G launching Tide, TATA launching Tata Salt. A powerful brand provides the company some defence against fierce price competition in the market. The basic asset underlying brand equity is consumer equity, which is the value of the customer relationships that the brand creates. What a powerful brand really represents is a group of brand loyal customers. Marketing people’s job is, therefore, to build customer equity using brand management as a tool.

David A. Aaker has proposed a structure of five assets underlying brand equity which create value for both customers and the marketer. (See Fig.1.2). They are as follows:

**Fig. 1.2: Managing Brand Equity**

1. **Brand loyalty:** When customers perceive high value for a brand name or symbol and exhibit high loyalty to the brand, it is an important asset. It can be used for persuading the customers for additional purchase or for spreading goodwill through word of mouth.

2. **Name awareness:** Awareness creation about a brand name among the target audience is a necessary precondition for trial of products or services. Customers rarely purchase an unknown brand.

3. **Perceived quality:** A well-known brand always conveys an image of good quality, durability and dependability. Customers form their own judgment about quality and get induced into purchase decision.  
   Example: Nokia, Nike, Titan, etc.

4. **Brand associations:** Customers have certain subjective and emotional attachments which form a part of the brand equity. These associations together form a “brand personality”, which suggests situations and customers for whom the particular brand is suitable.  
   Example: Omega watches, Reid & Taylor suitings, Parker pens, etc.

5. **Other assets:** Patents, trade mark, etc. are other valuable assets of a brand.

**Building Brand Equity**

Building brand equity is an important activity for marketers. From the figure given above and the explanation, it is clear that brand equity is the result of factors like brand awareness, brand loyalty, brand image (perceived quality), brand associations. The brand equity evolves when the customers have higher brand awareness, brand recognition and strong brand associations which are favourable and unique. The strength of brand association is determined by the levels of information search and processing by the consumers. The nature of information, quality and quantity of information sought will also affect the association. The more deeply a consumer thinks about a product, the more will be the brand association. Brand strength is also affected by the consistency of the information. Favourable brand association is created when the company develops marketing strategies effectively to deliver product-related and non-product-related benefits that are expected, desired and preferred by the consumers. This process has to be consistent over a period of time. The brand associations should be unique, i.e., it should be a set of meaningful points of different brand associations to gain competitive advantage.

Building brand equity requires careful consideration of the following:

(a) Choice of brand elements that make up the brand.

(b) Developing and implementing marketing support programmes.

(c) Leveraging secondary associations by linking the brand to other entities.

The marketer has to consider the complementarity and consistency of different ways and means of building brand equity. The complementarity factors are choice of different brand elements and different marketing support programmes. It is necessary that the strengths of some elements are compensated for the weaknesses of other elements. Consistency refers to the fact that different brand elements and marketing activities share the same common meaning. It also implies that the meaning is communicated to the consumers without much distortion.
Guidelines for Building Brand Equity

The following six guidelines have been suggested by Kevin Kellers for building brand equity:

1. Mix and match brand elements like brand names, logos, symbols, characters, slogans, jingles and packages. Choose different brand elements to achieve different objectives and design brand elements to be mutually complementing each other.

2. Create rich brand image and perceived quality by developing and linking product and non-product-related associations to the brand.

3. Value-based pricing. Set prices and discount policies over time to reflect value perceptions of the consumers, and incorporate their willingness to pay a premium price for the brand.

4. Channel synergy: This involves blending ‘push’ strategies for channel members and ‘pull’ strategies for consumers.

5. Marketing communications: A wide range of communication channels should be used to create awareness, strengthen favourable and unique brand associations. It is also necessary to maintain consistency for reinforcing the developed associations.

6. Leverage secondary association: When some dimensions are missing, they can be compensated by associating other entities like company, channel, other brands, celebrities or brand ambassadors (endorsers) that build the brand image.

It is not enough to just build brand equity. It has to be sustained and managed over longer period of time. For this, marketing managers have to take a broad view of brand equity.

This is all the more important especially when the company is operating in multiple markets. Creating brand hierarchy is critical in these cases. The brands should have unique brand elements. In order to achieve this, new brands and brand extensions have to be designed to maintain an optimal product portfolio. Brand awareness and positive brand image has to be created in each of the market the company is doing business in. Long-term view is necessary because the marketing support activities will have impact not only in the current period, but also in the future.

Brands that are described as ‘strong’ have many characteristics distinguishing them:

- Prominence in the product category,
- Capacity to evoke a more extensive, richer set of associations,
- Visual images and logo or taglines linked to them more easily recalled and retrieved from memory,
- High regard by consumers, and
- High market share and market leadership.

The following guidelines have been suggested by brand strategy experts like Aaker and Keller for building strong brands:

1. **Build brand identity:** Consider brand as a person or an organisation, or a product. Brand image is different from brand identity. Image refers to how the brand is perceived, and identity is how the company aspires to be perceived.

2. **Commit for a value proposition:** Each brand has a driving value proposition. Identify the driver and the functional, emotional and self-expressive benefits that consumers expect. Build the brand relationship to strengthen the above.
3. **Position the brand:** The positioning of the brand should consider necessary and desired points of parity and points of differentiation in the product category. Clear positioning will guide a clear communication strategy.

4. **Implement with consistency:** The communication should be aimed at creating brand awareness and brand association. Also, it should be consistent and durable.

5. **Consistency over time:** Maintain logos, symbols and imagery without change. If there is a need for change, understand the consumers’ minds before making any modification.

6. **Brand system:** The brands in the product portfolio of a company should have synergy.

7. **Leveraging the brand:** Plan for extensions carefully to increase the brand identity, image and other positive associations.

8. **Monitoring brand equity:** Monitor the brand over time, including awareness, perceived quality, brand loyalty and brand associations. Communication channels and messages also need to be monitored regularly.

9. **Brand responsibility:** Assign responsibility of a brand to some one who can co-ordinate all the brand-related activities in the company.

10. **Invest in brands:** Continue to invest on brands to nurture them. It is important to enhance brand equity by continuous product innovation, new creative advertising messages and extensive distribution, to sustain the consumer relevance and user/usage imagery.

### Brand Strategy Decisions

The important brand strategy decisions are as below:

1. **Brand positioning**
   - Attributes
   - Benefits
   - Beliefs and values

2. **Brand name selection**
   - Selection
   - Protection

3. **Brand sponsorship**
   - Manufacturer’s brand
   - Private brand
   - Licensing
   - Co-branding

4. **Brand development**
   - Line extensions
   - Brand extensions
   - Multibrands
   - New brands

#### 1. Brand Positioning

Marketers can position their brands clearly in target customers’ minds at three levels. Positioning based on product attributes is the lowest level (e.g: face cream–cleansing). A better positioning is by using the brand name with a desirable benefit to the customer. (e.g: face cream – Ponds – softer skin, glowing skin ). Strongest brands are positioned on strong beliefs and values. (e.g: face cream– makes you more attractive).

*Example:* Clearasil, Halo shampoo.
While positioning a brand, the marketing people have to establish a mission for the brand and a vision of what the brand must be and will do. A brand is a company’s promise to deliver a specified package of features, benefits, services, and experiences to the customers.

2. Brand Name Selection

Selection of a brand name starts with a careful analysis of the product and its benefits, the target market, and proposed marketing strategies. A good brand name, after all, will add greatly to a product’s success.

The following are the desirable qualities for a brand name:

(a) The name should be suggestive of the product’s benefits and qualities.
   Example: Fair & Lovely, V-guard, Whirlpool
(b) It should be easy to pronounce, recognize and remember.
   Example: Ariel, Surf, Nokia, Pepsi
(c) The brand name should be distinctive.
   Example: Kodak, Oracle, Canon
(d) It should be extendable.
   Example: Amazon.com online bookseller expanded into other categories.
(e) The brand name should translate into foreign languages easily, and should not have different meanings in different Languages.
(f) The name should be capable of registration and legal protection. For this, the name should be original and not copy of other product names.

After the selection is over, the brand name has to be legally protected to prevent competitors using the name. Occasionally, however, some protected brand names become very successful and become generic names used by all.

Example: Xerox, Cellophane, Linoleum, Vaseline.

When the number of product lines and the variety of products increase, the job of selecting a brand name becomes difficult and complicated. Some alternatives available are:

✦ Individual brand names: Here each product of the company is given an independent brand name. Hindustan Lever Ltd., for example, gives separate brand names for its products — bathing soaps line: Dove, Lux, Pears, Lifebuoy, Liril, Hamam; detergents line: Surf, Rin, Wheel.

✦ Family or Umbrella brand names: Here different groups of related products of a company are marketed under one brand name.
   Example: HLL’s Brooke Bond for tea and coffee products, Kissan for foods line, Lakme for cosmetics line. Amul is umbrella/family brand name for milk products.

✦ Company name as brand name: Some companies use the company name as brand name for their products.
   Example: Philips, Bajaj, Cadbury, BPL, HMT, Samsung and Godrej.

Brand Logo Selection

Most companies use a logo along with the brand name, for visual identification. A logo is a pictorial symbol intended to communicate with the consumers. Logo improves recognition of the
product by customers. It is an accompaniment to the brand name and the two together identify a company’s product. Logos can be made of anything — words, letters, pictures or graphics.

Examples of popular logos:
1. Air India - Maharaja
2. Ceat Tyres - Rhino
3. Amul Butter - Girl
4. Asian Paints - Gattu the boy

3. Brand Sponsorship

There are four major types of brand sponsorship options. The product could be launched as a manufacturer’s brand e.g.: Philips, IBM, Bajaj, Amul. The manufacturers may sell the product to resellers who give it a private brand name which is also known as store brand or distributor brand.

Example: FabMall, Nilgiri’s.

Some manufacturers market licensed brands. Sellers of children’s products use many licensed names. E.g. Batman, Bugs Bunny, Mickey Mouse, Donald Duck. Coca Cola has many licencees all over the world. Sometimes two companies join together and use co-branding with two established brand names.


<table>
<thead>
<tr>
<th>Box 1.6: Co-branding Delivers more Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The latest inspiration among marketers, among a slew of other promotional tools, is co-branding. The co-branding modus operandi allows single brands to take a free ride on the popularity of other brands and simply rise above the clutter of competition or tap entirely new markets.</td>
</tr>
<tr>
<td>For the consumer, co-branding provides benefits of two products or services through a single package and for the marketers, it is a way to reach out to larger markets, without incurring additional costs.</td>
</tr>
<tr>
<td>● If you are a subscriber of !dea Cellular, you can now get an HDFC Bank – !dea co-branded VISA Credit Card, plus many other benefits. Similarly, HDFC bank credit card customers can now get an !dea mobile post-paid connection free.</td>
</tr>
<tr>
<td>● The frequent-flying corporate traveller can now avail the ICICI Bank and Kingfisher airlines co-branded credit card, if he chooses to fly Kingfisher.</td>
</tr>
<tr>
<td>● Other popular co-branding offers: Air Deccan – Reliance Web World; Intel – HP; Citibank – Jet Airways.</td>
</tr>
</tbody>
</table>

Source: 4 Ps, IIPM, October 2005.
4. Brand Development

Development of brands can involve four different strategies. They are:

(a) **Brand Extensions**: Brand extension means extending an established and successful brand name to more products, which may or may not be related to the core brand. This is a powerful tool in brand development and management. It helps the new products to acquire instant brand recognition, and faster acceptance. It enables the company to enter new product categories more easily. Brand extension costs much less than launching a new brand.

*Example:* Maggie noodles, Maggie ketchup, Maggie soup, etc.
Barbie Doll – Barbie books, Barbie cosmetics, Barbie furnishings.
Lifebuoy Plus, Lifebuoy Gold, Lifebuoy Liquid (each positioned at different segments).
Amul milk powder – Amul ghee, Amul butter, Amul cheese, Amul cheese spread, Amul ice-cream, Amul chocolates.

(b) **Line Extensions**: Line extensions involve introduction of additional items in a given product category under the same brand name, such as new flavours, forms, colours, ingredients, package sizes, etc. Majority of new product launches by companies are line extensions.


![Example of Co-branding](image)

Colgate line extension includes Colgate Gel, Colgate Herbal, Colgate Calciguard, and Colgate Total.

Line extensions are low-cost and low risk ways of launching a new product. But over extended brands often cause confusion to consumers. Also, if marketers are not cautious, sales of an extension may cut into the sales of other items in the line, which is called ‘brand cannibalism’. Cannibal is someone who eats human flesh; or an animal that eats others of its own kind. Similarly, one product or brand of a company could eat into the market share of one or more products or brands of the same company. To work best, the line extension should take away the sales from competitors’ brands.
(c) **Product Flanking:** Product flanking refers to the introduction of different combinations of products at different prices, and package sizes to tap market opportunities. The idea behind this concept is to flank the core product by offering different variations of size and price so that the consumer finds some brand to choose from. The core product is flanked on both sides by bigger or smaller packs/costly or cheaper products.

*Examples:* BRU instant coffee – original pack size was 200 gms. Flanked by 1 kg, 500 gms on one side and 100 gms, 50 gms on the other side.

Clinic shampoo – original 200 ml pack flanked by 400 ml pack on one side and 100 ml, 50 ml, and 10 ml sachets on the other side.

Another alternative is to develop a **flanker brand** – a new brand of a company in a product category in which it currently has a brand offering. Proctor & Gamble’s primary detergent powder in India was Ariel. Later, it developed a flanker brand named Tide. This is done to appeal to target segments not reached by Ariel because of its high price. Similarly, HUL had Surf and introduced Wheel as a flanker brand.

(d) **Multi Brands:** Sometimes companies launch additional brands in the same category. Multi branding facilitates product differentiation, i.e., to establish different features, attributes and appeal to different buying motives. It also helps to lock up shelf space in retail points.

*Examples:* HLL’s soaps - Dove, Lux, Pears, Liril, Hamam.

HLL’s toothpastes- Close up, Pepsodent

<table>
<thead>
<tr>
<th>Box 1.7: Multibrands – HLL Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Mix Width</strong></td>
</tr>
<tr>
<td><strong>Product Line 1</strong></td>
</tr>
<tr>
<td><strong>Bath Soaps</strong></td>
</tr>
<tr>
<td>Lux</td>
</tr>
<tr>
<td>Dove</td>
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<tr>
<td>Le Sancy</td>
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<tr>
<td>Pears</td>
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<tr>
<td>Rexona</td>
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<tr>
<td>Lifebuoy</td>
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<tr>
<td>Hamam</td>
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<tr>
<td>Breeze</td>
</tr>
<tr>
<td>Jai</td>
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<tr>
<td>Moti</td>
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<tr>
<td><strong>Product Line 2</strong></td>
</tr>
<tr>
<td><strong>Fabric Wash</strong></td>
</tr>
<tr>
<td>Surf</td>
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<tr>
<td>Rin</td>
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<tr>
<td>Wheel</td>
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<tr>
<td>Sunlight</td>
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<tr>
<td>Ala</td>
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<tr>
<td>501</td>
</tr>
<tr>
<td><strong>Product Line 3</strong></td>
</tr>
<tr>
<td><strong>Beverages</strong></td>
</tr>
<tr>
<td>Bru</td>
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<tr>
<td>Brooke Bond</td>
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<tr>
<td>Red Label</td>
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<tr>
<td>Lipton Green Label</td>
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<tr>
<td>3 Roses</td>
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<td>Taaza</td>
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<td>Deepam</td>
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<tr>
<td>Taj Mahal</td>
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<tr>
<td>Super Dust</td>
</tr>
<tr>
<td>Ruby Dust</td>
</tr>
<tr>
<td>A 1</td>
</tr>
</tbody>
</table>

**Note:** This is only an example and not exhaustive. HLL has many more product lines.

**Source:** Ramaswamy and Namakumari, Marketing Management, Macmillan, 3rd Ed. 2002.
(e) **New Brands:** A new brand name is created by a company when it enters a new product category for which the present brand name is found not suitable. The company may also feel that the power of its existing brand name is waning and a new brand name is needed.

*Example:* Honda created the Lexus brand for its luxury car to differentiate from the established line. Titan watches created a new brand name, ‘Fast Track’ for the watch aimed at teenagers.

**Brand Rejuvenation**

Brand rejuvenation is the act of adding value to an existing brand by improving product attributes and enhancing its overall appeal. The aim is to re-focus consumers’ attention on an existing brand. This is resorted to especially when the brand tends to show declining symptoms on its product life cycle. Brands are re-launched in new shapes, new packing sizes, new containers, new colours, as extra strong, as fresh, etc. Advertising appeals claim that the rejuvenated brand is ‘new’, ‘super’, ‘special’, ‘extra strong’, etc. The process is just an updation of existing brands.

*Example:* HLL’s Surf became Surf Excel, Surf Ultra.

**Brand Relaunch**

Occasionally, some brands do not succeed in the market. Some brands reach declining stage after an initial success. Companies try to give the brand one more trial with some modified attributes or features and aggressive promotional campaigns. This process is called brand relaunch.

*Example:* Santoor soap of Wipro failed in the market initially. New Santoor was launched, ably supported by a new promotion campaign. The relaunch was successful and New Santoor became an important brand in the premium soaps segment. Close-up toothpaste is another example of relaunch success.

Sometimes relaunch is done for products in declining stage by repositioning. The best example is Cadbury’s chocolates. Changing from the traditional ‘sweet for children’ position, Cadbury’s is now positioned as a product meant for celebrations (Pappu pass ho gaya – ad on TV) and also as a snack-food meant for teenagers and adults.

**Managing Brands**

Companies must carefully manage their brands. First, the brand’s positioning must be constantly communicated to consumers. Major marketers often spend huge amounts on advertising to create
brand awareness and to build brand preference and brand loyalty. Expensive advertising campaigns can help to create name recognition, brand knowledge, and even some brand preference. The fact remains that brands are not maintained by advertising but by the brand experience. Today, customers come to know about a brand through a wide range of contacts and touch points. These include not only advertising, but also, personal experience with the brand, word of mouth, telephone interactions, company web pages, etc. Any of these experiences can have a positive or negative impact on brand perceptions and feelings.

**Co-branding**

Most companies, all over the world, have come to realise that their principal and most valuable assets were in fact their brand names - brand equity or the financial value of their brands. Many companies are nowadays undertaking joint marketing projects. That is, two different companies pair their respective brands in a collaborative marketing effort, known as co-branding.

Co-branding involves combining two or more popular brands into a single product. Used properly, it is an effective way to leverage strong brands and has the potential to achieve ‘best of all worlds’ synergy that capitalises on the unique strengths of each contributing brand.

“A co-branded extension is a composite brand concept that contains the characteristics of two underlying concepts. Each of the two participating concepts is associated with a set of attributes that are combined according to a set of rules to form the composite concept. In other words, a co-branded extension does not involve the transfer of the entire brand concept from a parent category to an extension category. Rather, it merely involves the transfer of a set of attributes from the two parent brands, and their re-combination into a coherent composite concept that could become a member of the extension category to which the new brand belongs.” (Park, Jun and Shocker).

Marketers and especially brand managers were earlier just bothered about how to promote their brand and improve brand image, loyalty and brand equity. But, nowadays, they are looking at the possibility of defining their customers and providing combined benefits as a bundle, by forming an alliance with other brands which are complementary, through co-branding. This process will be of advantage to both the customers as well as the companies.

The first step in a co-branding strategy is to prepare a profile of the target customers using demographics and psychographics. For example, assume that a marketer wants to target the youth - young, urban, educated and well-placed, with good pay packets. He can identify some products and services that this group will definitely be seeking - mobile handsets with many features, MP3/MP4 players, iPods and iPads, cars/two-wheelers, branded apparel, fashion accessories, personal grooming aids, restaurants, fast food, recreation, health equipments or gym and travel. Once this definition is ready, it becomes easy for the marketer to select products and services which can be combined through co-branding, to provide more advantage or benefits to the customers than both products or services put together.

Examples of some co-branded products/services:

- Pizza Hut - Pizza and Pepsi
- Citibank - Citibank-Jet Airways card
- P&G - Ariel- Whirlpool (advertising)
- Nokia - Handsets with service providers
- Intel - With PC manufacturers
Box 1.8: Virgin Mobile to Embark on Co-branding Exercise in India

Adopting a new strategy, Virgin Mobile is now experimenting with the biggest ever co-branding exercise in India to expand subscriber base. Virgin Mobile, the mobile brand owned by Richard Branson-led Virgin Group, is going to tie up with about 50 top brands in India, operating in diverse sectors such as electronics, consumer goods, apparels, restaurants, etc.

Marketing officials at Virgin believe that these tie-ups will help Virgin to expand its reach to the younger generation and appeal to them through participating in their preferred lifestyle. In this brand new marketing initiative, the company will primarily target the consumers in the age group 16-26 years and it will cost around ₹ 150-200 crore to accomplish this marketing campaign.

Company officials admit that the Indian telecom market is one of the most aggressive in the whole world and the competition among competitors is fierce. So, with this new venture, they are trying to generate new brand value and brand loyalty among subscribers of their service. Virgin is targeting to acquire at least 10% of the market share in the youth segment in India. It offers GSM and CDMA to its subscribers.


Need for a Strategic Fit

Whenever brands are considered for co-branding, they must ensure that there is a strategic fit, especially in the consumer’s mind. The model given in Fig 1.3 below depicts the options a particular co-branding exercise can result in.

![Fig. 1.3: Strategic Fit Model](image-url)
As per this model, it is needless to say that the best option is when there is a positive change in attitude for both the products. Successful co-branding occurs when both brands add value to a partnership. The value added potential should be assessed by examining both the complementarities between the two brands and the potential customer base for the co-brand. A great deal of attention has been given to the potential for inter-brand effects in co-branding, that is, the potential for enhancement or diminishment of the brand equity of either partner. In general, research suggests that consumers tend to respond favourably to co-brands in which each partner appears to have a legitimate fit with the product category, and the attitudes towards the parent brands will be reinforced, or at least maintained, as a result of the partnership.

For example, take the co-branding alliance between Abhishek Bachchan and 'idea Cellular. Now that they have been together for some time, it is important for 'idea to realise whether the perceived brand value of either of the two brands has increased. If there is a genuine fit between the two, it will be accepted by the consumers.

The same will be the case with even a giant global retailer like Wal-Mart, which has entered India through a strategic alliance with Bharti, and co-branded as Bharti-Wal-Mart.

Opening of a few “Best Price Modern Wholesale” outlets in Punjab recently has already posed a threat to the big and small organised retailers in India. Bharti-Wal-Mart and Kotak Mahindra Bank have also tied up to launch co-branded credit cards. The card will enable registered members of the stores to access a credit facility for purchases made at the store.

Different Ways of Co-branding

Co-branding as a strategy can be of different types. Some methods are given below:

- **New product launches**: Some new products which are introduced into the market clearly identify the brands that cooperated to create and market them. Danone and Motta introduced ‘Yolka’, a yoghurt ice cream with packing that used both brands to endorse it. Similarly, M & MS and Pilsbury invented a new cookie concept, and Compaq and Mattel combined their respective expertise to bring out a line of high-tech interactive toys.

- A joint venture between India’s Tata Docomo and Alcatel has launched their first co-branded mobile phone recently, called the ‘One Touch Net Phone’, which comes pre-loaded with numerous Yahoo! Services. It is really a Tata Docomo - Yahoo! - Alcatel phone.

- **Brand extensions**: In order to maximise their brand extension success rates, many companies seek the help from other company’s brands, whose established reputation in the new market might prove decisive. For example, Kellogg’s co-branded its cereals for health-conscious adults with Healthy Choice.
Usage extension: Co-branding is helpful for usage extension. In Europe, for example, Bacardi and Coke advertise together. This helps Bacardi’s market penetration strategy because the ads demonstrate another way to drink Bacardi. Moreover, Bacardi’s status is a powerful endorsement for Coke as the ideal mixer. Thus, the pairing also benefits Coke, which wants to remain the number one adult soft drink.

Ingredient co-branding: This type of co-branding is becoming very popular nowadays. NutraSweet, for example, wanted to bolster its image. So it encouraged and co-financed advertising campaigns by its client brands. In turn, these client brands endorsed Nutrasweet and endowed it with connotations of pleasure and affective values, which, until now was sugar’s domain. ‘Intel Inside’ is another example where Intel co-brands with PC makers all over the globe very successfully, as an active ingredient of PCs and laptops. Similarly, MRF Tyres and Maruti Suzuki have gone in for ingredient co-branding very successfully.

Image reinforcement: Co-branding for image reinforcement is another objective. In the detergent industry, for example, famous white goods brands endorse particular detergents, and vice versa. In India, Ariel and Whirlpool have launched a co-branded advertising campaign called “The art of washing”, illustrated by a famous 1914 Renoir painting. By these means, Ariel seeks to reinforce its market leader status and gain a more affective image. As for Whirlpool, the campaign bolsters its European launching strategy, and creates a caring image.

Co-branding in sales promotions: Co-branding is used in sales promotions by many companies. Pizza Hut gives coupons for free Pepsi or combos of Pepsi when pizzas are purchased. Kissan ketchup packets are also given free by them as a promo. Similarly, biscuit packets were given along with Maggi noodles as promotion.

Loyalty programmes: Many loyalty programmes include co-branding arrangements. For example, in India, we have Idea Cellular- HDFC credit cards, Citibank- Jet Airways card, and ICICI Bank - Kingfisher card, etc. Here, the two companies share the cost of loyalty programmes between their own brands. The customer is benefitted because, if he books a Jet Airways flight ticket using the co-branded card, the amount is debited to his Citibank account, and he is eligible for reward points from Citibank as well as mileage points from Jet Airways. Citibank also has a cobranding arrangement with Indian Oil. In reality, this is a multiple sponsor co-branding where Jet Airways, Citibank and VISA are combining their brands.

Simple Alliances: In order to conquer the iced tea market, Nestle and Coca-Cola decided to unite against Unilever’s Lipton range. Nestle created and marketed the new brand Nestea, which was distributed by Coca-Cola. It was not pure co-branding, but Coca-Cola got a small mention on the package for its involvement.

Advantages of Co-branding

There are many advantages arising from co-branding, out of which the five major ones are as below:
1. It creates financial benefits to both parties.
2. It provides customers with greater value.
3. It provides the brand’s and the company’s overall image.
4. It strengthens both parties’ competitive position.
5. By developing a synergy, it creates operational advantages for both parties.
Product Differentiation

In a competitive market, for gaining competitive advantage, companies have two alternative strategies – attractive pricing based on cost leadership and economies of scale, or product differentiation through which they can offer superior value to the consumer. Product differentiation allows a company to fight on the non-price plank, with all the benefits associated with it. Differentiation helps a company to move to a position where it can claim a premium for its product in the market.

Product differentiation strategies can be based on many parameters, of which the most common ones are as below:

(a) **Form:** The shape, size or physical structure of a product can be used for differentiation.

(b) **Features:** Most products could be offered with varying features that supplement its basic function. Based on surveys of buyer behaviour and buyer’s requirements, companies can identify and select appropriate new features for products.

*Example:* Close-up with gel, Promise with clove oil, Medimix with herbal medicines.

(c) **Performance Quality:** This refers to the level at which the product’s primary characteristics operate. The performance level must be designed appropriate to the target market and competitor’s performance levels. Performance quality should be managed by the company through time.

*Example:* Godrej Storewell range of almirahs, Titan watches, Philips electronic goods.

(d) **Conformance Quality:** This is the degree to which all produced units are identical and meet the promised specifications. Buyers usually expect products to have very high conformance quality. Examples are the same as above.

(e) **Durability:** This is a measure of the product’s expected operating life under natural or stressful conditions. Buyers treat this as a valued attribute for many products. For example, buyers will pay more for vehicles or kitchen appliances that have a reputation for being long-lasting.

(f) **Reliability:** Normally, buyers are prepared to pay a premium for more reliable products. Reliability is a measure of the probability that a product will not malfunction or fail within a specified time period. Godrej steel products are example.

(g) **Repairability:** This refers to the case of fixing a product when it malfunctions or fails. Ideal repairability would exist if the users could fix the product themselves with little cost in money or time.

(h) **Style:** Style describes the product’s look and feel to the buyer. Aesthetics play a key role in some brands. Style has the advantage of creating distinctiveness that is difficult to copy.

(i) **Design:** Design is a potent way to differentiate and position products and services. Unique design will give a company’s products a competitive edge. Design is the totality of features that affect how a product looks and functions in terms of customer requirements. It is particularly important in marketing retail services, apparel, packaged goods, and durable equipment.

To the company, a well-designed product is one that is easy to manufacture and distribute. To the customer, a well-designed product is one that is pleasant to look at and easy to open, instal, use, repair, and dispose of.

(j) **Services:** When the physical product cannot easily be differentiated, the key to competitive success will lie in adding valued services and improving their quality. The main service
differentiators are: ordering ease, delivery, installation, customer training, customer consulting and maintenance and repair.

*Example:* Microsoft and Ford excel in their offers through efficient service to customers.

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**Box 1.9: Stories Behind Big Brand Names**

There are many companies and brands whose names have been the result of strange circumstances:

- **Mercedes – Benz:** Mercedes (meaning ‘grace’) was the name of the daughter of Austrian businessman, Emil Jellinek who bought the first Mercedes, a 35 hp racing car in 1900. After Mercedes became a brand name, Emil Jellinek changed his own name as Jellinek Mercedes, taking his daughter’s name!

- **Adobe Systems:** The name of this billion-dollar plus imaging, design and document technology company came from the Adobe Creek that ran behind the company’s original offices in California.

- **Apple Computers:** A lot of people wonder where the name Apple Computer came from, as it is a rather unusual name for a computer company. Co-founder Steve Jobs came up with the name in early 1976. At the time, he was often visiting and working on a small apple farm that friends of his owned. He had to face copyright problems with Apple Records, the music label of the Beatles in 1989.

- **Compaq:** Compaq Computer Corp. was founded in 1982 by Rod Canion, Him Harris and Bill Murto, three senior managers of Texas Instruments, who invested $1000 apiece to form the company. The name of the company was formed by using ‘Comp’, for computer, and ‘paq’ to denote a small integral object.

- **Corel:** The name was derived from the founder’s name Dr. Michael Cowpland. It stands for Cowpland Research Laboratory.

- **Google:** The word Google is a play on the word googol, coined by Milton Sirotta. Sirotta was inspired by his daughter to refer to the number represented by 1 followed by 100 zeros. Google’s use of the term reflects the company’s mission to organize the immense amount of information available on the web. This most popular search engine on the web (80% share) was originally named Googol. But after founders – Stanford University graduate students Sergey Brin and Larry Page – presented their project to an angel investor, they received a cheque made out to ‘Google’. The first office of the company was set up in 1998 in Mountain View, California.

- **Hotmail:** Hotmail, the largest webmail provider in the world, was founded by Jack Smith and Sabeer Bhatia in 1995. They settled for the name Hotmail as it included the letters ‘html’ – the programming language used to write web pages. It was initially referred to as HoTMail with selective upper-casing.

- **Hewlett-Packard:** Partners Bill Hewlett and Dave Packard tossed a coin to decide whether the company they founded would be called Hewlett-Packard or Packard-Hewlett.

- **Intel:** Bob Noyce and Gordon Moore wanted to name their new company ‘Moore Noyce’ but that was already trademarked by a hotel chain; so they had to settle for an acronym of Integrated Electronics.

- **Microsoft:** Coined by Bill Gates to represent the company that was devoted to MICRO-computer Software. Originally christened Micro-soft, the hyphen was removed later on.

- **Sun:** Founded by four Stanford University buddies, Sun is the acronym for Stanford University Network. Andreas Bechtolsheim built a microcomputer. Vinod Khosla recruited him and Scott McNealy (the CEO) to manufacture computers based on it, and Bill Joy to develop a Unix-based OS for the computer.
- **Sony:** The name was coined by founder Akio Morita. It originated from the Latin word ‘sonus’ meaning sound, and ‘sonny’ a slang used by Americans to refer to a bright youngster. The company was founded in 1946 as Tokyo Telecommunications Engineering with about 20 employees. Today, it has $463 billion in sales and nearly 1,90,000 employees.

- **Yahoo:** The word was invented by Jonathan Swift and used in his book Gulliver’s Travels. It represents a person who is repulsive in appearance and action and is barely human. Yahoo! Founders Jerry Yang and David Filo selected this name because they liked this definition. The name Yahoo! is also an acronym for “Yet Another Hierarchical Officious Oracle”.


### 1.4 MEANING AND ROLE OF PACKAGING AND LABELLING

Packaging involves the activities of designing and producing the container or wrapper of a product. The package includes a product’s primary container (the tube of Pepsodent toothpaste), and also a secondary packing (the outer cardboard box). It can also include a shipping package (a large box in which assortments of 1 dozen or more are put for storage and transport). Labelling, i.e., product, brand, and price information printed on the package, is also part of packaging.

Packaging’s primary function is to contain and protect the product. Traditionally, the other purposes of packaging were to provide for easy moving, handling and transportation, provide for easy placement and display on store shelves, prevent or reduce the possibility of pilferage or theft, and prevent tampering or adulteration (especially food and drugs).

Today, under competitive market conditions, packages and labels are increasingly viewed as a key part of a company’s integrated marketing communications programme. It makes little sense to spend lakhs of rupees on advertising only to lose the sale in the retail store because of a lacklustre, dull package design that does not communicate to potential customers. A package design must stand out among the clutter in the shops. The package must tell customers what is inside and why the brand should be purchased.

In most of the retail outlets, the employees may not know anything about the products that are displayed on the shelves. Therefore, the product’s package is the last opportunity to make an impression on a customer – packaging acts as a silent salesman.

Marketing surveys have revealed that only 30 per cent of normal household purchases are planned prior to reaching a retail store. This means 70 per cent of purchase decisions are made in the store. Other research indicates that when consumers walk within 10 to 15 feet of a product, the brand has three seconds to make contact with the consumer. Most retail purchase decisions are made based on familiarity with a brand or product at the retail store. Consequently, a unique package that is attractive or captures the buyers’ attention increases the chances the product will be purchased, sometimes as an impulse buy.

As a silent salesman, packaging performs many sales tasks like attracting attention, describing the product (ingredients, usage, nutritional data, etc.), creating consumer confidence and making the sale. Packaging creates instant product and brand recognition by the buyers and helps to influence buyers in retail shops and supermarkets. E.g. Cinthol powder with its red colour pack, Parachute coconut oil with its blue colour pack, Bru coffee with its green colour, stand out among the clutter. Shabbily designed packaging can cause headaches for buyers and result in lost sales for the company.
Consumers nowadays tend to buy packages that are eye-catching, convenient to handle and use, and contemporary.

Package of BRU as Example

<table>
<thead>
<tr>
<th>Box 1.10: Packaging gives Information</th>
<th>Example: BRU</th>
</tr>
</thead>
<tbody>
<tr>
<td>It Communicates</td>
<td>Example: BRU</td>
</tr>
<tr>
<td>1. Quantity or weight of contents</td>
<td>1. 50 gms.</td>
</tr>
<tr>
<td>2. Ingredients used or contained</td>
<td>2. Instant coffee-chicory mixture, Coffee 70% chicory 30%.</td>
</tr>
<tr>
<td>3. Brand name/manufacturer’s or marketer’s identity.</td>
<td>3. BRU Mfd. by Hindustan Lever Ltd.</td>
</tr>
<tr>
<td>5. Instructions to use</td>
<td>5. Prepare with fresh boiling water or milk.</td>
</tr>
<tr>
<td>6. Price (Maximum Retail Price)</td>
<td>6. MRP: ₹ 37.00 (incl. of all taxes)</td>
</tr>
</tbody>
</table>
| 7. Other messages or information to the consumer | 7. (a) PKD: 10/2005  
Best before 18 months from date of packing  
(b) Write to us or e-mail us.  
(c) ₹ 2.50 off. |

Labelling

Labelling can vary from simple tags attached to products to complex graphics that are part of the package. Label identifies the product or brand, describes several things about the product like manufacturer’s name, place of manufacture, date, contents, using instructions and safety precautions. Label can also promote the product through attractive graphics.

To control misleading, false or deceptive labels or packages, several acts have been passed by the Government like the Packaged Commodities (Regulation) Order, 1975. In recent times, packaging has statutory regulations like printing of Maximum Retail Price (MRP), expiry date, nutritional value specification, fat content data, etc.
Benefits of packaging and labelling 

Packaging and labelling provide the following benefits:

2. Protects the contents.
3. Communicates the product attributes to consumers.
4. Helps in product handling and display on racks in retail outlets.
5. Facilitates quick identification of brand name and manufacturer.
6. Promotes the product with attractive design and colours.
7. Keeps costs down.
8. Provides information on the ingredients of the product, usage instructions, MRP, date of manufacture and date of expiry, etc.
10. Facilitates building brand image, brand associations, brand loyalty and brand equity.
11. Packages which are bio-degradable, or made out of recycled materials appeal to customers who are concerned about protecting the environment. These packages are easily disposable and do not affect the environment like tin or plastic.
12. Packages like reusable jars of coffee and health drinks add utility value to customers who can use them in the kitchen, and benefit manufacturers as an in-house reminder of the brand for a longer period.

Packaging Strategies

Packaging has emerged as one of the most potent marketing tools in modern times. Product successes have also come to be closely related to new packaging successes more than new product innovations. Packaging strategies have thus become an important decision area in marketing management. The strategies for packaging provide many variations as discussed below:

**Package changes:** Two reasons could make the management consider a package change. One is to combat a decrease in sales and the other, to expand a market by attracting new groups of customers. Sometimes a company may want to take advantage of some materials like paper cartons or pet jars for a package change. Some companies change their containers to support new promotional programmes. A new package may be used as a major appeal in advertising copy or because the old container may not show up well in advertisements.

**Packaging the Product Line**

A company may decide whether to develop a family resemblance in the packing of its many products. Family packing involves the use of identical package for all products or the use of packages with some common feature. Shahnaz Hussain’s Herbal, for example, uses virtually identical packaging which generally parallels its feelings about family branding. When new products are added to a line, promotional values associated with old products extend to the new ones. Family packaging should be used only when the products are related in use and are of similar quality.

**Reusable Packaging**

Reusable packaging is another strategy to be considered, which is very popular among the FMCG marketers. The reusable container can serve other purposes; say as kitchen containers, after the original contents have been consumed. Coffee, tea, oats, Horlicks, etc., are packed often in reusable
containers. These packages also help in reminding the customers, of the product, for a long period, when the containers are used in the kitchen. Some reusable packages also encourage repeat purchases as the housewife attempts to collect a matching set of containers for use in the kitchen or store room.

**Multiple Packaging**

There is a new trend towards multiple packaging or the practice of placing many units in one package. Ready to eat packaged food of MTR, dehydrated soups, chocolates, handkerchiefs and towels, bed sheets, etc., are sometimes packed in bundles of three or more together, in single packs. This is a promotional means to increase total sale of a product, as a few packets are sold together in a package or bundle. Sometimes these are promoted with a discounted price for the bundled pack, or as ‘buy 2 get 1 free’ scheme.

**Legal Aspects of Packaging**

As per the Packaged Commodities (Regulation) Order of the Government of India, packages have to carry specified information like Maximum Retail Price (MRP), date of manufacture and expiry, guarantee period, place where manufactured, batch no., volume or weight of contents, ingredients, etc. The package should also be safe and if necessary, warning labels on hazardous materials like pesticides, poison - keep away from children, highly inflammable - keep away from fire and heat, etc. should be provided. Products which conform to prescribed standards and have been certified as such have to bear the markings of AGMARK, BIS, Eco label, etc., on the package. It is illegal to copy the packaging design of the competitor (though some companies do this to get quick sales).

**Cost Effectiveness of Packaging**

Packaging should be cost-effective. It is important to analyse the costs involved in packaging against the benefits generated additionally. The company has to decide whether it should go for expensive packaging or ordinary one, whether to do in-company packing or to outsource packaging, whether packaging machinery is to be purchased or to resort to manual packing, and whether the benefits to consumer will be tangible or not.

**Social Aspects of Packaging**

There are some who feel that expensive packages are a waste of resources. Fancy expensive packages, according to them, not only raises the cost of the product to the consumer, but also leads to peculiar cases where the cost of the package is higher than the cost of the contents (like perfume in cut-glass bottles). But most marketers believe that ordinary packaging will diminish the edge of competitiveness and the drive for innovation would no longer exist. Another social concern is the disposal of non-biodegradable packages of consumer goods after the contents are used which result in piling up of solid waste. This creates unnecessary pollution in the environment resulting in ecological imbalance problems. Some types of packaging materials are difficult to destroy and are not reusable either. These reasons have made many marketing companies adopt fully bio-degradable or reusable or recycled packaging materials nowadays.

**1.5 CONCEPTS AND CHARACTERISTICS OF PRODUCT LIFE CYCLE AND STRATEGIES INVOLVED**

A product’s sales potential and profitability change over time. The Product Life Cycle (PLC) is the course of a product’s sales and profits over its life-time. It involves five distinct stages:
1. Product development
2. Introduction
3. Growth
4. Maturity
5. Decline

Corresponding to these stages are distinct opportunities and problems with respect to marketing strategy and profit potential. By identifying the stage that a product is in, or may be headed toward, companies can formulate better marketing plans.

**Stages in PLC and Marketing Strategies**

The PLC concept shows the sales history of a typical product as following a bell-shaped curve, depicting the five different stages.

![Fig. 1.4: Sales and Profits Over the Product’s Life](image)

**1. Product Development Stage**

Product development begins when the company finds and develops a new-product idea. The process involves idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, test marketing, and commercialization.

**2. Introduction Stage**

The introduction stage starts when the new product is launched commercially and made available for purchase. It takes time to fill dealer pipelines and roll out the product in several markets. So the sales growth is bound to be low.
In this stage, profits are negative or low because of the low sales and heavy distribution and promotion expenses. Much money is needed to attract distributors and fill the pipelines. Promotional expenditures are at their highest ratio to sales because of the need for a high level of promotional effort to (i) inform potential customers of the new and unknown product, (ii) induce trial of the product, and (iii) secure distribution in retail outlets.

Marketing Strategies

While launching a new product, marketing management can set a high or a low level for each marketing variable, such as price, promotion, distribution and product quality. Considering only price and promotion, marketing management can pursue one of the four strategies as below:

(a) **Rapid-skimming strategy:** This consists of launching the new product at a high price and a high promotion level, to skim the market.

(b) **Slow-skimming strategy:** This consists of launching the new product at a high price and low promotion.

(c) **Rapid-penetration strategy:** Consists of launching the new product at a low price and spending heavily on promotion.

(d) **Slow-penetration strategy:** Consists of launching the new product at a low price and low level of promotion.

3. Growth Stage

The growth stage is marked by a rapid climb in sales. The early adopters like the product, and middle majority consumers start following the lead. New competitors enter the market, attracted by the opportunities for large scale production and profit. They introduce new product features, and this further expands the market. The increased number of competitors leads to an increase in the number of distribution outlets, and factory sales jump just to fill the distribution pipeline.

Prices remain where they are or fall only slightly in so far as demand is increasing quite rapidly. Companies maintain their promotional expenditures at the same or at a slightly higher level to meet competition and continue to educate the market. Sales rise much faster, causing a decline in the promotion-sales ratio.

Profits increase during this stage as promotion costs are spread over a larger volume, and unit manufacturing costs fall faster than price declines, owing to the ‘experience curve’ effect.

Marketing Strategies

During this stage, the firm uses several strategies to sustain market growth as long as possible:

(a) The firm improves product quality and adds new product features and models.

(b) It enters new market segments.

(c) It enters new distribution channels.

(d) It shifts some advertising from building product awareness to bringing about product conviction and purchase.

(e) It lowers prices at the right time to attract the next layer of price-sensitive buyers.

The firm that pursues these market expanding strategies will increase its competitive position.
### Box 1.11: Summary of Product Life Cycle Characteristics, Objectives and Strategies

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Low sales</td>
<td>Rapidly rising sales</td>
<td>Peak sales</td>
<td>Declining sales</td>
</tr>
<tr>
<td>Costs</td>
<td>High cost per customer</td>
<td>Average cost per customer</td>
<td>Low cost per customer</td>
<td>Low cost per customer</td>
</tr>
<tr>
<td>Profits</td>
<td>Negative</td>
<td>Rising profits</td>
<td>High profits</td>
<td>Declining profits</td>
</tr>
<tr>
<td>Customers</td>
<td>Innovators</td>
<td>Early adopters</td>
<td>Middle majority</td>
<td>Laggards</td>
</tr>
<tr>
<td>Competitors</td>
<td>Few</td>
<td>Growing number</td>
<td>Stable number</td>
<td>Declining number</td>
</tr>
</tbody>
</table>

**Marketing Objectives**

|                  | Create product awareness and trial | Maximise market share | Maximise profit while defending market share | Reduce expenditure and milk the brand |

**Strategies**

<table>
<thead>
<tr>
<th></th>
<th>Offer a basic product</th>
<th>Offer product extensions</th>
<th>Diversify brand and service, warranty</th>
<th>Phase out weak items models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Use cost-plus</td>
<td>Price to penetrate market</td>
<td>Price to match or beat competitors</td>
<td>Cut price</td>
</tr>
<tr>
<td>Distribution</td>
<td>Build selective distribution</td>
<td>Build intensive distribution</td>
<td>Build more intensive</td>
<td>Go selective Phase out unprofit distribution table outlets</td>
</tr>
<tr>
<td>Advertising</td>
<td>Build product awareness among early adopters and dealers</td>
<td>Build awareness and interest in the mass market</td>
<td>Stress brand differences and benefits</td>
<td>Reduce to level needed to retain hard core loyals</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>Use heavy sales promotion to entice trial</td>
<td>Reduce to take advantage of heavy consumer demand</td>
<td>Increase to encourage brand switching</td>
<td>Reduce to minimal level</td>
</tr>
</tbody>
</table>

**Source:** Philip Kotler, Marketing Management, Prentice Hall.

### 4. Maturity Stage

At some point in its life cycle, a product’s rate of growth will slow down, and the product will enter a stage of relative maturity. This stage normally lasts longer than the previous stages, and it poses formidable challenges to marketing management. Most products are in the maturity stage of the life cycle, and therefore, most of marketing management deals with the mature market.

The maturity stage can be divided into three phases: In the first phase, growth maturity, the sales growth rate starts to decline because of distribution saturation.

The maturity stage can be divided into three phases: In the first phase, growth maturity, the sales growth rate starts to decline because of distribution saturation.

In the second phase, stable maturity, sales become level on a per capita basis because of market saturation.

In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers start moving toward other products and substitutes.
Marketing Strategies

(a) Market Modification: The company should seek to expand the market for its brand by working with the two factors that make up sales volume.

\[ \text{Volume} = \text{Number of brand users} \times \text{Usage rate per user} \]

The company can try to expand the number of brand users by converting non-users, entering new market segments, and by winning competitors’ customers. Volume can also be increased by getting current brand users to increase their annual usage of the brand. The strategies are more frequent use, more usage per occasion, and new and more varied uses.

(b) Product Modification: Managers also try to turn sales around by modifying the product’s characteristics in a way that will attract new users and/or more usage from current users. The product relaunch can take several forms like quality improvements, feature improvements, and style improvements.

(c) Marketing Mix Modification: The product manager should also try to stimulate sales through modifying one or more marketing mix elements like price, distribution, advertising, sales promotion, personal selling and services.

5. Decline Stage

The sales of most product forms and brands eventually decline. The sales decline may be slow or rapid. Sales may plunge to zero, or they may petrify at a low level and continue for many years at that level.

Sales decline for a number of reasons, including technological advances, consumer shifts in tastes, and increased domestic and foreign competition. All of these lead to overcapacity, increased price cutting, and profit erosion.

As sales and profits decline, some firms withdraw from the market. Those remaining may reduce the number of product offerings. They drop smaller market segments and marginal trade channels. They may cut the promotion budget and reduce their prices further.

Unless strong reasons for retention exist, carrying a weak product is very costly to the firm.
Box 1.12: HLL to Revive Ailing Kissan, Annapurna

Hindustan Lever Ltd. (HLL) is reviving its ailing food brands which have reached the declining stage. Kissan is slated for a major relaunch shortly, while Annapurna atta is likely to gain national status once again with improved formulation and packaging.

Sources say HLL is anticipating tough competition from ITC in jams and sauces. The latter is expected to enter the category shortly and Lever fears aggressive pricing and innovative products from it in this category as well.

The tobacco company has already made rapid inroads into large categories such as atta, biscuits, spices and ready-to-eat food, eating away shares of market leaders. ITC’s Aashirwad atta is the largest selling brand with a market share in excess of 35%.

HLL is planning to relaunch salt, atta and jam with new, contemporary packing and significantly improved mix. The company has plans to make Annapurna atta a national brand once again. HLL had withdrawn atta from the north Indian markets, where it sells most, because of extremely low margins. At present, it sells atta in some select markets of the South where it charges a higher premium owing to subdued competition.

Analysts say HLL’s failure in understanding local tastes and identifying fast growth categories has resulted in losses in recent years.

Attempts to launch products such as atta and salt under the Annapurna brand have failed to take off. Most of HLL’s innovations in the ready-to-eat segment and instant foods never left the test-marketing stage. Max Confectionery and Modern Biscuits also failed to make a dent in the market.

Food items constitute around 55% of Unilever’s turnover while they contribute just around 6% to HLL’s revenues. The overall revenues from the foods business dropped between 1998 and 2004 from ₹2,731 crore to ₹1,565 crore.


Marketing Strategies

A company faces a number of tasks and decisions to handle its ageing products. Identifying the weak products is normally done by a product review committee. They must decide whether to ‘maintain’ the product without change, hoping that competitors will drop out of the market; ‘harvest’ the product, reducing costs and trying to maintain sales; or drop the product. If the decision is to continue, special marketing strategies are evolved. If the decision is to drop the product, the firm has to decide whether to sell or transfer the product to someone else or drop it completely. It must also decide whether to drop the product quickly or slowly, and the volume of spares inventory needed to service past customers of the product.

The PLC concept is used by marketing managers to interpret product and market dynamics. As a planning tool, the PLC concept characterizes the main marketing challenges in each stage and suggests major alternative marketing strategies the company might pursue. As a control tool, the PLC concept allows the company to compare product performance against similar products in the past. As a forecasting tool, the PLC concept is less useful because sales histories exhibit diverse patterns and the stages are of varying duration.

Box 1.13: Can Sony Sing Again?

When the mighty tumble, the fall can be even more poignant. As the world goes crazy about Apple iPods, misty-eyed middleaged fans of Sony get nostalgic about the 1970s when the walkman was to music what the iPod is now. Sad, but after decades of technological and market leadership, Sony now looks a pale shadow of itself. It has lost the consumer electronics crown to Samsung; it’s under pressure for the gaming title from Microsoft; and in music and movies, it is way behind market leaders. Sony is in dire need of new ideas, fresh initiatives and a bold look at businesses that do not fit the Sony scheme of things.
Brands like Samsung and LG are now perceived by consumers to be far more hep and happening, while Sony is an ageing aunt. Marketing alone cannot save Sony. They must invest heavily in research and technology to develop, build and market new killer products to stage a comeback.

Source: Business & Economy (IIPM), October 2005.

Relevance of PLC

The product life cycle concept is an effective tool of product planning. The bell-shaped normal PLC curve has been widely accepted as a representation of the life cycle of a product having four noticeable stages - a starting phase (introduction stage), a climbing or rising phase (growing stage), a stationary phase (maturity stage) and a decline phase.

The general pattern given above is found to exist in most product classes, though there are a few exceptions. A few examples of products which do not conform to PLC pattern are Barbie Dolls, Blue Jeans, Nike shoes, Johnson & Johnson baby products, etc., where the growth stage continues. However, majority of products, both consumer and industrial, follow the general pattern of PLC.

It must, however, be clearly understood that products do not follow a natural and inevitable cycle of birth, growth and death as organisms and human beings do. The product life cycle that they follow is, to a large extent, the result, and not the cause of marketing strategies. The sales and profit graphs do respond to marketing inputs and a sales decline does not necessarily mean that the product has entered an irreversible decline phase. As the life cycle stages do not have predictable duration and inevitable sequence, the product life cycle concept can at best be used as a general guideline for planning future action. It has to be supplemented by a deep and thorough study of the market and competitive conditions characterising a product in order to serve as a productive planning tool. The usefulness of PLC concept varies in different decision situations. As a planning tool, it emphasises the type of main marketing challenges a product is likely to face in the different phases, and suggests major alternative strategies that may be followed at each stage. As a tool for control, PLC concept enables comparison of product performance against similar products in the past. PLC has got only a limited utility as a forecasting tool as sales histories of products differ widely and the life cycle stages exhibit varying duration.

Operationalising the PLC Concept

In order to utilise the product life cycle effectively, it is necessary to understand how one can unambiguously determine the position of a product in the context of its life cycle. Putting the PLC concept into operation would require the following decisions to be taken.

1. Deciding the unit of analysis

Since the actual shape of product life cycle curve may vary for product form, product class, an individual product and a brand, it is important to decide which particular unit of analysis is being considered. The PLC analysis can be undertaken for each of these units both at the company and the industry level. The importance of explicitly defining a unit of analysis becomes clear when we consider an example. Should all TV sets be considered or should the focus be on colour TV sets or LED TV sets? There are no set rules prescribed as to the correct unit of analysis. Based on their needs and intention of how to use the PLC, the management should define and select the relevant unit of analysis.

2. Defining the relevant target market

Usually, the PLC approach assumes a single homogeneous market, which is further segmented by the difference in adoption behaviour of the consumers - i.e., the early adopters, late adopters, the
laggards. Generally, PLC studies focus on the product’s sales at the total market level. But it is sometimes useful to consider the PLC by type of the market (domestic or international market), distribution patterns (direct marketing or retail distribution) or market segment (individual buyers or business buyers).

3. Identifying the product’s stage in the PLC

There are two decision areas involved here. First, how to determine the stage of a product in the life cycle. Second, how to determine when the product will move from one stage to another. Since the shape of the PLC curve varies widely for products as does the duration of the different stages, it is not possible to assess the stage of a product in the life cycle and its transition to another stage merely by observing the historical (time series) sales graph of the product. An easy operational approach is explained below, as depicted in the figure shown below:

**Percentage Change in Real per Capital Product Sales**

This approach is based on the measurement of the percentage change in real sales from one year to the next year. These changes are plotted as a normal distribution and changes in real sales from year to year is measured. Products having a percentage change less than -.5 are classified as being in the decline stage. Those in the range of +.5 are classified as being in the maturity stage, which is further divided into decaying maturity and stable maturity.

Regarding the duration of a stage in the PLC of a product and the exact point in time, of the transition of a product from one stage to another, no generalised conclusions can be drawn. Since the duration of each PLC stage depends on a large number of variables like product characterisation, market acceptance and competitive action, all these have to be reckoned to draw conclusions.
4. Defining the unit of measurement

Even though most analysis of PLC is based on actual sales, it is important to determine the following factors:

(a) Whether to use sales (quantity) or rupee sales (sales value) as unit of measurement.
(b) Should actual sales figures or adjusted sales figures be used?
(c) Should real or projected prices be used as units of measurement
(d) Should sales be allowed to function as the sole yardstick or other criteria like profit and market share be used to estimate PLC curve.

5. Determining the time unit

Generally the basis of PLC analysis will be the annual sales data. Because of the reason the life periods of some products are shortening and because some classes of products are prone to wide seasonal fluctuations, it may sometimes be considered desirable to use quarterly or monthly data to develop PLC graphs. Depending on its needs and the product characteristics, the management must decide in advance what the unit of time chosen for the analysis should be.

Using PLC for Marketing Strategy

While considering the possible relationship between marketing strategy and the product’s life cycle, the decision area is to see whether companies should adopt their marketing efforts according to the product life cycle, or whether the company’s marketing strategy can change the cause of the product life cycle. Generally, most studies of the determinants of product sales are not concerned directly with the product’s PLC. Knowledge of the product’s stage in its life cycle provides useful but only partial input for the design of product’s marketing strategy.

Marketing specialists have frequently been giving recommendations regarding the type and level of advertising, product modifications, pricing, distribution and other product/marketing activities required at each of the product cycle stages. Some of the common recommendations are explained below. However, these are to be taken only as general guidelines, and not as rules.

Advertising

In the case of a new product, at the introductory stage, advertising strategy will aim at creating awareness by informing customers about the existence, advantages and utility of the product. Heavy budgets are required for success of the diffusion process. During the growth stage, advertising stresses the merits of the products in comparison with competing products or brand (comparative advertisement). In maturity stage, advertising attempts to create impressions of product differentiation. It appeals to pride or esteem or lifestyle and other non-monetary utilities, Massive advertising campaigns attempt to attract attention, especially for product repositioning. Finally, in the decline stage, if the company feels nothing can be done to revive the product’s demand, the advertising expenses are reduced.

Product Modifications

Modifications to the product are made at different stages of the product life cycle. At the introduction stage, a new product is launched; at the growth stage, products are modified (like Surf becoming Surf Ultra); at the maturity stage, further product modifications and differentiation takes place (like Surf Washomatic for use in washing machines); at the decline stage, product diversification is resorted to (like introduction of Wheel by HUL to fight competition from low priced Nirma which took away about 40% of Surf’s market share)
Pricing

At the introductory stage, some companies use the skimming price strategy or penetration price strategy, depending upon the nature of the product and the market conditions. Generally, price is believed to be high at the introductory period and to decline with the product life cycle stages, as it becomes an increasingly important competitive weapon, especially at the stages of growth, maturity and decline. Although price cutting is very common in many industries as the product matures, many marketing managers prefer to engage in non-price competition. However, when competition is very severe, many companies resort to price-wars to regain or sustain the market share. Examples are mobile handsets of Nokia, PCs and laptops, mobile service providers like DOCOMO, etc.

Price cutting in the maturity stage, though common, is far less important than changes in the product, promotion and distribution policies.

Distribution

Usually, the distribution network will be minimal at the introduction stage, and expands to reach its full coverage at the growth stage, when retail outlets start seeking the product. At the maturity stage, retail outlets are the first to suffer from changes in consumer purchase patterns and demand, and companies start losing outlets. At the same time efforts are made by companies to establish new methods of distribution like bypassing the wholesalers, direct marketing and online sales using the Internet.

It is to be emphasised that there is no single marketing strategy for any specific PLC stage for a product. It is important for the management to consider the decision context, the nature of the product, competition, market conditions, and other factors before using PLC for marketing strategy formulation. Very often, a combination of different guidelines may be required for this purpose.

QUESTIONS

1. New product development is a growth strategy – Discuss.
2. Discuss the classification of new products as per Booz, Allen and Hamilton.
3. Explain the stages in new product development process.
4. Differentiate between test marketing and commercialisation in the context of new products.
5. Discuss about two examples of new products launched recently in India.
6. Explain the diffusion process and the adoption process.
7. ‘Package is a silent salesman.’ Do you agree? Why?
8. Explain David Aaker’s brand equity model using a diagram.
10. What are the important brand strategy decisions? Give examples for each.
11. Discuss the various product differentiation strategies used by companies.
12. Explain the stages of the product life cycle using a diagram.
13. Write short notes on five popular products which have reached the decline stage.
14. Discuss how marketing strategies change during the product’s life cycle.
15. What are the factors contributing to a product’s decline stage? What are the options available to the management at this stage?