Managing Successful Products, Services, and Brands

10

ARNING BJECTIVES

ter reading this chapter u should be able to:

O1 Explain the product life-cycle concept.

O2 Identify ways that marketing executives manage a product's life cycle.

O3 Recognize the importance of branding and alternative branding strategies.

LO4 Describe the role of packaging and labeling in the marketing of a product.

LO5 Recognize how the four Ps framework is expanded in the marketing of services.

GATORADE: BRINGING SCIENCE TO SWEAT

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

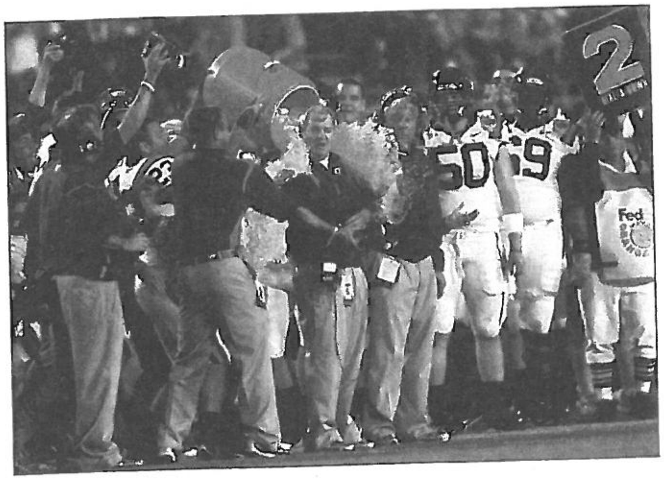
Like Kleenex in the tissue market, Jell-O among gelatin desserts, and Scotch for cellophane tape, Gatorade is synonymous with sports drinks. Concocted in 1965 at the University of Florida as a rehydration beverage for the school's football team, the drink was coined "Gatorade" by an opposing team's coach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

The Quaker Oats Company acquired Stokely-Van Camp in 1983 and quickly increased Gatorade sales through a variety of means. More flavors were added. Multiple package sizes were offered using different containers. Distribution expanded from convenience stores and supermarkets to mass merchandisers such as Walmart. Consistent advertising and promotion effectively conveyed the product's unique performance benefits and links to athletic competition. International opportunities were vigorously pursued. Today, Gatorade is sold in more than 80 countries and is now a global brand.

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

Brand development accelerated after PepsiCo Inc. purchased Quaker Oats and the Gatorade brand in 2001. Gatorade Xtremo, developed with a bilingual label for Latino consumers, was launched in 2002. Gatorade X-Factor followed in 2003. In 2005, Gatorade Endurance Formula was created for serious runners, construction workers, and other people doing long, sweaty workouts. Gatorade Rain, a lighter tasting version of regular Gatorade, arrived in 2006. In 2007, Gatorade AM, with no caffeine, debuted for the morning workout consumer. A low-calorie Gatorade called G2 appeared in 2008.

In 2009, Gatorade executives unleashed a bevy of enhanced beverages in bold new packaging. "Just like any good athlete, Gatorade is taking it to the next level," said Gatorade's chief marketing officer. "Whether you're in it for the win, for the thrill or for better health, if your body is moving, Gatorade sees you as an athlete, and we're inviting you



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

into the brand." According to a company announcement, "The new Gatorade attitude would be most visible through a total packaging redesign." For example, Gatorade Thirst Quencher was redesigned to display the letter G front and center along with the brand's iconic bolt. "For Gatorade, G represents the heart, hustle, and soul of athleticism and will become a badge of pride for anyone who sweats, no matter where they're active."

To differentiate the range of Gatorade offerings from the traditional Gatorade Thirst Quencher, newly enhanced beverages conveyed the attitude of a tough-love coach or personal trainer through in-your-face names on the label and nutrition benefits inside. For example, Gatorade Fierce became Bring It and Gatorade X-Factor became Be Tough. Continuing product development efforts guided the creation of the G Series of products in 2010 and 2011 "that goes beyond hydration to provide fuel, fluid, and nutrients before, during, and after the game." Gatorade Prime 01 was formulated to be consumed before a game. Gatorade Perform 02 was designed for consumption during a game. Gatorade Recover 03 was created for use after a game for rehydration and to promote muscle recovery. Starting in 2012, these products were supported with the "Win From Within" advertising campaign.[1]

QR 10–1
Gatorade Ad

The marketing of Gatorade illustrates continuous product development and masterful brand management in a dynamic marketplace. Not surprisingly, Gatorade remains a vibrant multibillion-dollar brand some 45 years after its creation. This chapter shows how the actions taken by Gatorade executives exemplify those made by successful marketers.

CHARTING THE PRODUCT LIFE CYCLE

LO1

product life cycle
The stages a new product goes through in the marketplace: introduction, growth, maturity, and decline.

Products, like people, are viewed as having a life cycle. The concept of the **product life cycle** describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline (Figure 10–1).[2] The two curves shown in this figure, total industry sales revenue and total industry profit, represent the sum of sales revenue and profit of all firms producing the product. The reasons for the changes in each curve and the marketing decisions involved are detailed next.

Introduction Stage

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

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

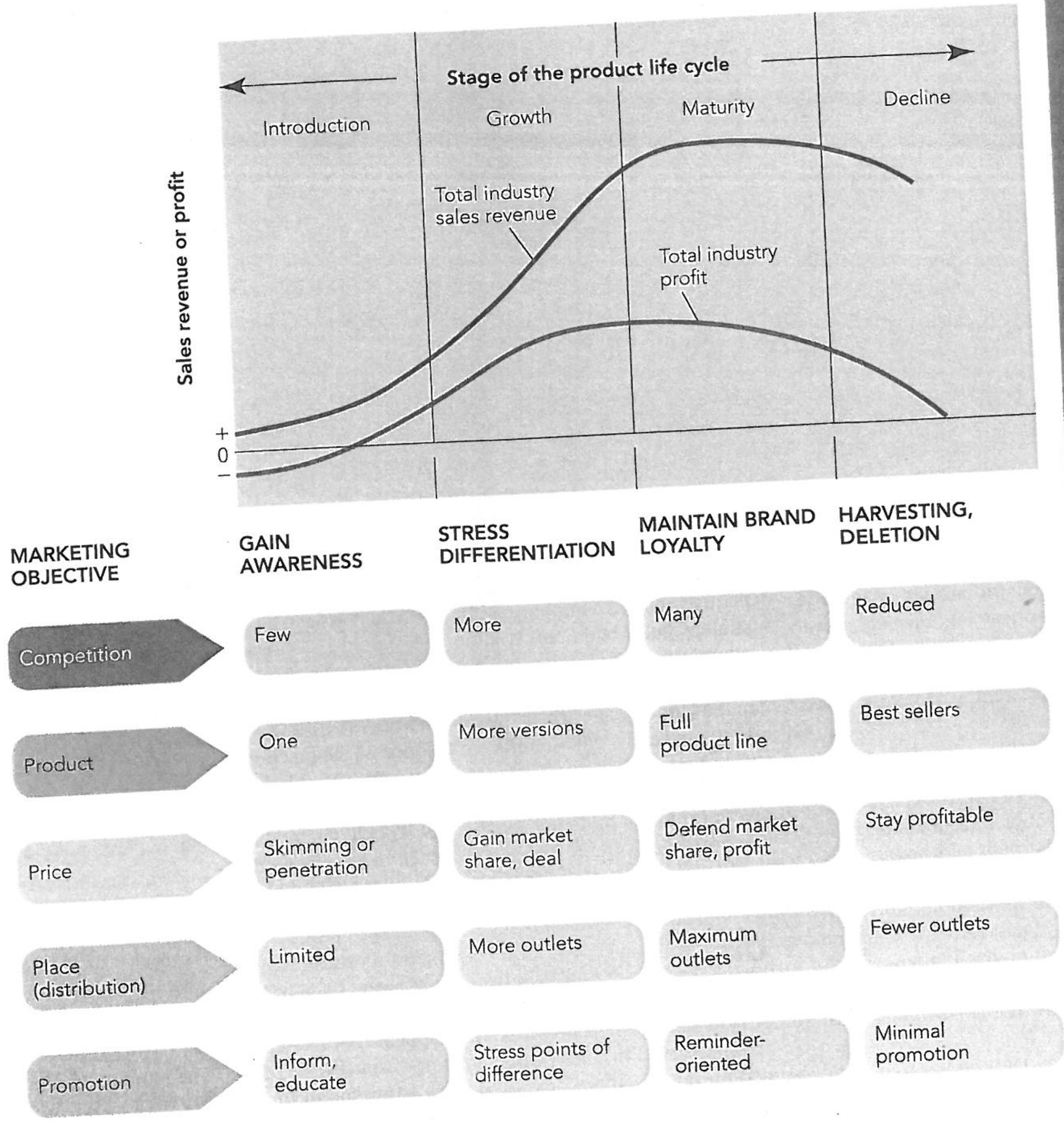


FIGURE 10–1
How stages of the product life cycle relate to a firm's marketing objectives and marketing mix actions.

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

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

During introduction, pricing can be either high or low. A high initial price may be used as part of a *skimming* strategy to help the company recover the costs of development as well as capitalize on the price insensitivity of early buyers. A master of this

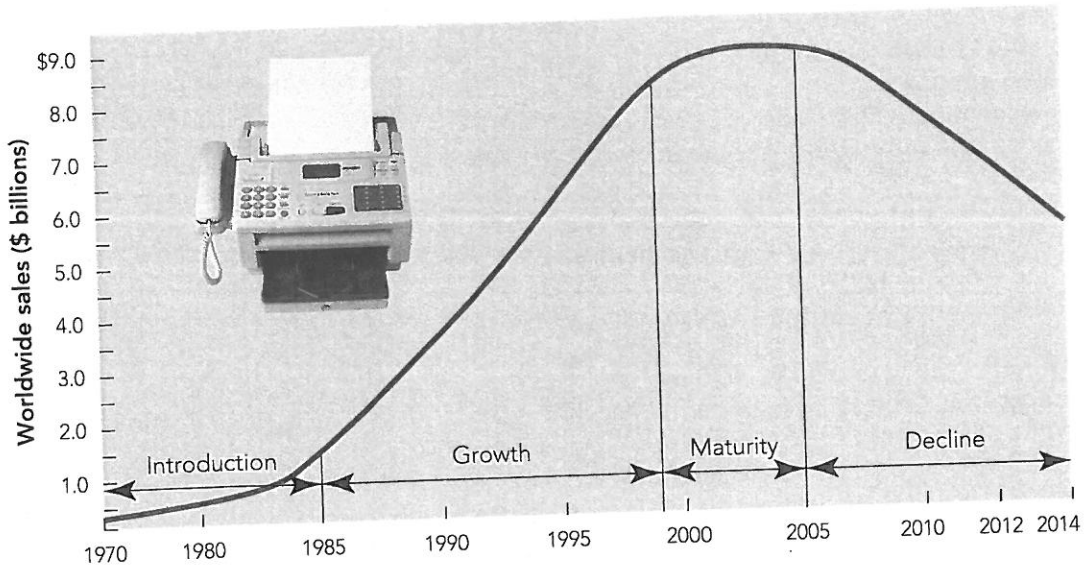


FIGURE 10–2
Product life cycle for the stand-alone fax machine for business use: 1970–2014. All four product life-cycle stages appear: introduction, growth, maturity, and decline.

strategy is 3M. According to a 3M manager, "We hit fast, price high, and get the heck out when the me-too products pour in."[4] High prices tend to attract competitors eager to enter the market because they see the opportunity for profit. To discourage competitive entry, a company can price low, referred to as *penetration pricing*. This pricing strategy helps build unit volume, but a company must closely monitor costs. These and other pricing techniques are covered in Chapter 11.

Figure 10–2 charts the stand-alone fax machine product life cycle for business use in the United States from the early 1970s to 2014.[5] As shown, sales grew slowly in the 1970s and early 1980s after Xerox pioneered the first portable fax machine. Fax machines were first sold direct to businesses by company salespeople and were premium priced. The average price for a fax machine in 1980 was a hefty $12,700. Those fax machines were primitive by today's standards. They contained mechanical parts, not electronic circuitry, and offered few features seen in today's models.

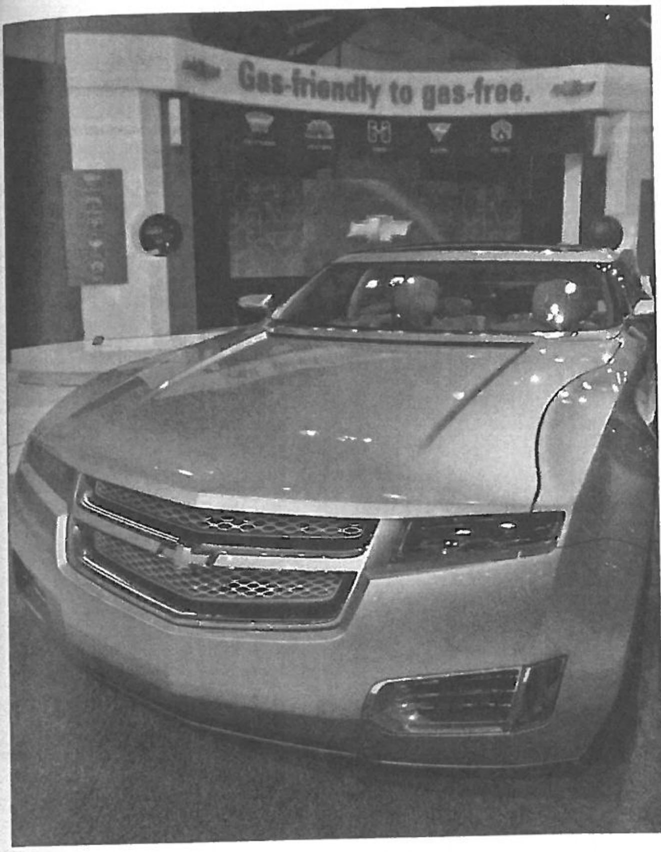
Several product classes are in the introductory stage of the product life cycle today. These include OLED 3D SmartTV and electric-powered automobiles.

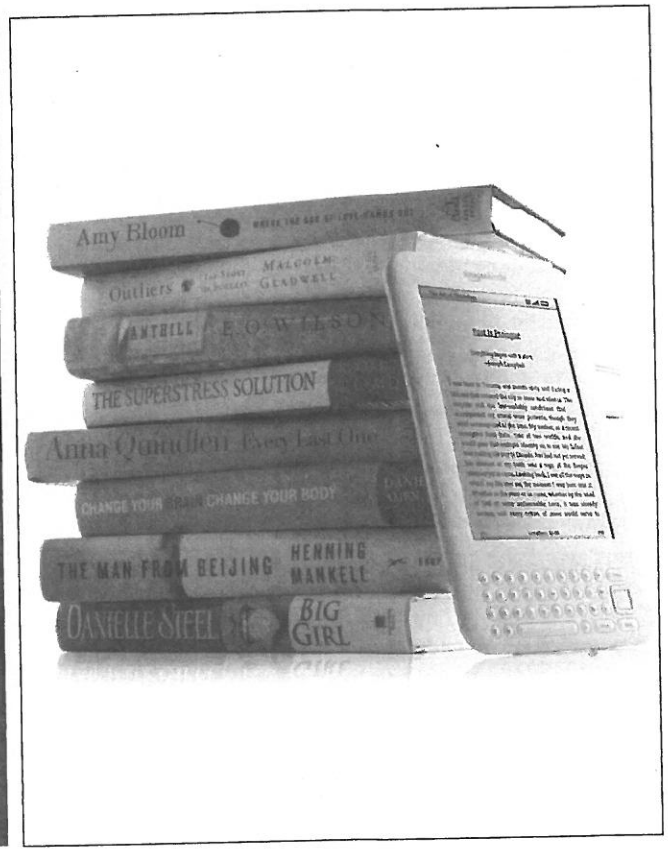
Growth Stage

The growth stage of the product life cycle is characterized by rapid increases in sales. It is in this stage that competitors appear. For example, Figure 10–2 shows the dramatic increase in sales of fax machines from 1986 to 1998. The number of companies selling fax machines also increased, from one in the early 1970s to four in the late 1970s to seven manufacturers in 1983, which sold nine brands. By 1998 there were some 25 manufacturers and 60 brands from which to choose.

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

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





Electric automobiles like the Volt made by General Motors are in the introductory stage of the product life cycle. By comparison, e-book readers such as Kindle offered by Amazon are in the growth stage of the product life cycle. Each product faces unique challenges based on its product life-cycle stage.

General Motors Company
www.gm.com

Amazon
www.amazon.com

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

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

Numerous product classes or industries are in the growth stage of the product life cycle today. Examples include smartphones and e-book readers.

Maturity Stage

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

Marketing attention in the maturity stage is often directed toward holding market share through further product differentiation and finding new buyers. Fax machine manufacturers developed Internet-enabled multifunctional models with new features such as scanning, copying, and color reproduction. They also designed fax machines suitable for small and home businesses, which today represent a

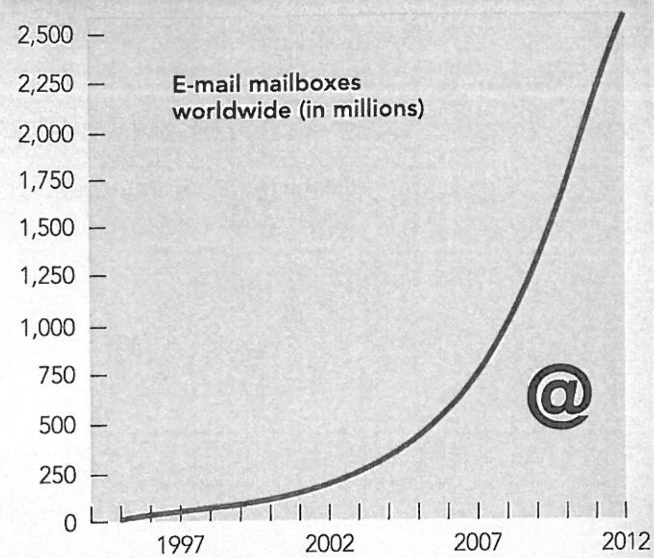
Marketing Matters > > > > > customer value

Will E-mail Spell Extinction for Fax Machines?

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

This question has been debated for years. Even though e-mail continues to grow with broadening Internet access, millions of fax machines are still sold each year. Industry analysts estimate that the number of e-mail mailboxes worldwide will be 2.5 billion in 2012 and will increase to 3.1 billion in 2014. However, the phenomenal popularity of e-mail has not brought fax machines to extinction. Why? The two technologies do not directly compete for the same messaging applications.

E-mail is used for text messages, and faxing is predominately used for communicating formatted documents by business users. Fax usage is expected to increase through 2012, even though unit sales of fax machines have declined on a worldwide basis. Internet technology and e-mail may eventually replace facsimile technology and paper and make fax machines extinct, but not in the immediate future.



substantial portion of sales. Still, a major consideration in a company's strategy in this stage is to control overall marketing cost by improving promotional and distribution efficiency.

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

Numerous product classes and industries are in the maturity stage of their product life cycle today. These include carbonated soft drinks and DVD players.

Decline Stage

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

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

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

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

Three Aspects of the Product Life Cycle

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

Length of the Product Life Cycle There is no set time that it takes a product to move through its life cycle. As a rule, consumer products have shorter life cycles than business products. For example, many new consumer food products such as Frito-Lay's Baked Lay's potato chips move from the introduction stage to maturity in 18 months. The availability of mass communication vehicles informs consumers quickly and shortens life cycles. Also, technological change tends to shorten product life cycles as new-product innovation replaces existing products.

Shape of the Product Life Cycle The product life-cycle sales curve shown in Figure 10–1 is the *generalized life cycle*, but not all products have the same shape to their curve. In fact, there are several life-cycle curves, each type suggesting different marketing strategies. Figure 10–3 shows the shape of life-cycle sales curves for four different types of products: high-learning, low-learning, fashion, and fad products.

A *high-learning product* is one for which significant customer education is required and there is an extended introductory period (Figure 10–3A). It may surprise you, but personal computers had this life-cycle curve. Consumers in the 1980s had to learn the benefits of owning the product or be educated in a new way of performing familiar tasks. Convection ovens for home use required consumers to learn a new way of cooking and alter familiar recipes used with conventional ovens. As a result, these ovens spent years in the introductory period.

In contrast, sales for a *low-learning product* begin immediately because little learning is required by the consumer, and the benefits of purchase are readily understood

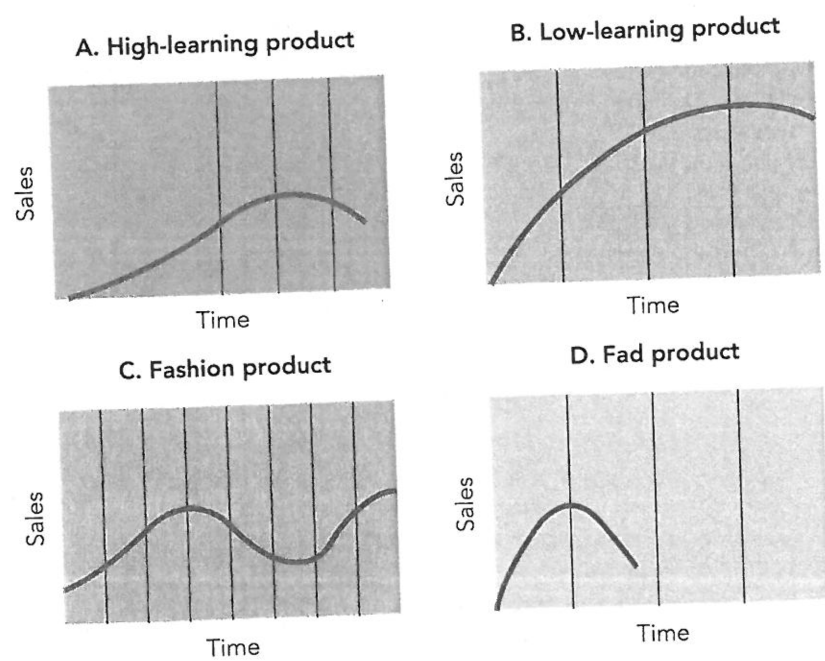


FIGURE 10–3
Alternative product life-cycle curves based on product types. Note the long introduction stage for a high-learning product compared with a low-learning product. Read the text for an explanation of different product life-cycle curves.

(Figure 10–3B). This product often can be easily imitated by competitors, so the marketing strategy is to broaden distribution quickly. In this way, as competitors rapidly enter, most retail outlets already have the innovator's product. It is also important to have the manufacturing capacity to meet demand. A successful low-learning product is Gillette's Fusion razor. This product achieved $1 billion in worldwide sales in less than three years.

A *fashion product* (Figure 10–3C) is a style of the times. Life cycles for fashion products frequently appear in women's and men's apparel. Fashion products are introduced, decline, and then seem to return. The length of the cycles may be months, years, or decades. Consider women's hosiery. Product sales have been declining for years. Women consider it more fashionable to not wear hosiery—bad news for Hanes brands, the leading marketer of women's sheer hosiery. According to an authority on fashion, "Companies might as well let the fashion cycle take its course and wait for the inevitable return of pantyhose."[8]

A *fad* experiences rapid sales on introduction and then an equally rapid decline (Figure 10–3D). These products are typically novelties and have a short life cycle. They include car tattoos, described as the first removable and reusable graphics for automobiles, and vinyl dresses and fleece bikinis.[9]

The Product Life Cycle and Consumers The life cycle of a product depends on sales to consumers. Not all consumers rush to buy a product in the introductory stage, and the shapes of the life-cycle curves indicate that most sales occur after the product has been on the market for some time. In essence, a product diffuses, or spreads, through the population, a concept called the *diffusion of innovation*.[10]

Some people are attracted to a product early. Others buy it only after they see their friends or opinion leaders with the item. Figure 10–4 shows the consumer population divided into five categories of product adopters based on when they adopt a new product. Brief profiles accompany each category. For any product to be successful, it must be purchased by innovators and early adopters. This is why manufacturers of new pharmaceuticals try to gain adoption by respected hospitals, clinics, and physicians. Once accepted by innovators and early adopters, the adoption of new products moves on to the early majority, late majority, and laggard categories.

Several factors affect whether a consumer will adopt a new product or not. Common reasons for resisting a product in the introduction stage are *usage barriers*

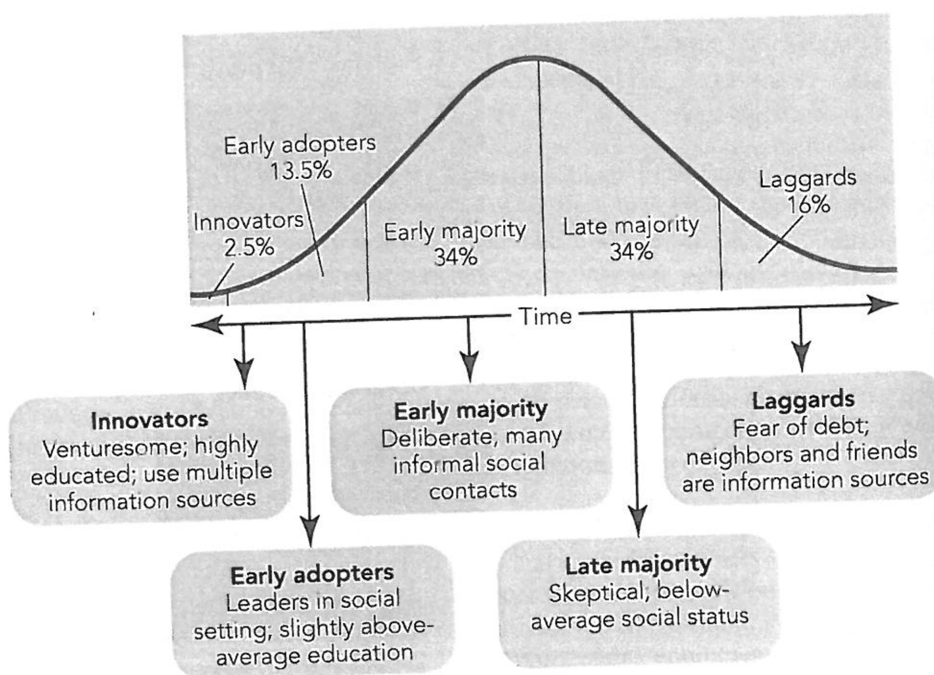


FIGURE 10–4
Five categories and profiles of product adopters. For a product to be successful, it must be purchased by innovators and early adopters.

(the product is not compatible with existing habits), *value barriers* (the product provides no incentive to change), *risk barriers* (physical, economic, or social), and *psychological barriers* (cultural differences or image).[11]

Companies attempt to overcome these barriers in numerous ways. They provide warranties, money-back guarantees, extensive usage instructions, demonstrations, and free samples to stimulate initial trial of new products. For example, software developers offer demonstrations downloaded from the Internet. Cosmetics consumers can browse through the ColorMatch Custom Makeup Selector on Cover Girl's website to find out how certain makeup products will look. Free samples are one of the most popular means to gain consumer trial. In fact, 71 percent of consumers consider a sample to be the best way to evaluate a new product.[12]

learning review

1. Advertising plays a major role in the ____________ stage of the product life cycle, and ____________ plays a major role in maturity.
2. How do high-learning and low-learning products differ?

MANAGING THE PRODUCT LIFE CYCLE

LO2

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

Role of a Product Manager

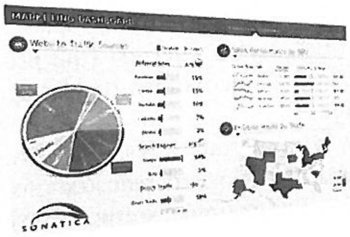
The product manager, sometimes called a *brand manager*, manages the marketing efforts for a close-knit family of products or brands. The product manager style of marketing organization is used by consumer products firms, including Procter & Gamble, General Mills, and PepsiCo, and by industrial firms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

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

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

Modifying the Product

Product modification involves altering one or more of a product's characteristics, such as its quality, performance, or appearance, to increase the product's value to customers and increase sales. Wrinkle-free and stain-resistant clothing made possible by nanotechnology revolutionized the men's and women's apparel business and stimulated industry sales of casual pants, shirts, and blouses.



Using Marketing Dashboards

Knowing Your CDI and BDI

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

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

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

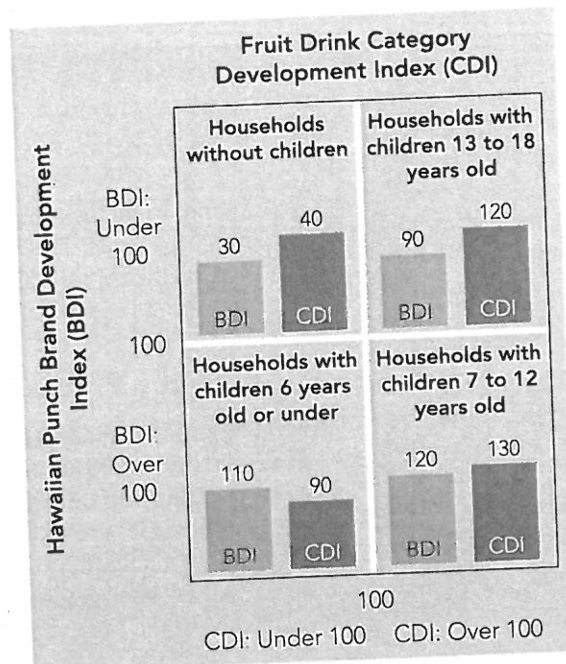
$$\text{Category Development Index (CDI)} = \frac{\text{Percent of a product category's total U.S. sales in a market segment}}{\text{Percent of the total U.S. population in a market segment}} \times 100$$

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

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

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

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



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

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

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

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

Modifying the Market

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

Finding New Customers Produce companies have begun marketing and packaging prunes as dried plums to attract younger buyers. Harley-Davidson has tailored a marketing program to encourage women to take up biking, thus doubling the number of potential customers for its motorcycles.

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

Creating a New Use Situation Finding new uses for an existing product has been the strategy behind Dockers, the U.S. market leader in casual pants. Originally intended as a single pant for every situation, Dockers now promotes different looks for different usage situations: work, weekend, dress, and golf.

QR 10–2
Dockers Ad

Repositioning the Product

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

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

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

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

Changing the Value Offered In repositioning a product, a company can decide to change the value it offers buyers and trade up or down. *Trading up* involves adding

Making Responsible Decisions

Consumer Economics of Downsizing—Get Less, Pay More

For more than 30 years, Starkist put 6.5 ounces of tuna into its regular-sized can. Today, Starkist puts 6.125 ounces of tuna into its can but charges the same price. Frito-Lay (Doritos and Lay's snack chips), PepsiCo (Tropicana orange juice), and Nestlé (Poland Spring and Calistoga bottled waters) have whittled away at package contents 5 to 10 percent while maintaining their products' package size, dimensions, and prices. Kimberly-Clark cut its retail price on its jumbo pack of Huggies diapers from $13.50 to $12.50 but reduced the number of diapers per pack from 48 to 42. Georgia-Pacific reduced the content of its Brawny paper towel six-roll pack by 20 percent without lowering the price.

Consumer advocates charge that downsizing the content of packages while maintaining prices is a subtle and unannounced way of taking advantage of consumer buying habits. They also say downsizing is a price increase in disguise and a deceptive, but legal, practice. Manufacturers argue that this practice is a way of keeping prices from rising beyond psychological barriers for their products.

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

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

Trading down involves reducing the number of features, quality, or price. For example, airlines have added more seats, thus reducing legroom, and limited snack service. Trading down also exists when companies engage in *downsizing*—reducing the package content without changing package size and maintaining or increasing the package price. Firms are criticized for this practice, as described in the Making Responsible Decisions box.[13]

The Milk Processor Education Program (MilkPEP) promotes the nutritional qualities of milk, notably vitamin D, in its advertising to capitalize on the growing consumer interest in foods that offer health and dietary benefits.

The Milk Processor Education Program
www.whymilk.com

learning review

3. What does "creating a new use situation" mean in managing a product's life cycle?
4. Explain the difference between trading up and trading down in product repositioning.

BRANDING AND BRAND MANAGEMENT

LO3

branding
An organization's use of a name, phrase, design, symbol, or combination of these to identify and distinguish its products.

brand name
Any word, device (design, shape, sound, or color), or combination of these used to distinguish a seller's goods or services.

brand personality
A set of human characteristics associated with a brand name.

QR 10–3
Dr Pepper Ad

brand equity
The added value a brand name gives to a product beyond the functional benefits provided.

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

Consumers may benefit most from branding. Recognizing competing products by distinct trademarks allows them to be more efficient shoppers. Consumers can recognize and avoid products with which they are dissatisfied, while becoming loyal to other, more satisfying brands. As discussed in Chapter 4, brand loyalty often eases consumers' decision making by eliminating the need for an external search.

Brand Personality and Brand Equity

Product managers recognize that brands offer more than product identification and a means to distinguish their products from those of competitors.[14] Successful and established brands take on a **brand personality**, a set of human characteristics associated with a brand name. Research shows that consumers assign personality traits to products—traditional, romantic, rugged, sophisticated, rebellious—and choose brands that are consistent with their own or desired self-image. Marketers can and do imbue a brand with a personality through advertising that depicts a certain user or usage situation and conveys emotions or feelings to be associated with the brand. For example, personality traits linked with Coca-Cola are all-American and real; with Pepsi, young and exciting; and with Dr Pepper, nonconforming and unique. The traits often linked to Harley-Davidson are masculinity, defiance, and rugged individualism.

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

Creating Brand Equity Brand equity doesn't just happen. It is carefully crafted and nurtured by marketing programs that forge strong, favorable, and unique customer associations and experiences with a brand. Brand equity resides in the minds of consumers and results from what they have learned, felt, seen, and heard about a brand over time. Marketers recognize that brand equity is not easily or