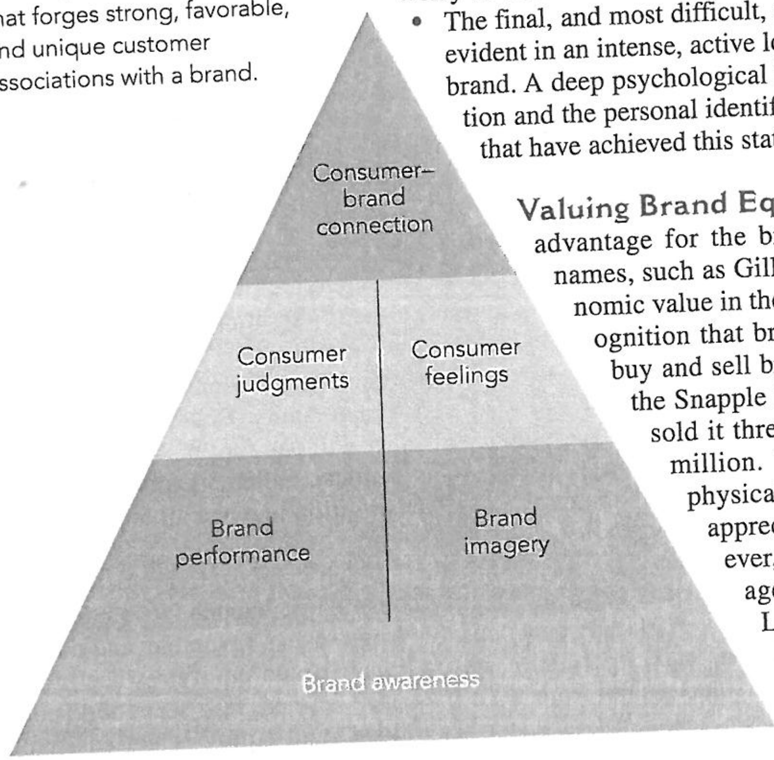
Can you describe brand personality traits for the successful Dr Pepper soft drink brand? Does the rock group KISS align with this brand personality? Read the text to learn what personality traits are often associated with the Dr Pepper brand.

Dr Pepper Snapple Group, Inc.
www.drpeppersnapplegroup.com

quickly achieved. Rather, it arises from a sequential building process consisting of four steps (see Figure 10–5).[15]

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

FIGURE 10–5
The customer-based brand equity pyramid shows the four-step building process that forges strong, favorable, and unique customer associations with a brand.



Valuing Brand Equity Brand equity also provides a financial advantage for the brand owner.[16] Successful, established brand names, such as Gillette, Nike, Gatorade, and Nokia, have an economic value in the sense that they are intangible assets. The recognition that brands are assets is apparent in the decision to buy and sell brands. For example, Triarc Companies bought the Snapple brand from Quaker Oats for $300 million and sold it three years later to Cadbury Schweppes for $900 million. This example illustrates that brands, unlike physical assets that depreciate with time and use, can appreciate in value when effectively marketed. However, brands can lose value when they are not managed properly. Consider the purchase and sale of Lender's Bagels. Kellogg bought the brand for $466 million only to sell it to Aurora Foods for $275 million three years later following deteriorating sales and profits.

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

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

Ralph Lauren Corporation
www.ralphlauren.com

Financially lucrative brand licensing opportunities arise from brand equity.[17] *Brand licensing* is a contractual agreement whereby one company (licensor) allows its brand name(s) or trademark(s) to be used with products or services offered by another company (licensee) for a royalty or fee. Playboy earns over $37 million annually licensing its name and logo for merchandise. Disney makes billions of dollars each year licensing its characters for children's toys, apparel, and games. Winnie the Pooh fees alone exceed $3 billion annually.

Successful brand licensing requires careful marketing analysis to ensure a proper fit between the licensor's brand and the licensee's products. World-renowned designer Ralph Lauren earns over $140 million each year by licensing his Ralph Lauren, Polo, and Chaps brands for dozens of products, including paint by Glidden, furniture by Henredon, footwear by Rockport, eyewear by Luxottica, and fragrances by L'Oreal.[18] Mistakes, such as Kleenex diapers, Bic perfume, and Domino's fruit-flavored bubble gum, are a few examples of poor matches and licensing failures.

Picking a Good Brand Name

We take brand names such as Red Bull, iPad, and Axe for granted, but it is often a difficult and expensive process to pick a good name. Companies will spend between $25,000 and $100,000 to identify and test a new brand name. Five criteria are mentioned most often when selecting a good brand name.[19]

- *The name should suggest the product benefits.* For example, Accutron (watches), Easy Off (oven cleaner), Glass Plus (glass cleaner), Cling-Free (antistatic cloth for drying clothes), Chevy Volt (electric car), and Tidy Bowl (toilet bowl cleaner) all clearly describe the benefits of purchasing the product.
- *The name should be memorable, distinctive, and positive.* In the auto industry, when a competitor has a memorable name, others quickly imitate. When Ford named a car the Mustang, Pinto and Bronco soon followed. The Thunderbird name led to the Phoenix, Eagle, Sunbird, and Firebird.
- *The name should fit the company or product image.* Sharp is a name that can apply to audio and video equipment. Excedrin, Anacin, and Nuprin are scientific-sounding names, good for analgesics. Eveready, Duracell, and DieHard suggest reliability and longevity—two qualities consumers want in a battery.
- *The name should have no legal or regulatory restrictions.* Legal restrictions produce trademark infringement suits, and regulatory restrictions arise through the

improper use of words. For example, the U.S. Food and Drug Administration discourages the use of the word *heart* in food brand names. This restriction led to changing the name of Kellogg's Heartwise cereal to Fiberwise, and Clorox's Hidden Valley Ranch Take Heart Salad Dressing had to be modified to Hidden Valley Ranch Low-Fat Salad Dressing. Increasingly, brand names need a corresponding website address on the Internet. This further complicates name selection because about 140 million domain names are already registered.

- *The name should be simple* (such as Bold laundry detergent, Axe deodorant and body spray, and Bic pens) *and should be emotional* (such as Joy and Obsession perfumes). In the development of names for international use, having a nonmeaningful brand name has been considered a benefit. A name such as Exxon does not have any prior impressions or undesirable images among a diverse world population of different languages and cultures. The 7Up name is another matter. In Shanghai, China, the phrase means "death through drinking" in the local dialect. Sales have suffered as a result.

Branding Strategies

Companies can employ several different branding strategies, including multiproduct branding, multibranding, private branding, or mixed branding (see Figure 10–6).

multiproduct branding
A branding strategy in which a company uses one name for all its products in a product class.

Multiproduct Branding Strategy

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

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

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

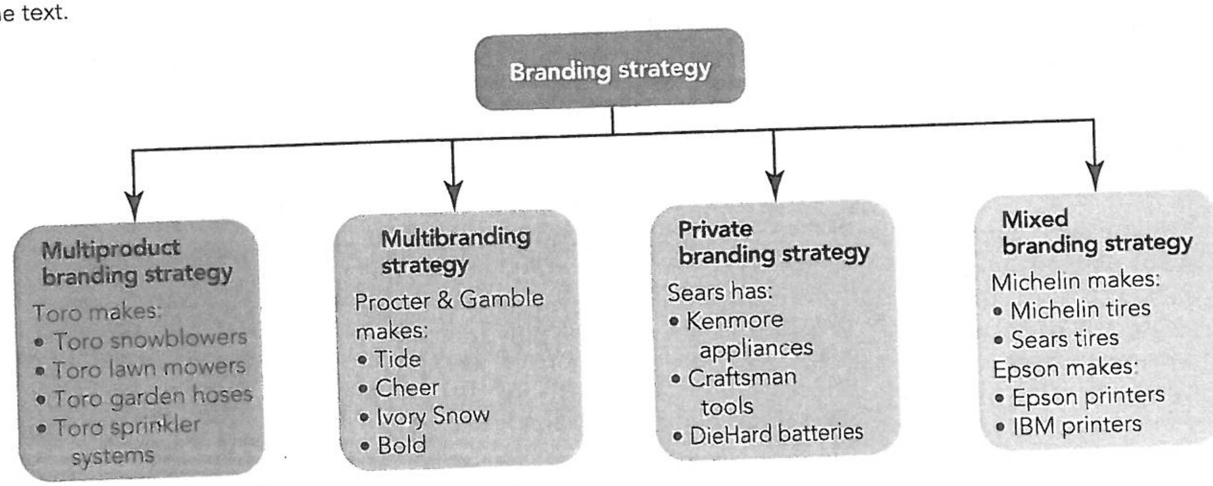


FIGURE 10–6
Alternative branding strategies are available to marketers. Each has advantages and disadvantages described in the text.

when they provide incremental company revenue by taking sales away from competing brands or attracting new buyers.

Some multiproduct branding companies employ *subbranding*, which combines a corporate or family brand with a new brand, to distinguish a part of its product line from others. Gatorade successfully used subbranding with the introduction of Gatorade G2. Similarly, Porsche successfully markets its higher-end Porsche Carrera and its lower-end Porsche Boxster.

Kimberly-Clark was able to leverage the strong Huggies brand equity among mothers when it introduced a full line of baby and toddler toiletries first in the United States and then globally. The success of this brand extension strategy is evident in the $500 million in annual sales generated globally.

Kimberly-Clark Corporation
www.kimberly-clark.com

multibranding
A branding strategy that involves giving each product a distinct name.

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

However, there is a risk with brand extensions. Too many uses for one brand name can dilute the meaning of a brand for consumers. Some marketing experts claim this has happened to the Arm & Hammer brand given its use for toothpaste, laundry detergent, gum, cat litter, air freshener, carpet deodorizer, and antiperspirant.[20]

Multibranding Strategy Alternately, a company can engage in **multibranding**, which involves giving each product a distinct name. Multibranding is a useful strategy when each brand is intended for a different market segment. P&G makes Camay soap for those concerned with soft skin and Safeguard for those who want deodorant protection. Black & Decker markets its line of tools for the household do-it-yourselfer segment with the Black & Decker name but uses the DeWalt name for its professional tool line. Disney uses the Miramax and Touchstone Pictures names for films directed at adults and its Disney name for children's films.

Multibranding is applied in a variety of ways. Some companies array their brands on the basis of price-quality segments.[21] Marriott International offers 18 hotel and resort brands, each suited for a particular traveler experience and budget. To illustrate, Marriott EDITION hotels and Vacation Clubs offer luxury amenities at a premium price. Marriott and Renaissance hotels offer medium- to high-priced accommodations. Courtyard hotels and TownePlace Suites appeal to economy-minded travelers, whereas the Fairfield Inn is for those on a very low travel budget.

Other multibrand companies introduce new product brands as defensive moves to counteract competition. Called *fighting brands*, their chief purpose is to confront competitor brands.[22] For instance, Frito-Lay introduced Santitas brand tortilla chips to go head-to-head against regional tortilla chip brands that were biting into sales of its flagship Doritos and Tostitos brand tortilla chips. Ford launched its Fusion brand to halt the defection of Ford owners who were buying competitors' midsize cars. According to Ford's car group marketing manager, "Every year we were losing around 50,000 people from our products to competitors' midsize cars. We were losing Mustang, Focus, and Taurus owners. Fusion is our interceptor."[23]

Compared with the multiproduct strategy, advertising and promotion costs tend to be higher with multibranding. The company must generate awareness among consumers and retailers for each new brand name without the benefit of any previous impressions. The advantages of this strategy are that each brand is unique to each market segment and there is no risk that a product failure will affect other products in the line. Still, some large multibrand firms have found that the complexity and expense of implementing this strategy can outweigh the benefits. For example, Unilever recently pruned its brands from some 1,600 to 400 through product deletion and sales to other companies.[24]

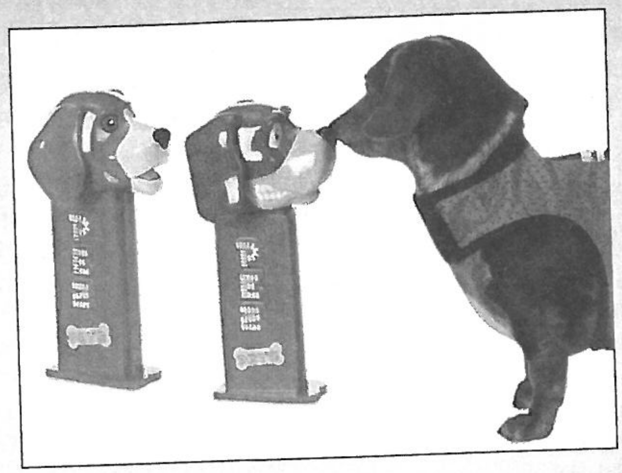
Marketing Matters > > > > > customer value

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

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

Pez was formulated in 1927 by Austrian food mogul Edward Haas III and successfully sold in Europe as an adult breath mint. Pez, which comes from the German word for peppermint, *pfefferminz*, was originally packaged in a hygienic, headless plastic dispenser. Pez first appeared in the United States in 1953 with a headless dispenser, marketed to adults. After conducting extensive marketing research, Pez was repositioned with fruit flavors, repackaged with licensed character heads on top of the dispenser, and remarketed as a children's product in the mid-1950s. Since then, most top-level licensed characters and hundreds of other characters have become Pez heads. Consumers buy about 80 million Pez dispensers and 4.6 billion Pez tablets a year, and company sales growth exceeds that of the candy industry as a whole.

The unique Pez package dispenses a "use experience" for its customers beyond the candy itself, namely, fun. And



fun translates into a 98 percent awareness level for Pez among teenagers and an 89 percent awareness level among mothers with children. Pez has not advertised its product for years. With that kind of awareness, who needs advertising?

Private Branding Strategy A company uses *private branding*, often called *private labeling* or *reseller branding*, when it manufactures products but sells them under the brand name of a wholesaler or retailer. Rayovac, Paragon Trade Brands, and Ralcorp Holdings are major suppliers of private-label alkaline batteries, diapers, and grocery products, respectively. Radio Shack, Costco, Sears, Walmart, and Kroger are large retailers that have their own brand names. Private branding is popular because it typically produces high profits for manufacturers and resellers. Consumers also buy them. It is estimated that one of every five items purchased at U.S. supermarkets, drugstores, and mass merchandisers bears a private brand label.[25]

Mixed Branding Strategy A fourth branding strategy is *mixed branding*, where a firm markets products under its own name(s) and that of a reseller because the segment attracted to the reseller is different from its own market. Beauty and fragrance marketer Elizabeth Arden is an example. The company sells its Elizabeth Arden brand through department stores and a line of skin care products at Walmart with the "skin-simple" brand name. Companies such as Del Monte, Whirlpool, and Dial produce private brands of pet foods, home appliances, and soap, respectively.

PACKAGING AND LABELING PRODUCTS

LO4

The *packaging* component of a product refers to any container in which it is offered for sale and on which label information is conveyed. A *label* is an integral part of the package and typically identifies the product or brand, who made it, where and when it was made, how it is to be used, and package contents and ingredients. To a great extent, the customer's first exposure to a product is the package and label and both are an expensive and important part of marketing strategy. For Pez Candy, Inc., the character head-on-a-stick plastic container that dispenses a miniature tablet candy is the central element of its marketing strategy, as described in the Marketing Matters box.[26]

Creating Customer Value and Competitive Advantage through Packaging and Labeling

Packaging and labeling account for about 15 cents of every dollar spent by consumers for products.[27] Despite their cost, packaging and labeling are essential because both provide important benefits for the manufacturer, retailer, and ultimate consumer. Packaging and labeling also can provide a competitive advantage.

Communication Benefits A major benefit of packaging is the label information on it conveyed to the consumer, such as directions on how, where, and when to use the product and the source and composition of the product, which is needed to satisfy legal requirements of product disclosure. For example, the labeling system for packaged and processed foods in the United States provides a uniform format for nutritional and dietary information. Many packaged foods contain informative recipes to promote usage of the product. Campbell Soup estimates that the green bean casserole recipe on its cream of mushroom soup can accounts for $20 million in soup sales each year![28] Other information consists of seals and symbols, either government required or commercial seals of approval (such as the Good Housekeeping seal).

Functional Benefits Packaging often plays a functional role, such as storage, convenience, protection, or product quality. Storing food containers is one example, and beverage companies have developed lighter and easier ways to stack products on shelves and in refrigerators. Examples include Coca-Cola beverage packs designed to fit neatly onto refrigerator shelves and Ocean Spray Cranberries's rectangular juice bottles that allow 10 units per package versus 8 of its former round bottles.

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

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

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

Cylindrical packaging for Pringles illustrates the functional role of packaging in product and brand management.

Perceptual Benefits A third component of packaging and labeling is the perception created in the consumer's mind. Package and label shape, color, and graphics distinguish one brand from another, convey a brand's positioning, and build brand equity. According to the director of marketing for L'eggs hosiery, "Packaging is important to the positioning and equity of the L'eggs brand."[29] Why? Packaging and labeling have been shown to enhance brand recognition and facilitate the formation of strong, favorable, and unique brand associations.[30] This logic applies to Celestial Seasonings's packaging and labeling, which uses delicate illustrations, soft and warm colors, and quotations about life to reinforce the brand's positioning as a New Age, natural herbal tea.

The distinctive design of Celestial Seasonings's tea boxes reinforces the brand's positioning as a New Age, natural herbal tea.

Successful marketers recognize that changes in packages and labels can update and uphold a brand's image in the customer's mind. Pepsi-Cola embarked on a packaging change to uphold its image among teens and young adults. Beginning in 2007, Pepsi-Cola debuted new graphics on its cans and bottles to reflect the "fun, optimistic, and youthful spirit" of the brand to its customers.[31]

Because labels list a product's source, brands competing in the global marketplace can benefit from "country of origin or manufacture" perceptions as described in Chapter 6. Consumers tend to hold stereotypes about country-product pairings that they judge "best"—English tea, French perfume, Italian leather, and Japanese electronics—which can affect a brand's image. Increasingly, Chinese firms are adopting the English language and Roman letters for their brand labels. This is being done because of a common perception in many Asian countries that "things Western are good."[32]

Packaging and Labeling Challenges and Responses

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

Connecting with Customers Packages and labels must be continually updated to connect with customers. The challenge lies in creating aesthetic and functional design features that attract customer attention and deliver customer value in their use. If done right, the rewards can be huge.[33] For example, the marketing team responsible for Kleenex tissues converted its standard rectangular box into an oval shape with colorful seasonal graphics. Sales soared with this aesthetic change in packaging. After months of in-home research, Kraft product managers discovered that consumers often transferred Chips Ahoy! cookies to jars for easy access and to avoid staleness. The company solved both problems by creating a patented resealable opening on the top of the bag. The result? Sales of the new package doubled that of the old package with the addition of this functional feature.

Environmental Concerns Because of widespread worldwide concern about the growth of solid waste and the shortage of viable landfill sites, the amount, composition, and disposal of packaging material continue to receive much attention. For example, PepsiCo, Coca-Cola, and Nestlé have decreased the amount of plastic in their beverage bottles to reduce solid waste. Recycling packaging material is another major thrust. Procter & Gamble now uses recycled cardboard in over 70 percent of its paper packaging. Its Spic and Span liquid cleaner is packaged in 100 percent recycled material. Other firms, such as Walmart, are emphasizing the use of less packaging material. Since 2008, Walmart has been working with its 600,000 global suppliers to reduce overall packaging and shipping material by 5 percent by 2013.[34]

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

Cost Reduction About 80 percent of packaging material used in the world consists of paper, plastics, and glass. As the cost of these materials rises, companies are constantly challenged to find innovative ways to cut packaging costs while delivering value to their customers. Many food and personal care companies have replaced bottles and cans with sealed plastic or foil pouches. Pouches cut packaging costs by 10 to 15 percent.[35]

MANAGING THE MARKETING OF SERVICES

LO5

In this section we conclude the chapter with a brief discussion of the marketing mix for services. As such, it is necessary to expand the four Ps framework to include people, physical environment, and process, which is referred to as the **seven Ps of services marketing**.[36]

seven Ps of services marketing
Expanding the four Ps framework to include people, physical environment, and process.

Product (Service)

To a large extent, the concepts of the product component of the marketing mix apply equally well to Cheerios (a product) and to American Express (a service). Yet there are two aspects of the product/service element of the mix that warrant special attention when dealing with services: exclusivity and brand name.

Chapter 9 pointed out that one favorable dimension in a new product is its ability to be patented. However, services cannot be patented. Hence the creator of a successful quick-service restaurant chain could quickly discover the concept being copied by others. Domino's Pizza, for example, has seen competitors, such as Pizza Hut, copy the quick delivery advantage that originally propelled the company to success.

Because services are intangible and, therefore, more difficult to describe, the brand name or identifying logo of the service organization is particularly important in consumer decisions. Brand names help make the abstract nature of services more concrete. Service marketers apply branding concepts in the same way as product marketers. Consider American Express. It has applied subbranding with its American Express Green, Gold, Platinum, Optima, Blue, and Centurian credit cards, with unique service offerings for each.

McDonald's familiar Golden Arches logo is an important part of the company's branding.

Price

In the service industries, *price* is referred to in various ways. The terms used vary, depending upon whether the services are provided by hospitals (charges); consultants, lawyers, physicians, or accountants (fees); airlines (fares); or hotels (rates). Regardless of the term used, price plays two essential roles: (1) to affect consumer perceptions and (2) to be used in capacity management. Because of the intangible nature of services, price can indicate the quality of the service. Would you wonder about the quality of a $100 surgery? Studies show that when there are few cues by which to judge the quality of a product or service, consumers use price.[37]

The capacity management role of price is also important to movie theaters, airlines, restaurants, and hotels. Many service businesses use **off-peak pricing**, which consists of charging different prices during different times of the day or days of the week to reflect variations in demand for the service. Airlines offer seasonal discounts and movie theaters offer matinee prices.

off-peak pricing
Charging different prices during different times of the day or days of the week to reflect variations in demand for the service.

Place (Distribution)

Place or distribution is a major factor in developing a service marketing strategy because of the inseparability of services from the producer. Historically, little attention has been paid to distribution in services marketing. But as competition grows, the value

The United States Postal Service uses advertising to stress the convenience of its service.

of convenient distribution is being recognized. Hairstyling chains such as Cost Cutters Family Hair Care, tax preparation offices such as H&R Block, and accounting firms such as PricewaterhouseCoopers all use multiple locations for the distribution of services. In the banking industry, customers of participating banks using the Cirrus system can access any one of thousands of automatic teller systems throughout the United States. The availability of electronic distribution through the Internet now provides global coverage for travel services, banking, entertainment, and many other information-based services.

Promotion

The purpose of promotion for services, specifically advertising, is to show the benefits of using the service. It is valuable to stress availability, location, consistent quality, and efficient, courteous service. Also, services must be concerned with their image. Promotional efforts, such as Merrill Lynch's use of the bull in its ads, contribute to image and positioning strategies. In general, promotional concerns of services are similar to those of products. Another form of promotion, *publicity,* plays a major role in the promotional strategy of nonprofit services and some professional organizations. Nonprofit organizations such as public school districts, the Chicago Symphony Orchestra, religious organizations, and hospitals use publicity to disseminate their messages. Because of the heavy reliance on publicity, many services use *public service announcements* (PSAs). PSAs are free and nonprofit groups tend to rely on them as the foundation of their media plan. However, the timing and location of a PSA are under the control of the medium, not the organization. Thus, the nonprofit service group cannot control who sees the message or when the message is delivered.

People

Many services depend on people for the creation and delivery of the customer service experience. The nature of the interaction between employees and customers strongly influences the customer's perceptions of the service experience. Customers will often judge the quality of the service experience based on the performance of the people providing the service.

This aspect of services marketing has led to a concept called *customer experience management* (CEM), which is the process of managing the entire customer experience with the firm. CEM experts suggest that the process should be intentional, planned, and consistent so that every experience is similar, differentiated from other services, relevant, and valuable to the target market. Companies such as Disney, Southwest Airlines, and Starbucks all manage the experience they offer customers. They integrate their activities to connect with customers at each contact point to move beyond customer relationships to customer loyalty. Zappos.com, an online retailer, requires that all employees complete a four-week customer loyalty training program to deliver one of the company's core concepts—"Deliver WOW through service."[38]

Physical Environment

The appearance of the environment in which the service is delivered and where the firm and customer interact can influence the customer's perception of the service. The physical evidence of the service includes all the tangibles surrounding the service: the buildings, landscaping, vehicles, furnishings, signage, brochures, and equipment. Service firms need to systematically and carefully manage physical evidence and to convey the proper impression of the service to the customer. This is sometimes referred to as impression, or evidence, management.[39] For many services, the physical environment provides an opportunity for the firm to send consistent and strong messages about the nature of the service to be delivered.

Process

Process refers to the actual procedures, mechanisms, and flow of activities by which the service is created and delivered. The actual creation and delivery steps that the customer experiences provide customers with evidence on which to judge the service. These steps involve not only "what" gets created but also "how" it is created. Grease Monkey believes that it has the right process in the vehicle oil change and fluid exchange service business. Customers do not need appointments, stores are open six days per week, the service is completed in 15–20 minutes, and a waiting room allows customers to read or work while the service is being completed.

Most services have a limited capacity due to the inseparability of the service from the service provider and the perishable nature of the service. For example, a patient must be in the hospital at the same time as the surgeon to "buy" an appendectomy, and only one patient can be helped at that time. Similarly, no additional surgery can be conducted tomorrow because of an unused operating room or an available surgeon today—the service capacity is lost if it is not used. So the service component of the marketing mix must be integrated with efforts to influence consumer demand. This is referred to as **capacity management**. Service organizations must manage the availability of the offering so that (1) demand matches capacity over the duration of the demand cycle (for example, one day, week, month, or year), and (2) the organization's assets are used in ways that will maximize the return on investment (ROI).

capacity management
Integrating the service component of the marketing mix with efforts to influence consumer demand.

learning review

5. What is the difference between a line extension and a brand extension?
6. Explain the role of packaging in terms of perception.
7. How do service businesses use off-peak pricing?

LEARNING OBJECTIVES REVIEW

LO1 *Explain the product life-cycle concept.*
The product life cycle describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline. Product sales growth and profitability differ at each stage, and marketing managers have marketing objectives and marketing mix strategies unique to each stage based on consumer behavior and competitive factors. In the introductory stage, the need is to establish primary demand, whereas the growth stage requires selective demand strategies. In the maturity stage, the need is to maintain market share; the decline stage necessitates a deletion or harvesting strategy. Some important aspects of product life cycles are (*a*) their length, (*b*) the shape of the sales curves, and (*c*) the rate at which consumers adopt products.

LO2 *Identify ways that marketing executives manage a product's life cycle.*
Marketing executives manage a product's life cycle in three ways. First, they can modify the product itself by altering its characteristics, such as product quality, performance, or appearance. Second, they can modify the market by finding new customers for the product, increasing a product's use among existing customers, or creating a new use situation for the product. Finally, they can reposition the product using any one or a combination of marketing mix elements. Four factors trigger a repositioning action. They include reacting to a competitor's position, reaching a new market, catching a rising trend, and changing the value offered to consumers.

LO3 *Recognize the importance of branding and alternative branding strategies.*
A basic decision in marketing products is branding, in which an organization uses a name, phrase, design, symbols, or a combination of these to identify its products and distinguish them from those of its competitors. Product managers recognize that brands offer more than product identification and a means to distinguish their products from competitors. Successful and

established brands take on a brand personality and acquire brand equity—the added value a given brand name gives to a product beyond the functional benefits provided—that is crafted and nurtured by marketing programs that forge strong, favorable, and unique consumer associations with a brand. A good brand name should suggest the product benefits, be memorable, fit the company or product image, be free of legal restrictions, and be simple and emotional. Companies can and do employ several different branding strategies. With multiproduct branding, a company uses one name for all its products in a product class. A multibranding strategy involves giving each product a distinct name. A company uses private branding when it manufactures products but sells them under the brand name of a wholesaler or retailer. Finally, a company can employ mixed branding, where it markets products under its own name(s) and that of a reseller.

LO4 *Describe the role of packaging and labeling in the marketing of a product.*
Packaging and labeling play numerous roles in the marketing of a product. The packaging component of a product refers to any container in which it is offered for sale and on which label information is conveyed. Manufacturers, retailers, and consumers acknowledge that packaging and labeling provide communication, functional, and perceptual benefits. Contemporary packaging and labeling challenges include (*a*) the continuing need to connect with customers, (*b*) environmental concerns, (*c*) health, safety, and security issues, and (*d*) cost reduction.

LO5 *Recognize how the four Ps framework is expanded in the marketing of services.*
The four Ps framework also applies to services with some adaptations. Because services cannot be patented, unique offerings are difficult to protect. In addition, because services are intangible, brands and logos (which can be protected) are particularly important. The inseparability of production and consumption of services means that capacity management is important to services. The intangible nature of services makes price an important indication of service quality. Distribution has become an important marketing tool for services, and electronic distribution allows some services to provide global coverage. In recent years, service organizations have increased their promotional activities. Finally, the performance of people, the appearance of the physical environment, and the process involved in delivering a service are recognized as central to the customer experience.

FOCUSING ON KEY TERMS

brand equity p. 231
brand name p. 231
brand personality p. 231
branding p. 231
capacity management p. 241
seven Ps of services marketing p. 239
multibranding p. 235
multiproduct branding p. 234
off-peak pricing p. 240
product life cycle p. 220

APPLYING MARKETING KNOWLEDGE

1 Listed below are three different products in various stages of the product life cycle. What marketing strategies would you suggest to these companies? (*a*) Canon digital cameras—growth stage, (*b*) Hewlett Packard tablet computers—introductory stage, and (*c*) handheld manual can openers—decline stage.
2 It has often been suggested that products are intentionally made to break down or wear out. Is this strategy a planned product modification approach?
3 The product manager of GE is reviewing the penetration of trash compactors in American homes. After more than two decades in existence, this product is in relatively few homes. What problems can account for this poor acceptance? What is the shape of the trash compactor life cycle?
4 For years, Ferrari has been known as the manufacturer of expensive luxury automobiles. The company plans to attract the major segment of the car-buying market that purchases medium-priced automobiles. As Ferrari considers this trading-down strategy, what branding strategy would you recommend? What are the trade-offs to consider with your strategy?

building your marketing plan

For the product offering in your marketing plan,

1 Identify (*a*) its stage in the product life cycle and (*b*) key marketing mix actions that might be appropriate, as shown in Figure 10–1.
2 Develop (*a*) branding and (*b*) packaging strategies, if appropriate for your offering.

video case 10 Mary Kay, Inc.: Building a Brand in India

QR 10-4
Mary Kay
Video Case

Sheryl Adkins-Green couldn't ask for a better assignment. As the newly appointed vice president of brand development at Mary Kay, Inc., she is responsible for development of the product portfolio around the world, including global initiatives and products specifically formulated for global markets. She is enthusiastic about her position, noting that, "There is tremendous opportunity for growth. Even in these economic times, women still want to pamper themselves, and to look good is to feel good."

Getting up to speed on her new company and her new position topped her short-term agenda. She was specifically interested in the company's efforts to date to build the Mary Kay brand in India.

THE MARY KAY WAY

Mary Kay Ash founded Mary Kay Cosmetics in 1963 with her life savings of $5,000 and the support of her 20-year-old son, Richard Rogers, who currently serves as executive chairman of Mary Kay, Inc. Mary Kay, Inc., is one of the largest direct sellers of skin care and color cosmetics in the world with more than $2.5 billion in annual sales. Mary Kay brand products are sold in more than 35 markets on five continents. The United States, China, Russia, and Mexico are the top four markets served by the company. The company's global independent sales force exceeds 2 million. About 65 percent of the company's independent sales representatives reside outside the United States.

Mary Kay Ash's founding principles were simple, time-tested, and remain a fundamental company business philosophy. She adopted the Golden Rule as her guiding principle, determining the best course of action in virtually any situation could be easily discerned by "doing unto others as you would have them do unto you." She also steadfastly believed that life's priorities should be kept in their proper order, which to her meant "God first, family second, and career third." Her work ethic, approach to business, and success have resulted in numerous awards and recognitions including, but not limited to, the Horatio Alger American Citizen Award, recognition as one of "America's 25 Most Influential Women," and induction into the National Business Hall of Fame.

Mary Kay, Inc., engages in the development, manufacture, and packaging of skin care, makeup, spa and body, and fragrance products for men and women. It offers anti-aging, cleanser, moisturizer, lip and eye care, body care, and sun care products. Overall, the company produces more than 200 premium products in its state-of-the-art manufacturing facilities in Dallas, Texas, and Hangzhou, China. The company's approach to direct selling employs the "party plan," whereby independent sales representatives host parties to demonstrate or sell products to consumers.

GROWTH OPPORTUNITIES IN ASIA-PACIFIC MARKETS

Asia-Pacific markets represent major growth opportunities for Mary Kay, Inc. These markets for Mary Kay, Inc., include Australia, China, Hong Kong, India, Korea, Malaysia, New Zealand, the Philippines, Singapore, and Taiwan.

China accounts for the largest sales revenue outside the United States, representing about 25 percent of annual Mary Kay, Inc., worldwide sales. The company entered China in 1995 and currently has some 200,000 independent sales representatives or "beauty consultants" in that country.

Part of Mary Kay's success in China has been attributed to the company's message of female empowerment and femininity, which has resonated in China, a country where young women have few opportunities to start their own businesses. Speaking about the corporate philosophy at Mary Kay, Inc., KK Chua, President, Asia-Pacific, said, "Mary Kay's corporate objective is not only to create a market, selling skin care and cosmetics; it's all about enriching women's lives by helping women reach their full potential, find their inner beauty and discover how truly great they are." This view is echoed by Sheryl Adkins-Green, who notes that the Mary Kay brand has "transformational and aspirational" associations for users and beauty consultants alike.

Mary Kay, Inc., learned that adjustments to its product line and message for women were necessary in some Asia-Pacific markets. In China, for example, the order of life's priorities—"God first, family second, and career third"—has been modified to "Faith first, family second, and career third." Also, Chinese women aren't heavy users of makeup. Therefore, the featured products include skin cream, anti-aging cream, and whitening creams. As a generalization, whitening products are popular among women in China, India, Korea, and the Philippines, where lighter skin is associated with beauty, class, and privilege.

MARY KAY, INDIA

Mary Kay, Inc., senior management believed that India represented a growth opportunity for three reasons. First, the Indian upper and consuming classes were growing and were expected to total over 500 million individuals. Second, the population was overwhelmingly young and

FIGURE 1
Social and economic statistics for India in 2007 and China in 1995.

	India 2007	China 1995
Population (million)	1,136	1,198
Population age distribution (0–24; 25-49; 50+)	52%, 33%, 15%	43%, 39%, 18%
Urban population	29.2%	29.0%
Population/square mile	990	332
Gross domestic product (U.S.$ billion)	3,113	728
Per capita income (U.S.$)	$950	$399
Direct selling sales percent of total cosmetics/skin care sales	3.3%	3.0%

optimistic. This youthful population continues to push consumerism as the line between luxury and basic items continues to blur. Third, a growing number of working women have given a boost to sales of cosmetics, skin care, and fragrances in India's urban areas, where 70 percent of the country's middle-class women reside.

Senior management also believed that India's socioeconomic characteristics in 2007 were similar in many ways to China in 1995, when the company entered that market (see Figure 1). The Mary Kay culture was viewed as a good fit with the Indian culture, which would benefit the company's venture into this market. For example, industry research has shown that continuing modernization of the country has led to changing aspirations. As a result, the need to be good looking, well-groomed, and stylish has taken a newfound importance.

Mary Kay initiated operations in India in September 2007 with a full marketing launch in early 2008. The initial launch was in Delhi, the nation's capital and the second most populated metropolis in India, and Mumbai, the nation's most heavily populated metropolis. Delhi, with per capita income of U.S. $1,420, and Mumbai, with per capita income of $2,850, were among the wealthiest metropolitan areas in India.

According to Rhonda Shasteen, chief marketing officer at Mary Kay, Inc., "For Mary Kay to be successful in India, the company had to build a brand, build a sales force, and build an effective supply chain to service the sales force."

Building a Brand

Mary Kay, Inc., executives believed that brand building in India needed to involve media advertising; literature describing the Mary Kay culture, the Mary Kay story, and the company's image; and educational material for Mary Kay independent sales representatives. In addition, Mary Kay, Inc., became the cosmetics partner of the Miss India Worldwide Pageant 2008. At this event, Mary Kay Miss Beautiful Skin 2008 was crowned.

Brand building in India also involved product mix and pricing. Four guidelines were followed:

1. Keep the offering simple and skin care focused for the new Indian sales force and for a new operation.
2. Open with accessibly priced basic skin care products in relation to the competition in order to establish Mary Kay product quality and value.
3. Avoid opening with products that would phase out shortly after launch.
4. Address the key product categories of Skin Care, Body Care, and Color based on current market information.

Brand pricing focused on offering accessibly priced basic skin care to the average middle-class Indian consumer between the ages of 25 and 54. This strategy, called "mass-tige pricing," resulted in product price points that were above mass but below prestige competitive product prices. Following an initial emphasis on offering high-quality, high-value products, Mary Kay introduced more technologically advanced products that commanded higher price points. For example, the company introduced the Mary Kay MelaCEP Whitening System, consisting of seven products, which was specifically formulated for Asian skin in March 2009. This system was ". . . priced on the lower price end of the prestige category with a great value for money equation," said Hina Nagarajan, country manager for Mary Kay India.

Building a Sales Force

According to Adkins-Green, "Mary Kay's most powerful marketing vehicle is the direct selling organization," which is a key component of the brand's marketing strategy. Mary Kay relied on its Global Leadership Development Program directors and National Sales directors and the Mary Kay Sales Education staff from the United States and Canada for the initial recruitment and training of independent sales representatives in India. New independent sales representatives received 2 to 3 days of intensive training and a starter kit that included not only products, but also information pertaining to product demonstrations, sales presentations, professional demeanor, the company's history and culture, and team building.

"Culture training is very important to Mary Kay (independent sales representatives) because they are going to be the messengers of Mary Kay," said Hina Nagarajan. "As a direct-selling company that offers products sold person-to-person, we recognize that there's a personal relationship between consultant and client with every sale," added Rhonda Shasteen. By late 2009, there were some 4,000 independent sales representatives in India present in some 200 cities mostly in the northern, western, and northeastern regions of the country.

Creating a Supply Chain

Mary Kay, India, imported products into India from China, Korea, and the United States. Products were shipped to regional distribution centers in Delhi and Mumbai, India, where Mary Kay Beauty Centers were located. Beauty Centers served as order pick-up points for the independent sales representatives. Mary Kay beauty consultants purchased products from the company and, in turn, sold them to consumers.

LOOKING AHEAD

Mary Kay, Inc., plans to invest around $20 million in the next five years on product development, company infrastructure, and building its brand in India. "There is a tremendous opportunity for growth," says Sheryl Adkins-Green. India represents a particularly attractive opportunity. Developing the brand and brand portfolio and specifically formulating products for Indian consumers will require her attention to brand positioning and brand equity.

Questions

1 What information should be included in a written positioning statement for Mary Kay?

2 How would you draft a formal, written positioning statement for Mary Kay using the information detailed in question 1?

3 Is Mary Kay a global brand? Why or why not?

4 How has Mary Kay, India, focused on the different steps in the customer-based brand equity pyramid described in Figure 10–5?