6 Products, branding and packaging

Objectives

After reading this chapter you should be able to:

- describe the stages a product goes through from introduction to obsolescence;
- assess products in a given range and decide which ones are worth keeping and which should be dropped from the range;
- decide on an appropriate policy for developing and introducing new products to the market;
- identify some of the risks inherent in new product development;
- understand what a marketer means by 'product'

INTRODUCTION

This chapter is about developing new products, and about product policy. The success of an organisation will depend, ultimately, on what bundles of benefits it offers to consumers; the decisions about what the firm should be offering need to be made in the light of the consumer's needs and wants.

There is a strong positive relationship between a firm's innovative activities and its ability to survive and prosper,[1] so many companies place a strong emphasis on developing new products to replace those which become obsolete, or which are superseded by competitors' offerings.

DEFINING PRODUCTS

Marketers define a **product** as being a *bundle of benefits*. This means that the product is more than just the sum of its physical characteristics; it includes fringe elements such as the brand image, the way the product is packed and delivered, even the colour of the box it comes in. **Primary characteristics** are those core benefits of the product that it has in common with its competitors; **auxiliary characteristics** are the features and benefits that are unique to the product. For instance, consider the contrast between a pizza from a delivery service and a pizza from the supermarket freezer. The primary characteristics of each are the same: a dough base with tomato sauce and cheese on top, with other ingredients included. The primary benefit is that each provides a tasty and filling meal; the auxiliary characteristics are where the two products diverge.

Apart from the differences in flavour, ingredients and so forth, the delivery service is more expensive (perhaps double the price of the supermarket version). The supermarket pizza can be kept in the freezer and heated when needed, and can even be 'customised' by adding extra cheese or other ingredients. On the other hand, the delivery-service pizza includes the service element of delivery, and is already heated and ready to eat. Clearly the benefits are different, and therefore a marketer would say that the products are different.

Marketers need to be aware of the ways in which the needs and wants of consumers are changing, so that the benefits offered by the product range can be tailored to fit those needs and wants. This is the function of market research (see Chapter 5) but it is important to make good use of the information gathered to see which new products might be developed, or which old products might be adapted, and also to see which products are nearing the end of their useful lives.

CLASSIFYING PRODUCTS

Products bought to satisfy personal and family needs are **consumer products**; products bought for the purposes of resale or to be used to make other products are **industrial products**. As in any other question of marketing, the subdivision of these broad categories into smaller, more convenient categories is carried out by reference to the consumer or the customer. In the case of consumer goods, the classification will be as shown in Table 6.1.

TABLE 6.1   Classification of consumer products

Classification	Explanation
Convenience products	*Cheap, frequently purchased items that do not require much thought or planning*. The consumer typically buys the same brand or goes to the same shop. Examples are newspapers, basic groceries and soft drinks. Normally convenience products would be distributed through many retail outlets, and the onus is on the producer to promote the products, because the retailer will not expend much effort on such low-priced items.
Shopping products	*The products consumers shop around for*. Usually infrequently purchased items such as computers, cars, hi-fi systems or household appliances. From the manufacturer's viewpoint, such products require few retail outlets, but will require much more personal selling on the part of the retailer: so there is usually a high degree of co-operation between manufacturer and retailer in marketing the products.
Speciality products	*Consumers plan the purchase of these products with great care, know exactly what they want, and will accept no substitutes*. Here the consumer's efforts bend towards finding an outlet that can supply exactly the item needed: this accentuates the exclusivity of the product, so some marketers deliberately limit the number of outlets that are franchised to sell the products. An example of this is the American hair-product manufacturer Redken, which appoints a limited number of hair salons to carry its products.
Unsought products	These products are not bought; they are sold. Examples are life insurance, fitted kitchens and encyclopaedias. While most people would recognise the need for these items, it is rare for consumers to go out looking for them; far more commonly the products are sold either through an aggressive sales programme, or through a sudden change of circumstances which forces the consumer to buy (for example, most mortgage lenders require house buyers to take out life insurance).

TABLE 6.2	Categorisation of industrial products

| Categorisation	Explanation
Raw materials	*Basic products that will be transformed entirely into something else.* These are usually bought in large quantities, and usually have a standardised quality range and prices: this makes it hard for the producer to differentiate the product from those of the competitors.
Major equipment	*The capital machinery and tools used for running the buyer's business.* These are equivalent to shopping goods: the purchasers spend considerable time and effort in choosing which to buy, and therefore there is considerable emphasis on personal selling and on product differentiation. After-sales service is also crucial to success in this market.
Accessory equipment	*Equipment used for the peripheral needs of the firm.* Examples are office equipment and health and safety equipment. Often these are distributed through many outlets, and are more standardised than the major equipment items. This means there is more competition, but also a bigger market for such items as fire extinguishers or PCs.
Component parts	*Finished items to be assembled into the finished product.* These are usually bought by negotiation or tender; often the purchaser has the most power in the relationship, as with car manufacturers.
Process materials	*Rather more advanced than raw materials, process materials might be the special alloys used in aircraft construction, or specially tailored plastics.* From a marketing viewpoint, process materials are similar to component parts, but with more opportunity for differentiation.
Consumable supplies	*Materials that are used by the purchasers but that do not become part of the finished product*: for example, industrial cleansing products. Consumable supplies are used for maintenance, repair and operation, so they are sometimes called MRO items.
Industrial services	*The intangible products used by firms*: for example, industrial cleaning services, accountancy and legal services, and some maintenance services. Some firms provide these for themselves; for others it is cheaper to buy in the services as needed (for instance, a ten-man light engineering firm would not need a full-time lawyer on the staff).

Likewise, industrial products can be categorised according to the use the purchasers intend to make of them. Table 6.2 illustrates this. In some ways, industrial buying has parallels with consumer buying behaviour (see Chapter 3), so paral-

lels can also be drawn with the types of product purchased. In both cases, the buyer is obtaining three levels of benefit from the product:

- the **core product benefits**;
- the actual **product benefits**; and
- the **augmented product benefits**.

These are shown in Figure 6.1.

For example, the core benefit of buying a car is transportation of the owner, passengers and luggage. The actual product bought will differ from other cars in terms of its features, design and so forth, but there are also considerations of after-sales service, delivery and so forth which need to be taken into account.
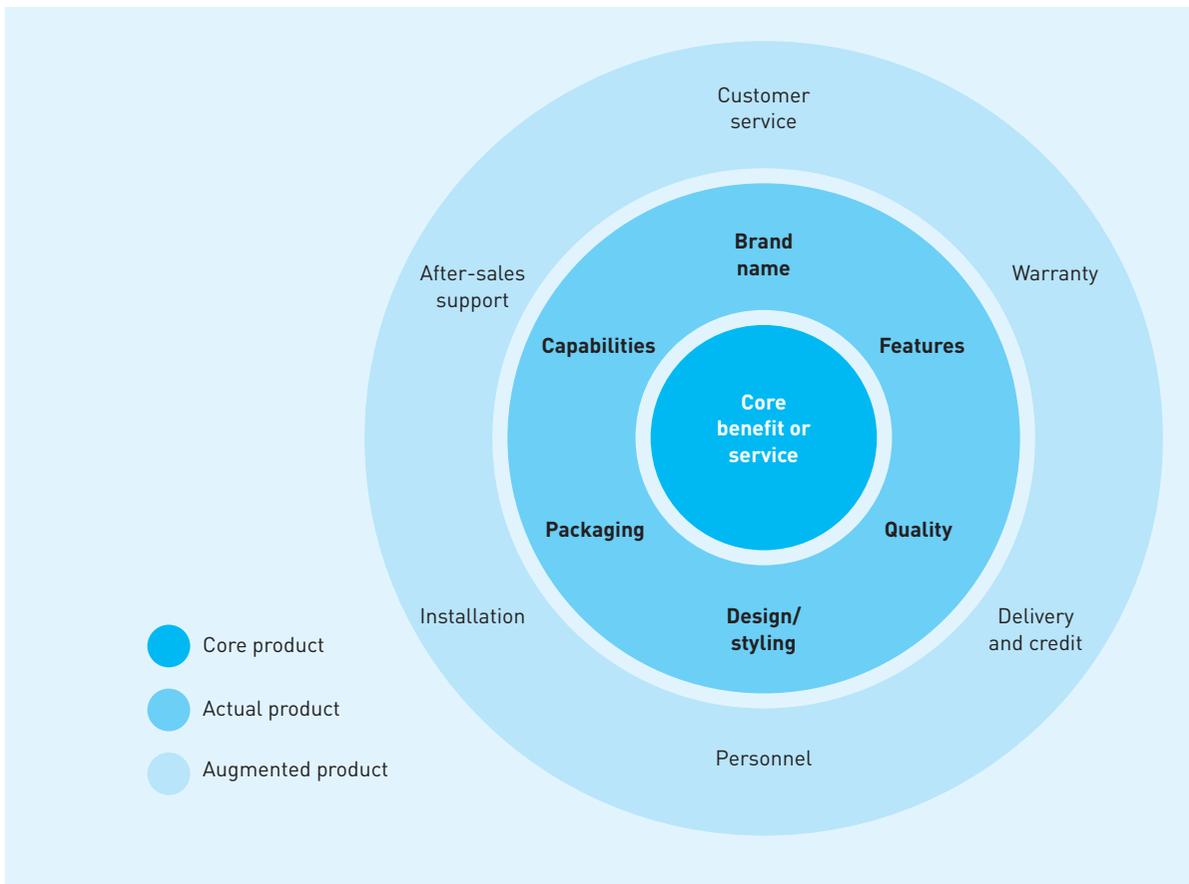
FIGURE 6.1 Three levels of product

(*Source*: Adapted from Dibb, Simkin, Pride and Ferrell[2])

From the consumer's viewpoint, a product is a bundle of benefits; some of those benefits are essential requirements, others are less important but still good to have, still others are not really relevant. Each consumer will have a different view as to which benefit belongs to which category.

MANAGING THE PRODUCT RANGE

The **product life cycle (PLC)** is a useful concept to describe how products progress from introduction through to obsolescence. The theory is that products, like living things, have a natural life cycle beginning with introduction, going through a growth phase, reaching maturity, then going into decline, and finally becoming obsolete. Figure 6.2 illustrates this in graphical form.

In the introduction phase, the product's sales grow slowly, and the profit will be small or negative because of heavy promotion costs and production inefficiencies. If the product is very new, there will also be the need to persuade retailers and others to stock the product.

In the growth stage, there will be a rapid increase in sales as the product becomes better known. At this stage profits begin to grow, but competition will also be entering the market so the producer may now need to think about adapting the product to meet the competitive threat.

In the maturity phase the product is well known and well established: at this point the promotional spend eases off and production economies of scale become
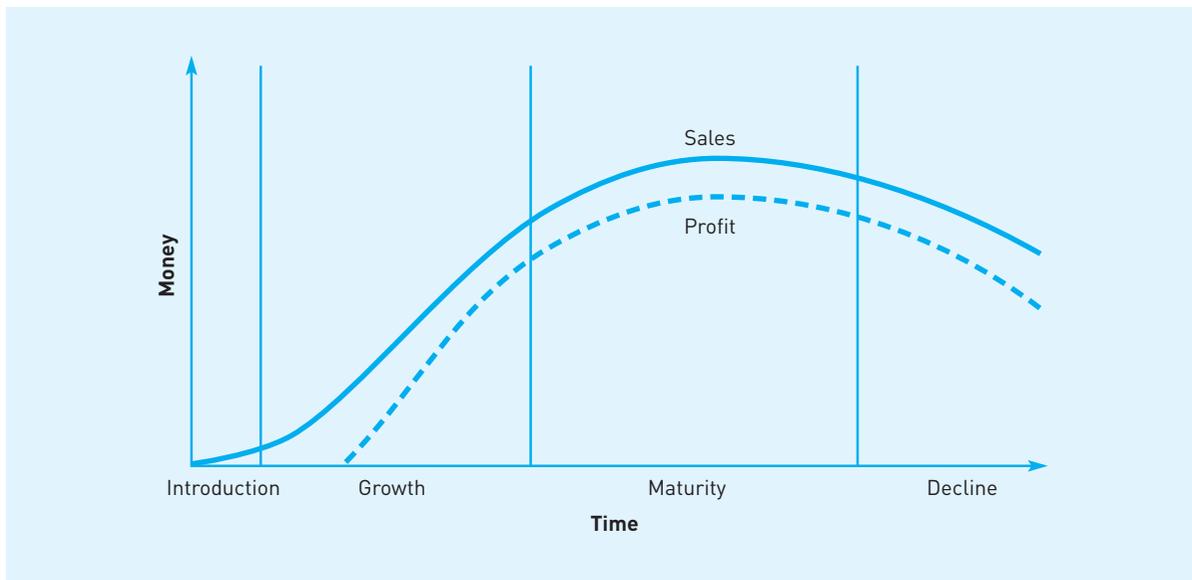
FIGURE 6.2   Product life cycle

established. By this time competitors will almost certainly have entered the market, so the firm will need to develop a new version of the product.

In the decline phase, the product is losing market share and profitability rapidly. At this stage the marketer must decide whether it is worthwhile supporting the product for a little longer, or whether it should be allowed to disappear; supporting a product for which there is little natural demand is very unprofitable, but sometimes products can be revived and relaunched, perhaps in a different market.

The assumption is that all products exhibit this life cycle, but the timescale will vary from one product to the next. Some products, for example computer games, may go through the entire life cycle in a matter of months. Others, like pitta bread, have a life cycle measured in thousands of years, and may never become obsolete.

The product life cycle concept is a useful way of looking at product development, but like many simple theories it has a number of flaws:

- The theory assumes that changes in consumer preference go only one way, and that there is no swing back to an earlier preference. Some clothing fashions return after a few years, and some styles of music enjoy periodic revivals, but also some traditional products can suddenly become popular again, often following advertising campaigns based on nostalgia.

- The model assumes that nobody does anything to revive the product when it begins to decline or be superseded by other products. Most marketers would look at their declining products and decide whether a revival is possible, or worthwhile.

- The model looks at only one product, whereas most marketing managers are having to balance the demands of many differing products, and decide which ones are most likely to yield the best return on investment.

To answer some of these criticisms, Enis *et al.*[3] re-designed the product life cycle as shown in Figure 6.3.

In this more detailed model, the *maturity* phase now includes a section of *maintenance*, and one of *proliferation.* Maintenance is where the marketing manager is using various tactics (sometimes called **mid-life kickers**) to keep the product in the public eye and maintain sales, and proliferation is where the firm introduces variations on the original product in order to extend the life cycle. Sometimes these maintenance tactics will keep the product alive and successful for many years, but eventually the PLC theory implies that the product will be superseded and will go into *decline.*

Note here that the PLC concept is useful to describe what is happening, but is not much use for predicting what is going to happen, since it is virtually impossible to tell how long the maturity phase will continue. This makes it difficult to use as a decision-making device; marketers are not easily able to tell which part of the product life cycle the product currently occupies. A temporary fall-off in sales
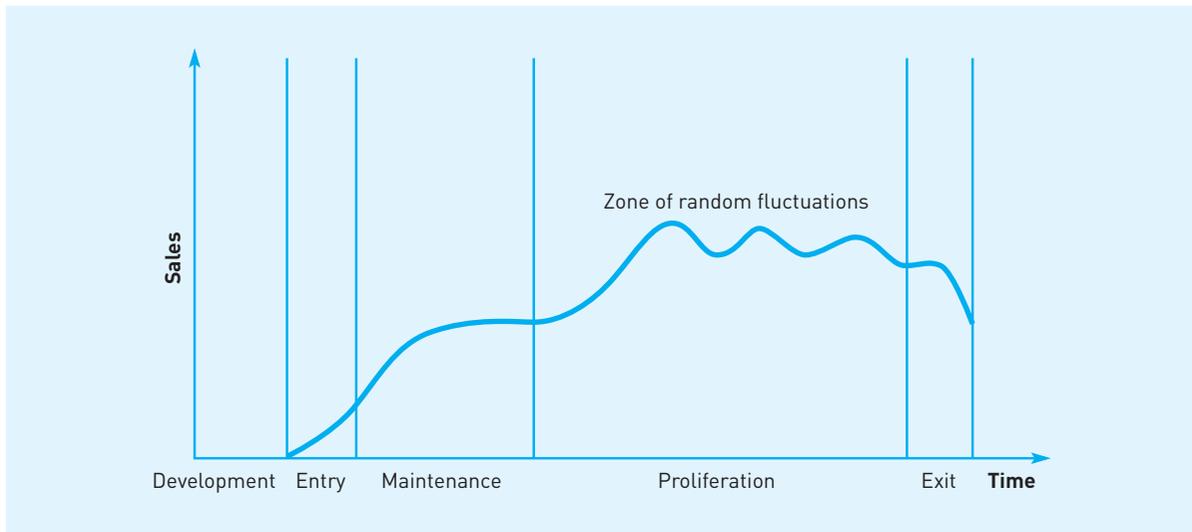
FIGURE 6.3 Revised product life cycle

(*Source*: Enis *et al.*[3])

might be caused by extraneous factors such as recessions or new competitive activity, without actually heralding the beginning of the decline phase.

Most firms produce several different products at the same time, and it is possible to superimpose the PLC diagrams for each product onto the graph to give a composite view of what is happening to the firm's product portfolio. This will give a long-term overview, but the problems of prediction still remain; for many managers, a 'snapshot' of what is happening now is more useful. The Boston Consulting Group (BCG) developed a matrix for decision-making in these circumstances. The original BCG matrix is as shown in Figure 6.4.

Stars are products with rapid growth and a dominant share of the market. Usually, the costs of fighting off the competition and maintaining growth mean that the product is actually absorbing more money than it is generating, but eventually it is hoped that it will be the market leader and the profits will begin to come back in. The problem lies in judging whether the market is going to continue to grow, or whether it will go down as quickly as it went up. It may be difficult to judge whether a Star is going to justify all the money that is being poured in to maintain its growth and market share, but a firm that does not do this will end up with just Dogs. Even the most successful Star will eventually decline as it moves through the life cycle. The most prominent examples of Stars at present are dot.com companies such as Lastminute.com, which have shown astronomical growth in a rapidly expanding market, but which have yet to show a profit.

Cash Cows are the former Stars. They have a dominant share of the market, but are now in the maturity phase of the life cycle and consequently have low
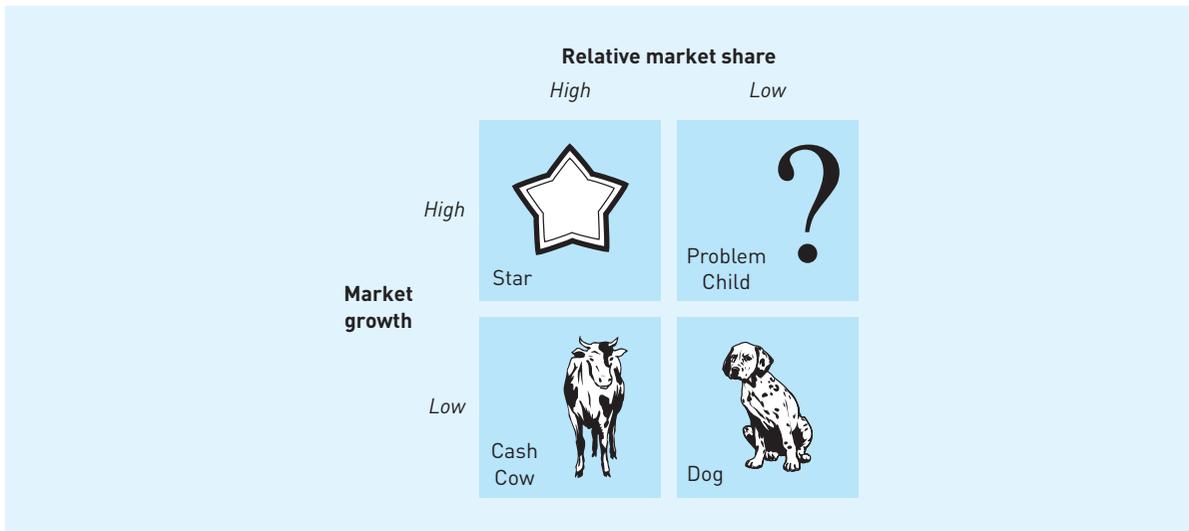
FIGURE 6.4 Boston Consulting Group matrix

(*Source*: Reprinted by permission of the Boston Consulting Group)

growth. A Cash Cow is generating cash, and can be 'milked' of it to finance the Stars. These are the products that have steady year-in year-out sales and are generating much of the firm's profits: examples might be the Big Mac hamburger, Coca-Cola and the Ford Mondeo.

Dogs have a low market share and low growth prospects. The argument here is not whether the product is profitable; it almost always is. The argument is about whether the firm could use its production facilities to make something that would be more profitable, and this is also almost always the case.

The **Problem Child** (?) has a small share of a growth market, and causes the marketer the most headaches since it is necessary to work out a way of building market share so as to turn the product into a Star. This means finding out why the share is so low, and developing strategies to increase market share rapidly. The Problem Child (or question mark) could be backed with an even bigger promotion campaign, or it could possibly be adapted in some way to fit the market better. Market research plays a crucial role in making these decisions; finding out how to adapt a product is a difficult area of research, but the potential rewards are huge, and adapting the product to meet people's needs better is almost always cheaper than increasing the advertising spend.

The policy decisions that arise from this view of the firm's product portfolio lie in the following areas:

- Which products should be dropped from the range entirely? This question not only hinges on how profitable the product itself is; sales of one product often indirectly generate sales of another more profitable product. For example,

Black and Decker sell the Scorpion electric saw cheaply, but make the profit on sales of replacement saw blades.

- Which products should be backed with promotion campaigns? Backing the wrong product can be extremely expensive; advertising campaigns have no second-hand value, so if it does not work the money is just lost.

- Which products could be adapted to fit the market better, and in what ways? This very much hinges on the market research findings, and on customer feedback.

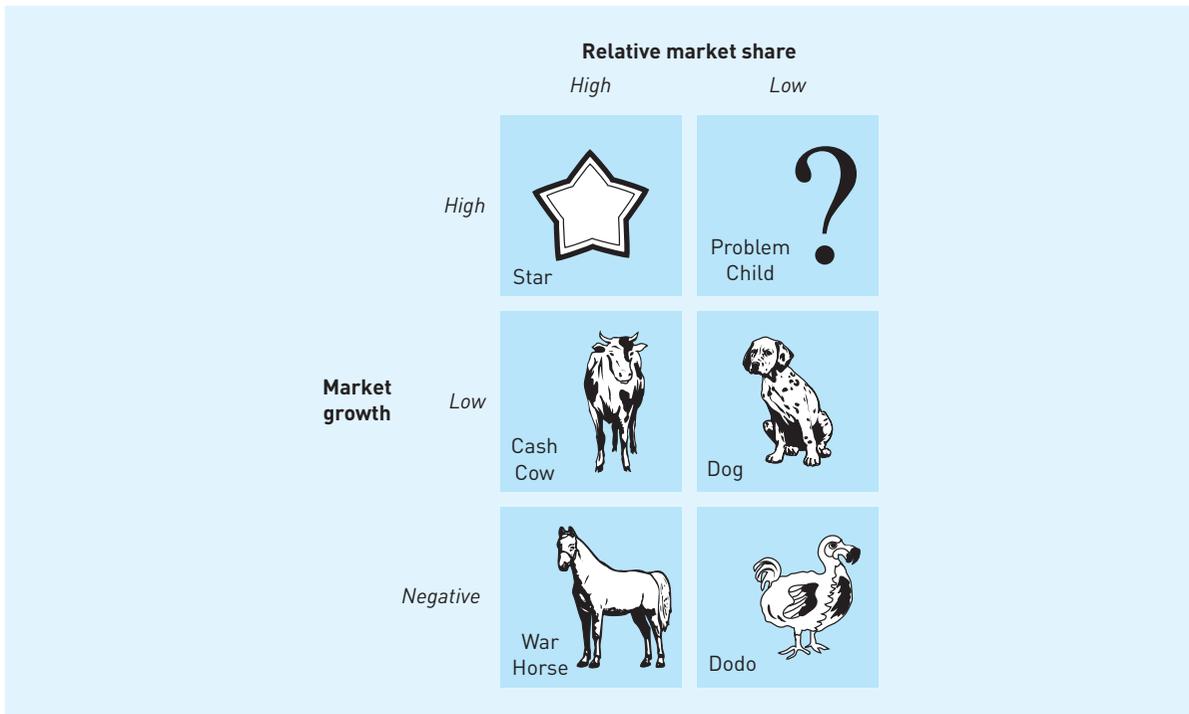- Which new products could be introduced, and at what cost?

Like the product life cycle, the BCG matrix is a simple model that helps marketers to approach strategic product decisions; again, like the PLC, it has a number of flaws. It is based on the following assumptions:

- Market share can be gained by investment in marketing. This is not always the case: some products will have lost their markets altogether (perhaps through environmental changes) and cannot be revived, no matter how much is invested.

- Market share gains will always generate cash surpluses. Again, if market share is gained by drastic price cutting, cash may actually be lost.

- Cash surpluses will be generated when the product is in the maturity stage of the life cycle. Not necessarily so; mature products may well be operating on such small margins due to competitive pressure that the profit generated is low.

- The best opportunity to build a dominant market position is during the growth phase. In most cases this would be true, but this does not take account of competition. A competitor's product might be growing even faster.

In 1982 Barksdale and Harris proposed two additions to the BCG matrix.[4] **War Horses** have high market share, but the market has negative growth; the problem for management is to decide whether the product is in an irreversible decline, or whether it can be revived, perhaps by repositioning into another market. **Dodos** have a low share of a negative growth market, and are probably best discontinued (Figure 6.5).

The BCG matrix has proved a useful tool for analysing product portfolio decisions, but it is really only a snapshot of the current position with the products it describes. Since most markets are to a greater or lesser extent dynamic, the matrix should be used with a certain degree of caution.

The size of the product portfolio and the complexity of the products within it can have further effects on the firm's management. For example, it has been shown that manufacturing a wide range of products with many options makes it difficult for the firm to use just-in-time purchasing techniques, and complicates the firm's supply activities.[5]

Relative market share

	High	Low
High	Star	Problem Child
Low	Cash Cow	Dog
Negative	War Horse	Dodo

Market growth

FIGURE 6.5   Expanded Boston Consulting Group matrix

(*Source*: Barksdale and Harris[4])

SERVICES MARKETING

Products can also be divided into physical products and services. For many marketers, the difference between services marketing and the marketing of physical goods is negligible. This is for the following reasons:

- The marketer's definition of a product as being a bundle of benefits. An individual seeking to be cheered up may achieve this by going to a good movie (a service) or by buying a new shirt (a physical product). The benefit is basically the same.

- Difficulties of definition. Most physical goods contain a service aspect, and most services contain a physical product. In other words, most products lie somewhere along a continuum between purely service and purely physical products.

- Consumer orientation means that we should be looking at what the consumer thinks, needs and wants, not at defining our product in terms of its characteristics.

Having said that, there are clearly products where the service element is the major part of the cost of the product: for example, a restaurant meal. Here the cost of the raw materials (the ingredients of the food served) is only a tiny part of the overall cost of the meal. A gourmet dinner costing a week's wages may have been made from ingredients costing a tenth of the final bill; the diner is paying for the skill of the chef, the time and efforts of the waiters, and the pleasure of dining in luxurious surroundings (not to mention not having to do the washing-up).

The main differences between service products and physical goods are shown in Table 6.3.

From the consumer's viewpoint, the risk attached to buying a service will inevitably be higher than is the risk of buying a physical product. Physical products are easily returned if they fail to satisfy; it is impossible to return a poor haircut, and unless the standard is very poor, it may even be difficult to avoid paying for it. Even a minor defect in a personal stereo can justify returning the item; an uncomfortable tram ride with a rude conductor will not result in a refund of the fare.

The result of this is that consumers are likely to spend more time on information-gathering, and will rely more heavily on word-of-mouth recommendations than they would when buying a physical product. For professional services, the

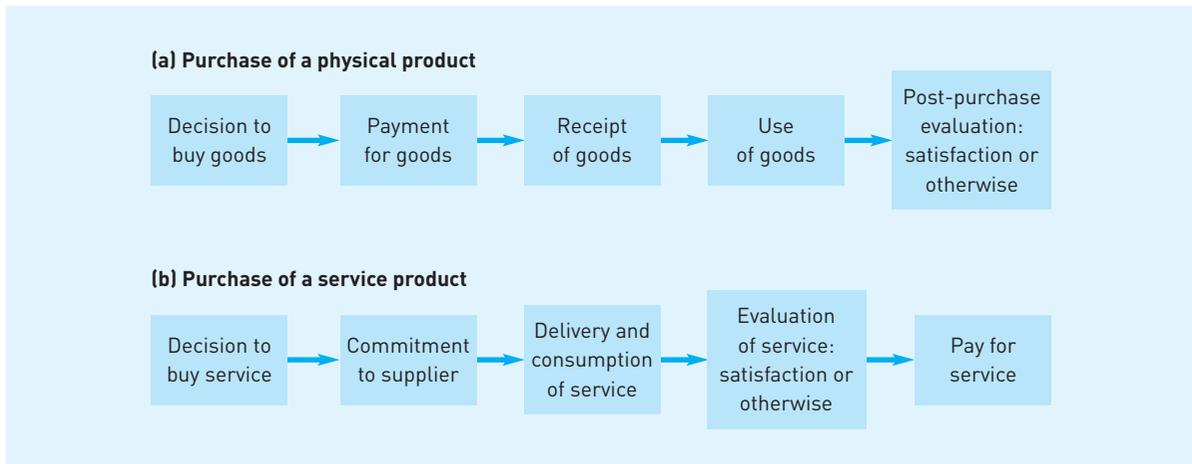**TABLE 6.3** Factors distinguishing services

Factor	Explanation and examples
Services are intangible	An insurance policy is more than the paper it is written on; the key benefit (peace of mind) cannot be touched.
Production and consumption often occur at virtually the same time	A stage play is acted out at the same time as the consumer enjoys the performance.
Services are perishable	An airline seat is extremely perishable; once the aeroplane takes off, the seat cannot be sold. Services cannot be produced in advance and stockpiled.
Services cannot be tried out before buying	It is not usually possible to try out a haircut before agreeing to have it done, nor will most restaurants allow customers to eat the meal before deciding whether to order it.
Services are variable, even from the same supplier	Sometimes the chef has a bad day, or the waiter is in a bad mood; on the other hand, sometimes the hairdresser has a flash of inspiration that transforms the client's appearance.

consumer is likely to examine the credentials and experience of the service provider. For example, a consumer looking for a doctor may want to know what experience and qualifications the doctor has to treat a particular complaint; few car buyers would be interested in the qualifications and experience of Ford's chief design engineer.

Service purchasing follows a slightly different sequence from purchase of a physical good, as shown in Figure 6.6. Most of the risk attached to buying a physical product is limited to the purchase price (though no doubt there will be exceptions to this general rule). Services carry additional risks.

- *Consequential losses* arise when a service goes wrong and causes a loss to the customer. For example, a poorly handled legal case could result in the loss of thousands of pounds, or even loss of liberty in a criminal case. Service providers usually are careful to explain the risks beforehand, use disclaimers in contracts, and carry professional liability insurance. Consumers can sue for consequential losses.

- *Purchase price risk* is the possible loss of the purchase price when the consumer buys a service that does not work. The usual consumer response is to refuse to pay for the service, so it is advisable for the supplier to check during the service process that everything is satisfactory. This is why waiters will check that the food is satisfactory during a meal out, and why service stations call customers when they find something serious is wrong with the car. Checking during the service provision not only makes it easier to correct problems early, it also makes it harder for customers to claim that the service went wrong in order to avoid paying.

- *Misunderstanding* is common in service provision because of inability to try out services (trialability). Particularly in professional services the provider may feel that the customer would not understand the finer details of what is being done, and may therefore not bother to explain properly. This can easily result in post-purchase dissonance and refusal to pay.

Because consumers are buying a promise, they are more likely to use indirect measures of quality such as price. Diners tend to assume that more expensive restaurants will provide better food and/or service; that expensive hairdressers will provide better hairdos; and that expensive lawyers are more likely to win cases. Having made a purchasing decision, the consumer is more likely to become *involved* with the service provider. Consumers therefore tend to have favourite restaurants, hairdressers and family solicitors with whom the relationship might continue for a lifetime. Customers are reluctant to switch bank accounts, even when problems have become apparent; even though customers will readily change brands of canned tuna in order to save a few pence, they will still buy the tuna from the same supermarket as usual. This is because the customer knows where everything is kept in the supermarket, understands the

(a) Purchase of a physical product

Decision to buy goods → Payment for goods → Receipt of goods → Use of goods → Post-purchase evaluation: satisfaction or otherwise

(b) Purchase of a service product

Decision to buy service → Commitment to supplier → Delivery and consumption of service → Evaluation of service: satisfaction or otherwise → Pay for service

FIGURE 6.6   Service purchasing sequence compared with physical product purchasing sequence

store's policy on returned goods, knows which credit cards are acceptable, and perhaps even knows some of the staff on the tills.

In services markets there is more emphasis on Booms and Bitner's additional three Ps: people, process and physical evidence (see Chapter 1).[6] Because most services involve direct contact between the producer and the consumer, the attitude and behaviour of the *people* involved are an integral part of the product: a hairdresser's personality affects trade in a way that the personality of a production-line worker does not.

Since the consumer is usually present during all or part of the *process* of providing the service, process becomes as important as outcomes in a service market. United Airlines' streamlined check-in procedures at airports give the company a distinct edge over its competition; similarly, Lufthansa's improved method of seating passengers (boarding window-seat passengers first and aisle-seat passengers last) makes the airline more pleasurable to fly with.

- *Physical evidence* gives the consumer something to refer to and to show other people if necessary. Since service products are usually intangible, the consumer of (say) an insurance policy will need some written evidence of its existence in order to feel confident in the product.

In many ways services can be marketed in similar ways to physical products. In most cases there is no clear demarcation between physical products and services, so the techniques for marketing them will not differ greatly.

DEVELOPING BETTER PRODUCTS

There is often debate within firms as to what constitutes a 'better' product. For marketers, the definition must be 'a product that more closely meets our customers' needs than does the product it supersedes'. Engineers, accountants and managers may have differing definitions; there is, however, general agreement that firms must introduce new products if they are not to be left with a range of obsolete, dying products. **New product development (NPD)** is therefore a crucial area of marketing activity, and a great deal has been published on the subject.

New product development

Venture teams or *project teams* develop new products or projects. Typically a venture team will be an interdisciplinary group, perhaps comprising engineers, research scientists, finance experts and marketers. Among other considerations, marketers need to take an overview of the product range to see how the proposed new products match up with existing products. Sometimes a new product can lead to cannibalism of old product lines (in other words, the company ends up competing with itself). Sometimes it can be more effective to carry out a product modification (in terms of quality, function or style) rather than develop a new product from scratch.

The task of creating new products is, of course, more art than science. It is therefore difficult to generalise about the process, but a frequently quoted model of the NPD process was given by Crawford,[7] and follows this sequence:

1 *New product planning.* The firm examines its current portfolio, opportunities and threats and decides what kind of new product would best fit in with future strategy.

2 *Idea generation.* Specific ideas for the product are expressed, perhaps through a brainstorming session of the venture team.

3 *Screening and evaluation.* The ideas are checked for feasibility and marketability.

4 *Technical development.* The engineering aspects of the product are investigated, and a prototype is developed.

5 *Market appraisal.* Formal market research is carried out to assess the product's viability in the market.

6 *Launch.* Assuming the market research is positive about the product, the firm puts it into production.

All of these stages are likely to be covered in one form or other, but in many cases the methods used are likely to be subjective, or carried out ineffectively.

This can often be a source of problems following the launch: for example, a proper market appraisal may not be carried out because the venture team fall in love with the project and champion it through the process. *Product champions* within firms often perform a valuable function in ensuring that the new product actually comes into existence rather than being sidelined by the routine tasks of making existing products; this is sometimes encouraged by firms, but is believed by some researchers to be a sign of a failed management who have abdicated their responsibility for keeping the firm up to date.[8]

There are six broad types of innovation strategy:

1 *Offensive*. Pride in being the first. This is very much the strategy of firms such as Sony and 3M.

2 *Defensive*. 'Me-toos', copies of other companies' products, but slightly better.

3 *Initiative*. Straight copies of other companies' products.

4 *Dependent*. Led by bigger companies, perhaps customers or suppliers. For example, Microsoft produces new computer software, so it is dependent on new technology developed by computer chip manufacturers.

5 *Traditional*. Not really innovative at all; the firm is merely resurrecting old-fashioned designs.

6 *Opportunist*. Selling and marketing of inventions.

Launch decisions might revolve around areas such as test marketing (see Chapter 5); if the firm *test markets* the product (i.e. launches the product in a small geographical area to see whether it will be successful), this may save money on promotion but lose the advantage of surprise. On the other hand, if the firm goes for a national launch, this means committing large amounts of money, and mistakes are much harder to correct afterwards. The process of launching in one area at a time is called *roll-out*. The promotion policy will be affected by the customer category the firm is aiming for: innovators, early adopters, early majority, late majority or laggards.

Whether to go ahead or not with a new product is a decision which revolves around five dimensions.[9] These are as follows:

1 *Strategic fit*. The degree to which the new product fits in with the company's overall marketing strategy.

2 *Technical feasibility*. Whether an effective product can be made economically.

3 *Customer acceptance*. Whether customers like the product.

4 *Market opportunity*. The level of competition the firm might be expected to face, and the current state of the external environment.

5   *Financial performance*. Whether the product will prove sufficiently profitable to be worth launching.

Of these, customer acceptance is the most widely used throughout the new-product development process.

Product positioning

Product positioning is about establishing the product in the consumer's perceptual map in a position relative to other products (see Chapter 4). It is important that the position corresponds with the actual product attributes, or cognitive dissonance (dissatisfaction) will follow. Positioning needs to be carried out with a competitive edge so as not to cannibalise the firm's own products, and also (often) not to meet its competition head-on unless there is a real competitive advantage in the product.

There is, of course, a need for market research to monitor the positioning of the product (where is it now, and where it will be following the campaign). Since there is considerable inertia in the minds of the population, it takes some time for a change in positioning to be effected: marketers should therefore be cautious about trying to make rapid or frequent changes in positioning.[10]

NPD is extremely risky; eight out of ten new products eventually fail (i.e. do not recover their development costs) and the remaining two out of ten thus have to fund all the others.[11] Great effort has been expended on trying to find better ways of forecasting a product's prospects in the market, with only limited results.

First of all, though, it is necessary to define what a new product is, and the researchers Calentone and Cooper[12] have identified nine categories of new product, as shown in Table 6.4. The clusters were identified according to whether the product was new to the firm or new to the world, and whether there was a production or marketing *synergy* with the firm's existing products.

Success rates for each cluster were as laid out in Table 6.5. Data were obtained on 102 successes and 93 failures. Some 177 firms were surveyed, and there were 103 usable replies.

Clusters 9, 8 and 6 were the most successful by far, perhaps indicating that the safest course is not to be too innovative. In recent years, many new products have been introduced which are reproductions of old designs: the Chrysler PSV, Volkswagen Beetle, and Mini Cooper are all examples from the motor industry, and there are many household appliances which have been designed with a 'retro' image. These products rely on the following factors for their success:[13]

- *Allegory*. This is the brand 'story', the history of the original product.

- *Aura*. This is the 'essence' of the brand, the mystique surrounding it.

TABLE 6.4   New product clusters

Clusters	Description
Cluster 1: The Better Mousetrap with No Synergy	This is a product that, while being an improvement over existing offerings, does not fit in with the firm's existing product lines.
Cluster 2: The Innovative Mousetrap that Really Wasn't Better	This might be a product that, while being technically excellent, has no real advantage for the consumer over existing products.
Cluster 3: The Close-to-Home Me-Too Product	A copy of a competitor's offering. Not likely to be perceived as new by consumers.
Cluster 4: The Innovative High-Tech Product	A truly new-to-the-world product.
Cluster 5: The Me-Too Product with No Technical/Production Synergy	A copy of a competitor's product, but with no real connection with existing product lines.
Cluster 6: The Old But Simple Money-Saver	Not a new product at all, except to the firm producing it.
Cluster 7: The Synergistic Product that was New to the Firm	A product that fits the product line, but is new.

Cluster 8: The Innovative Superior Product with No Synergy	A product that does not fit the existing product line, but is new.
Cluster 9: The Synergistic Close-to-Home Product	A product line extension; perhaps a minor improvement over the firm's existing products.

TABLE 6.5   Success rates of new products

Cluster	Success ratio	% successes	% of cases
9. The Synergistic Close-to-Home Product	1.39	72	12.82
8. The Innovative Superior Product with No Synergy	1.35	70	10.26
6. The Old But Simple Money-Saver	1.35	70	10.26
7. The Synergistic Product that was New to the Firm	1.2	67	10.76
4. The Innovative High-Tech Product	1.23	64	14.35
3. The Close-to-Home Me-Too Product	1.08	56	8.20
1. The Better Mousetrap with No Synergy	0.69	36	7.17

TABLE 6.5	Success rates of new products (*continued*)		
5. The Me-Too Product with No Technical/ Production Synergy	0.27	14	10.26
2. The Innovative Mousetrap that Really Wasn't Better	0.00	0	10.26

(*Source*: Calentone and Cooper[12])

- *Arcadia*. This is the idealised community in which such products might be used. Based on nostalgia, Arcadia is the place people would like to return to (for example, the 1960s, when they owned their first VW Beetle).

- *Antinomy*. This is brand paradox. New technology is viewed as unstoppable and overpowering, yet at the same time is responsible for people's desire to return to a simpler, less hi-tech past.

Although not all products in Cluster 6 are retro, the advent of a significant interest in retro styling has certainly changed the success rate of such products.

Cluster 8 contains the truly innovative, new-to-the-world product, but until it is actually launched it may be difficult to distinguish from Cluster 2, the Innovative Mousetrap that Really Wasn't Better. This category had no successes at all.

What the above research does not show is the degree to which new products are successful. The innovative, new-to-the-world product may carry the highest risks, but potentially it also carries the highest rewards if successful. The evidence is, therefore, that the safest route is to produce 'me-too' products (minor adaptations of existing market leaders), but that the much riskier route of producing real innovations (e.g. the Sony Walkman) is the only way to become a world-leading company. Producing retro products may well be a useful strategy, combining the success factors of both approaches.

The research also does not consider what a firm might use as a measure of success. Is it profitability? Or is it market share? This will depend on the firm's overall strategy.[1] Recent research shows that the most commonly used measures of success in NPD are customer acceptance, customer satisfaction, product performance, and quality.[14]

Another aspect not addressed by the Calentone and Cooper research is that of the consumer's view of new products. Although a given product may be new to the firm, and may even involve a radical re-think of the company's production and marketing methods, consumers may not see the product as being signifi-

cantly different from what is already available. If consumers do not see any advantage in using the new product, they will not buy it; this re-emphasises the importance of good market research and analysis.

Overall, new product development is concerned with replacing the firm's existing product range with fresh products that come even closer to meeting customer needs. Firms that do not innovate will, eventually, lose market share to firms that do, since the competitor firms will be offering better products. This places a heavy premium on new product development. Having said that, new products do not sell themselves – firms which provide high levels of marketing and technological support for their new products experience greater financial rewards from their innovations.[15]

DIFFUSION OF INNOVATION

New products are not immediately adopted by all consumers. Some consumers are driven to buy new products almost as soon as they become available, whereas others prefer to wait until the product has been around for a while before risking their hard-earned money on it. Innovations therefore take time to filter through the population: this process is called diffusion, and is determined partly by the nature of consumers and partly by the nature of the innovation itself.

Everett M. Rogers[16] classified consumers as follows:

- **Innovators**: those who like to be first to own the latest products. These consumers predominate at the beginning of the product life cycle.

- **Early adopters**: those who are open to new ideas, but like to wait a while after initial launch. These consumers predominate during the growth phase of the PLC.

- **Early majority**: those who buy once the product is thoroughly tried and tested. These consumers predominate in the early part of the maturity phase of the PLC.

- **Late majority**: those who are suspicious of new things, and wait until most other people already have one. These consumers predominate in the later part of the maturity phase of the PLC.

- **Laggards**: those who adopt new products only when it becomes absolutely necessary to do so. These consumers predominate in the decline phase of the PLC.

The process of diffusion of innovation is carried out through reference-group influence (see Chapter 3). Three main theories concerning the mechanisms for this have been proposed: trickle-down theory, two-step flow theory and multi-stage interaction theory.

Trickle-down theory says that the wealthy classes obtain information about new products, and the poorer classes then imitate their 'betters'.[17] This theory has been largely discredited in wealthy countries because new ideas are disseminated overnight by the mass media and copied by chain stores within days.

Two-step flow theory is similar, but this time it is 'influentials' rather than wealthy people who are the start of the adoption process.[18] This has considerable basis in truth, but may be less true now than it was in the 1940s, when the theory was first developed; access to TV and other information media has proliferated and information about innovation is disseminated much faster.

The multistage interaction model[19] recognises this and allows for the influence of the mass media. In this model the influentials emphasise or facilitate the information flow (perhaps by making recommendations to friends or acting as advisers).

Consumers often need considerable persuasion to change from their old product to a new one. This is because there is always a cost of some sort. For example, somebody buying a new car will lose money on trading in the old car (a *switching cost*), or perhaps somebody buying a new computer will also have to spend money on new software, and spend time learning how to operate the new equipment (an *innovation cost*).

On the other hand there is strong evidence that newness as such is an important factor in the consumer's decision-making process.[20] In other words, people like new things, but there is a cost attached. Provided the new product offers real additional benefits over the old one (i.e. fits the consumer's needs better than the old product), the product will be adopted.

Consumers must first become aware of the new product, and then become persuaded that there is a real advantage in switching from their existing solution. A useful model of this adoption process is as follows:

- *Awareness*. This will often come about as a result of promotional activities by the firm.

- *Trial*. For a low-price item (e.g. a packet of biscuits) this may mean that the consumer will actually buy the product before trying it; for a major purchase, such as a car, the consumer will usually need to have a test-drive. Increasingly, supermarkets hold tasting sessions to allow customers to try new products.

- *Adoption*. This is the point at which the consumer decides to buy the product, or make it part of the weekly shopping list.

Everett Rogers[16] identified the following perceived attributes of innovative products, by which consumers apparently judge the product during the decision-making process:

- **Relative advantage**. The degree to which the innovation is perceived as better than the idea it supersedes.

- **Compatibility**. Consistency with existing values, past experiences and needs of potential adopters.

- **Complexity**. Ideas that are easily understood are adopted more quickly.

- **Trialability.** Degree to which a product can be experimented with.

- **Observability.** The degree to which the results of an innovation are visible to others.

Apart from the issue of adopting a product as it stands, there is the concept of **re-invention**. Sometimes users find new ways to use the product (not envisaged by the designers) and sometimes this leads to the creation of whole new markets. For example, in the 1930s it was discovered that baking soda is good for removing stale smells from refrigerators, a fact that was quickly seized on by baking soda manufacturers. Deodorising fridges is now a major part of the market for baking soda.

BRANDING

Many products are so similar to other manufacturers' products that consumers are entirely indifferent as to which one they will buy. For example, petrol is much the same whether it is sold by Shell, Esso, BP, Statoil, Elf or Repsol: such products are called commodity products because they are homogeneous commodities rather than distinct products with different benefits from the others on offer.

At first sight, water would come into the category of a commodity product. Yet any supermarket has a range of bottled waters, each with its own formulation and brand name, and each with its loyal consumers. In these cases the original commodity product (water) has been converted into a brand. Branding is a process of adding value to the product by use of its packaging, brand name, promotion and position in the minds of the consumers.

DeChernatony and McDonald[21] offer the following definition of brand;

> *A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely. Furthermore, its success results from being able to sustain those added values in the face of competition.*

This definition emphasises the increased value that accrues to the consumer by buying the established brand rather than a generic or commodity product. The values that are added may be in the area of reassurance of the brand's quality, they may be in the area of status (where the brand's image carries over to the consumer), or they may be in the area of convenience (making search behaviour easier).

High price differentiation	**Branded products**	High product/ image differentiation
Low price differentiation	**Commodity products**	Low product/ image differentiation

FIGURE 6.7   Commodity products *v* branded products

Figure 6.7 shows the relationship between commodity products and branded products in terms of image and price. Commodity products tend to be undifferentiated in price (for example, petrol tends to be much the same price in petrol stations within a given geographical area. A differential of even 10% would be very noticeable). They also tend to have a low degree of differentiation in the product characteristics and the image. Branded goods, on the other hand, score high on both factors; since they command a premium price, this is likely to lead to an increased profit, which strengthens the case for developing a strong brand.

Brand names

When a new product has been developed, the producer will usually give it a *brand name*. A brand name is a term, symbol or design that distinguishes one seller's product from its competitors. The strategic considerations for brand naming are as follows:

- *Marketing objectives*. The brand name should fit the overall marketing objectives of the firm: for example, a firm intending to enter the youth market will need to develop brand names that appeal to a young audience.

- *Brand audit*. An estimate of the internal and external forces such as critical success factor (also known as the unique selling proposition).

- *Brand objectives*. As with the marketing objectives, the overall intentions about the brand need to be specified.

- *Brand strategy alternatives*. The other ways of achieving the brand's objectives, and the other factors involved in its success, have a bearing on the choice of brand name.

Brand names can be protected in most countries by *registration*, but there is some protection for brands in that it is illegal to try to 'pass off' a product as being a branded one when it is not. For example, using a very similar brand name to a famous brand, or even using similar package design, could be regarded as passing off. This is a civil offence, not a criminal one, so it is up to the offended brand owner to take legal action.

Ries[22] suggests that brand names should have some, or all, of the following characteristics:

- They should shock, i.e. catch the customer's attention. French Connection UK use their FCUK acronym for this purpose.

- They should be alliterative: this helps them to be memorable. For example, West'n'Welsh double-glazing is a more memorable name than BJ double glazing.

- They should connect to the product's positioning in the consumer's perceptual map. UK biscuit brand Hob Nobs conveys an image of a warm kitchen (the hob) with friendliness (hob-nobbing).

- They should link to a visual image: again, this helps the memorability. Timberland outdoor clothing conjures a visual image of mountain country.

- They should communicate something about the product, or be capable of being used to communicate about the product. Duracell conveys the main advantage of the batteries – they are durable.

- They should encourage the development of a nickname (for example, Bud for Budweiser Beer).

- They should be telephone- and directory-friendly. Words often seem muffled on the telephone, so that 'Bud' becomes 'Mud'.

Brands and semiotics

Semiotics is the study of meaning, and is concerned with the symbolism conveyed by objects and words. Semiotics refers to systems of signs; the most obvious system is words, but other systems exist. For example, a film would use the sign systems of the spoken word, the gestures of the actors, the music of the soundtrack, and the conventions of movie direction and production to generate an overall meaning. The overall meaning is generated as a result of an interaction between the sign system and the observer or reader: the viewer interprets the information in the light of existing knowledge and attitudes, later including it in an overall perceptual map of reality (see Chapter 3).

Brands are important symbols, often using more than one sign system to create meaning; the brand name, the logo, the colour and the design of the packaging all contribute. In terms of semiotics brands have four levels:

1 *A utilitarian sign*. This is about the practical aspects of the product, and includes meanings of reliability, effectiveness, fitness for the purpose and so forth.

2 *A commercial sign.* This is about the exchange values of the product, perhaps conveying meanings about value for money or cost-effectiveness.

3 *A socio-cultural sign.* This is about the social effects of buying (or not buying) the product, with meanings about membership of aspirational groups or about the fitness of the product for filling social roles.

4 *A sign about the mythical values of the product.* Myths are heroic stories about the product, many of which have little basis in fact: for example the Harley Davidson motorcycle brand has a strong mythical value due (in part) to its starring role in the film *Easy Rider*. The same is true of James Bond's Aston Martin, and several brands of beer.

Myths provide a conceptual framework through which the contradictions of life can be resolved, and brands can build on this. For example, modern industrial life is, presumably, the antithesis of frontier adventure. Yet the Harley Davidson, a product of twentieth-century industry, was used to represent the (probably mythical) freedom and adventure of the American West. Most powerful brands have at least some mythical connotations – in the United Kingdom, the Hovis bread brand has mythical connotations centred around corner bakery shops at the turn of the century; in Malaysia and Singapore Tiger Balm carries mythical connotations about ancient Chinese apothecaries; in Australia Vegemite carries mythical connotations about Australian family life that its main competitor, Promite, has never tapped into.

The association of different values with the brand name can be extremely useful when researching the acceptability of a brand's image. The importance that consumers place on these values can be researched using focus groups, with a subsequent analysis of the key signs contained within the brand, and consumers can be segmented according to their responsiveness to the particular signs contained within the brand and their relevance to the consumer's own internal values.

Research carried out by Gordon and Valentin[23] into retail buying behaviour showed that different retail outlets convey different meanings to consumers in terms of a continuum from planned, routine shopping through to impulse buying. Each store type met the needs differently and conveyed different meanings in terms of appropriateness of behaviour. Convenience stores conveyed an image of disorder and feelings of guilt and confusion (perhaps associated with having forgotten to buy some items in the course of the regular weekly shop). Supermarkets represented planned shopping and conveyed an image of efficient domestic management and functionality. Petrol stations carried a dual meaning of planned purchase (for petrol) and impulse buying (in the shop). Business travellers seeking a break from work and pleasure travellers seeking to enhance the

'holiday' feeling both indulged in impulsive behaviour motivated by the need for a treat. Finally, off-licences legitimated the purchase of alcohol, allowing shoppers to buy drinks without the uneasy feeling that other shoppers might disapprove. Off-licences also provided an environment in which people felt able to experiment with new purchases.

These signs are relevant not only for the retailers themselves in terms of their own branding, but also for branded-goods manufacturers who need to decide which outlets are most appropriate for their brands and where in the store the brand should be located. For example, snack foods and chocolate are successfully sold in petrol stations, where the travellers are often looking for a treat to break up a boring journey.
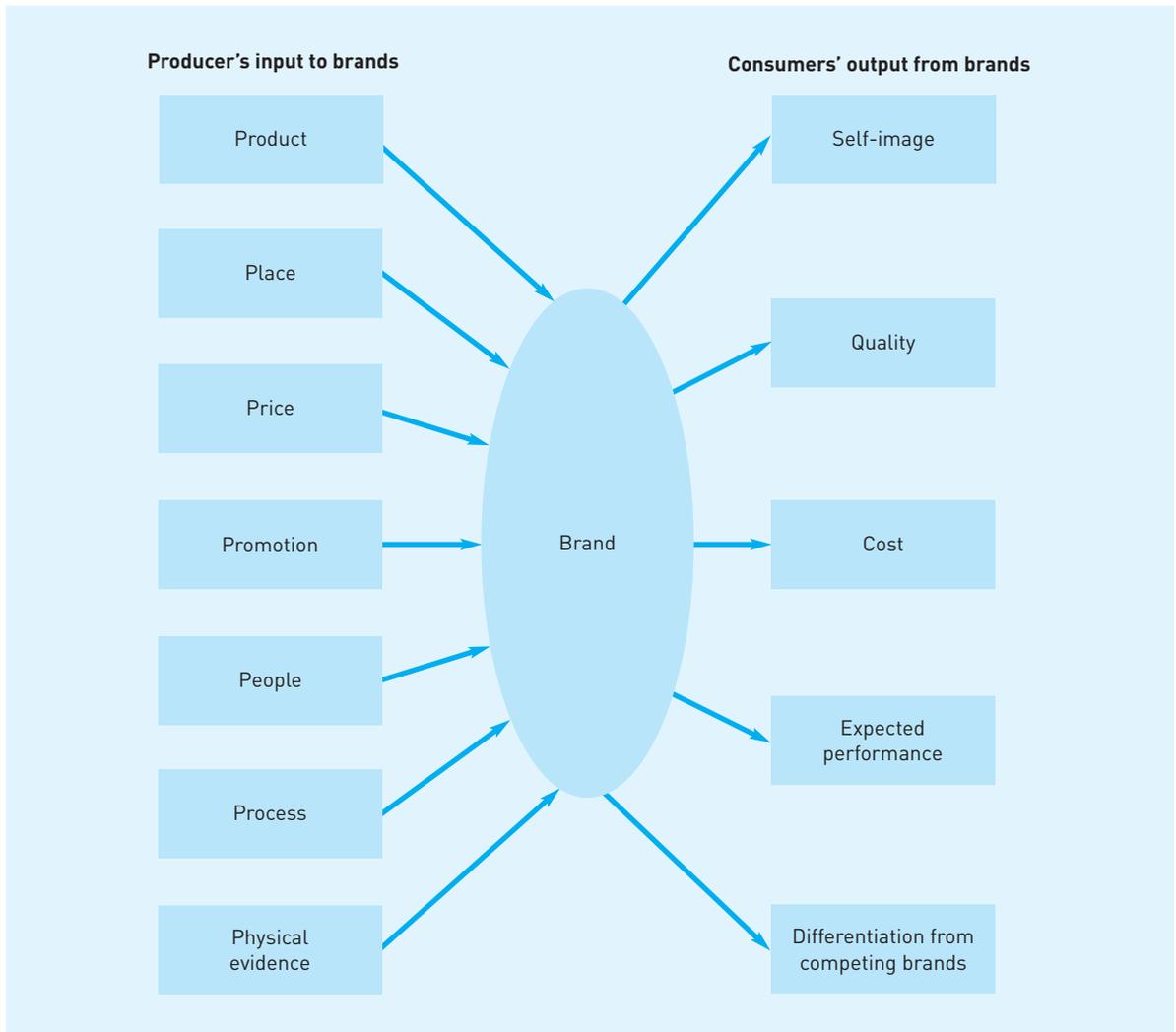
STRATEGIC ISSUES IN BRANDING

Adding value to the product by branding involves a great deal more than merely giving the product a catchy name. Branding is the culmination of a range of activities across the whole marketing mix, leading to a brand image that conveys a whole set of messages to the consumer (and, more importantly, to the consumer's friends and family) about quality, price, expected performance and status. For example, the Porsche brand name conveys an image of engineering excellence, reliability, sporty styling, high speed and high prices, and of wealth and success on the part of the owner. People do not buy Porsches simply as a means of transport; for that purpose a basic Ford is perfectly adequate.

Because branding involves all the elements of the marketing mix it cannot be regarded simply as a tactical tool designed to differentiate the product on the supermarket shelves. Instead, it must be regarded as the focus for the marketing effort, as a way of directing the thought processes of the management towards producing consumer satisfaction. The brand acts as a common point of contact between the producer and the consumer, as shown in Figure 6.8.

In Figure 6.8, the consumer benefits from the brand in terms of knowing what the quality will be, knowing what the expected performance will be, gaining some self-image values (for example, a prestigious product conveys prestige to the consumer by association – conversely, a low-price product might enhance a consumer's sense of frugality and ability to find good value for money).

In many cases the core product has very little to differentiate it from other products, and the brand is really the only differentiating feature. For example, Levi jeans are the world's top-selling brand of jeans, yet the only discernible difference between Levi's and Wranglers is the stitching on the pocket and the brand name. A famous example is the rivalry between Pepsi Cola and Coca-Cola; in blind taste tests, most people prefer the flavour of Pepsi but Coca-Cola outsells Pepsi in virtually every market. This apparent discrepancy can only be explained by the brand image which Coca-Cola has, and in taste tests where consumers are able to see the can the drink comes out of, Coca-Cola is the preferred brand.

Producer's input to brands   Consumers' output from brands

- Product
- Place
- Price
- Promotion
- People
- Process
- Physical evidence

Brand

- Self-image
- Quality
- Cost
- Expected performance
- Differentiation from competing brands

FIGURE 6.8   Brands as a contact point

Despite the apparently artificial nature of differentiation by branding, the benefits to the consumer are very real; experiments show that branded analgesics work better than generic analgesics at relieving pain, even though the chemical formula is identical. This is because of the psychosomatic power of the brand. Someone driving a prestige car gains very real benefits in terms of the respect and envy of others, even if the performance of the car is no better than that of its cheaper rival.

Brands can be looked at in a number of different ways. Table 6.6 shows eight different strategic functions of brands.

TABLE 6.6   Strategic functions of brands

Function	Explanation
Brand as a sign of ownership	Brands were at one time a way of showing who had instigated the marketing activities for the brand. This was an attempt to protect the formulation of the product in cases where intellectual property protection was insufficient, and also to ensure that customers knew whether they were buying a manufacturer's brand or a retailer's brand.
Brand as a differentiating device	A strong brand undoubtedly does differentiate the product from similar products, but having a strong brand name is not enough. The product itself also needs to be different in some way; the brand image is the communicating device that conveys the difference to the consumer.
Brand as a functional device	Branding can be used to communicate functional capability. In other words, the brand conveys an image of its quality and expected performance to the consumer.
Brand as a symbolic device	The symbolism of some brands enables the consumer to say something about themselves. This is particularly apparent in the 'designer' clothes industry – a very ordinary T-shirt acquires added value because the name of the designer is printed on the front. If the consumers believe that the brand's value lies in its communication ability they will spend considerable time and effort in choosing the brand that conveys the appropriate image.
Brand as a risk reducer	Every purchase involves a degree of risk; the product might not perform as expected, and if it fails to do so then the vendor might not be prepared to make restitution. Buying a strongly branded product offers the consumer a degree of reassurance about both the product and the producer. Astute marketers find out what types of risk are of most concern to the customers or consumers and develop a brand presentation which addresses those risks.
Brand as a shorthand device	Brands are used as a way of 'tagging' information about a product in the consumers' memories. This is particularly relevant when the brand is extended to other product categories, since the consumer's view of the parent brand is transferred to the new brand: for example, Virgin has successfully extended the brand image from records to retailing to airlines to financial services, all offering the same innovative approach and serving similar market segments.
Brand as a legal device	Brands give a certain amount of legal protection to the producer, since pack design and name can be protected where (often) the formulation of the product cannot. Strong branding offers some protection for the firm's intellectual property.
Brand as a strategic device	The assets constituting the brand can be identified and managed so that the brand maintains and builds on the added value that it represents.

Branding clearly has advantages for the manufacturer and the retailer, since it helps to differentiate the product from the competitor's product. Economies of scale and scope are attributed to branding, and a brand with high sales will generate production economies.[24] A successful brand also creates a *barrier to entry*, so that competitors find it harder to enter the market.[25] Brands also allow firms to compete other than on price,[26] which clearly has advantages since the firm does not have to cut its profit margins in order to compete.

Furthermore, brands that are held in high esteem tend to be more consistent in their sales, riding over the ups and downs of the marketplace.[27] Not all brands are priced at a premium; many brands are competitively priced in order to take advantage of consistent sales.

Branding has advantages for the consumer: it is easy to recognise the product, and easy to identify with it. Messages about the formulation and benefits are clearly conveyed, and in most cases the use of a particular brand says something about the consumer (for example, wearing designer clothes).[28] Because most purchases involve only limited problem-solving behaviour, branding helps to reduce the decision-making time and also the effort of evaluating competing products. Consumers who either do not want to spend time on an extended information search, or do not have the expertise to do so, can use the brand as an implicit guarantee of quality.[27]

Information storage and retrieval in humans are carried out by a process of 'chunking' or collecting information in substantial quantities and storing them under a single 'file name'.[29] In effect, the brand name provides an informational chunk: the individual is able to summon up a huge amount of information from memory using the brand name as the trigger.

From a strategic viewpoint, the brand image provides a focus for the creative energies of the marketing team. Koestler suggests that creativity involves the bringing together of hitherto unrelated, yet familiar, objects to generate a creative insight.[30] The difficulty for marketers is that product and brand development is often a team process, and as such the team needs to keep a firm picture of what the product is intended to convey – the 'personality' of the product – if they are to maintain consistency in the creative activities. One way of doing this is to use a metaphor for the product. For example, the Honda Accord developers used the metaphor 'Rugby player in a dinner suit' to achieve product coherence across the team, even though the entire creative team consisted of hundreds of people, from automotive stylists through to ad designers.[31]

Brand planning is important, but time-consuming; often the job is given to a brand manager, many of whom are young and inexperienced. Developing the brand is a process of integrating a number of strands of business activity, so a clear idea of the brand image is essential, as is a long-term view. To see branding as merely being about design or advertising or naming is inadequate and short-sighted; successful brands are those that act as a lens through which the consumer sees the corporation and the product. Constant evaluation of the image seen through the lens is essential if the brand is to retain its status.

EXTENDING THE BRAND

A **brand extension** is another product in the company's range that uses a similar brand name. For example, Cherry Coke is a brand extension of the original Coca-Cola. Overall **family branding** is where one brand name is used for a range of products, such as Heinz 57 Varieties, and **line family branding** is where a smaller group of brands carries a single identity.

In each case the aim is to convey a message of quality to the consumer by borrowing from the established reputation of the parent brand, and to appeal to the target market, who are already familiar with the parent brand. Properly carried out, the establishment of a brand is a long-term project, which can be expensive: this leads to an emphasis by some firms on brand extensions that are intended to maximise the return on the investment made in establishing the brand. In some cases, brands have been extended to the breaking-point; relatively few brands (Virgin being one example) can be extended apparently indefinitely, and even as well-established a brand as Levi Strauss jeans could not extend itself to smart suits (the company's attempt to do so in the early 1980s turned to disaster). Brand extensions should always bear some relationship to the original brand; Virgin's ability to extend relies on the brand's image as being original and fresh-thinking, coupled with a combination of solidity and practicality. Even so, the bad publicity which surrounded Virgin Trains at the beginning of the century is thought to have damaged the brand, and the company has been forced to make major investments in their rolling stock in order to recover some of the lost ground.

A more recent development has been **compositioning**, in which products are grouped under a brand name to create a composite value greater than that of the components.[32] Joint marketing and distribution alliances come under this heading. The products concerned do not necessarily come from the same producer, and may not even be in the same general category: for example, Disneyland has 'official airlines' or 'official ferry companies' to transport visitors to its theme parks. A further extension of this concept is **brand architecture**,[33] which is concerned with setting up 'partner' brands and creating a balance between branding at the product level and corporate or banner levels.

Within the international arena, firms have the opportunity to extend the brand across international frontiers. This raises fundamental strategic issues: for example, should the brand be globalised, with the firm offering a standard package throughout the world (as does Coca-Cola), or should the brand be adapted for each market (as does Heinz)? Some firms brand globally, but advertise locally,[34] while others organise task groups to handle the brand on a global scale.[35]

RETAILERS' OWN-BRANDS

Retailer power has grown considerably since 1980, with a proliferation of own-brand products. In the past, the retailer's own-brand products were usually of poorer quality than manufacturers' brands, but they are now often of equal or even superior quality. These brands now account for up to 60% of the sales in some major retail stores such as Tesco and Sainsbury in the United Kingdom, and Carrefour in France (slogan: *'Carrefour – c'est aussi une marque'*, which translates as 'Carrefour – it's also a brand').[36] For manufacturers this creates a problem of response: should the manufacturer try to invest in the firm's brands more heavily in order to overcome the retailer's brand, or should he or she capitulate entirely and produce on behalf of the retailer?[37] Often manufacturers will become suppliers of retailer-brand products which compete with their own branded goods. Reasons for doing this are as follows:

- *Economies of scale*. The manufacturer may be able to buy raw materials in greater quantities, or may be able to invest in more efficient production methods, if the throughput of product is increased.

- *Utilise excess capacity.* Seasonality or production synergies may make production of own-brand products attractive in some cases.

- *Base for expansion.* Supplying a retailer with own-brand goods may lead to other opportunities to supply the retailer with other products in future.

- *No promotion costs.* The retailer bears all the investment in the brand (which is, of course, a brand extension of the retailer's trading name in any case).

- *No choice.* Some retailers (the UK's Marks and Spencer being an example) only trade in their own-brands. Manufacturers who wish to trade with these retailers have no choice but to produce under the retailer's brand name.

- *To shut out the competition.* If the manufacturer does not produce goods under the retailer's brand name, another manufacturer will and will thus gain ground.

Manufacturers with very strong branding often refuse to produce own-brand goods, Kellogg's breakfast cereals being a notable example. If the brand is strong enough this allows the firm to promote on an 'accept no substitutes' platform.

In the past, own-brand products were cheap versions of the leading brands, but in more and more cases the retailers now have enough financial strength to fund the development of entirely new versions of products, some of which are superior to the proprietary brands and have achieved substantial market shares.

In many cases this is achieved by producing *'lookalike'* branding, where the product looks very similar to the brand leader. In the United Kingdom this led to the formation of the British Producers and Brand Owners Group, which lobbied

Parliament to regulate the visual and physical simulation of successful brands. In fact, research showed that few if any consumers accidentally pick up the wrong brand,[38] but some confusion is engendered. Retailers (perhaps disingenuously) claim that using similar packaging helps consumers identify products, whereas manufacturers claim that lookalikes give the impression that the products are identical. In other words, the confusion arises not at the level of picking up the wrong pack, but at the more subtle level of forming inaccurate beliefs about the lookalike's attributes based on the attributes of the leading brand.[39]

A further argument advanced by retailers is that the strong manufacturers' brands have created generic product categories of their own – 'Gold Blend-type' instant coffees, for example. The retailers argue that products with similar quality and specifications should look as similar as possible to the brand that first created those values – an argument that is particularly galling to manufacturers who have invested large sums of money in creating those brand values in the first place.

PACKAGING

Packaging of the product is equally part of the product, since the packaging can itself convey benefits. The main purpose of packaging is to protect the contents from the outside environment and vice versa, but packaging also carries out the following functions:

- Informs customers.

- Meets legal information requirements.

- Sometimes aids the use of the product (e.g. ring pulls on drinks cans make it easier to open the can).

Packaging decisions might include such areas as **tamper resistance** (paper strips around caps to prevent bottles being opened while on supermarket shelves) and *customer usage* (e.g. the development of beer packaging from bottles to cans to ring-pulls to non-waste ringpulls to draught beer systems). The protection of the environment has become important to consumers in recent years, so much packaging is either recyclable or biodegradable. Customer acceptability is of obvious importance; packaging must be hygienic and convenient for the consumer. Within the United Kingdom there has been a growing trend to develop packaging designs that can be legally protected under the 1994 Trade Marks Act; the purpose of this is to prevent imitators from making close copies of the packaging. In some cases the package design has been made expensive to copy, requiring re-tooling for unusual pack shapes, or expensive printing processes.[40] 'Me-too' packaging has become particularly common among supermarket own-brand versions of popular products, and there has been some debate about the ethics of this. In some countries these close copies infringe copyright or patent laws.[41]

Colour can also be important: for example, Heinz's use of a turquoise label for their baked beans tin emphasises the orange colour of the beans when the can is opened.

In recent years, because of the huge upsurge in world trade, it has also become necessary to consider the legal requirements of labelling, which differ from one country to the next; nutritional information may have to be in a different form for each country (for example, in the United States food has to be labelled with the amount of fat it contains expressed as a percentage of a 2000 calorie daily intake). There has recently been a dispute within the EU regarding the labelling of recipe products. The EU officials wanted manufacturers to label products with the proportions of each ingredient, so that consumers could judge (for example) how much sugar or fat is contained in the product. Manufacturers pointed out that this was tantamount to giving their competitors their recipes, which in many cases are carefully guarded trade secrets. Eventually the manufacturers won this argument.

Packaging can often be used for promotion of other products in the manufacturer's range (via recipe instructions, for example) or for joint promotions with non-competing companies.

CASE STUDY 6: J.D. WETHERSPOON

In 1979, law student Tim Martin decided he wanted to own a pub. Unlike most students with the same ambition, Martin actually went ahead and bought the pub he usually drank in. From the beginning, Martin decided that Wetherspoon's was going to be different from the other pubs around.

For one thing, Wetherspoon's has no music. There is no juke box, no live bands, and no piped music anywhere in any Wetherspoon's pub. Secondly, Wetherspoon's has a wider range of beers than do most pubs – and it is the beer that makes the profits. Wetherspoon's operate by keeping the price of the beer relatively low, but offering a quiet atmosphere, no-smoking areas and all-day food.

Each pub has its own name, but operates under the overall Wetherspoon brand: the pub name and the company name appear prominently on each of the 640 Wetherspoon pubs in Britain. The company was floated on the London Stock Exchange in 1992, and continues to expand throughout the UK. In recent years the company has also diversified into J.D. Wetherspoon Lodges and Lloyd's nightclubs. Each of these operations has the same philosophy as the central J.D. Wetherspoon brand.

Maintaining a pleasant, safe atmosphere is central to Wetherspoon's policies. The company has removed all financial incentives for customers to 'trade up' to larger or more alcoholic drinks: for example, most pubs sell a double measure of spirits for less than the cost of two separate singles, but Wetherspoon's have removed this because they see it as an incentive for customers to buy more alcohol than they otherwise might. Strange behaviour – most companies seek to encourage people to buy more of their product. The company also sell their soft drinks at much lower prices than most other pubs or restaurants.

John Hutson, managing director of Wetherspoon's, says, 'We believe that a combination of food served all day, reasonably priced soft drinks, an absence of financial incentives to "trade up" to larger quantities of alcohol, combined with good facilities and a heavy emphasis on staff training are the right direction for the pub industry to take. ... No company which serves alcohol can be immune from bad behaviour from time to time, but these policies should help to reduce its effects and, as a company, we will, as in the past, continue to consider sensible policies for our business and the community in this complex area.'

In another somewhat surprising development, Tim Martin has called on the government to ban smoking in all pubs by January 2006. Citing the Californian experience, where all smoking in public places was banned in the 1990s, he says that a significant number of people now avoid pubs because of the smoky atmosphere. 'I believe that a total ban would be the best way forward, and not result, for example, in a situation where customers can smoke in pubs in Newcastle, but not in nearby Gateshead, because neighbouring councils have different agendas,' he says. 'However, it would be commercial suicide for a pub company to prohibit smoking in the absence of a nationwide ban by the government. Going it alone, in my opinion, is not a viable option in the pub world.'

The UK is a pub culture, like Ireland: much of Britain's social life revolves around drinking, and the corner pub is often the cornerstone of the community. What J.D. Wetherspoon has done is recapture the old atmosphere of the pub – a place for conversation, perhaps some food, and a comfortable and safe environment.

Questions

1 In terms of branding, how do Wetherspoon Lodges fit in?

2 Why would Wetherspoon seek to have smoking banned in all pubs?

3 In terms of Calentone and Cooper's classifications, where does Wetherspoon's fit in?

4 What other types of business might the Wetherspoon brand extend to?

5 Why have separate names for each establishment?

SUMMARY

IThis chapter has been about those decisions that are closest to the product. The main issues revolve around managing the product portfolio to ensure that the firm continues to offer relevant products to meet the needs of consumers, knowing when to drop a product from the mix and knowing when to introduce a new product.

Branding is concerned with communicating the unique selling proposition of the product to the consumers, and is the focus of all the firm's marketing activities relating to the product. The brand is the 'personality' of the product, communicating subtle messages about quality and performance.

Here are the key points from this chapter:

- The product life cycle is a useful description, but not much help in prediction.
- Products in the Star stage will cost more money to maintain than they bring in, but are an investment for the future.
- Dogs may still be profitable, but are probably a poor use of resources and could be replaced by more profitable products.
- War Horses and Dodos will eventually disappear unless they can be repositioned into new, growing markets.
- Most products will decline and must be replaced eventually.

- The safe route in NPD is the me-too; the high-growth route is innovation.
- A product is a bundle of benefits, not merely the sum of its physical characteristics.

CHAPTER QUESTIONS

1 What are the stages of new product development?
2 Why should firms innovate?
3 Why does the Enis, Lagrace and Prell version of the product life cycle differ from the traditional version?
4 How might a firm use re-invention when repositioning a product?
5 From the BCG matrix, which products would probably be bought by the late majority of adopters?
6 What disadvantages might family-line branding have over individual branding?

MULTI-CHOICE QUESTIONS

1 A product is defined as:

(A) A manufactured article, most of whose features are tangible.
(B) A bundle of benefits.
(C) A coherent set of attributes, some of which are tangible and some of which are intangible.

2 A brand is:

(A) A name given to a firm's product to distinguish it from its competitors.
(B) A feature of the packaging of a product.
(C) A focus for the firm's marketing activities around a specific product.

3 Brand extension is:
(A) Creating linked products which relate to the basic brand.
(B) Promoting the brand into new markets.
(C) Promoting the brand into new distributors.

4 A product that has a large share of a mature market is called:

(A) A Star.
(B) A Cash Cow.
(C) A Dog.

5 A product that has a small share of a shrinking market is called:

(A) A Dog.
(B) A War Horse.
(C) A Dodo.

6 Someone who is among the very first to buy a new product is called:

(A) An early adopter.
(B) A laggard.
(C) An innovator.

7 A shopping product is:

(A) A product that is bought on a regular basis.
(B) A product that requires a lengthy decision-making process.
(C) A product that is bought from a retail shop.

8 Accessory equipment is:

(A) Equipment bought by a firm for its peripheral needs.
(B) Extra products that complement a main product purchase.
(C) Equipment used to access other equipment.

9   Which of these is untrue?
   (A) Service products are intangible.
   (B) Service products are bundles of benefits.
   (C) Service products are luxuries.

10   Tamper resistance is an aspect of:
   (A) Packaging design.
   (B) Product design.
   (C) Promotion design.

FURTHER READING

Marketing by David Mercer (Oxford, Blackwell Books, 1992) has a very detailed chapter on product and service decisions (Chapter 7). This covers the product life cycle in great detail and for several industries, and is also very readable.

Marketing; Concepts and Strategies 3rd edn, by S. Dibb, L. Simkin, W. Pride and O.C. Ferrell (London, Houghton Mifflin, 1998) has a chapter on product management (Chapter 9) which is well worth reading. Although this was originally an American text, and therefore contains a lot of American examples, the British half of the writing team (Dibb and Simkin) have inserted some good European examples. There is an excellent section on consumer adoption of new products, and another on the process of developing a new product.

Marketing Made Simple, by B. Howard Elvy (Oxford, Made Simple Books, Heinemann, 1991), has a very readable and straightforward chapter on marketing and the product (Chapter 2). The chapter runs quickly through the basics of generating new product ideas, screening them, and tailoring them for the market, and also discusses brand naming and packaging. A good overview, without going into too much detail.

Successful Product Development by Axel Johne and Patricia Snelson (Oxford, Basil Blackwell, 1990) is a book based on research conducted among British and American firms during the 1980s to find the best-practice approaches to NPD. It is a readable and interesting text, and contains numerous quotes from managers and others involved in the NPD process.

Services Marketing by Helen Woodruffe (London, Pitman Publishing, 1995) gives a very thorough and readable account of the special aspects of the marketing of services.

Building Strong Brands by David A. Aaker (New York, The Free Press, 1996) gives a good, practitioner-orientated guide to developing brands.

GLOSSARY

Actual product benefits The beneficial aspects of the product that pertain to the product itself.

Augmented product benefits The beneficial aspects surrounding the product; its warranty, delivery, installation, after-sales support, etc.

Auxiliary characteristics Those features and benefits that are secondary to the primary characteristics; the less essential aspects that differentiate the product from its close substitutes.

Brand architecture The process of structuring brands in order to transfer brand equity from product levels to corporate levels.

Brand extension Marketing new products under an old brand name.

Cash Cow A product with a large share of a low-growth market.

Compatibility The degree to which the new product fits in with the customer's existing purchases and lifestyle.

Complexity The degree to which the product is difficult to learn to use.

Compositioning Grouping products under a single brand name with a single position in the consumer's perceptual map.

Consumer products Goods and services purchased for the personal consumption of an individual or his/her family.

Convenience products Cheap, frequently purchased items which do not require much thought or planning.

Core product benefits The central benefits of a good or service.

Dodo A product with a low share of a shrinking market.

Dog A product with a low share of a low-growth market.

Early adopters People who adopt a new product after the innovators have already adopted it.

Early majority Consumers who adopt a product once it has been thoroughly tried and tested, but before more than half the population have adopted the product.

Family branding Grouping products under a single brand.

Industrial products Goods or services purchased by a business for use in the course of running the business.

Innovators The first people to adopt a new product.

Laggards The last people to adopt a new product.

Late majority People who only adopt a product when approximately half the customers in the market have already done so.

Line family branding Grouping related products under a single brand name.

Mid-life kickers Tactics used by marketers to revitalise a product in the decline phase of the PLC.

New product development (NPD) The process of developing new products from idea stage through to launch on the market.

Observability The degree to which the product can be seen by others.

Primary characteristics The main aspects of a product which provide the core benefits to the consumer.

Problem Child A product with a low share of a high-growth market.

Product A bundle of benefits.

Product life cycle (PLC) The stages a product goes through from launch to obsolescence.

Re-invention The process of finding new uses for old products.

Relative advantage The degree to which a new product is better than the product the customer is currently using.

Shopping products Goods or services that are purchased infrequently and therefore require an extended decision-making process.

Speciality products Goods or services that are available only from a limited range of outlets.

Star A product with a large share of a fast-growing market.

Tamper resistance Creating packages that cannot be surreptitiously opened and resealed.

Trialability The degree to which the product can be tested before purchase.

Unsought products Products that the consumer would recognise a need for, but would not ordinarily seek out.

War Horse A product with a large share of a shrinking market

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