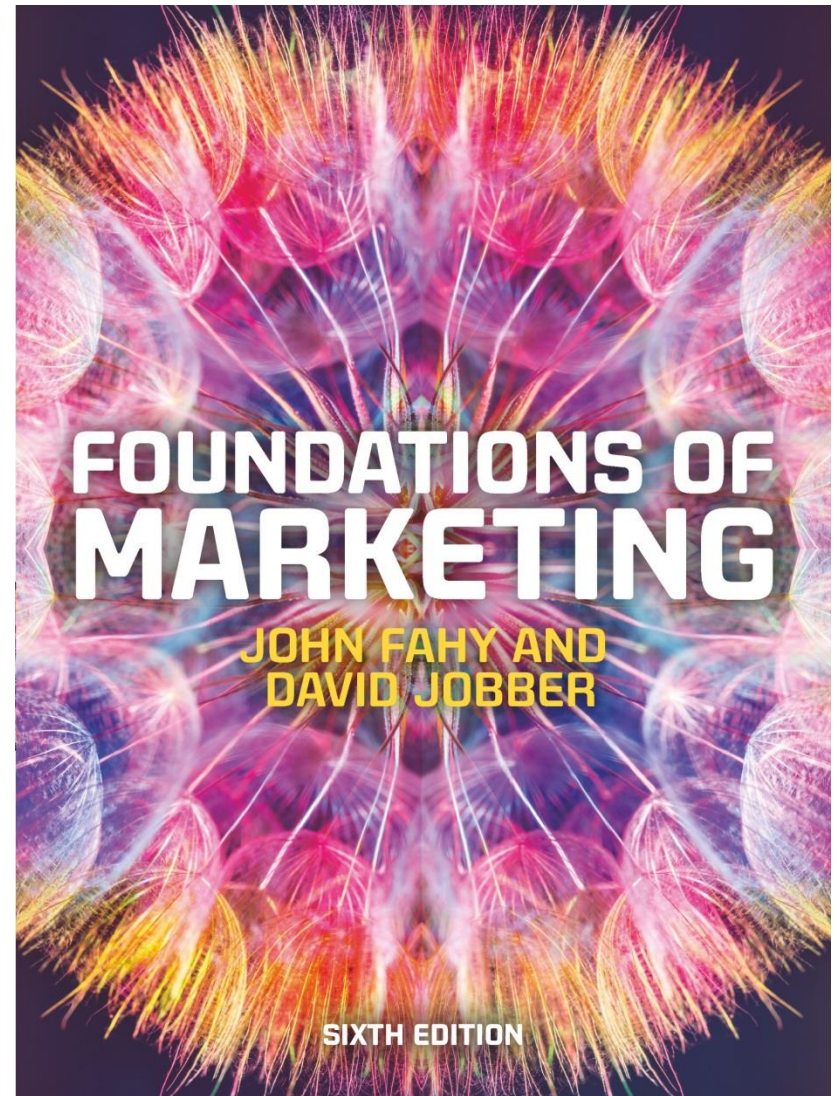


## Chapter 6

### Value through Products and Brands

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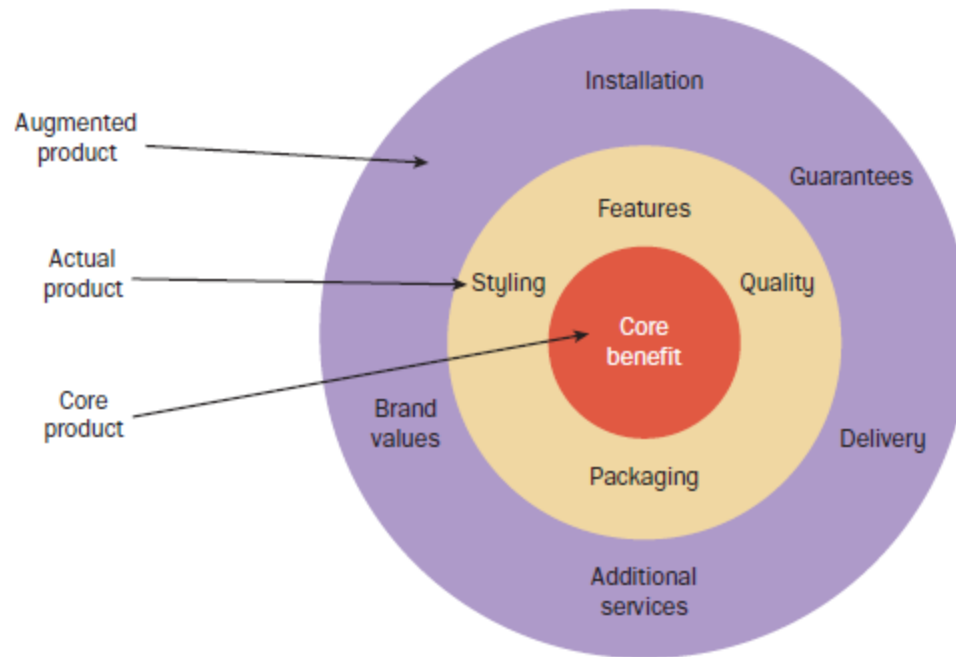
Foundations of Marketing, Sixth  
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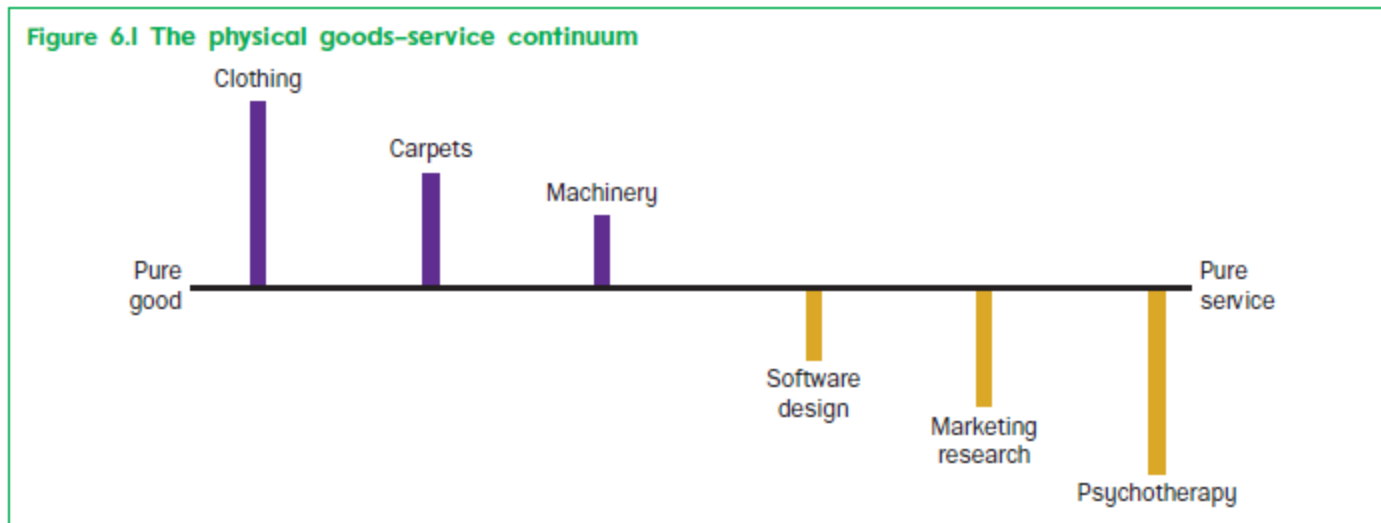
# The Three Levels of a Product

A product is anything capable of satisfying customer needs

Figure 6.2 The three levels of product



# The physical goods–service continuum



# Branding

- Branding is the process by which companies distinguish their product offerings from the competition.
- Branding permits customers to develop associations with products, which eases the purchase decision.
- Brands affect consumers' perceptions and is particularly noticeable in blind product testing.
- The power of brands over products can also be seen in the way that some products are more commonly known by the brand name than by the product name.

# The Benefits of Brands

## To Organizations

- Company value & brand equity
- Consumer preference and loyalty
- Barrier to competition
- High profits
- Base for brand extensions

## To Consumers

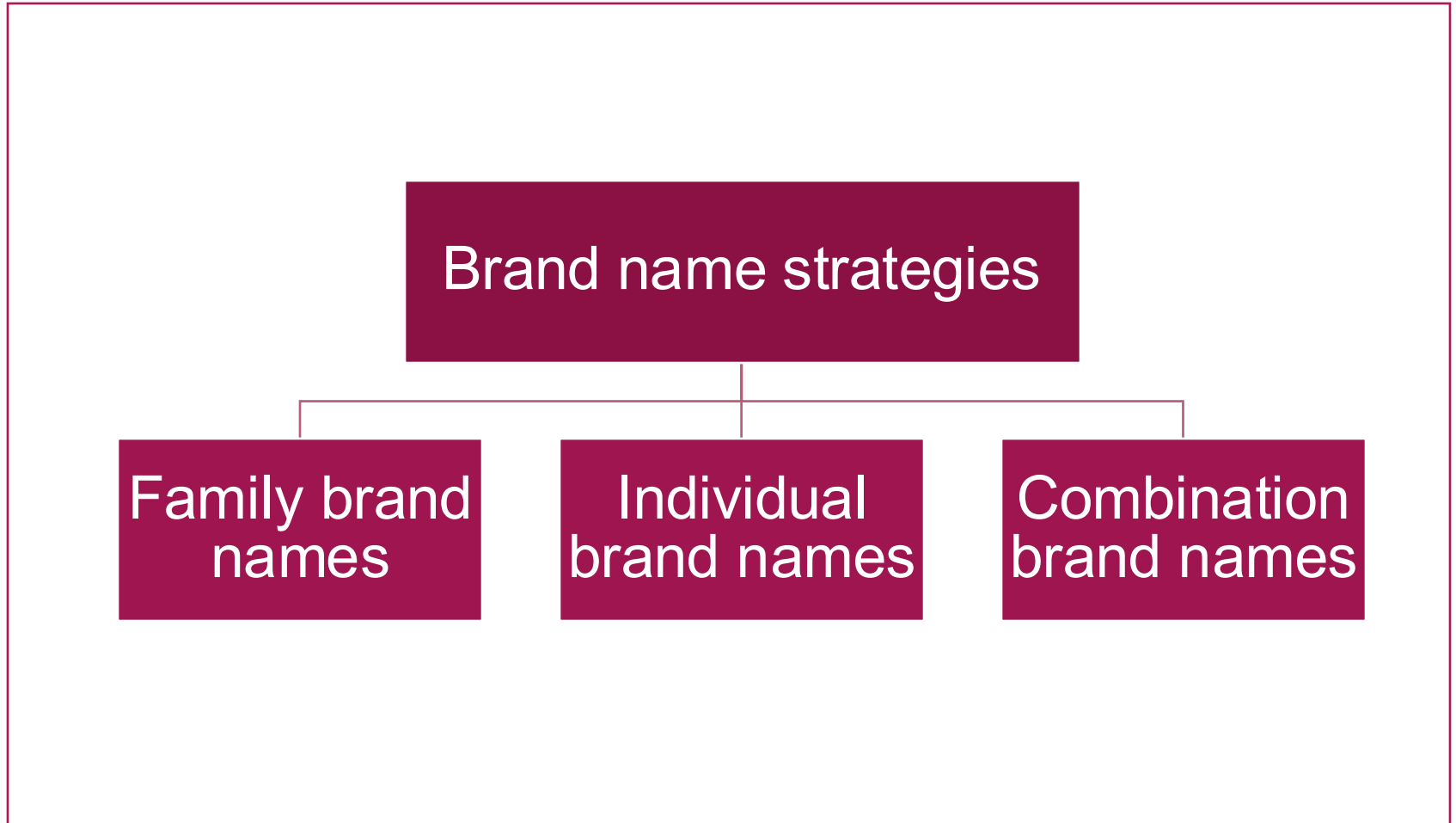
- Communicates features and benefits
- Reduces the risk in purchasing
- Simplifies the purchase decision
- Symbolic value

# Building Brands

Building brands involves making decisions about:

- The brand name;
- How the brand is developed;
- How the brand is positioned in the marketplace.

# Naming Brands



# Brand Name Considerations

Table 6.1 Brand name considerations

| A good brand name should: |  |
|---------------------------|--|
| 1                         | evoke positive associations                    |
| 2                         | be easy to pronounce and remember              |
| 3                         | suggest product benefits                       |
| 4                         | be distinctive                                 |
| 5                         | use numerals when emphasizing technology       |
| 6                         | not infringe an existing registered brand name |



# Brand Name Categories

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|               |   |
|---------------|---|
| Descriptive:  | General Motors, The Body Shop, Shredded Wheat |
| Evocative:    | Amazon, Virgin, Nike                          |
| Invented:     | Exxon, Kodak, Xerox                           |
| Lexical:      | Dunkin' Donuts, PayPal, Flickr                |
| Acronym:      | IBM, HP, GE                                   |
| Geographical: | American Express, Halifax, Air France         |

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**Source:** adapted from Lischer, B. (2018) *7 Popular Types of Brand Names*. San Diego, CA: Ignyte.

# Trademarks

- Legal protection for a brand name, brand mark, or trade character is provided through the registration of trademarks.
- As brands assume greater importance, so does their legal protection.
- The Nike swoosh, the Starbuck's mermaid, and the Apple icon are all highly valuable and protected by their owners through trademarks.

Exhibit 6.1 Years of brand development by Nike means that its 'swoosh' logo has become one of the most recognizable brand logos in the world.



# The Top 20 Most Valuable Brands Worldwide

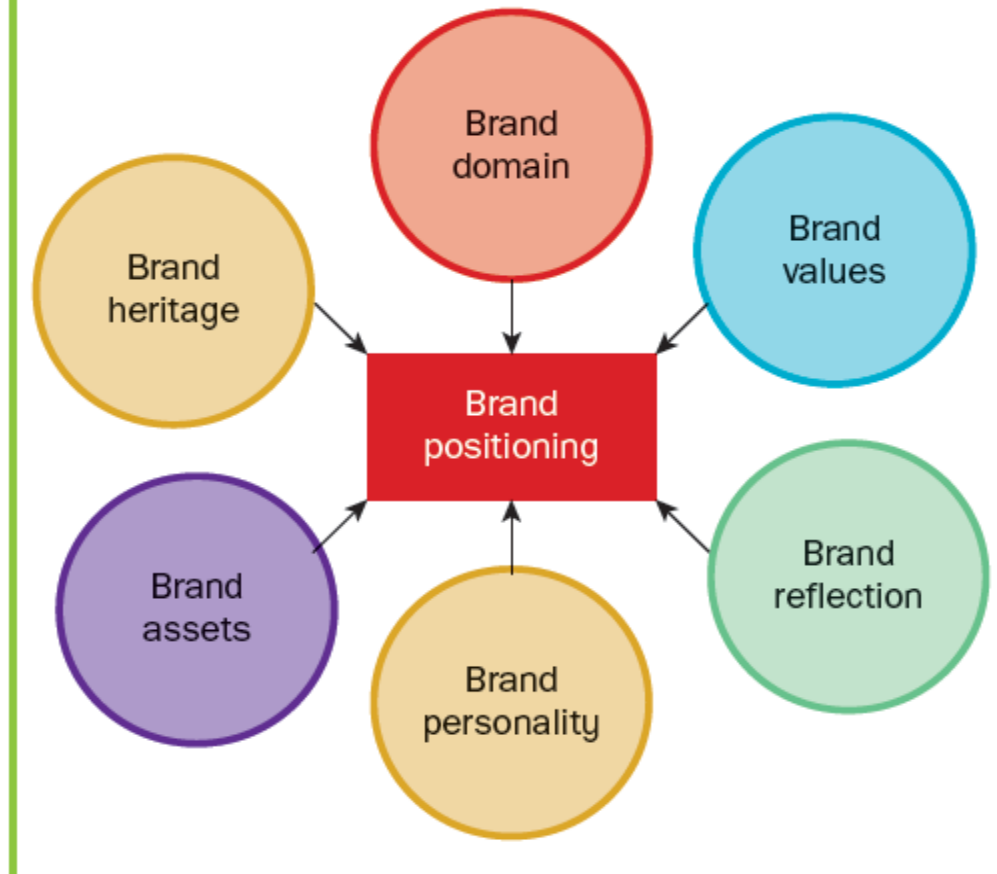
Table 6.3 The top 20 most valuable brands worldwide, 2017

| Company          | 2017 brand value<br>(US\$ billions) | Country of origin | % change from 2012 |
|------------------|-------------------------------------|-------------------|--------------------|
| Apple            | 184,154                             | USA               | 3                  |
| Google           | 141,703                             | USA               | 6                  |
| Microsoft        | 79,999                              | USA               | 10                 |
| Coca-Cola        | 69,733                              | USA               | −5                 |
| Amazon           | 64,796                              | USA               | 29                 |
| Samsung          | 56,249                              | South Korea       | 9                  |
| Toyota           | 50,291                              | Japan             | −6                 |
| Facebook         | 48,188                              | USA               | 48                 |
| Mercedes         | 47,829                              | Germany           | 10                 |
| IBM              | 46,829                              | USA               | −11                |
| General Electric | 44,208                              | USA               | 3                  |
| McDonald's       | 41,533                              | USA               | 5                  |
| BMW              | 41,521                              | Germany           | 0                  |
| Disney           | 40,772                              | USA               | 5                  |
| Intel            | 39,459                              | USA               | 7                  |
| Cisco            | 31,930                              | USA               | 3                  |
| Oracle           | 27,466                              | UK                | 3                  |
| Nike             | 27,021                              | USA               | 8                  |
| Louis Vuitton    | 22,919                              | France            | −4                 |
| Honda            | 22,696                              | Japan             | 3                  |

Source: Interbrand.

# The Anatomy of Brand Positioning

Figure 6.3 The anatomy of brand positioning



# Brand Management Issues

Brand extension and brand stretching

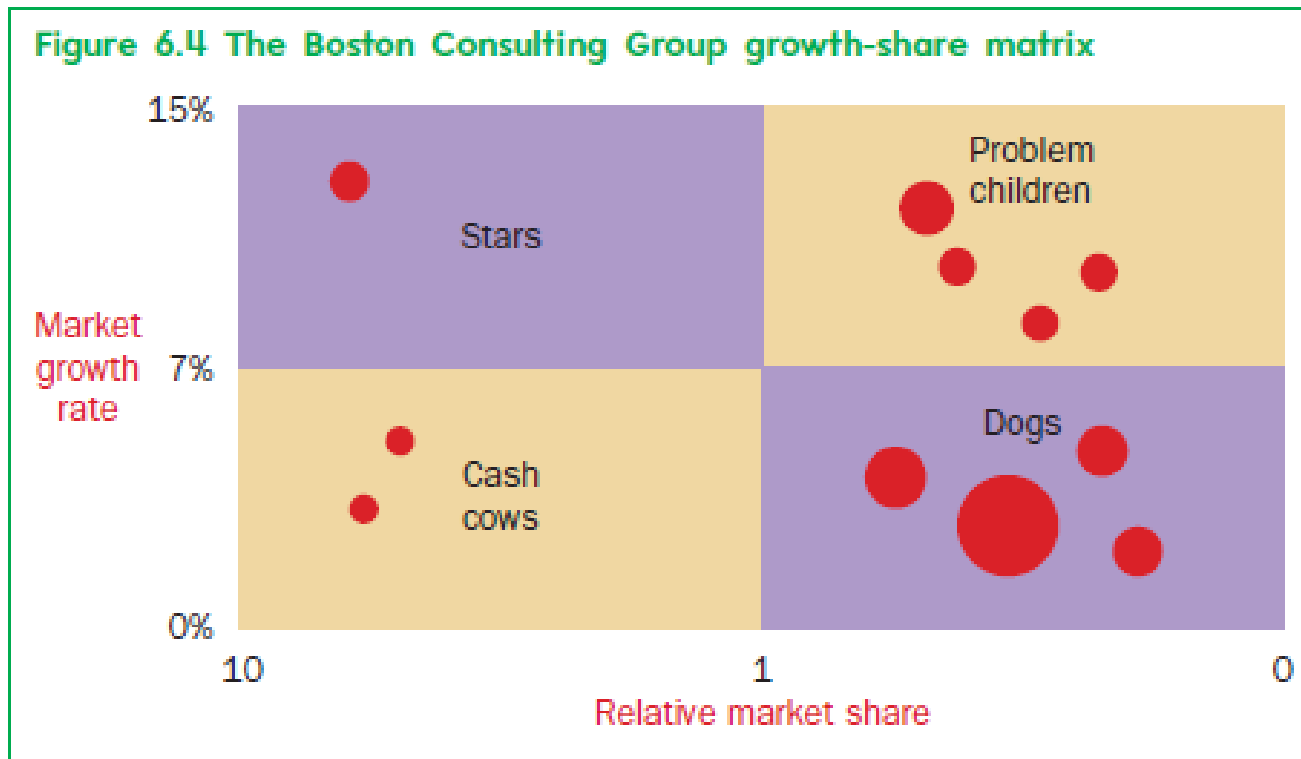
Global branding

Co-branding

- Product-based/communications based
  - Parallel
  - Ingredient

# Portfolio Planning

The process of managing groups of brands and product lines



# Strategic Objectives

## Stars

- These are market leaders in high-growth markets;
- Prospects for further growth are good;
- Resources should be invested to maintain/increase leadership position;
- Competitive challenges should be repelled;
- These are the cash cows of the future and need to be protected.

## Problem Children

- Also known as question marks;
- These are cash drains due to low profitability;
- The choice is either to increase investment to turn the problem child into a star or withdraw support either by harvesting or divesting;
- Or find a small market segment (niche) where dominance can be achieved.

# Strategic Objectives

## Cash Cows

- High profitability, low investment associated with high market share in low growth markets;
- Cash cows should be defended;
- Hold sales and/or market share;
- Excess cash should be used to support stars, selected problem children and new product development.

## Dogs

- Weak products that compete in low-growth markets;
- Cash dogs achieve second or third place in marketplace;
- Harvest or divest or focus on defensible niche.

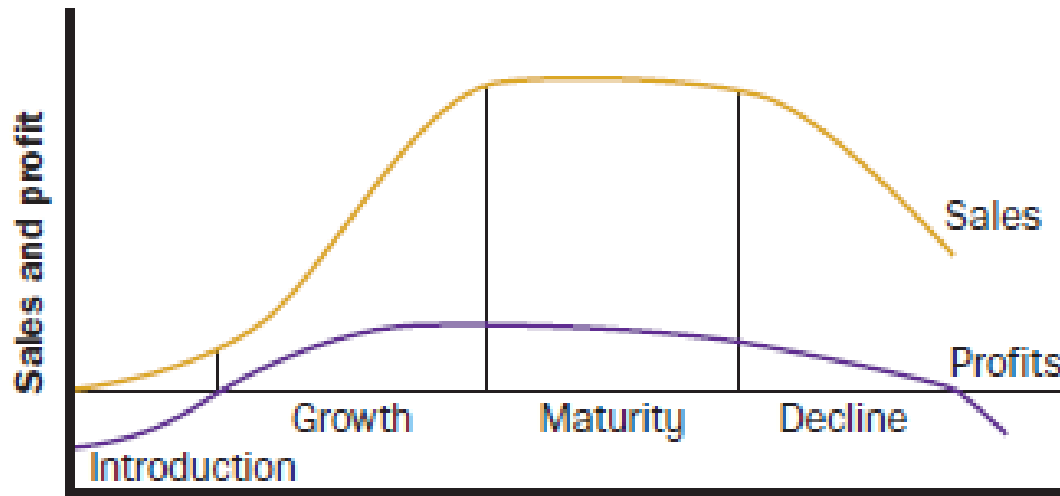


# The Product Life Cycle

- Both individual brands and product lines need to be managed over time.
- A useful tool for conceptualizing the changes that may take place during the time the product is on the market is called the product life cycle (PLC).
- The classic PLC has four stages:
  - Introduction;
  - Growth;
  - Maturity;
  - Decline.

# The Product Life Cycle

Figure 6.5 The product life cycle



# Marketing Objectives and Strategies Over the PLC

Table 6.5 Marketing objectives and strategies over the product life cycle

|                               | Introduction             | Growth                                   | Maturity                              | Decline                 |
|-------------------------------|--------------------------|--|---------------------------------------|-------------------------|
| Strategic marketing objective | Build                    | Build                                    | Hold                                  | Harvest/manage for cash |
| Strategic focus               | Expand market            | Penetration                              | Protect share                         | Productivity            |
| Brand objective               | Product awareness/trial  | Brand preference                         | Brand loyalty                         | Brand exploitation      |
| Products                      | Basic                    | Differentiated                           | Differentiated                        | Rationalized            |
| Promotion                     | Creating awareness/trial | Creating awareness/trial repeat purchase | Maintaining awareness/repeat purchase | Cut/eliminated          |
| Price                         | High                     | Lower                                    | Lowest                                | Rising                  |
| Distribution                  | Patchy                   | Wider                                    | Intensive                             | Selective               |

# Growth Stage

**Exhibit 6.5:** Virtual and augmented reality headsets and glasses continue to be a growing industry; they will reach sales of 22 million units in 2018 and will grow fivefold to 121 million in 2022.

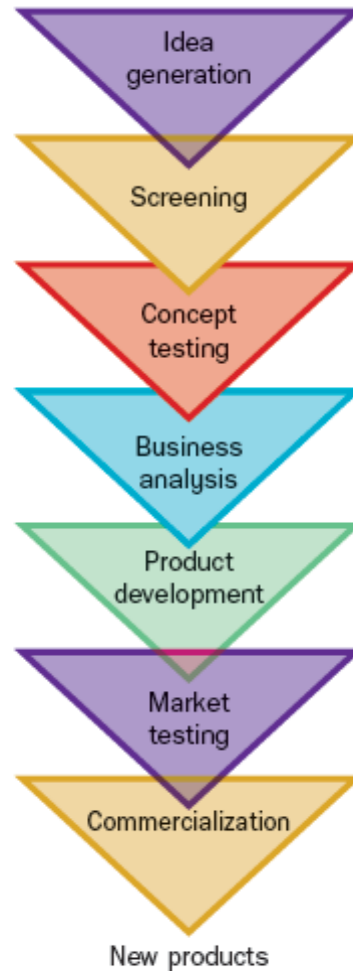


# New Product Development

- The introduction of new products to the marketplace is the lifeblood of corporate success.
- Four broad categories of new product exist:
  1. **Product replacements:** (45%) Include revisions and improvements to existing products;
  2. **Additions to existing lines:** (25%) Add to a company's existing product lines;
  3. **New product lines:** (20%) Represent a move into a new market;
  4. **New-to-the-world products:** (10%) Create entirely new markets.

# New Product Development Process

Figure 6.6 The seven-stage new product development process



# Diffusion of Innovation

- The diffusion of innovation process is a useful starting point for choosing a target market;
- Particularly important is the notion that not all people or organizations who comprise a market will be in the same state of readiness to buy a new product when it is launched;
- Firms launching new products initially aim to target innovators and early adopters.

# Innovation

| Company     | Business  |
|-------------|---|
| 1. Amazon   | Online shopping   |
| 2. Google   | Internet software, computer hardware                    |
| 3. Uber     | Transportation, delivery/commerce                       |
| 4. Apple    | Computer hardware, software, consumer electronics, etc. |
| 5. Snap     | Hardware, social media                                  |
| 6. Facebook | Internet  |
| 7. Netflix  | Entertainment   |
| 8. Twilio   | Communications  |
| 9. Chobani  | Food processing   |
| 10. Spotify | Streaming, on-demand media                              |

**Table 6.7 The world's most innovative companies 2017 Source: Fast Company**



# Chapter Summary

1. A product is anything that delivers benefits and value to a consumer.
2. A product is anything that is capable of satisfying customer needs. Brands are the means by which companies differentiate their offerings from those of the competitors.
3. There are three different levels of product, namely, the core, the actual and the augmented product and differentiation can take place at any of these levels.
4. The key to developing a brand is the brand name and the positioning of the brand.
5. Portfolio planning and the product life cycle are important for the management of a diverse group of products and brands.
6. Products at different stages of growth require different marketing strategies. The product life cycle can be used to make decisions.
7. New product development should be carefully managed throughout the development process.