LECTURE NOTES

ON

PRODUCT AND BRAND MANAGEMENT

IV SEMESTER

(ELECTIVE – V)

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PRODUCT CONCEPTS

DEFINITION OF 'PRODUCT'

Definition: A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented. In FMCG parlance, a brand can be revamped, re-launched or extended to make it more relevant to the segment and times, often keeping the product almost the same.

Description: A product needs to be relevant: the users must have an immediate use for it. A product needs to be functionally able to do what it is supposed to, and do it with a good quality.
A product needs to be communicated: Users and potential users must know why they need to use it, what benefits they can derive from it, and what it does difference it does to their lives. Advertising and 'brand building' best do this.

A product needs a name: a name that people remember and relate to. A product with a name becomes a brand. It helps it stand out from the clutter of products and names.
A product should be adaptable: with trends, time and change in segments, the product should lend itself to adaptation to make it more relevant and maintain its revenue stream.

PRODUCT MIX

product mix, also known as product assortment, refers to the total number of product lines that a company offers to its customers. For example, a small company may sell multiple lines of products. Sometimes, these product lines are fairly similar, such as dish washing liquid and bar soap, which are used for cleaning and use similar technologies. Other times, the product lines are vastly different, such as diapers and razors. The four dimensions to a company's product mix include width, length, depth and consistency.

WIDTH

The width of a company's product mix pertains to the number of product lines that a company sells. For example, if a company has two product lines, its product mix width is two. Small and upstart businesses will usually not have a wide product mix. It is more practical to start with some basic products and build market share. Later on, a company's technology may allow the company to diversify into other industries and build the width of the product mix.

LENGTH

Product mix length pertains to the number of total products or items in a company's product mix, according to Philip Kotler's textbook "Marketing Management: Analysis, Planning, Implementation and Control." For example, ABC company may have two product lines, and five brands within each product line. Thus, ABC's product mix length would be 10. Companies that have multiple product lines will sometimes keep track of their average length per product line. In the above case, the average length of an ABC Company's product line is five.

DEPTH

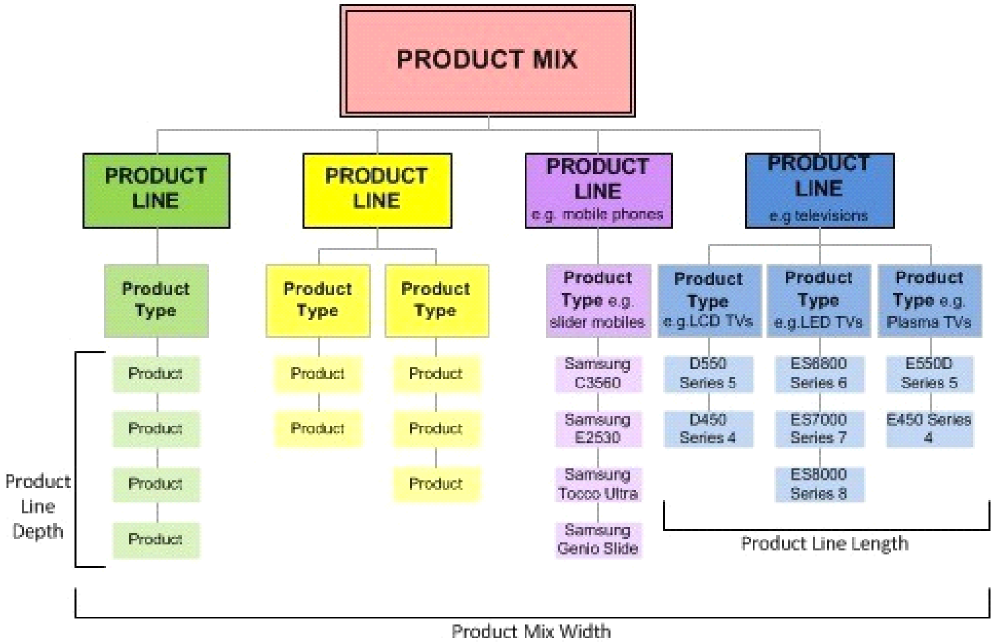
Depth of a product mix pertains to the total number of variations for each product. Variations can include size, flavor and any other distinguishing characteristic. For example, if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six. Just like length, companies sometimes report the average depth of their product lines; or the depth of a specific product line.

CONSISTENCY

Product mix consistency pertains to how closely related product lines are to one another--in terms of use, production and distribution. A company's product mix may be consistent in distribution but vastly different in use. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and the other is not. The production consistency of these products would vary as well.

PRODUCT MARKET MIX STRATEGY

Small companies usually start out with a product mix limited in width, depth and length; and have a high level of consistency. However, over time, the company may want to differentiate products or acquire new ones to enter new markets. A company can also sell the existing products to new markets by coming up with new uses for their product.



PRODUCT LINE

The product line is a subset of the product mix. The product line generally refers to a type of product within an organization. As the organization can have a number of different types of products, it will have similar number of product lines. Thus, in Nestle, there are milk based products like milkmaid, Food products like Maggi, chocolate products like Kitkat and other such product lines. Thus, Nestle's product mix will be a combination of the all the product lines within the company.

PRODUCT LINE LENGTH

If a company has 4 product lines, and 10 products within the product line, than the length of the product mix is 40. Thus, the total number of products against the total number of product lines forms the length of the product mix. This equation is also known as **product line length**.

PRODUCT LINE WIDTH

The width of the product mix is equal to the number of product lines within a company. Thus, taking the above example, if there are 4 product lines within the company, and 10 products within each product line, than the product line width is 4 only. Thus, product line width is a depiction of the number of product lines which a company has.

PRODUCT LINE DEPTH

It is fairly easy to understand what depth of the product mix will mean. Where length and width were a function of the number of product lines, the depth of the product mix is the total number of products within a product line.

Thus if a company has 4 product lines and 10 products in each product line, than the product mix depth is 10. It can have any variations within the product for form the product line depth.

PRODUCT LINE CONSISTENCY

The lesser the variations between the products, the more is the product line consistency. For example, Amul has various product lines which are all dairy related. So that product mix consistency is high. But Samsung as a company has many product lines which are completely independent of each other. Like Air conditioners, televisions, smart phones, home appliances, so on and so forth. Thus the product mix consistency is low in Samsung.

PACKAGING

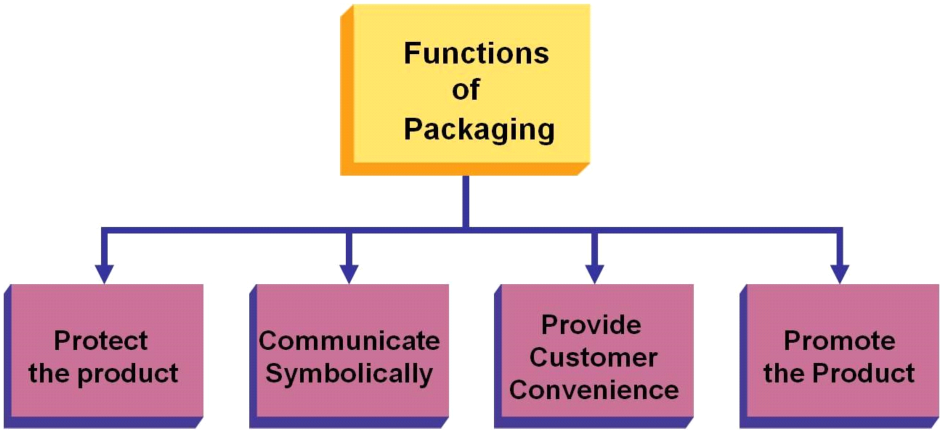
Packaging is the activity of designing and producing the container or wrapper for the product. It is an important and effective sales tool for encouraging the consumers for buying. It is powerful medium for sales promotion. It must perform all the basic function such as protection, ease of handling and storage, convenience in usage etc. and should not be deceptive and convey any deceptive message. It is the best method for attracting the consumers for buying the products.

According to W.J.Stanton, "Packaging may be defined as the general group of activities in product planning which helps in value designing and producing the container or wrapper for a product."

According to Pride and Farell, "Packaging involves the development of container and a graphic design for a product."

FUNCTIONS OF PACKAGING

Packaging should serve the following basic functions:



- **Protects the contents:**

The basic function of packaging is to protect the contents from damage, dust, dirt, leakage, pilferage, evaporation, watering, contamination and so on. Packaging helps in the protection of the contents of the products. Seasonal fluctuations in demand may be smoothed out through packaging. Packaging helps to protect the contents of all the available products.

- **Provides product density:**

Packaging helps to provide product density. It implies selecting such package materials, design, and shape that helps to use the limited space in the best way. It improves relations with common carriers, permits better use of space in storage and usage and increases the grace and poise of arrangement.

- **Act as promotional tool:**

Good packaging can sell the product more easily and quickly as it works as a promotional tool. As a promotional tool, it does self-advertising , displaying, publishing and acts as an advertising medium. It is the package, size, design, color combinations and graphics that decide its ability to attract the valuable attention of customers or the prospects.

- **Provides user convenience:**

Packaging helps to provide the user convenience.The good packaging does this in a greater degree. As a result, the marketing functions of the transportation, storage, and handling are performed with ease and without wastage. Consumers are greatly assisted so long as the product is in usage. Neat packaging has brought a home reduction in inventory costs, packaging costs, space and time costs.

- **Facilitates product identification:**

Packaging helps to facilitate the identification of the product. This process of product differentiation is furthered by effective product identifiers; one is branding and another is packaging. The product package identifies the product no matter where you see it, under what circumstances you see it, or when you see it. A package is product’s personality, its reality. Product identification goes easy with distinguished packaging as it adds to its personality or image.

- **Allows easy product mix:**

Product mix relates to the product lines and an assortment of sizes, colors, measures, grades, package types etc. offered by the selling house. Change in product mix can be possible as packaging helps to influence weight, size, and dimensions of the product. Packaging helps to allow the product mix easily for the consumers.

IMPORTANCE OF PACKAGING

The importance of packaging are as follows:

- **Creation of demand:**

Packaging plays an important role in the creation of demand by attracting the consumers. The customers become known with the product through advertising. It helps to increase the demand of the customers.

- **Protection of the product:**

Packaging helps to protect the product from heat, light, moisture, evaporation, dust etc. during its long passage from the factory to the target customers. It protects the products from breakage, leakage spoilage etc.

- **Transportation:**

Packaging facilitates transportation of products from one place to another. It ensures easy transportation and better handling of products in transit.

- **Guidelines to customers:**

Packaging helps as a guidelines for the customers. From the informative literature regarding the quality and use of the product, the customers get the guidelines. The customers are ensured about the quality of the products.

- **Better storage:**

Packaging acts as a better storage of the products. Goods with good packages can be stored in the retail shop also in lesser price.

- **Facilitates for carrying:**

Packaging plays an important role in carrying the goods in transit and from one place to another. It is made in different sizes and it facilitates provisions for easy and open carrying.

- **Identification of product differentiation:**

Packaging helps to identify the product differentiation easily. It ensures the individuality of the products and one product can be easily differentiated with each other products in the market. The customers can easily identify their product of choice at the time of purchase. This helps the customers to prevent substitution of goods by other customers.

- **Economy:**

Packaging helps to reduce the cost of marketing the goods by reducing losses from damages. As packaging is helpful for sales promotion, so it helps to attain economy in the cost structure of the producers and marketers.

Types of packaging

There are various types of packaging some of them are as follow:

- **Consumer packaging:**

Consumer packaging is one which holds the required volume of a product for ultimate consumption. It is the means of buying household. In other words, the consumer has the option to purchase the pack size which he/she considers adequate for the consumption of his/ her family over a length of time.

- **Transit packaging:**

Transit packaging is another type of packaging. It is either for the industrial consumer's use. The consumer package itself very often requires an outside package in which it is sometimes referred to a bulk package or an outer container.

- **Industrial packaging:**

An industrial packaging can either describe a bulk package or the package for durable consumer goods. These are the basic package types although many subdivisions can be listed which can be broadly listed under these basic headings.

- **Dual use packaging:**

A dual packaging is one which has a secondary usefulness after its contents have been consumed. The examples of dual use packaging are Drinking glasses, boxes of jewelry, waste baskets, refrigerator dishes, etc.

Features of good packaging

A good package indicates individuality of a product in a dramatic and easily recognizable way. The features of good packaging can be briefly shown below:

- **Convenience:**

Convenience is one of the good features of packaging.The packaging provides size options and it facilitates provisions for the easy open of the products. The package should neither be heavy in weight nor large in size.

- **Security:**

The packaging provides security of the products and it protects the products from dust, light, spoilage, damage, evaporation, etc. It ensures the preservation of the quality and quantity of the products.

- **Status or prestige:**

Packaging creates confidence among the customers and it creates status and prestige of the products. It helps in the increment of status and prestige to the consumers. The product is also known by its packaging.

- **Adaptability:**

The package should of moderate size so that it can be kept in proper place. It should be adapted in all the places. Adaptability is very essential in packaging.

- **Dependability:**

The packaging should be dependable. Dependability indicates the positive idea of a customer about the manufacturing of the product. It is very important to have dependability in the products.

- **Handsome design:**

The packaging should have a handsome design. The handsome design attracts the customers to buy the products. To get touch with the taste and fashion of the customers, a constant renewal of design is required. It is very necessary to design the products for making the consumers attracted towards it.

PRODUCT MODIFICATION

An adjustment in one or more of a product's characteristics. It is most likely to be employed in the maturity stage of the product life cycle to give a brand a competitive advantage. Product line extensions represent new sizes, flavors, or packaging. This approach to altering a product mix entails less risk than developing a new product.

There are three major ways of product modification, i.e. quality modifications, functional modifications, and style modifications.

(1) Quality modifications: These are changes that relate to a product's dependability and durability and usually are executed by alterations in the materials or production process employed. Reducing a product's quality may allow an organization to lower the price and direct the item at a larger target market.

The quality of a product may give a firm an advantage over competing brands and may allow the firm to charge a higher price because of increased quality. Or the firm may be forced to charge more because of higher costs to achieve the increased quality.

(2) Functional modifications: Changes that affect a product's versatility, effectiveness, convenience, or safety are called functional modifications. They usually require redesigning the product.

Functional modifications can make a product useful to more people, which enlarges the market for it. This type of change can place a product in a favorable competitive position by providing benefits not offered by competing items. Functional modifications can also help an organization to achieve and maintain a progressive image.

(3) Style modifications: Style modifications are directed at changing the sensory appeal of a product by altering its taste, texture, sound, smell, or visual characteristics. Since a buyer's purchase decision is affected by how the product looks, smells, tastes, feels, or sounds, a style modification may have a definite impact on purchases.

Through style modifications a firm can differentiate its product from competing brands and perhaps gain a sizable market share for this unique product. The major drawback in using style modifications is that their value is determined subjectively. Although a firm may modify a product to improve the product's style, customers may find the modified product to be less appealing.

NEW PRODUCT DEVELOPMENT

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development.

Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product. In such cases, New product development is the answer for the company.

There are 7 stages of new product development and they are as follows.

1) Idea generation

In this you are basically involved in the systematic search for new product Ideas. A company has to generate many ideas in order to find one that is worth pursuing. The Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers.

Almost 55% of all new product ideas come from internal sources according to one study. Companies like 3M and Toyota have put in special incentive programs or their employees to come up with workable ideas.

Almost 28% of new product ideas come from watching and listening to customers. Customers: even create new products on their own, and companies can benefit by finding these products and putting them on the market.

Example – Pillsbury gets promising new products from its annual Bake-off. One of Pillsbury's four cake mix lines and several variations of another came directly from Bake-Off winners' recipes.

2) Idea Screening

The second step in New product development is Idea screening. The purpose of idea generation is to create a large pool of ideas. The purpose of this stage is to pare these down to those that are genuinely worth pursuing. Companies have different methods for doing this from product review committees to formal market research.

It, is helpful at this stage to have a checklist that can be used to rate each idea based on the factors required for successfully launching the product in the marketplace and their relative importance.

Against these, management can assess how well the idea fits with the company's marketing skills and experience and other capabilities. Finally, the management can obtain an overall rating of the company's ability to launch the product successfully.

3) Concept Development and Testing

The third step in New product development is Concept Development and Testing**.** An attractive idea has to be developed into a Product concept. As opposed to a product idea that is an idea for a product that the company can see itself marketing to customers, a product concept is a detailed version of the idea stated in meaningful consumer terms.

This is different again from a product image, which is the consumers' perception of an actual or potential product. Once the concepts are developed, these need to be tested with consumers either symbolically or physically. For some concept tests, a word or a picture may be sufficient, however, a physical presentation will increase the reliability of the concept test.

After being exposed to the concept, consumers are asked to respond to it by answering a set of questions designed to help the company decide which concept has the strongest appeal. The company can then project these findings to the full market to estimate sales volume.

4) Marketing Strategy Development

This is the next step in new product development. The strategy statement consists of three parts: the first part describes the target market, the planned product positioning and the sales, market share and profit goals for the first few years.

The second part outlines the product's planned price, distribution, and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and the marketing mix strategy.

Business Analysis – Once the management has decided on the marketing strategy, it can evaluate the attractiveness of the business proposal.

Business analysis involves the review of projected sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.

5) Product Development

Here, R&D or engineering develops the product concept into a physical product. This step calls for a large investment. It will show whether the product idea can be developed into a full- fledged workable product.

First, R&D will develop prototypes that will satisfy and excite customers and that can be produced quickly and at budgeted costs. When the prototypes are ready, they must be tested. Functional tests are then conducted under laboratory and field conditions to ascertain whether the product performs safely and effectively.

6) Test Marketing

If the product passes the functional tests, the next step is test marketing: the stage at which the product and the marketing program are introduced to a more realistic market settings. Test marketing gives the marketer an opportunity to tweak the marketing mix before the going into the expense of a product launch.

The amount of test marketing varies with the type of product. Costs of test marketing can be enormous and it can also allow competitors to launch a "me-too" product or even sabotage the testing so that the marketer gets skewed results. Hence, at times, management may decide to do away with this stage and proceed straight to the next one:

7) Commercialization

The final step in new product development is Commercialization. Introducing the product to the market – it will face high costs for manufacturing and advertising and promotion. The company will have to decide on the timing of the launch (seasonality) and the location (whether regional, national or international). This depends a lot on the ability of the company to bear risk and the reach of its distribution network.

Today, in order to increase speed to market, many companies are dropping this sequential approach to development and are adopting the faster, more flexible, simultaneous development approach. Under this approach, many company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

Above was the complete process of New product development. You can also read this related article on why new product development is necessary for survival.

PRODUCT INNOVATION

Is defined as the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products

Numerous examples of product innovation include introducing new products, enhanced quality and improving its overall performance. Product innovation, alongside cost-cutting innovation and process innovation, are three different classifications of innovation which aim to develop a company's production methods.

Thus product innovation can be divided into two categories of innovation: radical innovation which aims at developing a new product, and incremental innovation which aims at improving existing products

Advantages of product innovation include:

- Growth, expansion and gaining a competitive advantage: A business that is capable of differentiating their product from other businesses in the same industry to large extent will be able to reap profits. This can be applied to how smaller businesses can use product innovation to better differentiate their product from others. Product differentiation can be defined as "A marketing process that showcases the differences between products. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior."Therefore, small businesses that are able to utilize product innovation effectively will be able to expand and grow into larger businesses, while gaining a competitive advantage over its remaining competitors
- Brand switching: Businesses that once again are able to successfully utilize product innovation will thus entice customers from rival brands to buy its product instead as it becomes more attractive to the customer.[6] One example of successful product innovation that have led to brand switching are the introduction of the iPhone to the mobile phone industry (which has caused mobile phone users to switch from Nokia, Motorola, Sony Ericsson,etc. to the Apple iPhone).

Disadvantages of product innovation include:

- Counter Effect of Product Innovation: Not all businesses/ competitors do not always create products/ resources from scratch, but rather substitute different resources to create productive innovation and this could have an opposite effect of what the business/ competitor is trying to do. Thus, some of these businesses/ competitors could be driven out of the industry and will not last long enough to enhance their product during their time in the industry
- High Costs and High Risk of Failure: When a business attempts to innovate its product, it will inject lots of capital and time into it, which requires severe experimentation. Constant experimentation could result in failure for the business and will also cause the business to incur significantly higher costs. Furthermore, it could take years for a business to successfully innovate a product, thus resulting in an uncertain return
- Disrupting the outside world: For product innovation to occur, the business will have to change the way it runs, and this could lead to the breaking down of relationships between the business and its customers, suppliers and business partners. In addition, changing too much of a business's product could lead to the business gaining a less reputable image due to a loss of credibility and consistency

Theory for new product development

TRIZ Theory

All sorts of projects reach a point in the development process where the analysis portion of the project is complete, but it is unclear what the next step should be. To figure out the next best step, the project team must be creative to figure out what to do. Traditionally, common creativity tools and methodology have been constrained to brainstorming and similar methods, which are dependent on team members' intuition, knowledge, and orders given by somebody in a position of authority. These common creativity tools and methods are often described as psychologically based; and unfortunately, they often have unpredictable and unrepeatable results. And that's where TRIZ should come in...

TRIZ is a (Russian) acronym for the "Theory of Inventive Problem Solving", which was developed by G.S. Altshuller and his colleagues between 1946 and 1985 in the former U.S.S.R. According to the TRIZ Journal webpage, "TRIZ is a problem solving method based on logic and data, not intuition, which accelerates the project team's ability to solve these problems creatively. TRIZ also provides repeatability, predictability, and reliability due to its structure and algorithmic approach." As opposed to psychologically-based common creativity tools, "TRIZ is an international science of creativity that relies on the study of the patterns of problems and solutions, not on the spontaneous and intuitive creativity of individuals or groups. More than three million patents have been analyzed to discover the patterns that predict breakthrough solutions to problems." It also should be noted that TRIZ solves all kinds of problems, not just those involving patentable entities.

TRIZ research first began with the idea that there are universal principles of creativity that form the basis for technology-advancing creative innovations. The TRIZ researchers hypothesized that if these universal principles of creativity could somehow be objectively identified and codified, then they could be made teachable to people and make the innovation process more predictable. A condensed version of this idea is as follows:

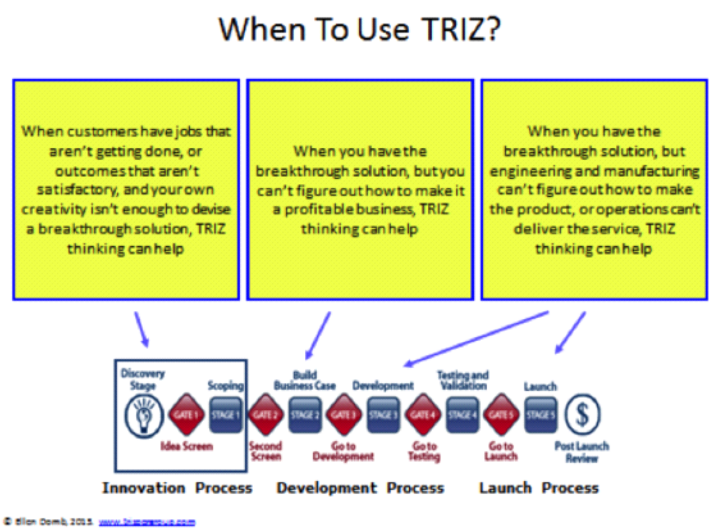
"Somebody someplace has already solved this problem (or one very similar to it). Creativity is now finding that solution and adapting it to this particular problem."

As described in the "What is TRIZ?" section on the TRIZ Journal webpage, the three primary findings of TRIZ research since its inception are:

1. Problems and solutions are repeated across industries and sciences. The classification of the contradictions in each problem predicts the creative solutions to that problem.
2. Patterns of technical evolution are repeated across industries and sciences.
3. Creative innovations use scientific effects outside the field where they were developed.

And accordingly, the practice of TRIZ involves learning these repeating patterns of problems and solutions, repeating patterns of technical evolution and methods of using scientific effects, and then applying these general TRIZ patterns to your specific problem.

When to Use TRIZ?
The following graphic, developed by Ellen Domb of the TRIZ PQR Group, gives an easily-digestible answer to the question:



While modern industry has developed its own best practices for the new product development process, such as the popular Stage-Gate Process, it would be naïve and counter-productive to not try to introduce a new arsenal of tools such as the TRIZ approach to tackle difficult inventive problems. If properly used, the TRIZ approach and best practices such as the Stage-Gate Process can greatly benefit each other. These approaches are not rivals, but rather can be used to amplify each other's successes.

MODELS FOR NEW PRODUCT DEVELOPMENT

Conceptual models have been designed in order to facilitate a smooth process. The concept adopted by IDEO, a successful design and consulting firm, is one of the most researched processes in regard to new product development and is a five-step procedure.These steps are listed in chronological order:

- Understand and observe the market, the client, the technology, and the limitations of the problem;
- Synthesize the information collected at the first step;
- Visualize new customers using the product;
- Prototype, evaluate and improve the concept;
- Implementation of design changes which are associated with more technologically advanced procedures and therefore this step will require more time.

THE BAH MODEL

Booz, Allen and Hamilton's New Product Process divides new product development into seven sequential stages: new product strategy development, idea generation, screening and evaluation, business analysis, development, testing, and commercialization.

Firstly, BAH process begins with the development of new product strategies in line with the company's objectives which provides "guidelines for establishing screening criteria" and a "point of reference for subsequent new product development stages."

This is then followed by idea generation and screening and evaluation of the generated ideas that merit further analysis thereby focussing on those ideas that offer the greatest potential. These select few ideas are subject to business analysis where hypothetical business plans for the ideas are evaluated on the basis of quantitative factors such as market growth information, financial projections, etc.

Successful product ideas are then graduated to the development stage where these ideas are translated into actual product offerings and these offerings are further tested to validate earlier projections and business judgments. Finally, after required alterations have been made depending on the test results, the product offerings undergo commercialization which involves "full-scale market introduction of newly developed products."

STAGE-GATE MODEL

Stage-Gate® is a value-creating business process and risk model designed to quickly and profitably transform an organization's best new ideas into winning new products. When embraced by organizations, it creates a culture of product innovation excellence - product leadership, accountability, high-performance teams, customer and market focus, robust solutions, alignment, discipline, speed and quality.

The Stage-Gate Product Innovation Process.

In addition to the benefits that are well-documented by research and benchmarking firms, many companies that have implemented and adopted an authentic Stage-Gate process realize:

- Accelerated speed-to-market
- Increased new product success rates
- Decreased new product failures
- Increased organizational discipline and focus on the right projects
- Fewer errors, waste and re-work within projects
- Improved alignment across business leaders
- Efficient and effective allocation of scarce resources
- Improved visibility of all projects in the pipeline
- Improved cross-functional engagement and collaboration
- Improved communication and coordination with external stakeholders.

How Does a Stage-Gate® Process Work?

The Stage-Gate model is based on the belief that product innovation begins with ideas and ends once a product is successfully launched into the market. This has a lot to do with the benchmarking research that the Stage-Gate model design is premised on, and is a much broader and more cross-functional view of a product development process.

The Stage-Gate model takes the often complex and chaotic process of taking an idea from inception to launch, and breaks it down into smaller stages (where project activities are conducted) and gates (where business evaluations and Go/Kill decisions are made). In its entirety, Stage-Gate incorporates Pre-development Activities (business justification and preliminary feasibilities), Development Activities (technical, marketing, and operations development) and Commercialization Activities (market launch and post launch learning) into one complete, robust process.

The Stages

The Stages.

Each stage is designed to collect specific information to help move the project to the next stage or decision point.

Each stage is defined by the activities within it. Activities are completed in parallel (allowing for projects to quickly move towards completion) and are cross-functional (not dominated by any single functional area). These activities are designed to gather information and progressively reduce uncertainty and risk. Each stage is increasingly more costly and emphasizes collection of additional information to reduce uncertainty.

In the typical Stage-Gate model, there are 5 stages, in addition to the Idea Discovery Stage:

Stage 0 – Idea Discovery
Pre-work designed to discover and uncover business opportunities and generate new ideas.

Stage 1 – Scoping
Quick, inexpensive preliminary investigation and scoping of the project – largely desk research.

Stage 2 – Build the Business Case
Detailed investigation involving primary research – both market and technical – leading to a Business Case, including product and project definition, project justification, and the proposed plan for development.

Stage 3 – Development
The actual detailed design and development of the new product and the design of the operations or production process required for eventual full scale production.

Stage 4 – Testing and Validation
Tests or trials in the marketplace, lab, and plant to verify and validate the proposed new product, brand/marketing plan and production/operations.

Stage 5 – Launch
Commercialization – beginning of full-scale operations or production, marketing, and selling.

The Gates

The Gates.

Preceeding each stage, a project passes through a gate where a decision is made whether or not to continue investing in the project (a Go/Kill decision). These serve as quality-control checkpoints with three goals: ensure quality of execution, evaluate business rationale, and approve the project plan and resources.

Each gate is structured in a similar way:

Deliverables: The project leader and team provide Gatekeepers with the high-level results of the activities completed during the previous stage.

Criteria: The project is measured against a defined set of success criteria that every new product project is measured against. Criteria should be robust to help screen out winning products, sooner. The authentic Stage-Gate process incorporates 6 proven criteria: Strategic Fit, Product and Competitive Advantage, Market Attractiveness, Technical Feasibility, Synergies/Core Competencies, Financial Reward/Risk.

Outputs: A decision is made (Go/Kill/Hold/Recycle). New product development resources are committed to continuing the project. The action plan for the next stage is approved. A list of deliverables and date for the next gate is set.

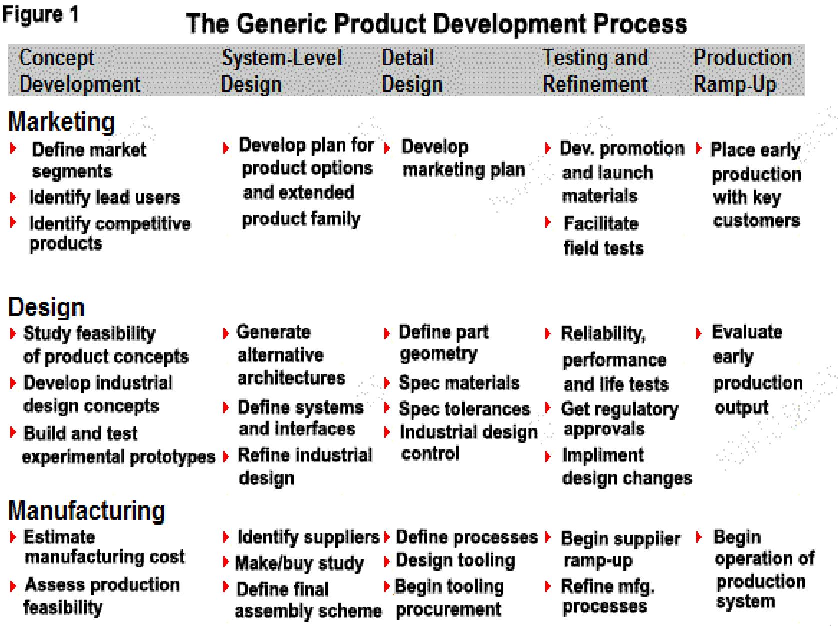
The Stage-Gate model is designed to improve the speed and quality of execution of new product development activities. The process helps project teams prepare the right information, with the right level of detail, at the right gate to support the best decision possible, and allocate capital and operating resources. The process empowers the project team by providing them with a roadmap, with clear decisions, priorities, and deliverables at each gate. Higher quality deliverables submitted to Gatekeepers enables timely decisions.

GENERIC PRODUCT DEVELOPMENT PROCESS.

Product : A **product** is something sold by an enterprise to its customers.

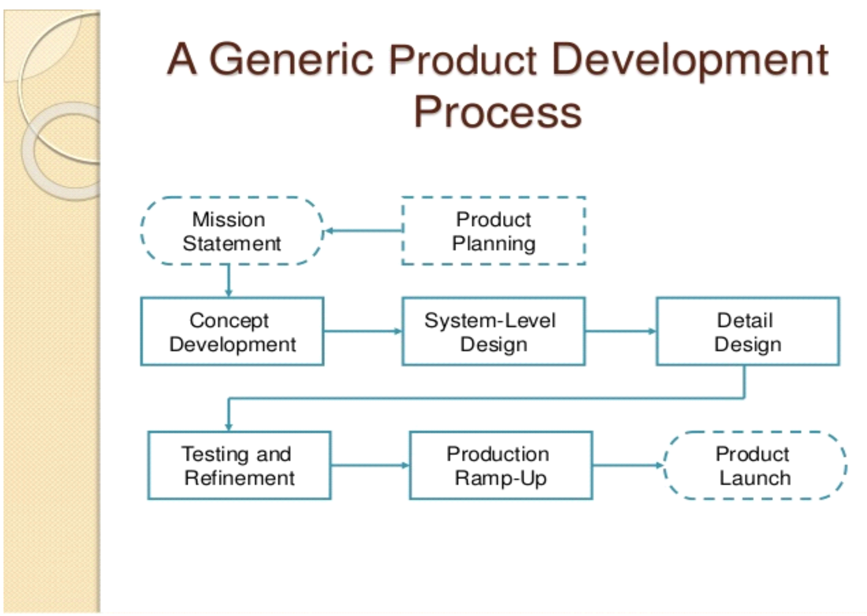
Product Development : It is the set of activities beginning with the perception of a market opportunity and ending in the production, sale and delivery of a **product**.

Figure 1



The Generic Product Development Process

	Concept Development	System-Level Design	Detail Design	Testing and Refinement	Production Ramp-Up
Marketing	Define market segments; Identify lead users; Identify competitive products	Develop plan for product options and extended product family	Develop marketing plan	Dev. promotion and launch materials; Facilitate field tests	Place early production with key customers
Design	Study feasibility of product concepts; Develop industrial design concepts; Build and test experimental prototypes	Generate alternative architectures; Define systems and interfaces; Refine industrial design	Define part geometry; Spec materials; Spec tolerances; Industrial design control	Reliability, performance and life tests; Get regulatory approvals; Impliment design changes	Evaluate early production output
Manufacturing	Estimate manufacturing cost; Assess production feasibility	Identify suppliers; Make/buy study; Define final assembly scheme	Define processes; Design tooling; Begin tooling procurement	Begin supplier ramp-up; Refine mfg. processes	Begin operation of production system



UNIT-2

NEW PRODUCT DEVELOPMENT

NEW PRODUCT INTRODUCTION

New product introduction or, as it is more generally referred to, new product development is the process involved in bringing any new product into being and then launched onto the market. So it is more than simply designing and then developing the product itself, it involves defining the market for the product, testing the market, bringing the product to the commercial market and advertising it and so on.

It is therefore a very complex process, which can usually be separated into two separate areas.

The first strand involves the product itself, the second involves the commercialization of the product. However, it is important to note that the two strands intertwine and can happen simultaneously at times. There is a cross over at times because the design and technical issues will often be happening when the market analysis is being conducted.

Ideas and Light bulb Moments: Initial Stages

The idea for a new product is the very first stage of introducing any product. Someone has to think about it, which can either be a result of analysis and research, or it can be a ‘light bulb’ idea, where the designer suddenly realises that a product is required.

Once the idea is generated, then there is usually some kind of market analysis to ascertain if there is indeed a market for the product and if so, is it worth developing it?
It is also necessary to look at whether or not there are any similar products on the market that could threaten the development of this new item.

Design and Development

The design of the product needs to be carefully undertaken to ensure that it costs the absolute minimum but is fit for purpose and of sufficient quality. The production costs of the item also need to be broken down; how much will each item cost, can it be produced more cost effectively etc?

This process will also involve the financial feasibility of the product and whether or not it is worth bringing to market. If the decision is taken that it is, then production will proceed; if not, then the product will go no further!
The viability of the product needs to be examined by a process known as the business analysis, to ascertain how much the product should sell for and how must it will cost.

Market Testing

Once prototypes have been worked up, then market testing can begin as focus groups, customer discussions or even testing the product at a trade show. This is an important part of the process because it involves listening to the customers and whether or not they would actually buy the item and think that it is of any worth!

Planning Issues

If the prototype is to go ahead, then production needs to be planned. This will involve procurement, logistics, quality management tools, costing, pricing and so on. This should even involve a contingency plan to ensure that when something goes wrong (as it will) there will be some kind of Plan B to rely on.

Meanwhile those in marketing and advertising will be planning the launch of the product and raising its profile as soon as it is on the market.

Launching The Product

The product is then launched on the market. But this is not the end of the matter- after the launch of the product a review has to be undertaken to ensure that the product is still viable and that it has met sales targets. In fact the review will also look at all the costs involved in bringing the product to market and whether budgets were met, if the price of the product is right and so on.

Introducing a new product to the market sounds really easy; in reality it is anything but!

GROWTH STRATEGIES

Important Business Growth Strategies:

- Market penetration
- Integrative strategy
- Growth strategy
- Diversification strategy

Companies have various growth strategies available before them if they want to grow their business. Some of the most common growth strategies utilized by companies are penetration, diversification and integration. Of these three growth strategies the one that is considered least risky is the **market penetration** strategy. It involves selling existing products in existing markets. Companies can penetrate their existing markets more thoroughly. However, this strategy is to be followed in cases where one of the following conditions exists:

- Market is still unsaturated
- Growth rate of the industry is rising but competitive market share is falling

- If the existing customers are likely to buy the existing products in higher quantity.
- Economies of scale provide a competitive advantage.

In case one of the given conditions exists, this strategy can be used to create further growth. Generally as a part of market penetration companies increase their investment and focus on distribution and promotion. They spend more on marketing and advertising. Other promotional methods like discount coupons and seasonal sales are also utilized for this purpose and the size of the sales force is increased as a part of this strategy.

Another notable strategy used for business growth is **diversification**. Companies use this strategy to grow business as well fully utilize its resources and excess cashflow. Diversification is not about existing products like penetration. It involves addition of similar but new products to the company's core business. To do this a company can develop new products internally or acquire a competing business that already deals in related products.

The aim is to realize higher profits and extend the brand's presence into related areas. There are a few important concerns related to diversification. Before diversifying, firms must check if the industry they are trying to enter is really profitable. They must check if they would be able to generate a competitive advantage in the business they are entering and if there is a synergy between their new and existing businesses. Firms can obtain this synergy in case of acquisition using following methods:

- Exploit economies of scale: Increase production and unit costs will fall
- Exploit economies of scope: Utilize the same resources better for different tasks
- Allocate capital efficiently

However, compared to market penetration, diversification can be a riskier strategy. Several firms have failed in their attempts to diversify in the history of the business world. The reasons vary from one business to another. There are other examples where firms have seen considerable success after diversifying. So, the difference lies in how well they planned and executed their strategies.

Another important strategy frequently utilized by businesses to find growth is the **integration strategy**. It differs from both penetration and diversification. Two firms in similar businesses can integrate to become a large business. If two combine, it is known as amalgamation whereas if the larger one absorbs the smaller one it is absorption or merger. There can be following various forms of integration:

- **Backward integration**: It can be understood as backward expansion. If a firm integrates parts of its supply chain or acquires a supplier's business to ensure smooth and continue supply of raw material, it is called backward integration. Firms can ensure business growth and higher profits by using this strategy.

- **Forward integration**: This can be understood as forward expansion. A company integrates parts of its distribution channel into its core business to eliminate the intermediaries and to get closer to its customers. It provides them with higher control over the distribution and sales of their products and increases profits.
- **Horizontal integration**: It occurs when two firms that are competing in the same business field are brought together. It eliminates competition and increases market share and profits.
- **Conglomerate growth:** It is the strategy of acquiring a firm engaged in a business altogether different from the acquiring firm's core business.

However, a growth strategy is also full of risks and companies need to evaluate several actors before embarking on a growth plan. First important factor to be checked is the availability of economies of scale. If economies of scale allow to sell products at lower prices or to derive higher profits per unit, companies must embark on a growth plan. Apart from it companies must check what the response of the customers is going to be to the expansion.

If companies are uncertain whether customers will spend on new products and services or not a growth strategy might be dangerous and could fail. If demand is falling, the business environment will not support expansion and again the growth plan will be a failure. Companies must check if the right conditions including customer demand exist. Firms must also see if internal financing of the expansion is possible or if there is enough cash to support the expansion plan. Another thing to be ensured is that if the business one is trying to enter will be more profitable than the existing one. If planning to diversify then firms must not try to diversify very far from their core business without properly evaluating the risks. These are only three growth strategies. Companies also use other growth strategies like Market development or product development to grow their businesses.

Intensive Growth Strategies

For starters, it is best to put together a growth strategy starting with the actions that bring the least amount of risk with the most results. As you keep growing, the riskier the opportunities get along with the greater results but also greater risk. The intensive growth strategies entail the following:

Market Penetration

Market Penetration is the least risky growth strategy. The focus is to sell more of the current product to current customers. Most consumer goods products go this route selling bigger packages of product.

Market Development

Market development comes next and would mean selling more of your current product to an adjacent market. This can be executed by expanding your reach to more cities or states.

Alternative Channels

Alternative channels means reaching your customers in new and different ways than before. You can offer product online or in physical stores.

Product Development

Product development is the most traditional growth strategy. The goal is to develop new products for your existing customers. This mitigates risk as you are selling to people you already know you as you know them.

New Products for New Customers

Sometimes, you've exhausted your existing customer base and have to create new products for new customers. This can happen if the market changes or shifts forcing you to adjust. This phenomenon can also take place when you create something new that appeals to a new market bringing them into your sphere allowing you to build for them.

Integrative Growth Strategies

Once you've gone through Intensive Growth strategies you can move towards Integrative Growth Strategies. These are made up of:

Horizontal Growth

Horizontal growth would mean buying a competing business adding not only to your company's growth, but also eliminating a future barrier to growth.

Backward Growth

Backward growth would mean buying one of your suppliers so you totally control your supply chain. This could also decrease your ultimate cost and production time for new products.

Forward Growth

Forward growth would focus on buying out companies within your distribution chain.

Diversification

Lastly, you can explore diversification. Diversification would mean growing your company by buying another completely unrelated company or product line. This is highly risky, but in successful cases can prove to expand business enormously.

Overall, growth is an active and dynamic process, you must be willing and available to adjust and change as the market and environment changes. Its best to plan and execute strategies one rung at a time.

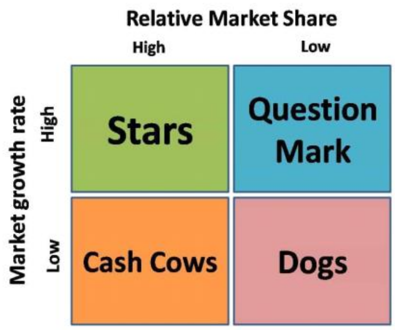
PRODUCT PORTFOLIO ANALYSIS BOSTON CONSULTANCY GROUP

BCG Matrix or BCG analysis

BCG analysis is mainly used for Multi Category / Multi Product companies. All categories and products together are said to be a Business portfolio. Thus, the various entities of your business portfolio may move forward by a different pace and with a different strategy. The BCG analysis actually helps you in deciding which entities in your business portfolio are actually profitable, which are duds, which you should concentrate on and which gives you a competitive advantage over others.

Once you know which businesses stand where in your business portfolio, you also come to know which businesses need investments, which needs harvesting (making money), which needs divesting (reducing investment) and which needs to be completely taken out of the business portfolio.

For a major organization like HUL, ITC etc which have multiple categories and within the categories, they have multiple lines of products, the BCG analysis becomes very important. At a holistic level, they get to make a decision on which product to continue and which product to be divested. Which product can give new returns with good investment, and which products are reaching the apex of market share.



BCG Growth Share Matrix – The BCG growth share matrix was developed by Henderson of the BCG group in 1970's. The matrix classifies businesses / SBU's by

1) Relative Market Share – The market share of the business / SBU / Product in the market as compared to its competitors and overall product / category.

2) Market growth rate – The growth rate of the industry as a whole is taken into consideration from which the growth rate of the product is extrapolated. This growth rate is then pitched on the graph.

Thus by having 2 basic but at the same time very important factors on X axis and Y axis, the BCG matrix makes sure that the classifications are concrete. Calculating the Market growth rate comprises of both industry growth and product growth rate thereby giving a fair knowledge of where the product / SBU stands in comparison to the Industry.

The market share on the other hand comprises of the competition and the product potential in the market. Thus when we consider growth rate and market share together, it automatically gives us an overview of the competition and the industry standards as well as an idea of what the future might bring for the product.

Once the businesses have been classified, they are placed into four different quadrants of the matrix. The quadrants of the matrix are divided into

1) Cash Cows – High market share but low growth rate (most profitable).

2) Stars – High market share and High growth rate (high competition)

3) Question marks – Low market share and high growth rate (uncertainty)

4) Dogs – Low market share and low growth rate (less profitable or may even be negative profitability)

On the basis of this classification, strategies are decided for each SBU / Product. Lets discuss the characteristics and strategies of each quadrant in detail.

1) Cash Cows in the BCG MATRIX

The cornerstone of any multi product business, cash cows are products which are having a high market share in a low growing market. As the market is not growing, that cash cow gains the maximum advantage by generating maximum revenue due to its high market share. Thus for any company, the cash cows are the ones which require least investment but at the same time give higher returns. These higher returns enhance the overall profitability of the firm because this excess revenue can be used in other businesses which are Stars, Dogs or Question marks.

Strategies for cash cow – The cash cows are the most stable for any business and hence the strategy generally includes retention of the market share. As the market is not growing, acquisition is less and customer retention is high. Thus customer satisfaction programs, loyalty programs and other such promotional methods form the core of the marketing plan for a cash cow product / SBU.

2) Stars in the BCG Matrix

The best product which comes in mind when thinking of Stars is the telecom products. If you look at any top 5 telecom company, the market share is good but the growth rate too is good. Thus because these two factors are high, the telecom companies are always in competitive mode and they have to juggle between investment and harvesting vis investing money and taking out money time to time. Unlike cash cows, Stars cannot be complacent when they are top on because they can immediately be overtaken by another company which capitalizes on the market growth rate. However, if the strategies are successful, a Star can become a cash cow in the long run.

Strategies for Stars – All types of marketing, sales promotion and advertising strategies are used for Stars. This is because in cash cow, already these strategies have been used and they have resulted in the formation of a cash cow. Similarly in Stars, because of the high competition and rising market share, the concentration and investment needs to be high in marketing activities so as to increase and retain market share.

3)Question Marks in the **BCG Matrix**

Several times, a company might come up with an innovative product which immediately gains good growth rate. However the market share of such a product is unknown. The product might lose customer interest and might not be bought anymore in which case it will not gain market share, the growth rate will go down and it will ultimately become a Dog.

On the other hand, the product might increase customer interest and more and more people might buy the product thus making the product a high market share product. From here the product can move on to be a Cash Cow as it has lower competition and high market share. Thus Question marks are products which may give high returns but at the same time may also flop and may have to be taken out of the market.

This uncertainty gives the quadrant the name "Question Mark". The major problem associated with having Question marks is the amount of investment which it might need and whether the investment will give returns in the end or whether it will be completely wasted.

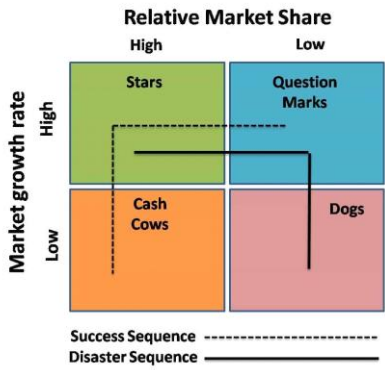
Strategies for Question marks – As they are new entry products with high growth rate, the growth rate needs to be capitalized in such a manner that question marks turn into high market share products. New Customer acquisition strategies are the best strategies for converting Question marks to Stars or Cash cows. Furthermore, time to time market research also helps in determining consumer psychology for the product as well as the possible future of the product and a hard decision might have to be taken if the product goes into negative profitability.

4) Dogs in the BCG matrix

Products are classified as dogs when they have low market share and low growth rate. Thus these products neither generate high amount of cash nor require higher investments. However, they are considered as negative profitability products mainly because the money already invested in the product can be used somewhere else. Thus over here businesses have to take a decision whether they should divest these products or they can revamp them and thereby make them saleable again which will subsequently increase the market share of the product.

Strategies for Dogs – Depending on the amount of cash which is already invested in this quadrant, the company can either divest the product altogether or it can revamp the product through rebranding / innovation / adding features etc. However, moving a dog towards a star or a cash cow is very difficult. It can be moved only to the question mark region where again the future of the product is unknown. Thus in cases of Dog products, divestment strategy is used.

Sequences in BCG Matrix



Success Sequence in BCG Matrix – The Success sequence of BCG matrix happens when a question mark becomes a Star and finally it becomes a cash cow. This is the best sequence which really give a boost to the companies profits and growth. The success sequence unlike the disaster sequence is entirely dependent on the right decision making.

Disaster sequence in BCG Matrix – Disaster sequence of BCG matrix happens when a product which is a cash cow, due to competitive pressure might be moved to a star. It fails out from the competition and it is moved to a question mark and finally it may have to be divested because of its low market share and low growth rate. Thus the disaster sequence might happen because of wrong decision making. This sequence affects the company as a lot of investments are lost to the divested product. Along with this the money coming in from the cash cow which is used for other products too is lost.

Strategies based on the BCG Matrix.

There are four strategies possible for any product / SBU and these are the strategies which are used after the BCG analysis. These strategies are

1) Build – By increasing investment, the product is given an impetus such that the product increases its market share. Example – Pushing a Question mark into a Star and finally a cash cow (Success sequence)

2) Hold – The company cannot invest or it has other investment commitments due to which it holds the product in the same quadrant. Example – Holding a star there itself as higher investment to move a star into cash cow is currently not possible.

3) Harvest – Best observed in the Cash cow scenario, wherein the company reduces the amount of investment and tries to take out maximum cash flow from the said product which increases the overall profitability.

4) Divest – Best observed in case of Dog quadrant products which are generally divested to release the amount of money already stuck in the business.

Thus the BCG matrix is the best way for a business portfolio analysis. The strategies recommended after BCG analysis help the firm decide on the right line of action and help them implement the same.

GE McKinsey Matrix

The GE McKinsey Matrix or **GE Matrix** is a variant of the Boston Consulting Group (BCG) portfolio analysis

Portfolio

The GE McKinsey Matrix has also many points in common with the MABA analysis.

MABA is an acronym that stands for Market, Attractiveness, Business position and Assessment.

The GE McKinsey Matrix also compares product groups with respect to market attractiveness and competitive power.

Another name for this type of analysis is Portfolio analysis.

The portfolios of businesses consist of all combinations of products and/ or services that are offered to the market/ target groups.

Originally, the GE McKinsey Matrix made an analysis of the composition of the portfolio of GE business units.

Later, the GE McKinsey matrix proved to be very useful in other companies as well.

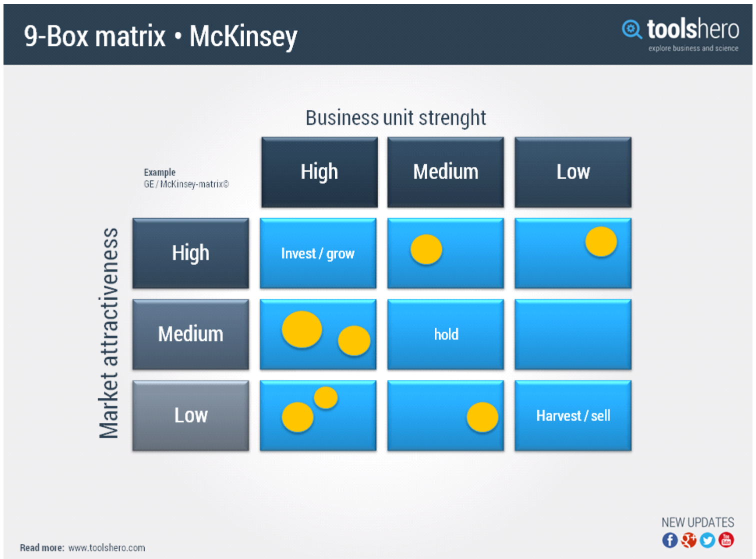
The GE McKinsey Matrix comprises two axes.

The attractiveness of the market is represented on the y-axis and the competitiveness and competence of the business unit are plotted on the x-axis.

Both axes are divided into three categories (high, medium, low) thus creating nine cells.

The business unit is placed within the matrix using circles. The size of the circle represents the volume of the turnover.

The percentage of the market share is entered in the circle. An arrow represents the future course for the business unit.



E McKinsey Matrix factors

It is possible to determine in advance whether a market is attractive enough to enter.

This can be done by using the following factors:

- Market size
- Historical and expected market growth rate
- Price development
- Threats and opportunities (component of SWOT Analysis)
- Technological developments
- Degree of competitive advantage

Other factors are used to determine competitiveness:

- Value of core competences
- Available assets
- Brand recognition and brand strength
- Quality and distribution
- Access to internal and external finance resources

AD LITTLE PRODUCT PORTFOLIO ANALYSIS

The ADL matrix by Arthur D. Little is a portfolio management matrix which helps managers discern their SBUs strategic position depending upon 2 dimensions-

- SBU’s life cycle and
- Competitive position

Each of these dimensions can be further split up into the following categories to better analyze a firm and accordingly determine the future strategic actions-

Life cycle stages can be

- **Embryonic**
- **Growth**
- **Maturity**
- **Ageing**

Competitive position can also be either of the following

1. Dominant:The position of a company falls into this category if it is a clear market leader or has a monopoly position. Exampl , Intel in microprocessors.

2. Strong:In this case, the company might not be a monopoly but definitely has a strong presence and loyal customers.

3. Favorable:Companies with favorable competitive position usually operate in fragmented markets and no single one controls all market share.

4. Tenable:Here each company caters to a niche segment defined by a product variety or segmented demographically.

5. Weak :In this scenario, the company financials are too weak to gain a strong hold in the market and is expected to die out within a short span of time.

ADL Matrix

Competitive Position		Industry Life Cycle Stage: Embryonic	Growth	Mature	Aging
	Dominant	All out push for share. Hold Position	Hold Position. Hold Share.	Hold Position. Grow with industry	Hold Position.
	Strong	Attempt to improve position. All out push for share	Attempt to improve position. Push for share.	Hold Position. Grow with industry	Hold Position or Harvest.
	Favorable	Selective or all out put for share. Selective attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
	Tenable	Selectively push for position	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon
	Weak	Up or out	Turnaround or abandon	Turnaround, ophaned out withdrawal.	Abandon

Thus depending on where a particular firm lies on the ADL grid, a suitable set of strategies should be adopted by it to gain greater market share and move to higher stages of life cycle and competitive positions.

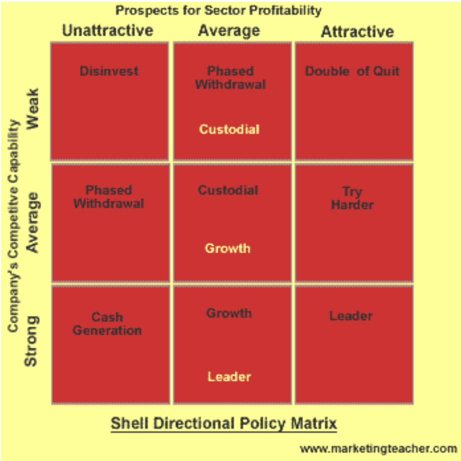
Hence, this concludes the definition of ADL Matrix- Arthur D. Little along with its overview.

SHELL INTERNATIONAL PRODUCT PORTFOLIO ANALYSIS

The Shell Directional Policy Matrix is another refinement upon the Boston Matrix. Along the horizontal axis are prospects for sector profitability, and along the vertical axis is a company's competitive capability. As with the GE Business Screen the location of a Strategic Business Unit (SBU) in any cell of the matrix implies different strategic decisions.

- **Double or quit** – gamble on potential major SBU's for the future.
- **Growth** – grow the market by focusing just enough resources here.
- **Custodial** – just like a cash cow, milk it and do not commit any more resources.
- **Cash Generator** – Even more like a cash cow, milk here for expansion elsewhere.
- **Phased withdrawal** – move cash to SBU's with greater potential.
- **Divest** – liquidate or move these assets on a fast as you can.

However decisions often span options and in practice the zones are an irregular shape and do not tend to be accommodated by box shapes. Instead they blend into each other.



Each of the zones is described as follows:

- **Leader** – major resources are focused upon the SBU.
- **Try harder** – could be vulnerable over a longer period of time, but fine for now.

IDEA GENERATION TECHNIQUES AMONG CREATIVE PROFESSIONALS

The idea generation techniques identified are briefly introduced as follows:

1.Role Playing:

Role playing involves designers acting out scenarios. These scenarios are often ones that the designers observed during the research phase of the design process when they participated in user research. This technique is a tool for both team-based ideation and communication to users and/or clients.

2. Active Search:

Active search refers to designers hunting for a particular solution. This hunt could range from a web search for images of current vacuum cleaners to searching through books, magazines, newspapers, etc. to find demographics of a particular population.

3. Attribute List:

Attribute listing refers to taking an existing product or system, breaking it into parts and then recombining these to identify new forms of the product or system

4. Brainstorm:

Brainstorming involves generating a large number of solutions to a problem (idea) with a focus on the quantity of ideas. During this process, no ideas are evaluated; in fact unusual ideas are welcomed. Ideas are often combined to form a single good idea as suggested by the slogan “1+1=3” [12]. Brainstorming can be used by groups as well as individuals

Reverse brain storming: first prevent your problem from happening.Since brainstorming was the first idea generation technique created it is often referred to as, “the mother of all idea generation techniques”.

5. Collaborate:

Collaboration refers to two or more people working together towards a common goal Designers often work in groups and co create during the entire creative process.

6. Concrete Stimuli:

Concrete stimuli are used when designers want to gain new perspectives on a problem by manipulating physical materials. This could be looking at paint chips, feeling different material textures or physically
Maneuvering objects.

7. Critique:

Critique refers to receiving input on current design ideas. This could be collaborative such as receiving a design critique from a colleague or individuals critiquing their own ideas (either systematically or intrinsically). This technique often spurs new thought by finding solutions to design flaws within current concepts.

8. Documenting:

Documenting refers to designers writing down ideas (physically or electronically). This includes journaling, writing stories, and taking notes.

9.Expert Opinion:

Designers often elicit opinions from experts to identify potential problems with products or services before more comprehensive evaluations. This occurs when they are looking for an answer to a problem that is outside their domain knowledge or when they want to test a new idea

10. Empathy/User Research:

User research requires the designer to observe people in everyday situations in order to develop empathy for them. The methods used to conduct this type of research is founded in ethnographic research methods such as observations, field studies and rapid ethnography

11. Encompass:

Encompassing is an inspirational technique which involves designers immersing themselves iinformation relevant to the current project.

ROLE OF RESEARCH AND DEVELOPMENT IN MARKETING

A company's research and development department plays an integral role in the life cycle of a product. While the department usually is separate from sales, production and other divisions, the functions of these areas are related and often require collaboration. A thorough understanding of the functions of the research and development department allows you to maximize those duties at your small business, even if you don't have a big department.

New Product Research

Before a new product is developed, a research and development department conducts a thorough study to support the project. The research phase includes determining product specifications, production costs and a production time line. The research also is likely to include an evaluation of the need for the product before the design begins to ensure it is a functional product that customers want to use.

New Product Development

The research paves the way for the development phase. This is the time when the new product is actually developed based on the requirements and ideas created during the research phase. The developed product must meet the product guidelines and any regulatory specifications.

Existing Product Updates

Existing products of the company also fall under the scope of research and development. The department regularly evaluates the products offered by the company to ensure they are still functional. Potential changes or upgrades are considered. In some cases, the research and development department is asked to resolve a problem with an existing product that malfunctions or to find a new solution if the manufacturing process must change.

Quality Checks

In many companies, the research and development team handles the quality checks on products created by the company. The department has an intimate knowledge of the requirements and specifications of a particular project. This allows team members to ensure the products meet those standards so the company puts out quality products. If the company also has a quality assurance team, it may collaborate with research and development on quality checks.

Innovation

The research and development team aids the company in staying competitive with others in the industry. The department is able to research and analyze the products other businesses are creating, as well as the new trends within the industry. This research aids the department in developing and updating the products created by the company. The team helps direct the future of the company based on the information it provides and products it creates.

PRODUCT MAPS

- Definition: organizing or sorting products/services into groupings with similarities
- Used to: find gaps in what is currently being offered to consumers so that new products can be developed

Example:

Snack Foods: Potato chips, tortilla chips, rice chips, rice cakes, corn chips, pretzels, etc

MARKET MAPPING

Once an entrepreneur has identified an appropriate segment of the market to target, the challenge is to **position** the product so that it meets the needs and wants of the target customers.

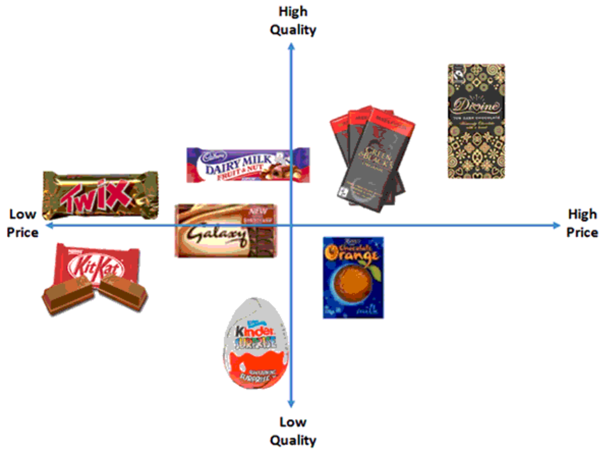
One way to do this is to use a "**market map**" (you might also see this called by its proper name – the "**perceptual map**").

The market map illustrates the range of "positions" that a product can take in a market based on two dimensions that are important to customers.

Examples of those dimensions might be:

- High price v low price
- Basic quality v High quality
- Low volume v high volume
- Necessity v luxury
- Light v heavy
- Simple v complex
- Lo-tech v high-tech
- Young v Old

Let's look at an illustrated example of a market map. The map below shows one possible way in which the chocolate bar market could be mapped against two dimensions – quality and price:



How might a market map be used?

One way is to identify where there are "**gaps in the market**" – where there are customer needs that are not being met.

For example, in the chocolate bar market, Divine Chocolate (a social enterprise) successfully spotted that some consumers were prepared to pay a premium price for very high quality chocolate made from Fairtrade cocoa. Green & Black's exploited the opportunity to sell premium chocolate made from organic ingredients. Both these brands successfully moved into the high quality / high price quadrant (see above) before too many competitors beat them to it.

The trick with a market map is to ensure that market research confirms whether or not there is actually any demand for a possible "gap in the market". There may be very good reasons why consumers do not want to buy a product that might, potentially, fill a gap.

JOINT SPACE MAPS

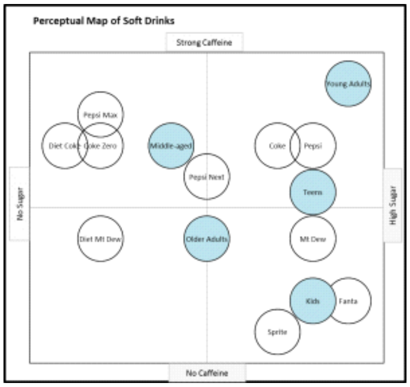
A common approach to perceptual mapping is to integrate both the consumer's perceptions of the various competing brands along with the preferred/ideal needs for the different consumer segments in the market.

This style of perceptual mapping is usually referred to as a joint space map. This is simply because both consumer perception and ideal positioning points are jointly shown on the same perceptual map.

Joint space maps are very important when different market segments have quite distinct needs and, therefore, will choose between competing brands and products on a different basis.

Example of a Joint Space Map

The following perceptual map is an example of a joint space map. (Click on the map to enlarge it.)



An example of a joint space map for soft drinks

In this example, the preferences (or ideal positioning points) have been plotted in blue for five different demographic segments. In this case, a simple age-based demographic segmentation base has been used to construct the market segments of: kids, teens, young adults, middle-aged people and older adults.

As you can see from this perceptual map, the strength of positioning of each of the brands now depends upon how well (that is, how close they are) to the various market segments preferred (or ideal) positioning points.

For example, kids prefer a soft drink that is low in caffeine, but is quite sweet (that is, high in perceived sugar). This perceptual map shows that both Sprite and Fanta are well positioned to appeal to this segment's needs. On the other hand, Diet Coke is a long way from the kid's target market preferences (being low in sugar taste and high in perceived caffeine0, which means that this brand is perceived as a poor fit to the needs (ideal positioning) of this target map.

People in marketing often like to use joint space maps because it is very important to understand the underlying needs and preferences of the different market segments. By plotting the segment's preferred positioning, it becomes much easier to assess the effectiveness of a brand's positioning.

IDEA SCREENING

With your list of potential new product ideas, you now need to decide which ideas to pursue and which to discard. Consider your competition, your existing products, their shortcomings, and the needs of your market. Draw on the customer needs list you have developed, and the areas for product improvement you have identified.

Develop a set of criteria to evaluate your ideas against. Your criteria might include:

- most prominently identified customer needs
- product improvements most needed

- the benefits to your target market
- the technical feasibility of the idea
- the level and scope of research and development required
- the profitability of the idea. What is its potential appeal to the market? How would you price it? What are the costs in bringing it to market - overall and per unit?
- where the product fits in the market. Is there a gap? How close is it to competitor products?
- the resources it will require in development
- the marketing potential of the idea
- the fit with your business profile and business objectives.

CONCEPT TESTING

Concept testing (to be distinguished from **pre-test markets** and **test markets** which may be used at a later stage of product development research)[1] is the process of using surveys (and sometimes qualitative methods) to evaluate consumer acceptance of a new product idea prior to the introduction of a product to the market. It is **important not to confuse** concept testing with advertising testing, brand testing and packaging testing; as is sometimes done. Concept testing focuses on the basic product idea, without the embellishments and puffery inherent in advertising.

It is important that the instruments (questionnaires) to test the product have a high quality themselves. Otherwise, results from data gathered surveys may be biased by measurement error. That makes the design of the testing procedure more complex. Empirical tests provide insight into the quality of the questionnaire. This can be done by:

- conducting cognitive interviewing. By asking a faction of potential-respondents about their interpretation of the questions and use of the questionnaire, a researcher can verify the viability of the cognitive interviewing.
- carrying out a small pretest of the questionnaire, using a small subset of target respondents. Results can inform a researcher of errors such as missing questions, or logical and procedural errors.
- estimating the measurement quality of the questions. This can be done for instance using test-retest, quasi-simplex, or mutlitrait-multimethod models.
- predicting the measurement quality of the question. This can be done using the software Survey Quality Predictor (SQP).

Concept testing in the new product development (NPD) process is the concept generation stage. The concept generation stage of concept testing can take on many forms. Sometimes concepts are generated incidentally, as the result of technological advances. At other times concept generation is deliberate: examples include brain-storming sessions, problem detection surveys and qualitative research. While qualitative research can provide insights into the range of reactions consumers may have, it cannot provide an indication of the likely success of the new concept; this is better left to quantitative concept-test surveys.

In the early stages of concept testing, a large field of alternative concepts might exist, requiring concept-screening surveys. Concept-screening surveys provide a quick means to narrow the field of options; however they provide little depth of insight and cannot be compared to a normative database due to interactions between concepts. For greater insight and to reach decisions on whether or not pursue further product development, monadic concept-testing surveys must be conducted.

Frequently concept testing surveys are described as either monadic, sequential monadic or comparative. The terms mainly refer to how the concepts are displayed:

1.) Monadic. The concept is evaluated in isolation.

2.) Sequential monadic. Multiple concepts are evaluated in sequence (often randomized order).

3.) Comparative. Concepts are shown next to each other.

4.) Proto-monadic. Concepts are first shown in sequence, and then next to each other.

"Monadic testing is the recommended method for most concept testing. Interaction effects and biases are avoided. Results from one test can be compared to results from previous monadic tests. A normative database can be constructed." However, each has its specific uses and it depends on the research objectives. The decision as to which method to use is best left to experience research professionals to decide, as there are numerous implications in terms of how the results are interpreted.

CONCEPT SELECTION

- "Concept Selection" is picking the idea(s) which best satisfy the Product Design Specification (PDS)
- Stage in design process: After (1) understanding customer needs, (2) developing PDS, (3) generating many concepts. Before detailed design.
- You are selecting among choices constantly in design process. If you don’t have many choices to choose from at every stage of the design process, your process is bad.
- Selection is an iterative process. (1) May need new or modified concepts, (2) May need more info to proceed.

- Think of concept selection as weeding out bad ideas, not as trying to pick the "best" idea. The latter is too hard. Selection should be a narrowing process, not a competition.
- Put yourself in customers shoes for the selection. No good if you pick based on your own perceptions since you aren’t buying lots.
- Wait a day or two after any barnstorming sessions before running a selection process.
- Stay flexible
- You NEVER have enough information to do it properly...but often you can’t wait.

DESIGN FOR MANUFACTURING

Design for manufacturability (also sometimes known as **design for manufacturing** or **DFM**) is the general engineering practice of designing products in such a way that they are easy to manufacture. The concept exists in almost all engineering disciplines, but the implementation differs widely depending on the manufacturing technology. DFM describes the process of designing or engineering a product in order to facilitate the manufacturing process in order to reduce its manufacturing costs. DFM will allow potential problems to be fixed in the design phase which is the least expensive place to address them. Other factors may affect the manufacturability such as the type of raw material, the form of the raw material, dimensional tolerances, and secondary processing such as finishing.

Depending on various types of manufacturing processes there are set guidelines for DFM practices. These DFM guidelines help to precisely define various tolerances, rules and common manufacturing checks related to DFM.

Design for manufacturability (DFM) is the process of proactively designing products to (1) optimize all the manufacturing functions: fabrication, assembly, test, procurement, shipping, delivery, service, and repair, and (2) assure the best cost, quality, reliability, regulatory compliance, safety, time-to-market, and customer satisfaction.

Concurrent Engineering is the practice of concurrently developing products and their manufacturing processes. If existing processes are to be utilized, then the product must be design for these processes. If new processes are to be utilized, then the product and the process must be developed concurrently.

Design for Manufacturability can reduce many costs, since products can be quickly assembled from fewer parts. Thus, products are easier to build and assemble, in less time, with better quality. Parts are designed for ease of fabrication and commonality with other designs. DFM encourages standardization of parts, maximum use of purchased parts, modular design, and standard design features. Designers will save time and money by not having to "re-invent the wheel." The result is a broader product line that is responsive to customer needs. Click here for article on standardization.

Companies that have applied DFM have realized substantial benefits. Costs and time-to-market are often cut in half with significant improvements in quality, reliability, serviceability, product line breadth, delivery, customer acceptance and, in general, competitive posture.

These practical methodologies are taught through Dr. Anderson's in-house seminars and lower-cost webinars. He helps with implementation through his leading-edge consulting.

DESIGNING PRODUCTS FOR MANUFACTURABILITY

In order to design for manufacturability, everyone in product development team needs to:

C In general, understand how products are manufactured through experience in manufacturing, training, rules/guidelines, and/or multi-functional design teams with manufacturing participation.

C Specifically, design for the processes to be used to build the product you are designing: If products will be built by standard processes, design teams must understand them and design for them. If processes are new, then design teams must concurrently design the new processes as they design the product.

PROTOTYPE PRODUCT

A **prototype** is an early sample, model, or release of a **product** built to test a concept or process or to act as a thing to be replicated or learned from. It is a term used in a variety of contexts, including semantics, design, electronics, and software programming.

UNIT-3

PERPETUAL MAPPING

Perceptual Map

Typically, a simple perceptual map is a two-dimensional graph with a vertical axis and a horizontal axis. Each axis has a pair of opposite attributes at each end of the axis. For example, if the map is looking at cars, the vertical axis might have a luxury car at one end and an economy car at the other end; the horizontal axis might have "family-oriented" at one end and "sporty" at the other end. Each car is then plotted on the graph based on how consumers perceive the car relative to those attributes.

Firms use perceptual or positioning maps to help them develop a market positioning strategy for their product or service. As the maps are based on the perception of the buyer they are sometimes called perceptual maps. Positioning maps show where existing products and services are positioned in the market so that the firm can decide where they would like to place (position) their product. Firms have two options they can either position their product so that it fills a gap in the market or if they would like to compete against their competitors they can position it where existing products have placed their product.

The diagram below is a Perceptual Map of UK chocolate confectionery Brands

Drawing a Perceptual (Positioning) Map

Theoretically a perceptual map can have any number of lines, to keep things simple they usually have 2 lines the x and y axis. The x axis goes left to right and the y axis goes bottom to top. Any criteria can be used for the map for example price, quality, status, features, safety and reliability. Once the two lines have been drawn and labelled existing products will be placed onto the map.

Example Perceptual Map

In the example below two dimensions price and quality have been used. If we plot the UK chocolate market, we can identify where existing chocolate brands have been positioned by manufacturers. For example our fictional brand of Belgian chocolates called Belgium Chocolates are high quality and high price so they are placed in the top right hand box, whilst Twix is an affordable "every day" treat chocolate so it has been placed in the bottom left hand square, in the low quality low price brand box.

The Purpose Of Perceptual Maps

Perceptual maps can help identify where (in the market) an organisation could position a new brand. In our example this could be at the medium price and medium quality position, as there is a gap there. There is also a gap in high price low quality but consumers will not want to pay a lot of money for a low quality product. Similarly the low price high quality box is empty because manufacturers would find it difficult to make a high quality chocolate for a cheap price or make a profit from selling a high quality product at a low price.

Benefits of Perceptual Maps

- To help us better understand market segments
- To see how the target market really perceives the brands in the marketplace
- To evaluate the performance of recent marketing campaigns and other marketing mix changes
- To confirm whether how consumers perceive us fits with our positioning goals
- To check that our brand has a clear positioning space in the market
- To track how successfully our new products have been positioned into the market
- To monitor competitive brands and their changing market position
- To help our organization identify gaps in the market
- To monitor changes in consumer preferences over time

Limitations of Perceptual Maps

- Perceptual maps often simplify the consumer's purchase decision down to two product attributes
- They tend to be more beneficial for low-involvement purchase decisions
- They are more relevant for individual brands, and less helpful for corporate brand image
- The data is often difficult or expensive to obtain (via marketing research)
- There is a often difference between consumer's perception of the brand's benefits versus reality

KELLER'S BRAND EQUITY MODEL

Many factors influence the strength of a particular product or brand. If you understand these factors, you can think about how to launch a new product effectively, or work out how to turn a struggling brand into a successful one.

In this article, we'll look at Keller's Brand Equity model. This tool highlights four steps that you can follow to build and manage a brand that customers will support.

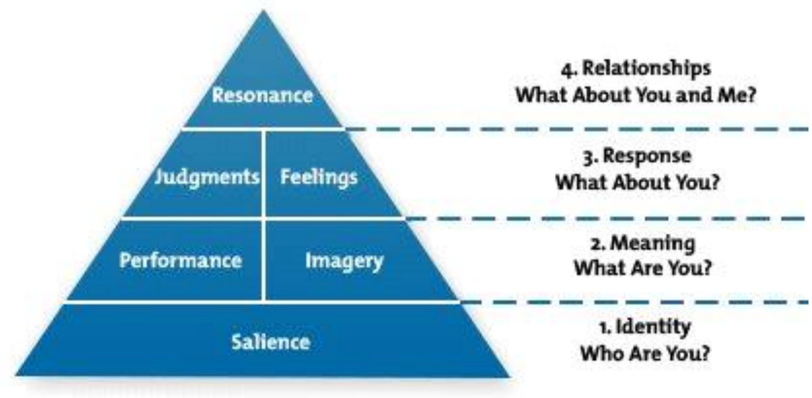
Overview

Keller's Brand Equity Model is also known as the Customer-Based Brand Equity (CBBE) Model. Kevin Lane Keller, a marketing professor at the Tuck School of Business at Dartmouth College, developed the model and published it in his widely used textbook, "Strategic Brand Management."

The concept behind the Brand Equity Model is simple: in order to build a strong brand, you must shape how customers think and feel about your product. You have to build the right type of experiences around your brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it.

When you have strong brand equity, your customers will buy more from you, they'll recommend you to other people, they're more loyal, and you're less likely to lose them to competitors.

The model, seen in Figure 1, illustrates the four steps that you need to follow to build strong brand equity.



The four steps of the pyramid represent four fundamental questions that your customers will ask – often subconsciously – about your brand.

The four steps contain six building blocks that must be in place for you to reach the top of the pyramid, and to develop a successful brand.

Applying the Model

Let's look at each step and building block in detail, and discuss how you can apply the framework and strengthen your brand.

Step 1: Brand Identity – Who Are You?

In this first step, your goal is to create "brand salience," or awareness – in other words, you need to make sure that your brand stands out, and that customers recognize it and are aware of it.

You're not just creating brand identity and awareness here; you're also trying to ensure that brand perceptions are "correct" at key stages of the buying process.

Application

To begin, you first need to know who your customers are. Research your market to gain a thorough understanding of how your customers see your brand, and explore whether there are different market segments with different needs and different relationships with your brand.

Next, identify how your customers narrow down their choices and decide between your brand and your competitors' brands. What decision-making processes do your customers go through when they choose your product? How are they classifying your product or brand? And, when you follow their decision making process, how well does your brand stand out at key stages of this process?

Step 2: Brand Meaning – What Are You?

Your goal in step two is to identify and communicate what your brand means, and what it stands for. The two building blocks in this step are: "performance" and "imagery."

"Performance" defines how well your product meets your customers' needs. According to the model, performance consists of five categories: primary characteristics and features; product reliability, durability, and serviceability; service effectiveness, efficiency, and empathy; style and design; and price.

"Imagery" refers to how well your brand meets your customers' needs on a social and psychological level. Your brand can meet these needs directly, from a customer's own experiences with a product; or indirectly, with targeted marketing, or with word of mouth.

A good example of brand meaning is Patagonia®. Patagonia makes high quality outdoor clothing and equipment, much of which is made from recycled materials.

Patagonia's brand performance demonstrates its reliability and durability; people know that their products are well designed and stylish, and that they won't let them down. Patagonia's brand imagery is enhanced by its commitment to several environmental programs and social causes; and its strong "reduce, reuse, recycle" values make customers feel good about purchasing products from an organization with an environmental conscience.

Step 3: Brand Response – What Do I Think, or Feel, About You?

Your customers' responses to your brand fall into two categories: "judgments" and "feelings." These are the two building blocks in this step.

Your customers constantly make judgments about your brand and these fall into four key categories:

- Quality: Customers judge a product or brand based on its actual and perceived quality.

- Credibility: Customers judge credibility using three dimensions – expertise (which includes innovation), trustworthiness, and likability.
- Consideration: Customers judge how relevant your product is to their unique needs.
- Superiority: Customers assess how superior your brand is, compared with your competitors' brands.

Customers also respond to your brand according to how it makes them feel. Your brand can evoke feelings directly, but they also respond emotionally to how a brand makes them feel about themselves. According to the model, there are six positive brand feelings: warmth, fun, excitement, security, social approval, and self-respect.

Application

- First, examine the four categories of judgments listed above. Consider the following questions carefully in relation to these:
- What can you do to improve the actual and perceived quality of your product or brand?
- How can you enhance your brand's credibility?
- How well does your marketing strategy communicate your brand's relevancy to people's needs?
- How does your product or brand compare with those of your competitors?

Next, think carefully about the six brand feelings listed above. Which, if any, of these feelings does your current marketing strategy focus on? What can you do to enhance these feelings for your customers?

Identify actions that you need to take as a result of asking these questions.

Step 4: Brand Resonance – How Much of a Connection Would I Like to Have With You?

Brand "resonance" sits at the top of the brand equity pyramid because it's the most difficult – and the most desirable – level to reach. You have achieved brand resonance when your customers feel a deep, psychological bond with your brand.

Keller breaks resonance down into four categories:

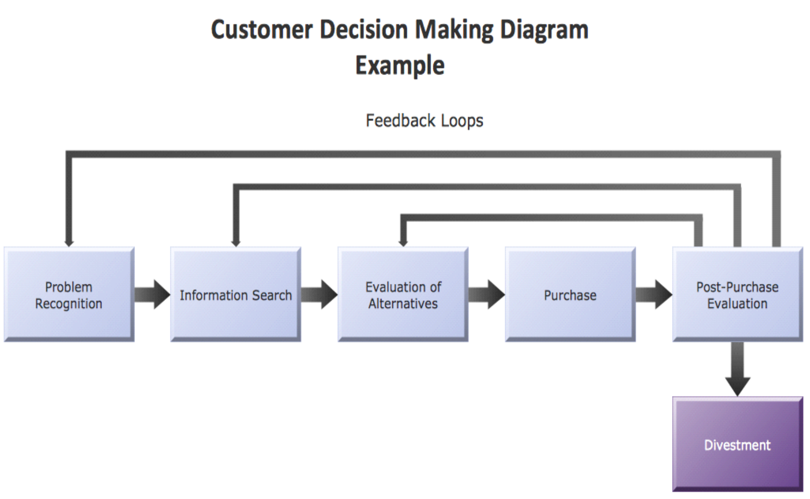
- Behavioral loyalty: This includes regular, repeat purchases.
- Attitudinal attachment: Your customers love your brand or your product, and they see it as a special purchase.

- Sense of community: Your customers feel a sense of community with people associated with the brand, including other consumers and company representatives.
- Active engagement: This is the strongest example of brand loyalty. Customers are actively engaged with your brand, even when they are not purchasing it or consuming it. This could include joining a club related to the brand; participating in online chats, marketing rallies, or events; following your brand on social media; or taking part in other, outside activities.

FLOWCHARTS AND PROCESS DIAGRAMS

Samples of Marketing Flowcharts and Process Diagrams are created with ConceptDraw PRO diagramming and vector drawing software enhanced with Marketing solution from ConceptDraw Solution Park. ConceptDraw PRO provides export of vector graphic multipage documents into multiple file formats: vector graphics (SVG, EMF, EPS), bitmap graphics (PNG, JPEG, GIF, BMP, TIFF), web documents (HTML, PDF), PowerPoint presentations (PPT), Adobe Flash (SWF).

Marketing Block Diagram — Customer Decision Making

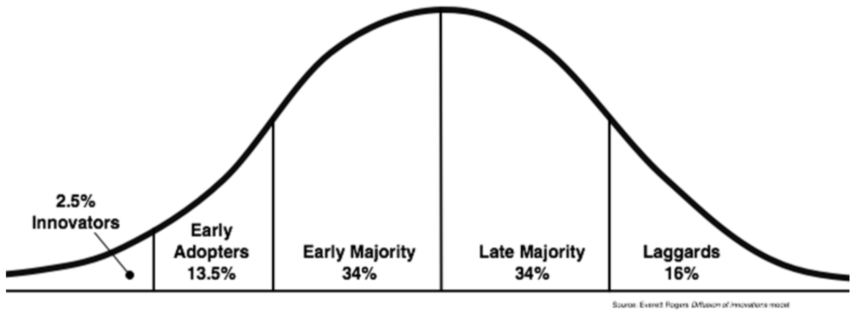


Diffusion of innovation theory

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible.

Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established adopter categories, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories

- Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
- Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.
- Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.
- Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.
- Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.



The stages by which a person adopts an innovation, and whereby diffusion is accomplished, include awareness of the need for an innovation, decision to adopt (or reject) the innovation, initial use of the innovation to test it, and continued use of the innovation. There are **five main factors that influence adoption of an innovation**, and each of these factors is at play to a different extent in the five adopter categories.

- Relative Advantage - The degree to which an innovation is seen as better than the idea, program, or product it replaces.
- Compatibility - How consistent the innovation is with the values, experiences, and needs of the potential adopters.
- Complexity - How difficult the innovation is to understand and/or use.
- Triability - The extent to which the innovation can be tested or experimented with before a commitment to adopt is made.
- Observability - The extent to which the innovation provides tangible results.

LIMITATIONS OF DIFFUSION OF INNOVATION THEORY

There are several limitations of Diffusion of Innovation Theory, which include the following:

- Much of the evidence for this theory, including the adopter categories, did not originate in public health and it was not developed to explicitly apply to adoption of new behaviors or health innovations.
- It does not foster a participatory approach to adoption of a public health program.
- It works better with adoption of behaviors rather than cessation or prevention of behaviors.
- It doesn't take into account an individual's resources or social support to adopt the new behavior (or innovation).

This theory has been used successfully in many fields including communication, agriculture, public health, criminal justice, social work, and marketing. In public health, Diffusion of Innovation Theory is used to accelerate the adoption of important public health programs that typically aim to change the behavior of a social system. For example, an intervention to address a public health problem is developed, and the intervention is promoted to people in a social system with the goal of adoption (based on Diffusion of Innovation Theory). The most successful adoption of a public health program results from understanding the target population and the factors influencing their rate of adoption.

ADOPTION PROCESS

Adoption process is a series of stages by which a consumer might adopt a NEW product or service. Whether it be Services or Products, in todays competitive world, a consumer is faced with a lot of choices. How does he make a decision to ADOPT a new product is the Adoption process.

There are numerous stages of adoption which a consumer goes through. These stages may happen before or even after the actual adoption.

- Awareness – This is the area where major marketeers spend billions of dollars. Simply speaking, if you are not AWARE of the product, you are never going to BUY the product.
- Interest and Information Search – Once you are aware, you start searching for information. Whether it be your daily soap, your car or for that matter your home, you wont buy it unless you KNOW about it.
- Evaluation / Trial – Evaluation is wherein you test or have a trial of the product. This is pretty difficult in services as services are generally intangible in nature. However service marketing managers do find ways of offering Trial packs to users. Comparatively, it is pretty easier in Product marketing and finds a major usage in BTL (Below the Line) sales promotion.
- Adoption – The actual adoption of the product. Wherein the consumer finally decides to adopt the product.

Although this is a well scripted adoption process, however consumers might tend to skip over the whole process. For example you wife asks you to buy a product for her. Would you go through the process of actually collecting information, Evaluating it and than making a decision??? I dont think so!!! So in this case (Word of Mouth) the consumer tends to directly adopt the product rather than going through stages. This is one of the primary reason word of mouth is so much in demand.

On the other hand, The process might end in Rejection. Any of the stages can result in rejection of the product. No brand recall, No interest generated, Trial improper, Product didnt satisfy, so on and so forth.

The task of the marketer here is to understand what is involved in the psychological adoption process of consumers for particular product and service in order to be able to positively influence such consumers at appropriate stages. Only when this process has been understood we can encourage our consumers to actually purchase the product / service offering.

For example –

- Product trial may be an important stage to be completed before adopting some new products such as newly flavored soft drinks, prompting marketers to offer free samples of the products in supermarkets.
- One strategy adopted in FMCG's is to give away small trial-sized packages of products such as shampoos or laundry detergents to encourage adoption. Yet, in adopting other products such as mobile phones, awareness, interest, and evaluation become more essential. Thus in these sectors, marketers emphasize on marketing communications and promotions to lead consumers towards adopting their product.
- Finally, Market research needs to be done by marketers to understand the time and effort taken by the consumer in each stage of the adoption process so as to lead the consumer to the final stage of adoption.

UNIT-4

BRAND MANAGEMENT

Brand Management - Meaning and Important Concepts

BRAND:A brand is the set of product or service attributes imbibed in the consumer's mind in the form of a name, symbol, logo, design and trademark. The importance of brand management is:

- Product differentiation from competitors
- Building corporate image
- Creating bundle of benefits for different product categories
- Attract and retain the most loyal customers

Brand management begins with having a thorough knowledge of the term "brand". It includes developing a promise, making that promise and maintaining it. It means defining the brand, positioning the brand, and delivering the brand. Brand management is nothing but an art of creating and sustaining the brand. Branding makes customers committed to your business. A strong brand differentiates your products from the competitors. It gives a quality image to your business.

IMPORTANCE OF BRAND MANAGEMENT

A brand represents who your company is and what it stands for. This includes your name, logo, messaging, merchandise, design, and any other feature that identifies your company and its products and service and makes it distinct from others. With your brand you are developing a promise, conveying the message of this promise and then maintaining it.

Brand management is the science of crafting and sustaining a brand. This means defining the brand, positioning the brand, and delivering the brand value constantly. Branding creates customer commitment to your business. A robust brand differentiates its products from the competitors and gives your business a leg up on the others, allowing you to increase sales and grow your business.

Brand management includes handling both the noticeable and intangible characteristics of a brand. When it comes to product brands, this includes the product itself, packaging, pricing, availability, etc. With service brands, tangibles include customers' experience. The intangibles include emotional connections and expectations with products and services. Branding also involves assembling a blend of the right marketing campaigns to create and reinforce your identity. If done right, you can even create a brand that is able to break through the noise and create brand loyalty.

Your brand should:

- Make your product or service distinctive from the competition
- Identify what customers can only get from your brand (Don't camouflage your strengths!)
- Trigger instant recognition with customers and prospects
- Position yourself as an expert
- Be present when and where it matters (Queue your integrated marketing campaigns)
- Remind people of the reputation for which you are known. Show up locally to reinforce this
- Place your company top-of-mind with your audience
- See better return on investment, more brand awareness
- Capitalize on mind share to help drive sales

Why Brand Management Matters

Customers will recognize your company, your product, your service and your status through your brand. You can build an incredible brand through messages, images and ads but whether you realize it or not, your company is creating this reputation with everything that you and your local affiliates do. So you need to make sure you are consistently living up to your brand promise each and every day.

The most important part of brand management is ongoing maintenance and control. Proper brand management involves making sure that each promotional piece, touch point and every usage of your name, logo and message supports your organization and goals by reinforcing your brand in the way you intended. This allows you continue to strengthen the association your brand imprints on your customers. Even the best brands can fall apart if not managed properly.

Many large corporations hire a full-time brand manager to ensure the brand is held in high regard, and not diminished or misused. Even with a brand manager, developing high quality promotional pieces that consistently strengthen your brand and controlling its use can be a challenge for anyone.

Managing your Brand Throughout Your Channel

Brand management becomes even more challenging once you additional parties. If you're a brand that sells your products or services through resellers, VARs, agents, distributors or other local affiliates, you know this better than anyone. Local affiliates are notorious for using out of date information, old logos and off-brand messaging if they aren't provided the content they need. And brands generally don't have the visibility or control at the local level to police their brand. So what is a brand to do?

Revenue helps brands manage the chaos of local marketing by enabling them to distribute the content, tools, data and funds needed to activate and empower channel partners to market effectively – all with complete control and visibility to activities and results.

Branding is more about following rules because if you don't follow those rules, things don't look the same and people won't remember you. When you put out your marketing pieces, you want to create a similar look and feel so that people remember you. And you want that similar look and feel on every piece you put out.

The good thing is that you get to make the rules…colors are the same, style of lettering is the same, logo, etc. However, there is some flexibility as long as you follow the rules. You can't go too far out of bounds, but you can change some things within the framework of what others can still recognize.

Branding in your marketing has to make you feel something. A technology company can't have an old-style font — you might not think that they are very advanced.

A brand consists of eight basic building blocks:

- The name
- The logo (brand icon)
- The brand's colors
- The slogan and brand messaging
- The sound of the brand
- The overall look and feel = the brand's position
- Packaging the brand
- The brand experience

A brand is a greater sum of its parts. It is always more than just the nuts and bolts, the pieces; great brands are always the result of the whole equaling more than the sum of its parts.

Branding is about making the consumer or buyer more hip, more in the "know," more cool than anybody else. We are a generation and a nation wanting to be special. We want to be richer, more beautiful, better dressed, and more effortlessly gorgeous than any other generation that we know.

Benefits of Branding

Your business needs to create a positive image in the minds of consumers. Contrary to what most people believe, branding isn't just a logo. Your business's purpose, focus, and image all combine to create your brand. Why should you make this effort? Below are a few benefits:

- **You are remembered:** It's hard to remember a company with a generic name. You may not be able to distinguish their purpose and business focus. And why would you call a company if you couldn't tell what they did? Branding your business ensures that consumers will know what you're about.
- **You gain customer loyalty:** The fact is, people build close bonds with brand identities. Consumers want quality products that they can trust. So, your business should have an identity that your customers can cling to. If your company delivers great products and services and has a great brand identity, people will remember you. Additionally, they will often refer you to friends and family.
- **You become well-known:** You want the people who have not done business with you to still know who you are and what you do. If they see your ads on billboards, hear them on the radio, see them on television, or any other media, they will know your brand identity. And when the time comes that they need your product or service, your company will be the first to come to mind.
- **Consumers pay for image:** We are a very brand-aware society. People commonly associate brand names with quality and may only buy certain brands for that reason. If people only want one brand of a particular product, they are willing to pay a higher price. Having a great brand will make your company have a superior image and cause consumers to forget about the competition.

When you have distinguished your business through branding, the marketing has the capability of becoming so profound that little else is necessary. Developing your brand takes time and effort, but after it has been solidified, and after customers have had the chance to identify with it, your sales can increase naturally. You won't have to spend as much time planning marketing strategies to attract the public.

Online Branding

Branding, as a whole, is essential for any serious business because a company's brand is what distinguishes it from its competitors. In today's computer age, it is necessary for most businesses to have an online presence to stay competitive. Effective Internet branding, just like its offline counterpart, helps bring awareness to your unique business offering and drive customer demand.

While Internet branding offers huge opportunities for business, in order for it to be effective, one needs to attract and engage its customers. This isn't easy on the Internet. Branding is not as easy as putting up a website and adding your company logo and slogan. Your Internet branding strategy should make your online brand noticeable and apparent.

Branding utilizes hi-tech tools to create an online presence for your business. Graphics and animation, compelling web copy, and overall website design that reflect your company are some of the important elements that will bring your online brand alive. An attractive website that helps customers easily and quickly find the information they need is the key to getting customer interaction and eventually, business. Your branding plan should include good design elements and ease of use to create an effective overall impression.
A strong online image will make the difference between a customer who buys from you online or switches to your competitors. Remember that online customers can just leave your website and go to your competitors with the click of a mouse. A lot depends on the impression they get from your website. Branding seeks to convey an immediate unique message about your business to your target clients.

Promoting Your Brand

If you haven't already initiated a brand for your company, now might be just the time. Use these simple techniques in the promotion of your special brand.

- **Make your brand as unique as possible:** Catch the eye of the public by creating something different — something that people have not yet seen. Instead of doing what has already been done, go the opposite direction and be creative. Don't forget the legal dangers of copyright infringement related to borrowing or stealing from another firm's design.

- **Display stability:** Take time in the development process to establish your brand and accomplish the look you really want. It's better to spend sufficient time in the beginning fine-tuning your design for the desired outcome rather than to play with it after it's been revealed to the public. Changing your brand, and all that's involved with it, including colors, slogans, logos, and tag lines, doesn't support an image of reliability and longevity.

- **Stability should be maintained with branding:** If you have integrated a brand into your company's marketing, use it all over the place. It should appear on all of your marketing materials, business cards, website, and printed items. The same is true for your packaging. Your brand should appear on all of your products.
- **Give your brand away to the public with diverse promotional products:** You can help your brand to saturate the consumer population by handing out precious, yet low-cost, items. Promotional products encourage possible customers to keep in mind your brand and your gift every time they are used.

Brand Attributes

Brand Attributes portray a company's brand characteristics. They signify the basic nature of brand. Brand attributes are a bundle of features that highlight the physical and personality aspects of the brand. Attributes are developed through images, actions, or presumptions. Brand attributes help in creating brand identity.

A strong brand must have following attributes:

- **Relevancy-** A strong brand must be relevant. It must meet people's expectations and should perform the way they want it to. A good job must be done to persuade consumers to buy the product; else inspite of your product being unique, people will not buy it.
- **Consistency-** A consistent brand signifies what the brand stands for and builds customers trust in brand. A consistent brand is where the company communicates message in a way that does not deviate from the core brand proposition.
- **Proper positioning-** A strong brand should be positioned so that it makes a place in target audience mind and they prefer it over other brands.
- **Sustainable-** A strong brand makes a business competitive. A sustainable brand drives an organization towards innovation and success. Example of sustainable brand is Marks and Spencer's.
- **Credibility-** A strong brand should do what it promises. The way you communicate your brand to the audience/ customers should be realistic. It should not fail to deliver what it promises. Do not exaggerate as customers want to believe in the promises you make to them.
- **Inspirational-** A strong brand should transcend/ inspire the category it is famous for. For example- Nike transcendent Jersey Polo Shirt.
- **Uniqueness-** A strong brand should be different and unique. It should set you apart from other competitors in market.

- **Appealing-** A strong brand should be attractive. Customers should be attracted by the promise you make and by the value you deliver.

BRAND DECISIONS

Brand decisions, simply put, are decisions that one makes about a certain brand you are building or promoting. Yes, this sounds like a very general definition, but this is mostly because brand decisions definitely cover a lot of ground.

Let's take a look at the four major branding decisions:

1. Brand Positioning

Brand positioning concerns how you want customers to perceive the brand as compared to its competitors. Your brand can be positioned based on these three things:

- **Attributes**

This can be considered as the lowest level in terms of brand positioning. It mainly concerns the physical attributes of the brand, such as the colors used, the overall design, and anything similar. If you are marketing a car, for example, this would mostly involve whether you're selling as SUV or a sedan, and the colors that it would be available in.

Evidently, this is not exactly something that would set the brand apart from its competitors considerably because it is always easy to change and mimic physical attributes. This is why this has to work hand in hand with other factors that determine positioning.

- **Benefits**

The set of benefits that the target market would enjoy would also be part of brand positioning. Going with our previous example, this would cover the car's safety features, speed capabilities, and other similar specs.

- **Values and Beliefs**

Because benefits and attributes can be shared between competitors, the challenge really is to create a deep emotional connection between the brand and the market. This is where a brand's set of values and beliefs would come in.

A great example of this is Coca-Cola. Their annual Christmas campaigns have become a cultural phenomenon, which endears them to families all over the world. This shows that they value tradition, which makes the brand an even greater hit during the holidays.

2. Brand Name Selection

This is a particularly tricky process, but coming up with the right decision could make or break your success. The name of the brand has to be distinctive, catchy, and easy to remember.

In the past years, you have seen brands that focus on catching attention – Yahoo! and Google are perfect examples. However, this trend has changed dramatically. Today, a lot of brands choose to pick names that carry real definitions. Quora, for example, is the plural of “quorum”, which pertains to the minimum number of people required before a group can make any decision or conduct business. Also, one of its founders, Charlie Cheever, mentioned that the word is also cool in the sense that it starts with a “Q” and ends with an “A”, which pretty much sums up what people do on the website.

3. Brand Sponsorship

When it comes to brand sponsorship, you would have to think about choosing among four options. Would you like it to be a manufacturer’s brand, a private brand, a licensed brand, or a co-brand?

- **Manufacturer’s Brand**

Going for a manufacturer’s brand would mean marketing your own output. For example, Sony would still be selling the products they manufacture as Sony TVs or Sony cameras. Now if they start manufacturing products to be sold to resellers who will not be using the Sony brand, then these resellers would be using a private brand.

- **Private Brand**

Private brands have become bigger in recent years because consumers have also become less brand-conscious and more practical. Evidently, products that carry a popular brand name would be more expensive compared to private brands.

- **Licensed Brand**

Licensed brands are companies that use a certain name or symbol that is not necessarily created by a single manufacturer. Hello Kitty, Disney, and Star Wars are perfect examples of licensed brands. You have hundreds of manufacturers creating products that use these brands.

- **Co-Brand**

Co-branding would mean putting two brands together for a single product. A great example here would be Nestle’s coffee machines. Obviously, it wasn’t Nestle who manufactured Nespresso. Instead, they had other brands like Siemens and DeLonghi working on these machines.

4. Brand Development

Brand development covers four different sectors:

- **Line Extension**

If the product is just an addition to a current offering, this can be considered as a line extension. This means that you don't have to think of a separate brand name for the new product. A great example is Cherry Coke.

Although this could be a practical option, its use is also highly discouraged if you already have quite a lot of products under a single brand. Aside from the fact that it could be confusing, there is also a risk of the original branding losing its rea meaning.

- **Brand Extension**

When you say brand extension, it means coming up with an entirely new product line, but still under the same brand. Kellogg's did this with their Special K line, with an entire set of cereals, biscuits and other similar products under it.

The advantage here is that you group the products accordingly, taking away the potential confusion that a simple line extension presents. However, if the new product line receives bad publicity or does not work out, there is also a risk of the original brand being dragged down.

- **Multibrand**

Huge companies apply the multibrand approach, which means that they have separate product lines and market several brands under each category. In the USA alone, for example, Procter & Gamble sells 5 different shampoo brands. This allows them to have a separate brand offering to different market segments.

- **New Brand**

Evidently, any new brand would fall under this segment. However, older manufacturers and businesses could also use this approach if their new product does not fit into the existing brands they already have. This can also be used when the existing brands do not have the same power or appeal that it used to have, or its owners were hoping they would have.

BRAND AWARENESS

Brand awareness is the probability that consumers are familiar about the life and availability of the product. It is the degree to which consumers precisely associate the brand with the specific product. It is measured as ratio of niche market that has former knowledge of brand. Brand awareness includes both brand recognition as well as brand recall. **Brand recognition** is the ability of consumer to recognize prior knowledge of brand when they are asked questions about that brand or when they are shown that specific brand, i.e., the consumers can clearly differentiate the brand as having being earlier noticed or heard. While **brand recall** is the potential of customer to recover a brand from his memory when given the product class/category, needs satisfied by that category or buying scenario as a signal. In other words, it refers that consumers should correctly recover brand from the memory when given a clue or he can recall the specific brand when the product category is mentioned. It is generally easier to recognize a brand rather than recall it from the memory.

Brand awareness is improved to the extent to which brand names are selected that is simple and easy to pronounce or spell; known and expressive; and unique as well as distinct. For instance - Coca Cola has come to be known as Coke.

There are two types of brand awareness:

- **Aided awareness-** This means that on mentioning the product category, the customers recognize your brand from the lists of brands shown.
- **Top of mind awareness (Immediate brand recall)-** This means that on mentioning the product category, the first brand that customer recalls from his mind is your brand.

The relative importance of brand recall and recognition will rely on the degree to which consumers make product-related decisions with the brand present or not. For instance - In a store, brand recognition is more crucial as the brand will be physically present. In a scenario where brands are not physically present, brand recall is more significant (as in case of services and online brands).

Building brand awareness is essential for building brand equity. It includes use of various renowned channels of promotion such as advertising, word of mouth publicity, social media like blogs, sponsorships, launching events, etc. To create brand awareness, it is important to create reliable brand image, slogans and taglines. The brand message to be communicated should also be consistent. Strong brand awareness leads to high sales and high market share. Brand awareness can be regarded as a means through which consumers become acquainted and familiar with a brand and recognize that brand.

Importance of Brand Awareness

A brand is the meaning behind your company's name, logo, symbols and slogans. Having a unique and memorable brand helps you build brand awareness and create a long-term position in the marketplace. Brand awareness is a measure of how well your brand is known within its target markets.

First Step

Creating brand awareness is usually the first step in building advertising objectives. Before you can create a favorable impression or motivate customers to buy, they have to become aware of your brand and its meaning. Marketing messages delivered through various media are often used to communicate the brand name and important messages tied to its products. Making people aware that you exist helps drive traffic to your business and create a buzz in the market.

Top of Mind

The highest level of brand awareness is top of mind awareness. This is when customers think of you first when they need to make a purchase within your product category. You can build top of mind awareness through repeated exposure and consistent delivery of a good product or service over time. This is a huge advantage in the market when customers enter a buying situation and your brand immediately comes to mind first.

BRAND IMAGE

Today's generation is quite impressionable and hence in order to enhance their personality, or to meet social standards, they gravitate towards branded products that are creating a stir in the market. This brand image is simply an impression or an imprint of the brand developed over a period of time in the consumer's mindset.

This image of a brand is ultimately a deciding factor that determines the product sales. The brand image is very important, as it is an accumulation of beliefs and views about that particular brand. The character and value of the brand is portrayed by its image, as it is the main component in the scheme of things.

The brand image is eventually the mirror through which the company's key values are reflected.

Example of brands with strong Brand **image**

Every brand tries to create an image that will take its company and products forward and for this, they spend lots of money and implement many creative ideas.

For example, Colgate is a brand name known in every Indian household. The brand has been able to create an image that defines trust, hope and belief. The consumer is convinced that the usage of Colgate products will give satisfactory results.

The mindset of customers is set that using Colgate toothpaste will take care of their teeth and using the product will result in better health and oral care. Thus, when in the market, the consumer will mostly buy Colgate, as the brand Colgate has been synonymous with trust. Similarly, if there is another brand image etched in the consumers mind, he will buy that particular product.

Other brands with strong brand image are

- Apple
- Google
- Adidas and many others

Even advertisements related to a brand try to build a strong image of the brand so as to get across the fact that the brand can be trusted and hence people can rely on them. A branded product that has an encouraging reputation and image saves a consumer’s time and energy.

As the brand is an established one, the clients are sure that, the products have already been tested and approved and now the company will provide them the best possible service and merchandise.

Advantages of building a strong brand image

- The perception of a consumer towards a particular brand is in direct relation to the image of the brand.
- Having a strong brand image directly impacts the consumer buying behavior, and hence premium brands as well as top brands have a target of building a strong and positive image of the brand.
- A positive brand image can make the decision process easier, thereby promoting a lot of repeat purchases as well as primary purchases.
- A promising brand image conveys the success of the product and gives results with increased sales and revenues.
- A positive image gives confidence to the customers as they feel that the brand is sincere and clear in its vision to create the best.
- It is possible to build brand image with strong advertisements because of which companies are promoting their products through various famous personalities to enhance their image of brand.

Disadvantages

Let us count on the disadvantages first before getting into what all is good about brand image

- If an organization is unable to depict a satisfactory brand image, then the consequences can be felt quickly. The brand might fail in the short term itself if the brand image created is negative.
- The product is principally dependent on its brand image and unfavorable or negative image results in the disgrace of the company, and later on bringing the same brand becomes difficult.
- The main disadvantage of a brand image is that the brand and its products will always be identified with the image until further changes in the brand image are impelled.
- If in any circumstances the image is compromised, then sales and revenues will also be hampered and therefore it is necessary to gather a right team that will create and regularly maintain the brand image of a product.

Film stars like Priyanka Chopra, Ranbir Kapoor, Sonam Kapoor, Shahrukh Khan and Salman Khan, Sports stars like Sachin Tendulkar, M S Dhoni, and Virat Kohli are part of many advertisements. These personalities help to create and maintain valuable image for the brand that proves beneficial in the long run.

The main advantage is that a customer is secure in the knowledge that the brand is dependable and will provide him/her maximum benefits. The honor of a company is replicated by its brand image and it is this image that a person looks towards at. Hence, brand and its image are very important for the success of a company.

BRAND PERSONALITY

Brand personality is the way a brand speaks and behaves. It means assigning human personality traits/characteristics to a brand so as to achieve differentiation. These characteristics signify brand behaviour through both individuals representing the brand (i.e. it's employees) as well as through advertising, packaging, etc. When brand image or brand identity is expressed in terms of human traits, it is called brand personality. For instance **- Allen Solley** brand speaks the personality and makes the individual who wears it stand apart from the crowd. **Infosys** represents uniqueness, value, and intellectualism.

Brand personality is nothing but personification of brand. A brand is expressed either as a personality who embodies these personality traits (For instance - Shahrukh Khan and Airtel, John Abraham and Castrol) or distinct personality traits (For instance - **Dove** as honest, feminist and optimist; **Hewlett Packard** brand represents accomplishment, competency and influence). Brand personality is the result of all the consumer's experiences with the brand. It is unique and long lasting.

Brand personality must be differentiated from brand image, in sense that, while brand image denote the tangible (physical and functional) benefits and attributes of a brand, brand personality indicates emotional associations of the brand. If brand image is comprehensive brand according to consumers' opinion, brand personality is that aspect of comprehensive brand which generates it's emotional character and associations in consumers' mind.

Brand personality develops brand equity. It sets the brand attitude. It is a key input into the look and feel of any communication or marketing activity by the brand. It helps in gaining thorough knowledge of customers feelings about the brand. Brand personality differentiates among brands specifically when they are alike in many attributes. For instance - Sony versus Panasonic. Brand personality is used to make the brand strategy lively, i.e, to implement brand strategy. Brand personality indicates the kind of relationship a customer has with the brand. It is a means by which a customer communicates his own identity.

Brand personality and celebrity should supplement each other. Trustworthy celebrity ensures immediate awareness, acceptability and optimism towards the brand. This will influence consumers' purchase decision and also create brand loyalty. For instance - Bollywood actress Priyanka Chopra is brand ambassador for J.Hampstead, international line of premium shirts.

BRAND POSITIONING

Brand positioning refers to "target consumer's" reason to buy your brand in preference to others. It is ensures that all brand activity has a common aim; is guided, directed and delivered by the brand's benefits/reasons to buy; and it focusses at all points of contact with the consumer.

Brand positioning must make sure that:

- Is it unique/distinctive vs. competitors ?
- Is it significant and encouraging to the niche market ?
- Is it appropriate to all major geographic markets and businesses ?
- Is the proposition validated with unique, appropriate and original products ?
- Is it sustainable - can it be delivered constantly across all points of contact with the consumer ?

- Is it helpful for organization to achieve its financial goals ?
- Is it able to support and boost up the organization ?

In order to create a distinctive place in the market, a niche market has to be carefully chosen and a differential advantage must be created in their mind. Brand positioning is a medium through which an organization can portray it's customers what it wants to achieve for them and what it wants to mean to them. Brand positioning forms customer's views and opinions.

Brand Positioning can be defined as an activity of creating a brand offer in such a manner that it occupies a distinctive place and value in the target customer's mind. For instance-Kotak Mahindra positions itself in the customer's mind as one entity- "Kotak "- which can provide customized and one-stop solution for all their financial services needs. It has an unaided top of mind recall. It intends to stay with the proposition of "Think Investments, Think Kotak". The positioning you choose for your brand will be influenced by the competitive stance you want to adopt.

Brand Positioning involves identifying and determining points of similarity and difference to ascertain the right brand identity and to create a proper brand image. Brand Positioning is the key of marketing strategy. A strong brand positioning directs marketing strategy by explaining the brand details, the uniqueness of brand and it's similarity with the competitive brands, as well as the reasons for buying and using that specific brand. Positioning is the base for developing and increasing the required knowledge and perceptions of the customers. It is the single feature that sets your service apart from your competitors. For instance- Kingfisher stands for youth and excitement. It represents brand in full flight.

There are various positioning errors, such as-

- **Under positioning-** This is a scenario in which the customer's have a blurred and unclear idea of the brand.
- **Over positioning-** This is a scenario in which the customers have too limited a awareness of the brand.
- **Confused positioning-** This is a scenario in which the customers have a confused opinion of the brand.
- **Double Positioning-** This is a scenario in which customers do not accept the claims of a brand.

ATTRIBUTE POSITIONING

Positioning by product attributes and benefits: It is to associate a product with an attribute, a product feature, or a consumer feature. Sometimes a product can be positioned in terms of two or more attributes simultaneously. The price/quality attribute dimension is commonly used for positioning the products.

POSITIONING BY PRODUCT ATTRIBUTES AND BENEFITS

Associating a product with an attribute, a product feature or a consumer feature. Sometimes a product can be positioned in terms of two or more attributes simultaneously. The price/ quality attribute dimension is commonly used for **positioning** the products.

A common approach is setting the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify salient attributes (those that are important to consumers and are the basis for making a purchase decision)

- Consider the example of Ariel that offers a specific benefit of cleaning even the dirtiest of clothes because of the micro cleaning system in the product.
- Colgate offers benefits of preventing cavity and fresh breath.
- Promise, Balsara's toothpaste, could break Colgate's stronghold by being the first to claim that it contained clove, which differentiated it from the leader.
- Nirma offered the benefit of low price over Hindustan Lever's Surf to become a success.
- Maruti Suzuki offers benefits of maximum fuel efficiency and safety over its competitors. This strategy helped it to get 60% of the Indian automobile market.

POSITIONING BY PRICE/ QUALITY

Marketers often use price/ quality characteristics to position their brands. One way they do it is with ads that reflect the image of a high-quality brand where cost, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high end of the market use this approach to positioning.

Another way to use price/ quality characteristics for positioning is to focus on the quality or value offered by the brand at a very competitive price. Although price is an important consideration, the product quality must be comparable to, or even better than, competing brands for the positioning strategy to be effective.

Parle Bisleri – "Bada Bisleri, same price" ad campaign.

POSITIONING BY USE OR APPLICATION

Another way is to communicate a specific image or position for a brand is to associate it with a specific use or application.

Surf Excel is positioned as stain remover ' Surf Excel hena!'

Also, Clinic All Clear – "Dare to wear Black".

Price Quality approach of Positioning

The price quality approach of positioning uses the relation between price and quality such that it optimally prices a product according to the quality of the product to keep the product higher in the customers mind. Pricing does not need to be high for higher positioning. For example – Walmarthas positioned itself in the minds of its customer using low pricing rather than high pricing.

Lets review the basics. What is positioning? We know that positioning is related to what perception a customer forms in his mind for your product. Both pricing and quality play a crucial role in forming the right perception in the minds of customers – internal as well as external.

Lets take an example. You are offered an option to buy clothes. You might buy a jeans worth 1500 rs or you may buy 3 jeans worth the same amount of money. Immediately what comes in your mind is that the 3 jeans will be of lesser quality and therefore you might not get value for money. That's the price quality approach of positioning for you.

Several Brands and products use the price quality approach. They will keep the pricing higher to attract only the cream customers and keep themselves exclusive. This high pricing also ensures that the product is placed as a quality product in customers mind. However, price quality approach can be a double edged sword. Every sector has lower priced product and thus entry in the sector with penetration pricing becomes easier.

The best approach of price - quality is premium automobiles like BMW,Ferrari. They maintain their quality such that their customers are ready to give the highest pricing for the cars. Thus the quality and the pricing positions the car to the topmost segment. Retail chains like walmart and others position themselves mainly through pricing. Whereas consumer durables mainly position themselves through a combination of pricing and quality.

Summary – The price quality approach is an excellent positioning tool. However it needs to be used with care as changes in the market can affect the pricing strategy and thereby the margins of a company.

PRICE POSITIONING STRATEGIES:

The Internet has dramatically changed hospitality pricing. Its speed and transparency have removed most barriers between customers and suppliers. With OTAs like Hotwire, Orbitz, and Hotels.com, you no longer need be an industry insider to find the best pricing to suit your needs. Yet, hotels and restaurants still need to make pricing decisions; these new challenges simply up the ante. Today, we're looking at five price positioning strategies, explaining their merits (and drawbacks), and providing examples. When you're done reading, download a free price positioning worksheet to experiment with your own pricing strategy.

The Price-Value Matrix

Many factors will influence your prices, including your competitors' rates and products. As the name implies, your goal is to develop a pricing strategy that places your brand and its products in a certain position relative to

your competition. One way to visualize this is the price-value

The position of your products within this matrix is a function of your brand proposition, your competitors, and your pricing objectives. Are you looking to maximize short-term revenues or profit? Are you seeking higher profit margins in a luxury market with sporadic sales? Do you need to differentiate more to penetrate the market? Or, is your business in survival mode?

Once you identify your pricing objectives, plot your prices and those of your competitors on the price-value matrix. At a glance, you'll see how your pricing lines up with your objectives. If your rates need tweaking—either because they "say" the wrong things about your brand relative to competitors, or because they're undermining your pricing objectives—consider using the following strategies to position your rates or prices more appropriately.

Price Positioning Strategies

Skim

This strategy clearly positions your company above the rest; it tells consumers something is special (i.e., worth paying more for) about your products. For example, look at the prices The Old Homestead restaurant has set for their steaks and chops. We can smell the fried onions and seared, aged prime meat already. We can envision the long white aprons of the wait staff and the impeccable table side service. To skim, set your prices higher than the competition does in order to “skim off” customers who are willing to pay more. This strategy can be highly profitable, but be careful: Though high prices imply high quality for many customers, it’s still critical that they understand why they’d pay more to stay or eat at your establishment.

Match

This strategy puts your pricing on par with the competition, but not necessarily for all rates. To match, set one rate comparable to your competition and another slightly higher. This allows you to stay competitive for a larger pool of customers, yet doesn’t undercut the competition

Penetrate

Being the low-priced option in your market has benefits and drawbacks. The strategy is primarily designed to get people in the door and in seats. For new establishments, low prices often seem the best way to entice consumers to try their products. But this strategy also can depress market prices, lower margins, and set a poor precedent as your business grows. Do your prices reflect how consumers value your hotel or restaurant? Here’s what consumers see as they peruse online hotel options; those using penetration pricing certainly stand out.

BRAND REPOSITIONING

Brand repositioning is when a company changes abrand's status in the marketplace. This typically includes changes to the marketing mix, such as product, place, price and promotion. Repositioning is done to keep up with consumer wants and needs.

Brand Repositioning and Types of Brand Repositioning

Brand Repositioning is changing the positioning of a brand. A particular positioning statement may not work with a brand.

For instance, Dettol toilet soap was positioned as a beauty soap initially. This was not in line with its core values. Dettol, the parent brand (anti-septic liquid) was known for its ability to heal cuts and gashes. The extension's 'beauty' positioning was not in tune with the parent's "germ-kill" positioning.

The soap, therefore, had to be repositioned as a "germ-kill" soap ("bath for grimy occasions") and it fared extremely well after repositioning. Here, the soap had to be repositioned for image mismatch. There are several other reasons for repositioning. Often falling or stagnant sales is responsible for repositioning exercises.

After examining the repositioning of several brands from the Indian market, the following 9 types of repositioning have been identified. These are:

- Increasing relevance to the consumer
- Increasing occasions for use
- Making the brand serious
- Falling sales
- Bringing in new customers
- Making the brand contemporary
- Differentiate from other brands
- Changed market conditions.

It is not always that these nine categories are mutually exclusive. Often one reason leads to the other and a brand is repositioned sometimes for a multiplicity of reasons.

Lipton Yellow Label Tea:

Lipton Yellow Label Tea was initially positioned as delicious, sophisticated and premium tea for the global citizen. The advertisements also echoed this theme. For instance, all the props and participants in the advertisements were foreign. It is possible that this approach did not find favour with the customers. The **r**epositioning specifically addressed the Indian consumer through an Indian idiom.

Maharaja – the positioning:

Dishwasher in its initial Stages was possibly seen as an exotic product. Thus, **Maharaja positioned** it as a product aimed at the upper crust. Thus, the positioning statement was "your guests get Swiss cheese, Italian Pizza …… you get stained glassware." But Indians are reluctant to use dishwashers because of deeply embedded cultural reasons. Thus, the message had to be changed to appeal to the Indian housewife. Thus the positioning was changed to “Bye, Bye Kanta Bai” indicating that the dishwasher signaled the end of the servant maid’s tyranny. The brand, therefore, was repositioned from a sophisticated, aristocratic product to one that is functional and relevant to the Indian housewife.

Visa Card – the Positioning:

Visa Card had to change its positioning to make itself relevant to customers under changed circumstances. Initially it asked the customer to “pay the way the world does” (1981). This is to give its card an aura of global reach. But as more and more cards were launched on the same theme, to put itself in a different league, it positioned itself as the “world’s most preferred card” (1993). To highlight the services it provided, it shifted to the platform of “Visa Power” (1995). This focus on explaining the range of services available with the card continues till date (Visa Power, go get it).

Brand Extension - Meaning, Advantages and Disadvantages

Brand Extension is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories. A renowned/successful brand helps an organization to launch products in new categories more easily. For instance, Nike’s brand core product is shoes. But it is now extended to sunglasses, soccer balls, basketballs, and golf equipments. An existing brand that gives rise to a brand extension is referred to as parent brand. If the customers of the new business have values and aspirations synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.

Extending a brand outside its core product category can be beneficial in a sense that it helps evaluating product category opportunities, identifies resource requirements, lowers risk, and measures brand’s relevance and appeal.

Brand extension may be successful or unsuccessful.

Instances where brand extension has been a success are-

- Wipro which was originally into computers has extended into shampoo, powder, and soap.
- Mars is no longer a famous bar only, but an ice-cream, chocolate drink and a slab of chocolate.

Instances where brand extension has been a failure are-

- In case of new Coke, Coca Cola has forgotten what the core brand was meant to stand for. It thought that taste was the only factor that consumer cared about. It was wrong. The time and money spent on research on new Coca Cola could not evaluate the deep emotional attachment to the original Coca- Cola.

- Rasna Ltd. - Is among the famous soft drink companies in India. But when it tried to move away from its niche, it hasn't had much success. When it experimented with fizzy fruit drink "Oranjolt", the brand bombed even before it could take off. Oranjolt was a fruit drink in which carbonates were used as preservative. It didn't work out because it was out of synchronization with retail practices. Oranjolt need to be refrigerated and it also faced quality problems. It has a shelf life of three-four weeks, while other soft- drinks assured life of five months.

ADVANTAGES OF BRAND EXTENSION

Brand Extension has following advantages:

- It makes acceptance of new product easy.
- It increases brand image.
- The risk perceived by the customers reduces.
- The likelihood of gaining distribution and trial increases. An established brand name increases consumer interest and willingness to try new product having the established brand name.
- The efficiency of promotional expenditure increases. Advertising, selling and promotional costs are reduced. There are economies of scale as advertising for core brand and its extension reinforces each other.
- Cost of developing new brand is saved.
- Consumers can now seek for a variety.
- There are packaging and labeling efficiencies.
- The expense of introductory and follow up marketing programs is reduced.
- There are feedback benefits to the parent brand and the organization.
- The image of parent brand is enhanced.
- It revives the brand.
- It allows subsequent extension.
- Brand meaning is clarified.
- It increases market coverage as it brings new customers into brand franchise.
- Customers associate original/core brand to new product, hence they also have quality associations.

DISADVANTAGES OF BRAND EXTENSION

- Brand extension in unrelated markets may lead to loss of reliability if a brand name is extended too far. An organization must research the product categories in which the established brand name will work.
- There is a risk that the new product may generate implications that damage the image of the core/original brand.
- There are chances of less awareness and trial because the management may not provide enough investment for the introduction of new product assuming that the spin-off effects from the original brand name will compensate.
- If the brand extensions have no advantage over competitive brands in the new category, then it will fail.

LINE EXTENSION

A product line extension strategy is an approach to developing new products for your existing customers or for prospects who do not currently buy from you. Extending a product line involves adding new features to existing products, rather than developing completely new products. This can reduce the cost of product development as well as increase opportunities to grow your revenue.

Compete More Effectively

To identify opportunities for product line extension, analyze your existing products and compare them with competitive offerings. Your competitors may include different features, a wider range of sizes or product variations aimed at different sectors of the market, such as luxury or budget versions. Adding features that your competitors offer may enable you to deal with prospects that you cannot currently supply with existing products. You may also be able to increase your market share by matching competitors' product specifications but selling at a lower price.

Meet Changing Needs

A product line extension strategy ensures you can meet your customers' changing needs. They may require products in smaller or larger package sizes. They may need different levels of product quality or performance to meet their own operational needs. You may be able to take advantage of technological developments to offer the same type of product with superior performance. Ask your sales representatives or contact customers directly to find out if your current product range meets their needs and to identify opportunities to extend your product line.

- **Segment Your Market**

Extending your product line can help your company enter new market sectors. An engineering company, for example, may extend its range by adding features that are specific to sectors such as the automotive or aerospace industries. In addition to offering products that meet sector needs more closely, a product line extension strategy also helps to position a company as a specialist supplier to each market sector.

- **Maintain Customer Loyalty**

Maintaining sales to existing customers is important to long-term revenue growth and profitability. By extending your product line, you may be able to sell products that your customers are currently sourcing from competitors. This helps to increase customer loyalty and grow revenue per customer.

- **Reduce Marketing Costs**

Adding new products or services to your existing line can help to strengthen your brand and reduce your marketing costs. By using the same packaging designs, logos and advertising themes that feature on your existing products, you can ensure that customers and prospects recognize the brand values of the new products without having to run major advertising or marketing campaigns.

Advantages of a product line extension

- Established and loyal customer base
- Existing expertise
- Retailer relationships
- Low cost of production
- Low cost of development
- Provides market information
- Competitive barriers
- Easy to implement
- Possible economies of scale
- Supply relationships
- Meets variety needs of consumers

ESTABLISHED AND LOYAL CUSTOMER BASE

If the company provides another variation of an established brand, then they are leveraging the existing loyalty and likeability of the brand. This means that immediate sales and profit are far more likely, as well as increasing overall customer equity and customer lifetime value.

EXISTING EXPERTISE

By concentrating on the range of products that they already produce and market a company can be reassured that it has the existing expertise within the company to be successful of a product line extension.

RETAILER RELATIONSHIPS

Remaining within the same product category and simply extending the product line, the firm is likely to have established wholesaler and retailer distribution channels in place. This means that the availability of the new product should be quite wide and achieved fairly quickly and probably without the need for excessive trade promotions.

LOW COST OF PRODUCTION

As a company has existing expertise and processes in place for this category of product, then it is likely that their production costs will be relatively low – as the new product will be produced utilizing the existing systems of the company.

LOW COST OF DEVELOPMENT

Because the company has developed this category product before, there should be a relatively low-cost development – primarily because they have the in-house expertise and knowledge, along with the necessary IT/manufacturing capabilities.

PROVIDES MARKET INFORMATION

By having a range of similar products (within the same product category), the company can various marketing mix offering for one of these brands/products at a time and is able to generate valuable market information by utilizing the other brands/products as a control. This allows the company to engage in more marketing experimentation and gain greater customer insights.

COMPETITIVE BARRIERS

By having a broader range of products within the same product category, makes it more difficult for competitors to find an obvious gap in the marketplace. It would also have the impact of fragmenting the market and splitting segments into niches. This may have the effect of making it non-viable for a competitor to bring a similar product to the market.

EASY TO IMPLEMENT

Having produced a marketed this type of product before, it is highly likely that the new product development process and marketing launch will be quite simple the company to implement. They should be able to do this easily with existing personnel and probably without the need to outsource to consultants or other specialists.

POSSIBLE ECONOMIES OF SCALE

With a broader product range, and hopefully a greater level of sales volume, it may be possible to achieve improved economies of scale – and create a lower cost structure and a higher profit unit margin.

SUPPLY RELATIONSHIPS

Supplier relationships should be enhanced because the firm is likely to purchase more materials from the existing suppliers because they are manufacturing and/or producing a similar product or service.

MEETS VARIETY NEEDS OF CONSUMERS

Product line extension should also meet in with a variety needs of customers, say in a food market where variety is important – or meet the needs of a different market segment.

BRAND LICENSING

By definition brand licensing is the renting or leasing of an intangible asset. It is also defined as an opportunity to extend value. Companies extend their brands via licensing for a variety of reasons. Brand licensing enables companies with brands that have high preference to unlock their brands' latent value and satisfy pent-up demand. Through licensing, brand owners have the ability to enter new categories practically overnight, gaining them immediate brand presence on store shelves and often in the media. Let's take a deeper look at the benefits that make licensing so attractive to brand owners.

BENEFITS OF BRAND LICENSING:

There are ten key benefits to licensing your brand.Brand Licensing enables:

1. Brand Managers to extend their brands with minimal investment. Through the licensing arrangement, third party manufacturers are responsible for everything from product development to inventory management to store replenishment.

2. The brand to obtain supplementary marketing support. For the right to use the brand in their category, the manufacturer must agree to spend a percentage of their net sales on marketing. This marketing commitment not only supports the category licensed, but can be significant to the overall brand.

3. Trademark protection in the category. For a brand to benefit from trademark protection in a particular category, it must be actively sold in that category. If the category lies vacant, others may claim rights to use the mark. Extending a brand into a category via licensing helps brand owners meet the commerce standard.

4. Increased consumer connections and insights in the categories being licensed. Extending a brand via licensing offers thousands of incremental opportunities to connect with consumers. By inserting a survey inside the licensed package or a toll free number on the exterior, a brand owner can gain many additional insights about the brand.

5. A brand to gain incremental shelf space. If a brand owner chooses to extend a brand via licensing into a new category, the brand gains tremendous additional exposure in those categories in every retail store the product is sold. When sold into major chain retailers, the brand can gain thousands of additional feet of brand exposure in each category.

6. Entrée into new distribution channels. By licensing the brand to a manufacturer which currently sells into a retail channel where the brand currently does not have a presence, the brand can gain access to that channel via the licensing relationship.

7. The brand to enter new regions. Similar to new channel access, a brand can gain entrée into new regions via a manufacturer which has a presence in regions where the brand is currently not sold.

8. Access to patented technology. Many companies which choose to license brands offer proprietary innovation to the brand owner. When the patented technology reinforces the brand's position, the new product offered can be met with tremendous consumer appreciation and pent up demand.

9. Knowledge transfer from the manufacturing partners who license the brand. A licensing arrangement provides the opportunity for the brand owner and the manufacturer to share insights and knowledge across multiple disciplines including product development, marketing, R&D and sales.

10. The brand owner to capture royalty revenue through the manufacturer's sales of licensed product. This symbiotic relationship helps to create new products for the marketplace that consumers crave. For every dollar in revenue generated by the manufacturer, the brand owner receives a percentage in royalty payments, most of which go straight to the bottom line.

FRANCHISING

Franchising is one of three business strategies a company may use in capturing market share. The others are company owned units or a combination of company owned and franchised units.

Franchising is a business strategy for getting and keeping customers. It is a marketing system for creating an image in the minds of current and future customers about how the company's products and services can help them. It is a method for distributing products and services that satisfy customer needs.

Franchising is a network of interdependent business relationships that allows a number of people to share:

- A brand identification
- A successful method of doing business
- A proven marketing and distribution system

In short, franchising is a strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets, i.e., to get and keep more customers than their competitors.

There are many misconceptions about franchising, but probably the most widely held is that you as a franchisee are "buying a franchise." In reality you are investing your assets in a system to utilize the brand name, operating system and ongoing support. You and everyone in the system are licensed to use the brand name and operating system.

The business relationship is a joint commitment by all franchisees to get and keep customers. Legally you are bound to get and keep them using the prescribed marketing and operating systems of the franchisor.

To be successful in franchising you must understand the business and legal ramifications of your relationship with the franchisor and all the franchisees. Your focus must be on working with other franchisees and company managers to market the brand, and fully use the operating system to get and keep customers.

ADVANTAGES OF FRANCHISING

The primary advantages for most companies entering the realm of franchising are capital, speed of growth, motivated management, and risk reduction -- but there are many others as well.

1. CAPITAL

The most common barrier to expansion faced by today’s small businesses is lack of access to capital. Even before the credit-tightening of 2008-2009 and the “new normal” that ensued, entrepreneurs often found that their growth goals outstripped their ability to fund them.

Franchising, as an alternative form of capital acquisition, offers some advantages. The primary reason most entrepreneurs turn to franchising is that it allows them to expand without the risk of debt or the cost of equity.

First, since the franchisee provides all the capital required to open and operate a unit, it allows companies to grow using the resources of others. By using other people's money, the franchisor can grow largely unfettered by debt.

Moreover, since the franchisee -- not the franchisor -- signs the lease and commits to various contracts, franchising allows for expansion with virtually no contingent liability, thus greatly reducing the risk to the franchisor. This means that as a franchisor, not only do you need far less capital with which to expand, but your risk is largely limited to the capital you invest in developing your franchise company -- an amount that is often less than the cost of opening one additional company-owned location.

2. MOTIVATED MANAGEMENT

Another stumbling block facing many entrepreneurs wanting to expand is finding and retaining good unit managers. All too often, a business owner spends months looking for and training a new manager, only to see them leave or, worse yet, get hired away by a competitor. And hired managers are only employees who may or may not have a genuine commitment to their jobs, which makes supervising their work from a distance a challenge.

But franchising allows the business owner to overcome these problems by substituting an owner for the manager. No one is more motivated than someone who is materially invested in the success of the operation. Your franchisee will be an owner -- often with his life's savings invested in the business. And his compensation will come largely in the form of profits.

The combination of these factors will have several positive effects on unit level performance.

Long-term commitment. Since the franchisee is invested, she will find it difficult to walk away from her business.

Better-quality management. As a long-term "manager," your franchisee will continue to learn about the business and is more likely to gain institutional knowledge of your business that will make him a better operator as he spends years, maybe decades, of his life in the business.

Improved operational quality. While there are no specific studies that measure this variable, franchise operators typically take the pride of ownership very seriously. They will keep their locations cleaner and train their employees better because they own, not just manage, the business.

Innovation. Because they have a stake in the success of their business, franchisees are always looking for opportunities to improve their business -- a trait most managers don't share.

Franchisees typically out-manage managers. Franchisees will also keep a sharper eye on the expense side of the equation -- on labor costs, theft (by both employees and customers) and any other line item expenses that can be reduced.

Franchisees typically outperform managers. Over the years, both studies and anecdotal information have confirmed that franchisees will outperform managers when it comes to revenue generation. Based on our experience, this performance improvement can be significant -- often in the range of 10 to 30 percent.

3. SPEED OF GROWTH

Every entrepreneur I've ever met who's developed something truly innovative has the same recurring nightmare: that someone else will beat them to the market with their own concept. And often these fears are based on reality.

The problem is that opening a single unit takes time. For some entrepreneurs, franchising may be the only way to ensure that they capture a market leadership position before competitors encroach on their space, because the franchisee performs most of these tasks. Franchising not only allows the franchisor financial leverage, but also allows it to leverage human resources as well. Franchising allows companies to compete with much larger businesses so they can saturate markets before these companies can respond.

4. STAFFING LEVERAGE

Franchising allows franchisors to function effectively with a much leaner organization. Since franchisees will assume many of the responsibilities otherwise shouldered by the corporate home office, franchisors can leverage these efforts to reduce overall staffing.

5. EASE OF SUPERVISION

From a managerial point of view, franchising provides other advantages as well. For one, the franchisor is not responsible for the day-to-day management of the individual franchise units. At a micro level, this means that if a shift leader or crew member calls in sick in the middle of the night, they're calling your franchisee -- not you -- to let them know. And it's the franchisee’s responsibility to find a replacement or cover their shift. And if they choose to pay salaries that aren't in line with the marketplace, employ their friends and relatives, or spend money on unnecessary or frivolous purchases, it won't impact you or your financial returns. By eliminating these responsibilities, franchising allows you to direct your efforts toward improving the big picture.

6. INCREASED PROFITABILITY

The staffing leverage and ease of supervision mentioned above allows franchise organizations to run in a highly profitable manner. Since franchisors can depend on their franchisees to undertake site selection, lease negotiation, local marketing, hiring, training, accounting, payroll, and other human resources functions (just to name a few), the franchisor’s organization is typically much leaner (and often leverages off the organization that's already in place to support company operations). So the net result is that a franchise organization can be more profitable.

7. IMPROVED VALUATIONS

The combination of faster growth, increased profitability, and increased organizational leverage helps account for the fact that franchisors are often valued at a higher multiple than other businesses. So when it comes time to sell your business, the fact that you're a successful franchisor that has established a scalable growth model could certainly be an advantage.

When the iFranchise Group compared the valuation of the S&P 500 vs. the franchisors tracked in Franchise Times magazine in 2012, the average price/earnings ratio of franchise companies was 26.5, while the average P/E ratio of the S&P 500 was 16.7. This represents a staggering 59 percent premium to the S&P. Moreover, more than two-thirds of the franchisors surveyed beat the S&P ratio.

8. PENETRATION OF SECONDARY AND TERTIARY MARKETS

The ability of franchisees to improve unit-level financial performance has some weighty implications. A typical franchisee will not only be able to generate higher revenues than a manager in a similar location but will also keep a closer eye on expenses. Moreover, since the franchisee will likely have a different cost structure than you do as a franchisor (she may pay lower salaries, may not provide the same benefits packages, etc.), she can often operate a unit more profitably even after accounting for the royalties she must pay you.

9. REDUCED RISK

By its very nature, franchising also reduces risk for the franchisor. Unless you choose to structure it differently (and few do), the franchisee has all the responsibility for the investment in the franchise operation, paying for any build-out, purchasing any inventory, hiring any employees, and taking responsibility for any working capital needed to establish the business.

The franchisee is also the one who executes leases for equipment, autos, and the physical location, and has the liability for what happens within the unit itself, so you're largely out from under any liability for employee litigation (e.g., sexual harassment, age discrimination, EEOC), consumer litigation (the hot coffee spilled in your customer’s lap), or accidents that occur in your franchise (slip-and-fall, employer’s comp, etc.).

GLOBAL FRANCHISING

Franchising is a pooling of resources and capabilities to accomplish a strategic marketing, distribution and sales goal for a company. It typically involves a franchisor who grants to an individual or company (the franchisee), the right to run a business selling a product or service under the franchisor's successful business model and identified by the franchisor's trademark or brand.

The franchisor charges an initial up-front fee to the franchisee, payable upon the signing of the franchise agreement. Other fees such as marketing, advertising or royalties, may be applicable and largely based on how the contract is negotiated and set up.

Advertising, training and other support services are made available by the franchisor.

The Advantages & Disadvantages of International Franchises

When your franchise is successful, the thought of expansion is common, as it can lead to new financial opportunities for you as a business owner. Expanding internationally can sometimes be a profitable venture, while many businesses have flopped when they took that approach. Before expanding your franchise internationally, weigh some of the pros and cons involved.

NEW MARKETS

When you expand the franchise internationally, you can sometimes take advantage of new markets that are unfamiliar with your business model. For example, if you own a sandwich restaurant, you might open the first sandwich restaurant of its kind in a developing market. When you own the first business of its kind in an international market, you may be able to bring in substantial profits. When a new business comes into a region and the people like it, it creates a cash cow for the owner.

FAVORABLE REGULATIONS

Depending on where you decide to expand, you may be able to take advantage of favorable government regulations. In many countries, you do not have to submit to the same types of regulations that are required in the United States. You may also be able to save money on taxes and the fees it takes to get started. If you pay lower taxes in that country, it can help improve the bottom line for your business.

CULTURAL DIFFERENCES

One of the potential problems of expanding into other countries is overcoming the cultural barriers. Just because something is popular in the United States does not necessarily mean that it will be popular in other countries. Every country has its own culture, and you may not be able to accurately predict what people in that culture will enjoy. Before getting involved in another country, it makes sense to do some market research so that you can minimize this risk.

FINANCIAL RISK

When expanding into another country, you have to take into consideration the financial risks that you are taking on as a business owner. For example, the exchange rates between currencies could lead to an unfavorable return on your investment. You may also have a hard time getting access to the supplies and products you need in any other country. Some countries charge tariffs and fees to ship products in, which could make your business less profitable.

UNIT -5

BRAND EQUITY

BRAND EQUITY

Brand equity is a set of brand assets and liabilities linked to a brand name and symbol, which add to or subtract from the value provided by a product or service.

In 1991 I published a book, Managing Brand Equity, that defines brand equity and describes how it generates value. This model provided one perspective on brand equity that is worth another look now over twenty years later since brand equity emerged as an important idea in the late 1980s.
Connecting “brand” to the concepts of “equity” and “assets” radically changed the marketing function, enabling it to expand beyond strategic tactics and get a seat at the executive table. Marketing was reframed by an avalanche of researchers, authors and executives who provided substance and momentum to this idea

My model posited that brand equity has four dimensions—brand loyalty, brand awareness, brand associations, and perceived quality, each providing value to a firm in numerous ways. Once a brand identifies the value of brand equity, they can follow a brand equity roadmap to manage that potential value.

The Brand Equity Outline

- Brand Loyalty
  - Reduced marketing costs
  - Trade leverage
  - Attracting new customers via awareness and reassurance
  - Time to respond to competitive threats
- Brand Awareness
  - Anchor to which other associations can be attached
  - Familiarity which leads to liking
  - Visibility that helps gain consideration
  - Signal of substance/commitment
- Brand Associations, including Perceived Quality
  - Help communicate information
  - Differentiate/Position
  - Reason-to-buy
  - Create positive attitude/feelings
  - Basis for extensions

The introduction of brand loyalty to the model was and is still controversial as other conceptualizations position brand loyalty as a result of brand equity, which consists of awareness and associations. But when you buy a brand or place a value on it, the loyalty of the customer base is often the asset most prized, so it makes financial sense to include it. And when managing a brand, the inclusion of brand loyalty as a part of the brand’s equity allows marketers to justify giving it priority in the brand-building budget. The strongest brands have that priority.

Another aspect of the definition of brand equity that I presented in my book was the argument that brand equity also provides value to customers. It enhances the customer's ability to interpret and process information, improves confidence in the purchase decision and affects the quality of the user experience. The fact that it provides value to customers makes it easier to justify in a brand-building budget. This model provides one perspective of brand equity as one of the major components of modern marketing alongside the marketing concept, segmentation, and several others.

ADVANTAGES OF STRONG BRAND EQUITY

While brand equity is largely intangible, its advantages are anything but. The value that a strong brand identity can bring to your company translates to very real and measurable business benefits. Among them:

Increased margins. Let's get to the bottom line first: Positive brand equity allows you to charge more for your product or service, because people will be willing to pay a premium for your name just as they pay a premium for jewelry that comes in a little blue box or electronic equipment with an apple on top. Is the quality of those products significantly superior to competitors' offerings? Maybe, maybe not. But the perception is that it is. And when customers are willing to pay extra for a name they trust and/or value, that boosts your profit margins.

- **Customer loyalty** Customers are not only willing to pay more for a product with strong brand equity; they're also willing to stay loyal to a company over years and years, coming back to buy there again and again. In fact, some companies have built such strong brand loyalty that even when they hit a bump in the road—a defective product or a bad customer experience—their customers are willing to stick with them.

  Expansion opportunities. Positive brand equity can facilitate a company's long-term growth. By leveraging the value of your brand, you can more easily add new products to your line and people will more willingly try your new product. You can expand into new markets and geographies, and people there will recognize your brand, make an instant positive connection, and follow you.

- **Negotiating power.** Positive brand equity can give you a considerable advantage in negotiating with vendors, manufacturers and distributors. When suppliers recognize that consumers are enthusiastically seeking and buying products that bear your name, they'll want to work with you. And that, of course, puts you in an enviable bargaining position that can lower your cost of goods sold.
  Competitive advantage. Do you know who won't be too happy about your company's strong brand equity? Your competitors. When customers are willing to pay a premium price for your products or services…when customers

will try your new product sight unseen, just because it has your logo on it…when customers in a new market flock to you simply because of the reputation you've built elsewhere…when you can get better pricing from the same vendors your competition is using (and thus undersell your competition)… that can mean very good things for your business and not-so-good things for your competition.

- **BRAND EQUITY**

Brand Equity is the value and strength of the Brand that decides its worth. It can also be defined as the differential impact of brand knowledge on consumers response to the Brand Marketing. Brand Equity exists as a function of consumer choice in the market place. The concept of Brand Equity comes into existence when consumer makes a choice of a product or a service. It occurs when the consumer is familiar with the brand and holds some favourable positive strong and distinctive brand associations in the memory.

FACTORS CONTRIBUTING TO BRAND EQUITY

- Brand Awareness
- Brand Associations
- Brand Loyality
- Perceived Quality

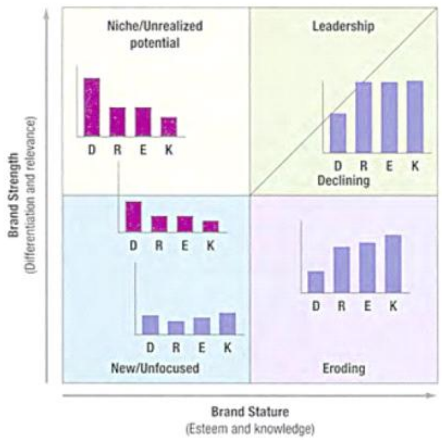
BRAND EQUITY MODELS

Many research agencies have developed their own brand equity models that are executed in partnership with end-user researchers. However, Phliip Kotler talks about the below models to measure brand equity in his book 'Marketing Management – 13th Edition' co authored by Kevin Keller. Below are the models to assess Brand Equity :

BRAND ASSET VALUATOR – BAV Model Advertising agency Young and Rubicam (Y&R) developed a model of brand equity called Brand Asset Valuator (BAV). Based on research with almost 200,000 consumers in 40 countries, BAV provides comparative measures of the brand equity of thousands of brands across hundreds of different categories. There are four key components—or pillars— of brand equity, according to BAV.

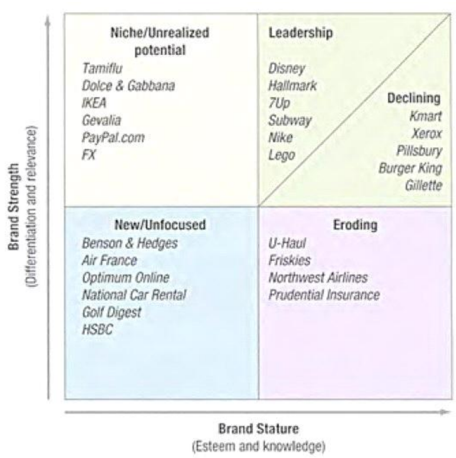
- **Differentiation** measures the degree to which a brand is seen as different from others.
- **Relevance** measures the breadth of a brand's appeal.
- **Esteem** measures how well the brand is regarded and respected.
- **Knowledge** measures how familiar and intimate consumers are with the brand.

Differentiation and Relevance combine to determine Brand Strength. These two pillars point to the brand's future value, rather than just reflecting its past. Esteem and Knowledge together create Brand Stature, which is more of a "report card" on past performance.



Brand Asset Valuator (BAV Model)

Examining the relationships among these four dimensions—a brand's "pillar pattern"—reveals much about its current and future status. Brand Strength and Brand Stature can be combined to form a Power Grid that depicts the stages in the cycle of brand development—each with its characteristic pillar patterns—in successive quadrants. New brands, just after they are launched, show low levels on all four pillars. Strong new brands tend to show higher levels of Differentiation than Relevance, while both Esteem and Knowledge are lower still. Leadership brands show high levels on all four pillars. Finally, declining brands show high Knowledge—evidence of past performance—relative to a lower level of Esteem, and even lower Relevance and Differentiation.



AAKER MODEL

Aaker views brand equity as a set of five categories of **brand assets and liabilities** linked to a brand that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.

These categories of brand assets are:

- Brand loyalty
- Brand awareness
- Perceived quality
- Brand associations
- Other proprietary assets such as patents, trademarks, and channel relationships.

According to Aaker, a particularly important concept for building brand equity is **brand identity**—the unique set of brand associations that represent what the brand stands for and promises to customers.

As per Aaker, brand identity as consisting of 12 dimensions organized around 4 perspectives:

- **Brand-as-product** (product scope, product attributes, quality/value, uses, users, country of origin)
- **Brand-as-organization** (organizational attributes, local versus global)
- **Brand-as-person** (brand personality, brand-customer relationships)
- **Brand-as-symbol** (visual imagery/metaphors and brand heritage).

Aaker also conceptualizes brand identity as including a core and an extended identity.

The core identity—the central, timeless essence of the brand—is most likely to remain constant as the brand travels to new markets and products.

The extended identity includes various brand identity elements, organized into cohesive and meaningful groups.

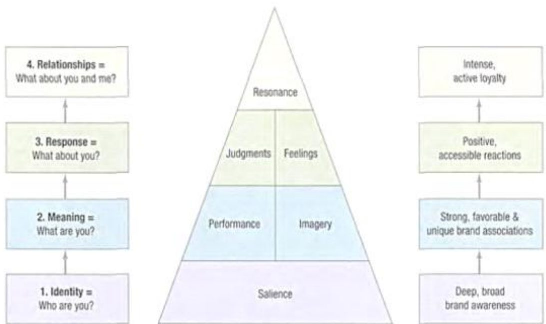
BRAND RESONANCE PYRAMID

The brand resonance model also views brand building as an ascending, sequential series of steps, from bottom to top. The steps are as below:

- Ensuring **identification** of the brand with customers and an association of the brand in customers' minds with a specific product class or customer need
- **Establishing** the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations
- **Eliciting** the proper customer responses in terms of brand-related judgment and feelings
- **Converting** brand response to create an intense, active loyalty relationship between customers and the brand.

According to this model, enacting the four steps involves establishing six "brand building blocks" with customers. These brand building blocks can be assembled in terms of a brand pyramid. The model emphasizes the duality of brands—the rational route to brand building is the left-hand side of the pyramid, whereas the emotional route is the right-hand side.

MasterCard is an example of a brand with duality, as it emphasizes both the rational advantage to the credit card, through its acceptance at establishments worldwide, and the emotional advantage through its award-winning "priceless" advertising campaign, which shows people buying items to reach a certain goal. The goal itself—a feeling, an accomplishment, or other intangible—is "priceless" ("There are some things money can't buy, for everything else, there's MasterCard.").



Brand Resonance Pyramid

The creation of significant brand equity involves reaching the top or pinnacle of the brand pyramid, and will occur only if the right building blocks are put into place.

- **Brand salience** relates to how often and easily the brand is evoked under various purchase or consumption situations.
- **Brand performance** relates to how the product or service meets customers' functional needs.

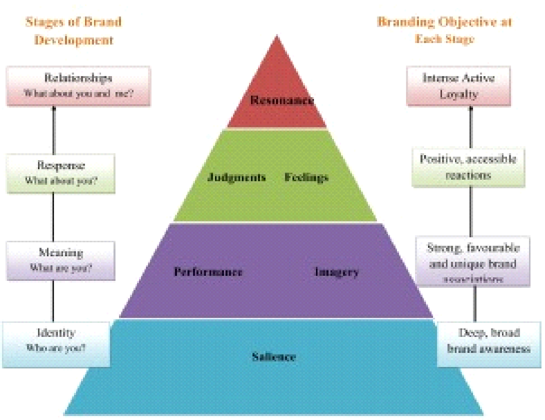
- **Brand imagery** deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs.
- **Brand judgments** focus on customers' own personal opinions and evaluations.
- **Brand feelings** are customers' emotional responses and reactions with respect to the brand.
- **Brand resonance** refers to the nature of the relationship that customers have with the brand and the extent to which customers feel that they are "in sync" with the brand.

Resonance is characterized in terms of the intensity or depth of the psychological bond customers have with the brand, as well as the level of activity engendered by this loyalty. Examples of brands with high resonance include Harley-Davidson, Apple, and eBay.

BRAND RESONANCE

The Brand Resonance refers to the relationship that a consumer has with the product and how well he can relate with it.
The resonance is the intensity of customer's psychological connection with the brand and the randomness to recall the brand in different consumption situations.

Brand Resonance Pyramid/Stages of Brand Development
Building this resonance involves a series of steps, as seen in Figure given below:



Building this resonance involves a series of steps:

The first level of the pyramid deals with establishing the identity of the brand. Keller suggests a single building block for this phase and terms it brand salience. Salience refers to how easily or often a consumer thinks of the brand, especially at the right place and right time. In building a highly salient brand, he argues that it is important that awareness campaigns not only build depth (ensuring that a brand will be remembered and the ease with which it is) but also breadth (the range of situations in which the brand comes to mind as something that should be purchased or used).

The second layer of the pyramid deals with giving meaning to the brand and here Keller presents two building blocks: brand performance and brand imagery. Brand performance is the way the product or service attempts to meet the consumer's functional needs. Brand performance also has a major influence on how consumers experience a brand as well as what the brand owner and others say about the brand.
Delivering a product or service that meets and, hopefully, exceeds consumer needs and wants is a prerequisite for successful brand building. In communicating brand performance, Keller identifies five areas that need to be communicated: primary ingredients and supplementary features; product reliability, durability and serviceability; service effectiveness, efficiency and empathy; style and design; and price

Brand imagery deals with the way in which the brand attempts to meet customers' psychological and social needs. Brand imagery is the intangible aspects of a brand that consumers pick up because it fits their demographic profile (such as age or income) or has psychological appeal in that it matches their outlook on life (conservative, traditional, liberal, creative,etc). Brand imagery is also formed by associations of usage (at work or home) or via personality traits (honest, lively, competent, rugged, etc).

MEASURING BRAND EQUITY

Measuring the financial value of the brand usually converts the CFO to a staunch brand supporter and gets the organization to view brands as assets that must be maintained, built and leveraged. In his book,Managing Brand Equity, David Aaker writes about several approaches to valuing a brand as an asset. Interbrand has a methodology to help public and private companies measure their brands' values. Financial World, a recently defunct publication, annually ranked top brands by their financial values (estimating the Coca-Cola brand to be worth $48 billion in 1997).

Measuring brand equity helps you to maintain, build and leverage brand equity (that is, it helps you to understand how to increase both the "A" and the "R" in the brand's "ROA"). I will spend the remainder of this post expounding on (b) measuring brand equity.
To better understand how to build brand equity we must first agree to a definition of brand equity. My favorite definition is as follows: brand equity is the value (positive and negative) a brand adds to an organization's

products and services. Brand equity may ultimately manifest itself in several ways. Three of the most important ways are as the price premium (to consumers or the trade) that the brand commands, the long-term loyalty the brand evokes and the market share gains it results in.

Brand Awareness

First, consumers must be aware that there are different brands in the product categories in which your brand operates. Next, they must be aware of your brand. Ideally, your brand should be the first one that comes to their minds within specific product categories and associated with key consumer benefits. Consumers should be able to identify which products and services your brand offers. They should also be able to identify which benefits are associated with the brand. Finally, they should have some idea of where your brand is sold.

Accessibility

Your brand must be available where consumers shop. It's much easier for consumers to insist upon your brand if it is widely available. Slight brand preference goes a long way toward insistence when the brand is widely available. The importance of convenience cannot be underestimated in today's world.*

Value

Does your brand deliver a good value for the price? Do consumers believe it is worth the price? Regardless of whether it is expensive or inexpensive, high end or low end, it must deliver at least a good value.

Relevant Differentiation

This is the most important thing a brand can deliver. Relevant differentiation today is a leading-edge indicator of profitability and market share tomorrow. Does your brand own consumer-relevant, consumer-compelling benefits that are unique and believable?

Emotional Connection

First, the consumer must know your brand. Then he or she must like your brand. Finally, the consumer must trust your brand and feel an emotional connection to it. There are many innovative ways to achieve this emotional connection–from advertising and the quality of front line consumer contact to consumer membership organizations and company-sponsored consumer events.

As you measure brand equity, keep the following points in mind:

•Include measures of awareness, preference, accessibility, value, relevance, differentiation, vitality, emotional connection, loyalty and insistence.
•Include both behavioral and attitudinal measures (especially for loyalty).
•Tailor the study to your product categories and industry (especially benefit structure)
•Include competitive comparisons

Some of the more telling measures include the following:

•Top-of-mind unaided awareness (first recall)
•Position in the consideration set
•Emotional connection to the brand
•Perceived brand vitality
•Perceived points of difference (open ended question)
•Unique delivery against key benefits

BRAND AUDIT

A brand audit is a detailed analysis that shows how your brand is currently performing compared to its stated goals, and then to look at the wider landscape to check how that performance positions you in the market.

The methodology will therefore differ depending on industries and individual companies. Regardless of the exact criteria you choose to measure, an audit should allow you to:

- Establish the performance of your brand
- Discover your strengths and weaknesses
- Align your strategy more closely with the expectations of your customers
- Understand your place in the market compared to the competition

One option is to employ a branding agency to conduct a comprehensive audit. They may examine internal branding: your positioning, voice, brand values, culture, USP, and product.

External branding can also be considered; logo and other brand elements, website, advertising, SEO, social media, sponsorships, event displays, news and PR and content marketing.

They can also look at company infrastructure, such as customer service, HR policies, and sales processes.

Why is a brand audit important?

A brand audit is a holistic way of looking at a business. The brand audit examines all the areas in which your business interacts with the world. Before your business can prepare any effective marketing strategy or campaign, it must first understand where your brand is currently positioned and how that position is perceived by your employees, customers and market.

Brand audits are designed to gain a true understanding of customer perceptions and loyalties, company culture, company identity, consistency of message and voice, as well as where you stand among your competitors.

So why is a brand audit important? Every business reviews and analyzes their company financial reports, employee performance and company technology — why wouldn't you do the same for your company brand — the biggest and most important asset your company possesses?

Maintaining and analyzing your company brand is important because a consistent brand means you will have a better chance of building actual brand equity among your target market. Building brand equity can help your business:

- Spend less money attracting new customers
- Retain current customers
- Reposition the sale of your offerings from transactional to transformational with your customers
- Receive more word-of-mouth referrals

Taking an outside-in view of your company will drive initiatives that create greater market share and build customer loyalty. The companies who manage their brand correctly by treating it like an asset become the companies that customers grow to love and trust. These "big brand companies" have huge folders devoted to their brand guidelines, with detailed instructions about how and where logos can be used, the color palette allowed and what their promise to customers is.

BRAND TRACKING

Brand Tracking is a way to continuously measure the development of a **brand** within some key variables, such as Ad Awareness, what **brands** the consumer prefer and what he/she is using. **Brand tracking** is a way to monitor the results

Brand tracking studies allow marketers to monitor the health of the brand and provide insights into the effectiveness of marketing programs implemented by the company.

WHAT SHOULD BE TRACKED?

Each brand faces different issues, which often required customized tracking surveys. Nonetheless, at Relevant Insights, we always recommend our clients to include measurements of **awareness, usage, brand attitudes, perceptions, and purchase intent**in brand tracking studies.

- **Awareness:** both **recall and recognition measures should be collected.** They are different indicators of the strength of the competition among brands in the minds of the consumers. A brand that first comes to mind in certain situations is more likely to be considered than one that is only recognized when it is prompted to the consumer**.**
- **Usage:** this can be measured through **recency, frequency of usage, and total spending in the brand, and product category.** These brand tracking measures, not only tell us about consumer shopping behavior and preferences, but also are indicators of market share and "share of wallet," which is the amount of consumer spending a brand is capturing and has a direct impact on a company's revenues and profits.
- **Brand Attitudes and Perceptions:** this is usually captured through questions related to brand image and associations that consumers develop as they experience the brand and are exposed to its positioning message through PR, advertising and promotional programs. Many brand associations are often beliefs about product-related attributes and benefits. However, brand associations also include non-product-related and symbolic benefits. **Product and non-product associations, as well as those related to price and value are important sources of brand equity and should be part of brand tracking studies.** Some brand associations are stronger than others, are more easily recalled and are enough appealing that they become an important factor in a consumer's decision to buy a brand. Some brands may be perceived as unique, but without strong and favorable brand associations, uniqueness really doesn't matter (Keller, Strategic Brand Management, 1998).
- **Purchase intent:** measures of likelihood to buy a brand or switch to a competitor are also indicators of brand health and should be part of brand tracking studies, but these questions should be put in context regarding specific product or brand, reason for the purchase, time, channel, price and other relevant factors to the purchase decision, so they can be predictive of actual purchase behavior.

WHEN AND WHO TO TRACK?

Brand tracking studies usually involve collecting quantitative data from consumers on a regular basis. One way to do it is to continuously collect information, which allow us to control for unusual marketing activities, in the analysis, and provide a more representative picture of how the brand stands in consumers' mind and against competitors. However, this type of brand tracking may not be feasible due to budget and resources constraints, and there are other ways to do it (monthly, quarterly, annually, etc.) that can be equally effective.

When determining the frequency of data collection in brand tracking studies, we recommend clients to consider:

- **Frequency of product purchase**: for example durable goods with long purchase cycles can be tracked less frequently.
- **Marketing activity in the product category**: a category where brands are constantly launching marketing programs and promotions should be monitor more often.
- **Level of competition in product category**: highly competitive product categories, where new products and competitors are constantly trying to break in, should be tracked regularly.
- **Stability of brand associations**: brands with an established image that don't show appreciable changes over time, can afford a less frequent brand tracking.

Brand tracking studies are often conducted with current customers, but monitoring non-users of the brand can prove to be invaluable to the development of an acquisition and market penetration strategy in search for business growth.

HOW TO INTERPRET BRAND TRACKING MEASURES?

Given the comparative nature of brand tracking studies, brand tracking measures tend to stay the same over time. However, they should be revised from time to time to assess their reliability and sensibility. They may be stable over time and thus reflect stability of brand associations, but they can also be unable to capture important shifts in the market due to changes in socio demographic trends, competitive landscape and economic macro trends.

Another issue with brand tracking measures is defining what constitutes the desirable level of a particular metric. Is a 50% level awareness good enough? It depends. It is all relative to the product category and the competitive environment. In low involvement product categories and those with many competitors, it may be difficult to get very high levels of awareness and strong brand associations, so the benchmark for what it is a good level for a metric differs across industries and product categories.

Finally, each brand tracking study should be customized to capture the brand associations that contribute the most to brand equity and the marketing activities that are effective at strengthening it. The goal is to identify key drivers that have an impact on consumers' brand choice and purchase behavior and develop marketing tactics that can lead to brand growth and sustainability.

BRAND VALUATION APPROACHES AND METHODS:

Brand Valuation and Brand Equity:

Brand Valuation can be defined as the process used to calculate the value of a brand or the amount of money another party is willing to pay for it or the financial value of the brand.

The concept of Brand Value, although similarly constructed to that of Brand Equity, is distinct. To put it simply, while brand equity deals with a consumer based perspective, brand value is more of a company based perspective.

As early as 1991, Sri vastava and Shocker identified brand equity as a multidimensional construct composed of brand strength and brand value. This indicates that brand equity is a concept a lot broader than brand value.

Evaluating Brands:

Before evaluating brands, two essential questions need to be answered i.e. what is being valued, the trademarks, the brand or the branded business and secondly, the purpose for such valuation. This brings us to the answering what the utility of undertaking brand valuation is. The process of brand valuation is of primal importance not only for the brand and the respective owning company to improve upon the same but also for the purposes to increase the market value and ascertain accuracy in instances of mergers and acquisitions. In other words, brand valuation would comprise of technical valuation which can be utilized for balance sheet reporting, tax planning, litigation, securitization, licensing, mergers and acquisitions and investor relations purposes and commercial valuation which is operational for the purpose of brand architecture, portfolio management, market strategy, budget allocation and brand scorecards. Thus, the application of brand valuation would be for strategic brand management and financial transactions.

Current Trend/Practices in Brand Evaluation:

However, Brand Valuation is no longer limited to these two areas anymore. International Organization for Standardization (ISO) came up with ISO 10668 – Monetary Brand Valuation in 2010, which laid down principles which should be adopted when valuing any brand and is popularly followed by most firms indulging in valuation of brands like Inter brand, Finance World and Brand Equity Ten. ISO 10668 is a 'meta standard' which succinctly specifies the principles to be followed and the types of work to be conducted in any brand valuation. It is a summary of existing best practice and intentionally avoids detailed methodological work steps and requirements. As per ISO 10668, each brand is subjected to an analysis on three levels – Legal analysis, Behavioral analysis and Financial Analysis. Keeping in mind that the nature and concept of value is difficult to grasp on account of being subjective in nature, these three methods of analysis objectify the valuing of brands.

Legal Analysis is the method that draws a distinction between the trademarks, the brands and the intangible assets involved and defines them as separate entities. After the brand valuer has clearly determined the intangible assets and Intellectual Property rights included in the definition of the 'brand' in concern, (s)he is required to assess the legal protection afforded to the brand by identifying each of the legal rights that protect it, the legal owner of each relevant legal right and the legal parameters influencing negatively or positively the value of the brand. Extensive Risk analysis and due diligence is required in the legal analysis and the analysis must be segmented by type of IPR, territory and business category. In other words, the velour needs to observe and assess the legal protection afforded to the brand by identifying each of the legal rights that protect the brand, the legal owner of each of those legal rights and the legal parameters positively or negatively influencing the value of the brand.

Behavioral analysis involves understanding and forming an opinion on likely stakeholder behavior specific to geography, product and customer segments where the brand is operational. For perusal using this method, it is necessary to understand the market size and trends, contribution of the brand to the purchase decision, attitude of all stakeholder groups to the brand and all economic benefits conferred on the branded business by the brand. Here, the brand valuer must also look into why a possible stakeholder would prefer the brand in comparison to that of the competitors' and the concept of brand strength which is comprised of future sales volumes, revenues and risks.

Financial Analysis is the most frequently used brand valuation method and uses four approaches – Cost, Market, Economic and Formulary approach. Often, a fifth approach is also considered. Special situation approach recognizes that in some instances brand valuation can be related to particular circumstances that are not necessarily consistent with external or internal valuations. Each case has to be evaluated on individual merit, based on how much value the strategic buyer can extract from the market as a result of this purchase, and how much of this value the seller will be able to obtain from this strategic buyer.

COST BASED APPROACH:

Cost Based approach is the approach more often used by Aaker and Keller and is primarily concerned with the cost in creating or replacing the brand. The cost approach can be further divided into the following methods:

- **Accumulated Cost or Historical cost method:**

It aggregates all the historical marketing costs as the value (Keller 1998).In other words, the method involves historical cost of creating the brand as the actual brand value. It is often used at the initial stages of brand creation when specific market application and benefits cannot yet be identified. However, the shortfalls of this method are that there exists difficulties as to what would classify as marketing costs and subsequent amortization of marketing cost as percentage of sales over the brand's expected life.In addition to that, it is sometimes difficult to recapture all the historical development costs and this method does not consider long term investments that do not involve cash outlay such as quality controls, specific expertise and involvement of personnel, opportunity costs of launching the upgraded products without any price premium over competitors' prices. The cost of creating the brand might actually have little to do with its present value. Most alternatives suggested suffer from the same shortcomings but there is one as proposed by Reilly and Schweihs which may be effective. They propose to adjust the actual cost of launching the brand by inflation every year where this inflation adjusted launch cost would be the brand's value.

- **Replacement Cost Method:**

The Replacement Cost Method values the brand considering the expenditures and investments necessary to replace the brand with a new one that has an equivalent utility to the company. Aaker (1991) proposes that the cost of launching a new brand is divided by its probability of success. Although this method is easy in terms of calculation, it neglects the success of an established brand. The first brand in the market has a natural advantage over the other brands as they avoid clutter and with each new attempt, the probability of success diminishes.

- **Use of Conversion Model:**

Using the method here, one estimates the amount of awareness that needs to be generated in order to achieve the current level of sales. This approach would be based on conversion models, i.e., taking the level of awareness that induces trial that further induces regular repurchase (Aaker, 1991). The output so generated can be used for two purposes: to determine the cost of acquiring new customers and would be the replacement cost of brand equity. The major flaw in this system is that the differential in the purchase patterns of a generic and a branded product is needed and the conversion ratio between awareness and purchase is higher for an unbranded generic than the branded product and this indicates that awareness is not a key driver of sales.

- **Customer Preference Model:**

Aaker (1991) proposed that the value of the brand can be calculated by observing the increase in awareness and comparing it to the corresponding increase in the market share. But he had identified the problem with this being how much of the increased market share is attributable to the brand's awareness increase and how much to other factors. A further issue is that one would not expect a linear function between awareness and market share.

In alternative, another method is the Recreation method which is similar to the replacement method but involves costs involved in creating the brand again, rather than simply the costs of replacement. Another distinction that exists between the two is that the value computed through the replacement cost method excludes obsolescent intangible assets. Another method is the residual value method states that the value of the brand is the discounted residual value obtained subtracting the cumulative brand costs from cumulative revenues attributable to the brand.

MARKET BASED APPROACH:

Market based approach basically deals with the amount at which a brand is sold and is related to highest value that a "willing buyer & seller" are prepared to pay for an asset. This approach is most commonly used when one wishes to sell the brand and consists of methods herein stated:

- **Comparable Approach or the Brand Sale Comparison Method**

This method involves valuation of the brand by looking at recent transactions involving similar brands in the same industry and referring to comparable multiples. In other words, this method takes the premium (or some other measure) that has been paid for similar brands and applies this to brands that the company owns. The advantage of this approach is that it looks at a third party perspective that is, what the third party is willing to pay and is easy to calculate but the flaw in this method is that the data for comparable brands is rare and the price paid for a similar brand includes the synergies and the specific objectives of the buyer and it may not be applicable to the value of the brand at issue.

Brand Equity based on Equity Evaluation method

- Simon and Sullivan (1993) believe that brand equity can be divided into two parts:
- The "demand-enhancing" component, which includes advertising and results in price premium profits,
- The cost advantage component, which is obtained due to the brand during new product introductions and through economies of scale in distribution.

Hence, they basically estimated the value of brand equity using the financial market value and the advantage of this approach is that it is based on empirical evidence but shortfalls of this approach is that it assumes a very strong state of efficient market hypothesis and that all information is included in the share price.

- **Residual Method**

Keller has proposed the valuation of the brand by means of residual value which would be when the market capitalization is subtracted from the net asset value. It would be the value of the "intangibles" one of which is the brand.

Another alternative approach that is suggested is that of usage of real options as proposed by Damodaran (1996). The variables that need to be calculated are: risk free interest rate, implied volatility (variance) of the underlying asset, the current exercise price, the value of the underlying asset and the time of expiration of the option. This method is useful in calculating the potential value of line extensions but the inherent assumptions in this approach make any practical application difficult.

INCOME BASED APPROACH:

Income Based or Economic Use approach is the valuation of future net earnings directly attributable to the brand to determine the value of the brand in its current use (Keller, 1998; Reilly and Schweihs, 1999; Cravens and Guilding, 1999). This method is extremely effective as it shows the future potential of a brand that the owner currently enjoys and the value is useful when compared to the open market valuation as the owner can determine the benefit foregone by pursuing the current course of action.

The methods used under the approach are as follows:

- **Royalty Relief Method:**

The Royalty Relief method is the most popular in practice. It is premised on the royalty that a company would have to pay for the use of the trademark if they had to license it (Aaker 1991).

The methodology that needs to be followed here is that the valuer must firstly determine the underlining base for the calculation (percentage of turnover, net sales or another base, or number of units), determine the appropriate royalty rate and determine a growth rate, expected life and discount rate for the brand. Valuers usually rely on databases that publish international royalty rates for the specific industry and the product. This investigation results in a variety and range of appropriate royalty rates and the final royalty rate is decided after looking at the qualitative aspects around the brand, like strength of the brand team and management. This method has an edge of being industry specific and accepted by tax authorities but this method loses out as there are really few brands that are truly comparable and usually the royalty rate encompasses more than just the brand.

- **Differential of Price to sale ratios method:**

The Differential of Price to Sale ratios Method calculates brand value as the difference between the estimated price to sales ratio for a branded company and the price to sales ratio for an unbranded company and multiplies it by the sales of the branded company. Why this method can be used is because information is readily available and it is easy to conceptualize but the drawback is that the comparable firms are a limited few and there exists no distinction between the brand and other intangible assets such as good customer relationships.

- **Price Premium Method**

The premise of the price premium approach is that a branded product should sell for a premium over a generic product (Aaker, 1991). The Price Premium Method calculates the brand value by multiplying the price differential of the branded product with respect to a generic product by the total volume of branded sales. It assumes that the brand generates an additional benefit for consumers, for which they are willing to pay a little extra.The fault in this method is that where a branded product does not command a price premium, the benefit arises on the cost and market share dimensions.

- **Brand Equity based on discounted cash flow:**

The problem faced by this method is the same as when trying to determine the cash flows(profit) attributable to the brand. From a pure finance perspective it is better to use Free Cash Flows as this is not affected by accounting anomalies; cash flow is ultimately the key variable in determining the value of any asset (Reilly and Schweihs, 1999). Furthermore Discounted Cash Flow do not adequately consider assets that do not produce cash flows currently (an option pricing approach will need to be followed) (Damodaran, 1996). The advantage of this model is that it takes increased working capital and fixed asset investments into account.

- **Brand Equity based on differences in return on investment, return on assets and economic value added.**

These models are based on the premise that branded products deliver superior returns, therefore if we value the “excess” returns into the future we would derive a value for the brand (Aaker, 1991). This method is easy to apply and the information is readily available, but there is no separation between brand and other intangible assets and does not adjust, by their volatility, the earnings of the two companies compared, including discount rate.

Other methods also include conjoint analysis, income split method, brand value based on future earnings, competitive equilibrium analysis model, etc. The very fact that there are so many methods worth discussing under the income or economic approach show how accurate and sought after this approach is.

FORMULARY APPROACH:

The Formulary approaches are those that are extensively used commercially by consulting other organizations. This approach is similar to the income or economic use approach differing in the magnitude of commercial usage and employing multiple criteria to determine the value of the brand. Within formulary approaches are the following approaches:

- **Interbrand Approach**

Interbrand is a brand consultancy firm, specializing in areas such as brand strategy, brand analytics, brand valuation, etc. It determines the earning from the brand and capitalizes them by making suitable adjustments. (Keller, 1998) The firm bases its brand valuation on financial analysis, role of the brand and brand strength.

The firm attempts at determination of brand earnings by means of using a brand index which is based on 7 factors namely –leadership, internationalization/geography, stability, market, trend, support and protection in the descending order of weightage. This approach is popular and widely appreciated because of its ability to take all aspects of branding into account. The difficulty in this approach is that it is difficult to determine the appropriate discount rate because parts of the risks usually included in the discount rate factored into the Brand Index score. In addition to that, even the capital charge is difficult to ascertain. Aaker reveals that "…the Interbrand system does not consider the potential of the brand to support extensions into other product classes. Brand support may be ineffective; spending money on advertising does not necessarily indicate effective brand building. Trademark protection, although necessary, does not of itself create brand value."

- **Finance World Method**

The Financial World magazine method utilizes the "brand index", comprising the same seven factors and weightings. The premium profit attributable to the brand is calculated differently. This premium is determined by estimating the operating profit attributable to a brand, and then deducting the earnings of a comparable unbranded product from this. This latter value could be determined, for example, by assuming that a generic version of the product would generate a 5% net return on capital employed (Keller, 1998). The resulting premium profit is adjusted for taxes, and multiplied by the brand strength multiplier.

- **Brand Equity Ten**

As stated by Aaker, the Brand Equity Ten Method measures brand equity through 5 dimensions – loyalty, perceived quality or leadership measures, other customer oriented association or differentiation measure like brand personality, awareness measures and market behavior measures like market share, market price and distribution coverage. Brand Equity ten, thus, looks at the customer loyalty dimension of brand equity and the measures to create a measurement instrument.

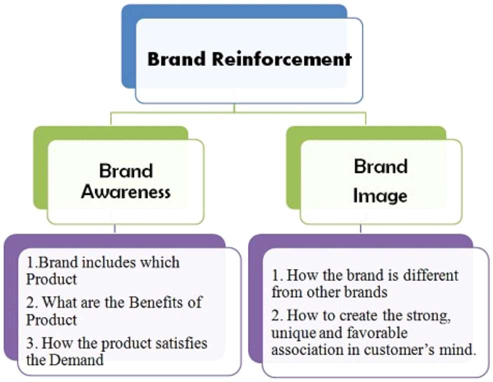
- **Brand Finance Ltd.**

Brand Finance Ltd. is a UK based consulting organization which undertakes brand valuation by means of identifying the position of the brand in the competitive marketplace, the total business earnings from the brand, the added value of total earnings attributed specifically to the brand and beta risk factor associated with the earnings. On the value so obtained, it discounts the brand added value after tax at a rate that reflects the brand risk profile.

BRAND REINFORCEMENT

Definition: The **Brand Reinforcement** majorly focuses on **maintaining** the **Brand Equity** by keeping the brand alive among both the existing and new customers. This can be done through consistently conveying the meaning of brand in terms of:

- What are the products under the brand? What are its core benefits and how it satisfies the demand?
- How is the brand different from other brands? How it enables a customer to make a strong, unique and favorable association in their minds?



Brand reinforcement includes regular monitoring of a product at all the levels of product life cycle (viz. Introduction Stage, Growth Stage, Maturity Stage and Decline Stage) to keep a check on the changes in the tastes and preferences of customers.

The marketers adopt this strategy to remind customers about the brand and its long-lasting benefits. In order to keep the brand in the minds of the customer, several innovations, researches, and creative marketing programs are made in line with the changing marketing trends.

Apart from innovation and research the brand reinforcement can be done through various marketing programs such as:

- **Advertising** is one of the most common and easy tool of brand reinforcement. By showing the ads frequently on TV, Internet, Bulletins, Billboard, Radio, etc. can make the brand deep-rooted in the minds of the customer.
- **Exhibition** provides a vital platform to the brands where the product with any new feature can be demonstrated to the customer. Products seen in real gives an experience to the customer, and some image gets created in their minds.
- **Event and Sponsorship** act as an aide to the brand reinforcement. The companies sponsor big events like sports, political rallies, education, award functions, etc. with the objective of reminding the customer about their product and creating the positive image in the minds of new prospects.
- **Showroom layout** also plays a vital role in strengthening the brand image in the minds of the customer. The way the brands are placed in the retail outlets or stores reminds the customer about the product and also influences new users through its appeal.
- **Promotion** is the most frequently used tool of brand reinforcement. Several companies adopt this strategy wherein some special offers, freebies, discounts, gift packs, etc. are given along with the product. This is done with the intention to retain the existing customers and attract new customers simultaneously.

Thus, each firm tries to maintain its brand position in the minds of all the prospective customers such that the life of the product gets extended and remain in the race of competition.

BRAND RESONANCE

Definition: The **Brand Resonance** refers to the relationship that a consumer has with the product and how well he can relate to it.

The brand resonance begins with:

- **Brand Identification:** The first and foremost step, is to ensure the brand identification with the customers, i.e. creates awareness about the product and establish an association in the minds of customers with respect to its usage and the segment for which it exists.

- **Brand Establishment:** To create a full meaning of the product in the minds of customers, so that they start remembering it.
- **Eliciting Response:** Once the association is built with the customers, the next step is to elicit the responses, i.e. what customers feel about the brand?
- **Relationship:** The next and final step is to convert the responses into building the customer's strong relationship with the brand.

In order to accomplish these four pre-requisites for creating the brand equity, the **Six brand building blocks** need to be followed that are arranged in a pyramid-like structure called as **Brand Resonance Pyramid.**

- **Brand Salience:** The brand salience means, how well the customer is informed about the product and how often it is evoked under the purchase situations?

  The marketer should not only focus on just creating the awareness about the product but also includes the ease with which the customers can remember the brand and the ability to recall it under the different purchase situations.

- **Brand Performance:** The Brand performance means, how well the functional needs of customers are met?

  At this level of the pyramid, the marketers check the way in which product is performing and how efficiently it is fulfilling the needs of the customers.

- **Brand Imagery:** The Brand Imagery means, what product image the customer create in their minds?

This aspect deals with the customer's psychology or the feelings that how they relate to the product in terms of their social needs.

- **Brand Judgments':** The Brand Judgment means, What customer decides with respect to the product?

  The customers make the judgment about the product by consolidating his several performances and the imagery associations with the brand. On the basis of these, the final judgment is made about the product in terms of its Perceived Quality, Credibility, Consideration, and Superiority.

- **Brand Feelings:** The Brand feelings means, what customers feel, for the product or how the customer is emotionally attached to the product?

  The consumer can develop emotions towards the brand in terms of fun, security, self-respect, social approval, etc.

Brand Resonance: The Brand Resonance means, what psychological bond, the customer has created with the brand?

This is the ultimate level of the pyramid, where every company tries to reach. Here the focus is on building the strong relationship with the customer thereby ensuring the repeated purchases and creating the brand loyalty.

The resonance is the intensity of customer's psychological connection with the brand and the randomness to recall the brand in different consumption situations.

BRAND EQUITY

Definition: The Brand Equity refers to the additional value that a consumer attaches with the brand that is unique from all the other brands available in the market. In other words, Brand Equity means the awareness, perception, loyalty of a customer towards the brand..e.g., The additional value a customer is willing to pay for Uncle Chips against any local chips brand available with the shopkeeper.Brand Equity is the goodwill that a brand has gained over time.

Brand Equity can be seen in the way the customer thinks, feels, perceives the product along with its price and market position and also the way brand commands profit and market share for the organization as a whole.

Customer Brand Equity can be studied in 3 different ways:

- The Different Responses of a customer towards the product or service helps in determining the brand equity. The way customer thinks about the brand and considers it to be different from the other brands will generate a positive response for that brand and will contribute to its goodwill.
  E.g., Customer, have a positive response towards Mac laptops because of its anti- virus software.
- The responses can be generated only if customers have sufficient knowledge about the brand; thus, Brand Knowledge is essential to determine the brand equity. The Brand knowledge includes the thoughts, feelings, information, experiences, etc. that establish an association with the brand.
  E.g., Brand Association reflects the knowledge about the product such as woodland is recognized for its rough and tough styling.
- The different customer’s response that adds to the brand value depends solely on the Marketing of a Brand. The strong brand results in substantial revenues for the organization and better understanding about the product among the customers.

Thus, the marketers basically study the Customer-Based Approach wherein they study the response of a customer towards the brand that can be reflected in their frequency of purchase. It focuses on customer’s perception i.e. what they have read, felt, thought, seen about the brand and how it has helped them to satisfy their urge of need.

BRAND REVITALIZATION

Definition: The Brand Revitalization is the marketing strategy adopted when the product reaches the maturity stage of product life cycle, and profits have fallen drastically. It is an attempt to bring the product back in the market and secure the sources of equity i.e. customers.

Example: Mountain Dew, A Pepsi product, was launched in 1969 with the tagline “Yahoo Mountain Dew” that flourished in the market till 1990. After that the sales of mountain dew declined due to which it was re-positioned, its packaging was changed, and the tagline was changed to “Do the Dew”. It targeted the young males showing their audacity in performing the adventurous sports. This led the Mountain Dew to the fifth position in the beverage industry.

Despite a good reinforcement strategy, a product has to be revitalized because of some uncontrollable factors such as competition, the invention of new technology, change in tastes and preferences of customers, legal requirements, etc.

The brand has to be revitalized because of the following reasons:

- Increased Competition in the market is one of the major reasons for the product to go under the brand revitalization. In order to meet with the offerings and technology of competitor, the company has to design its brand accordingly so as to sustain in the market.
- The Brand Relevance plays a major role in capturing the market. The brand should be modified in accordance with the changes in tastes and preferences of customers i.e. it should cater the need of target market.
- Nowadays Globalization has become an integral part of any business. In order to meet the different needs of different customers residing in different countries the brand has to be revitalized accordingly.

- Sometimes Mergers and Acquisitions demand the brand revitalization. When two or more companies combine, they want the product to be designed from the scratch in a way that it appeals to both and benefits each simultaneously.
- Technology is something that is changing rapidly. In order to meet with the latest trend, the companies have to adopt the new technology due to which the product can go under complete revitalization.
- Some Legal Issues may force a brand to go under brand revitalization such as copyrights, bankruptcy, etc. In such situations, the brand has to be designed accordingly, and the branding is to be done in line with the legal requirements.

In order to overcome the problems mentioned above following are some ways through which Brand Revitalization can be done:

- The Usage of a product can be increased by continuously reminding about the brand to customers through advertisements. The benefits of the frequent use of a product can be communicated to increase the consumption, **e.g.**, the usage of Head & Shoulders on every alternate day can reduce dandruff.
- The untapped market can be occupied by understanding the needs of the new market segment. The brand revitalization can be done to cater to the needs of new customers**, e.g.;** Johnson n Johnson is a baby product company but due to its mild product line the same can be used by ladies to have a soft skin and hair.
- The brand can be revitalized by entering into an entirely New Market**.** The best example for this is Wipro, who has entered into a baby product line.
- Another way of getting the brand revitalized is through the Re-positioning. It means changing any of the 4 P's of marketing mix viz. Product, price, place and promotion.The best example of re-positioning is Tata Nano. On its launch, it was tagged as the "cheapest Car" that hurt the sentiments of customers, and the sales fell drastically. To revive the sales, the new campaign was launched "Celebrate Awesomeness" that re-positioned its image in the minds of the customer.

- A brand can be revitalized by Augmenting the Product and Services. The company should try to give something extra along with the product that is not expected by the customer. Some additional benefits can revive the brand in the market **e.g.** A plastic container comes with a surf excel 1 Kg pack that can be used for any other purpose.
- The brand can be modified through the Involvement of Customer The feedback about the product and services can be taken from ultimate consumer and changes can be made accordingly. Customer's involvement is best seen in service sector wherein feedback forms are filled in at the time of availing the services such as hotels, restaurants, clubs, flights, trains, etc.

This shows that brand revitalization is an essential to the success of any product. The firm takes all the necessary steps to keep its product very much alive in the market.

DEFINITION OF BRAND CRISIS

.A special form of a product-harm crisis where the negative event centers on one particular brand or a set of brands belonging to the same company In the long term, the incident can severely damage the affected brand's reputation.