

## Product Life Cycle

- The company incurs a risk when introducing a new product, but it expects a benefit (a certain amount of profit) as well. We look at FIG 8.4, a curve describing the stages in a product's life cycle.
  - In the product development stage the profit is negative
  - In the INTRODUCTION stage, the sales pick up but the product is still not profitable.
  - In the GROWTH stage \_\_\_\_\_
  - In the MATURITY stage, most of customers already have the product and the sales thus decrease, affecting profits.
  - In the DECLINE stage \_\_\_\_\_
- Styles, fashions and fads
  - Each have different profitability curves
  - Notice how, except for fads, they never enter the decline stage, they instead go into long periods of maturity.
    - Fads grow the quickest, and disappear the quickest
    - See figure 8.5, it illustrates the point very well
- See Table 8.2, it outlines characteristics, marketing objectives and strategies for different product life cycle stages.
  - The teacher just read it out to the class

## CHAPTER 9: BRAND STRATEGY AND MANAGEMENT

- A brand is the image which stands behind the name. It identifies the maker or marketer of the product. Branding can add value to a product.
  - Brands can refer to the whole company or to the products or services (e.g. sub-brands)
  - Brands can be for place or even for a person.
  - Today, every product is branded, even commodities like salt are branded...salt is a product that it doesn't make sense to differentiate from other salt products. Salt is salt. And yet, salt companies are branding their products to differentiate and position the salt in the mind of the consumer.
- Brands have several rules and functions
  - For buyers, brands help identify products and also say something about the product quality and consistency.
  - When you buy a brand you expect a certain level of quality from that brand.
  - Brands, names and symbols
    - Have status and value
    - Have personality
    - Have emotion
    - Signify quality
    - Provide legal protection
  - Brands also create constraints for the marketing departments...a luxury brand cannot make "low-price" marketing.

- Any new product in the branch of a given brand must have the same or similar quality to the parent/sibling brand
- Trademarks can be names, symbols, characters or shapes, have monetary value and are indicated with the <sup>TM</sup> superscript.
  - We look at a study of children who ate the same french fries, one in a McDo package and another in a blank package. Even though the quality is exactly the same, the children said the McDo box fries tasted better.
  - Even when the product quality is the same, the consumers can pay a premium on the brands which they perceive to be better.
- Brand meaning
  - The key to communicating brand meaning is to get consumers to associate your brand with just one word. Ex: Volvo->safety, BMW->driving experience, Red Bull -> extreme.
- Brand equity and personality
  - Brand equity is the financial value attributed to a brand based on intangible qualities.
    - A Successful brand has financial value to the customers
    - It is difficult to calculate brand equity accurately because of the any methods that are available to estimate it.
  - Brand personality is the *human* attributes and emotions inspired toward customers
  - A negative brand equity: consumers prefer unnamed brand to the branded product. It is possible for the brand to have negative equity for the consumer.
  - Consumers always compare brand personalities and associate them with traits such as honesty.
  - The logo or icon should be in harmony with the image, the logo should follow the meaning and ideal of the brand. Ex: Nike has the swoosh, which is consistent with its athletic brand image.
- Brand Strategy
  - There are three main brand strategy decisions,: brand name selection, brand positioning and brand sponsorship.
  - The brand manager should always try to guide the brand name, positioning and sponsorship. They must make high-level decisions to govern the market perception of the brand. Brand managers manage the image of the brand.
  - Brand name selection
    - The name of the brand may be the first signal that you receive from the brand. Great brand names are distinctive, pronounceable, product related, legally clear, and extendable.
      - For example, many brand names suggest something e.g. Facebook (FACE AND BOOK) or Caterpillar (suggests ruggedness and flexibility of use cases)
      - iPad, Apple...are all easy to pronounce.
      - The name should be capable of registration and trademark protection.

- Positioning strategy makes more sense for brands than for products.
    - It has 3 levels
      - 1. Positioning by product attributes -least strong
      - 2. Desirable benefits
      - 3. Beliefs and values -strongest
      - Early branding focused strongly on product attributes.
    - We watch a video about nike and how it tries to position the brand on the beliefs and values. What was the value that nike was promoting in the ad? A: Everyone can be a winner.
- Sponsorship
  - Products can be branded as national or private.
    - National brands are well known and well established throughout the country or even internationally, and are created by the manufacturer/producer of the product. Ex: Samsung.
    - In contrast there are private brands which are owned by the *reseller* of the product e.g. Wal-Mart.
    - EX: Best buy has a private brand “insignia: which it owns and sells alongside other products it is a reseller of. Private brand is also known as store brand.
  - Some manufacturers create their own brands and some others use licensing or co-branding
    - Ex: licensing: using characters from popular movies in order to produce a product (ex: mickey mouse shirt)
    - Licensing is the use of a brand name, logo, character, icon or image. You buy the license from another brand to use it with your brand.
    - Ex: co-branding Sony Ericsson. Huawei Porsche phone. Nike iPadéipod Sportkeep. It adds more value for both the customer and the brands involved.
    - Ex: scotia bank and the movies, costco and capital one or american express...
    - It allows brands to extend their reach in areas they are not primarily present: ex: it allows apple to reach the sports market though nike.
- Brand development and management
  - Strategic brand management involves brand development and brand communications.
  - Figure 9.1
  - Line extension:
    - If the product category is existing and the brand name is existing, it is called a line extension. They use the same brand in the same product category but they add some extra diversification.
    - Line extension just adds variety to an existing product.
    - Ex: producing a new flavor for coca cola soft drink.

- Line extensions involve some risks: you want to make sure that line extensions take market share away from competitors and do not cannibalize your existing market share.
- Brand extension. The brand is existing and the product is new.
  - Extends a brand into new or modified products, or a new category.
  - Brand extension example: IKEA pre-fabricated houses, Starbucks ice cream and liqueur...
  - Gives a new product instant recognition and faster acceptance
  - Involves some risks: your main brands should not be forgotten, your main brand should not get in the way either. (ex: BIC, the pen company, tried to make clothes and that failed, the brand got in the way).
- Multibrand
  - Major companies often market many different brands in a given product category. Multi Branding offers a way to establish different features that appeal to different customer segments.
  - The drawback of multibranding is that there is *some* cannibalisation of revenues but *the loss is not as big as the opportunity cost of only releasing a single brand*.
  - The major drawback for multibranding is that each brand might have only a small market share and might not be very profitable...it might not be working because the company's resources are spread thinly across many brands.
  - Ex; GM recently cut multiple brands from their product offering.
- New brands, (new brand AND new product category)
  - Ex: Toyota introduced scion to target millennials. It is not a sub-brand, it is a completely new brand.
  - Similar to multibranding, too many new brands can spread the company's resources thinly, thus stopping it from investing in making any particular brand more profitable.
  - We watch a video.
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