LECTURE NOTES

CHAPTER OPENING EXAMPLE

BRAND’S®: STILL GOING STRONG AFTER MORE THAN 170 YEARS

- The health supplements industry in Asia (excluding Japan) is reportedly worth about US$14 billion. BRAND’S® commands over 80 percent share in most of the markets it operates in, and the size of its business has grown considerably ever since it arrived in Asia in the 1920s.
- The ubiquitous BRAND’S® Essence of Chicken, which many grew up with and relied upon during critical moments of their lives, originated in the royal palace of King George IV.As the British colonized countries in the region, the brand followed. The first shipment of BRAND’S® Essence of Chicken arrived in Malaya in the 1920s.
- Not many leading brands have lasted more than a century and even fewer brands have been able to retain their market leadership position and category relevance. BRAND’S®, on the other hand, with over 170 years of heritage, has certainly grown its brand equity through untiring efforts of brand management and continual innovation.
- BRAND’S® understands the importance of appealing to a younger generation of consumers who may not simply accept their mothers’ personal testimonials.
- BRAND’S® has developed from a single product to a portfolio of multiple products to serve different health needs at various life stages. Its portfolio ranges from the more traditional health supplements like BRAND’S® Bird’s Nest for good respiratory health and a radiant complexion, to the modern forms of health supplements.

Each line and brand extension is carefully planned and managed to ensure that the brand equity built over the years is never diluted with products that do not fit well with the brand proposition

I. THE PRODUCT LIFE CYCLE [LO1]

- The **product life cycle** describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline.
- The two curves shown in Figure 11-1—total industry sales revenue and total industry profit—represent the sum of sales revenue and profit of all firms producing the product.

A. Introduction Stage

- The introduction stage of the product life cycle occurs when a product is first introduced to its intended target market.

  a. During this period, sales grow slowly, and profit is minimal due to large investment costs in product development.

  b. The marketing objective for the company is to create consumer awareness and stimulate *trial*—the initial purchase of a product by a consumer.

- Companies often spend heavily on advertising and other promotion tools to build product awareness among consumers.

  a. This is done to stimulate *primary demand*, the desire for the product class rather than for a specific brand, since there are few competitors with the same product.

  b. As more competitors introduce their products and the product moves along its life cycle, a firm focuses on creating *selective demand*, the preference for a specific brand.

- Other marketing mix variables also are important at this stage.

  a. Gaining distribution can be a challenge because channel intermediaries may be hesitant to carry a new product.

  b. A company often restricts the number of variations of the product to ensure control of product quality.

  c. During introduction, pricing can be either high or low.

  - A high initial price or *skimming strategy* is used to help the company recover the costs of development as well as capitalize on the price insensitivity of early buyers.
  - Since high prices tend to attract competitors because they see the opportunity for profit, a company can price low, referred to as *penetration pricing*, to build unit volume.

- Several product classes are in the introductory stage of the product life cycle: high-definition television (HDTV) and “hybrid” (gasoline- and electric-powered) automobiles.

B. Growth Stage

- The growth stage of the product life cycle is characterized by rapid increases in sales and when competitors appear.
  - **a.** The result of more competitors and more aggressive pricing is that profit usually peaks during the growth stage.
  - **b.** The emphasis of advertising shifts to stimulating selective demand, in which product benefits are compared with those of competitors' offerings to gain market share.
- Product sales grow at an increasing rate because new people try or use the product and a growing proportion become *repeat purchasers*—people who tried the product, were satisfied, and bought again.
  - **a.** As a product moves through the life cycle, the ratio of repeat to trial purchasers grows.
  - **b.** Failure to achieve substantial repeat purchasers usually means an early death for a product.
- Changes start to appear in the product during the growth stage. Product proliferation occurs as an improved version or new features are added to the original design to help differentiate a company's brand from its competitors.
- It is important to gain as much distribution for the product as possible. In a retailing store, firms battle for display position and shelf space for their offerings.
- Examples product classes or industries in the growth stage of the product life cycle include digital MP3 players and digital cameras.

C. Maturity Stage

- The maturity stage is characterized by a slowing of total industry sales for the product class.
- Weaker competitors begin to leave the market.
- Most consumers who would buy the product are either repeat purchasers of the item or have tried and abandoned it.
- Sales increase at a decreasing rate in the maturity stage as fewer new buyers enter the market.

- Profit declines due to fierce price competition among many sellers and the cost of gaining new buyers rises.
- Marketing attention is directed toward holding market share through further product differentiation and finding new buyers.
- Examples of product classes and industries in the maturity stage of their product life cycle include soft drinks and DVD players.

D. Decline Stage

- The decline stage occurs when sales and profits begin to drop due to changes in the marketing environment and not because of any wrong marketing strategy.

MARKETING MATTERS

Will E-Mail Spell Extinction for Fax Machines?

Technological substitution often causes the decline stage in the product life cycle. Will the Internet and e-mail replace fax machines? Not yet—because the two technologies do not directly compete for the same messaging applications. E-mail is used for text messages and faxing is predominately used for communicating formatted business documents.

- Products in the decline stage tend to consume a disproportionate share of management time and financial resources relative to their potential future worth.

1. **Deletion**. Product *deletion*, or dropping a product from the company's product line, is the most drastic strategy and is not taken lightly since there is a residual core of loyal consumers.

2. **Harvesting**. *Harvesting*, is when a company continues to offer the product but reduces marketing costs.

   a. The product continues to be offered, but salespeople do not allocate time in selling nor are advertising dollars spent.

   b. The purpose of harvesting is to maintain the ability to meet customer requests.

E. Some Dimensions of the Product Life Cycle

Important aspects of product life cycles are:

1. **Length of the Product Life Cycle**.

   There is no exact time that a product takes to move through its life cycle.

a. Consumer products have shorter life cycles than business ones.

b. Mass communication, such as TV and the Internet, informs consumers faster and shortens life cycles.

c. Technological change tends to shorten product life cycles as new product innovation replaces existing products.

2. Shape of the Product Life Cycle.

The product life cycle sales curve shown in Figure 11-1 is the *generalized life cycle*. However, there are several distinctive life cycle curves, each type suggesting different marketing strategies.

a. A *high-learning product*. Requires significant education of the customer and there is an extended introductory period.

b. A *low-learning product*. Sales begin immediately because the consumer requires little learning and the benefits of purchase are readily understood.

- Competitors can easily imitate this product, so the marketing strategy is to broaden distribution quickly.
- As competitors rapidly enter, most retail outlets already have the innovator's product.
- It is important to have the manufacturing capacity to meet demand.

c. A *fashion product*. Is introduced, declines, and then seems to return, such as with clothing styles. The length of the cycles may be years or decades.

d. A *fad*. Is a novelty product that experiences rapid sales on introduction and then an equally rapid decline.

3. The Product Level: Class and Form.

The product life cycle shown in Figure 11–1 is a total industry or product class sales curve. In managing a product, it is important to distinguish among the multiple life cycles (class and form) that may exist.

a. Product class. Consists of the entire product category or industry.

b. Product form. Consists of variations of a product within the product class.

4. The Life Cycle and Consumers.

- The shapes of product life-cycle curves indicate that most sales occur after the product has been on the market for some time. A product diffuses, or

spreads, through the population, a concept called the *diffusion of innovation*.

a. Some people are attracted to a product early while others buy it only after they see their friends or opinion leaders with the item.

b. Figure 11-5 shows the consumer population divided into five categories of product adopters based on when they choose to buy a new product.

c. Innovators and early adopters must purchase the product for it to be successful.

d. Once accepted by innovators and early adopters, the adoption of new products moves on to the early majority, late majority, and laggard categories.

- Several factors affect whether a consumer will adopt a new product. Common reasons for resisting a product are:

a. *Usage barriers*. Product is incompatible with existing habits.

b. *Value barriers*. Product provides no incentive to change.

c. *Risk barriers*. Physical, economic, or social.

d. *Psychological barriers*. Cultural differences or image.

- Companies overcome these barriers by providing warranties, money-back guarantees, usage instructions, demonstrations, and free samples to stimulate initial trial of new products.

LEARNING REVIEW

1. Advertising plays a major role in the ___________ stage of the product life cycle, and ___________ plays a major role in maturity.

Answer: introductory; sales promotion

2. How do high-learning and low-learning products differ?

Answer: A high-learning product requires significant customer education and there is an extended introductory period. A low-learning product requires little customer education because the benefits of purchase are readily understood, resulting in immediate sales.

3. What does the life cycle of a fashion product look like?

Answer: The sales are low upon introduction, then grow rapidly, flatten, and go into decline; later the product may go through the growth cycle again.

II. MANAGING THE PRODUCT LIFE CYCLE [LO2]

Product managers rely on three ways to manage a product through successive stages of its life cycle.

A. Role of a Product Manager

- The product manager, also called a *brand manager*, manages the marketing efforts for a family of products or brands.
  - **a.** Both consumer goods and industrial firms use the product manager style of marketing organization.
  - **b.** Product managers are responsible for managing existing products through the life cycle stages; some also develop new products.
  - **c.** Product managers develop and execute a marketing program for the product line described in an annual marketing plan.
  - **d.** Product managers also approve ad copy, media selection, and package design.
- Product managers engage in extensive data analysis related to their products and brands.
  - **a.** Sales, market share, and profit trends are closely monitored.
  - **b.** Managers often supplement these data with two measures:
    - A category development index (CDI).
    - A brand development index (BDI).
    - These indexes help to identify strong and weak market segments (usually demographic or geographic segments) for specific consumer products and brands and provide direction for marketing efforts.

USING MARKETING DASHBOARDS

Knowing Your CDI and BDI

Category Development Index (CDI) and Brand Development Index (BDI)

Product managers often ask, "Where are sales for my product category and brand strongest and weakest?" Data related to this question are often displayed in a marketing dashboard using the category development index and brand development index.

Your Challenge.

Hawaiian Punch, the number 1 fruit punch drink sold in the U.S. brand among households that consume prepared fruit drinks (the product category). In order to examine the brand's performance and identify growth opportunities for Hawaiian Punch, a marketing dashboard displays a category development index (CDI) and a brand development index (BDI). A syndicated marketing research firm provides the data for these indices.

The CDI and BDI for Hawaiian Punch are calculated as follows:

$$\text{CDI} = \left[\frac{\text{\% of a Product Category's Total U.S. Sales in a Market Segment}}{\text{\% of the Total U.S. Population in a Market Segment}}\right] \times 100$$

$$\text{BDI} = \left[\frac{\text{\% of a Brand's Total U.S. Sales in a Market Segment}}{\text{\% of the Total U.S. Population in a Market Segment}}\right] \times 100$$

[See CH11CDIBDI.xls]

A CDI over 100 indicates above-average product category purchases by a market segment; a number under 100 indicates below-average purchases. A BDI over 100 indicates a strong brand position in a segment; a number under 100 indicates a weak one. The marketing dashboard displays the CDI and BDI for four household segments that consume fruit drinks.

Your Findings.

The BDI and CDI measures show that households with children, and particularly those with children under age 12, consume Hawaiian Punch. The Hawaiian Punch BDI is over 100 for both segments—not surprising since the brand is marketed to these segments. Households with children 13 to 18 years old evidence high fruit drink consumption with a CDI over 100, but Hawaiian Punch is relatively weak in this segment with a BDI under 100.

Your Actions.

An opportunity for Hawaiian Punch exists among households with children 13 to 18 years old—teenagers.

- Reposition Hawaiian Punch for teens.
- Recommend that Hawaiian Punch be packaged in single-serve cans or bottles to attract this segment.
- Target teens for advertising and promotions.

B. Modifying the Product

- **Product modification** involves a product's characteristic, such as its quality, performance, or appearance, to increase the product's value and sales.

- New features, packages, or scents can be used to change a product's characteristics and give the sense of a revised product.

C. Modifying the Market

With **market modification** strategies, a company tries to find new customers, increase a product's use among existing customers, or create new use situations.

1. **Finding New Customers**. Targeting new market niches.
2. **Increasing a Product's Use**. Promoting more frequent usage or consumption.
3. **Creating a New Use Situation**. Identifying new applications.

D. Repositioning the Product

Product repositioning changes the place an offering occupies in consumers' minds relative to competitive products to bolster sales by changing one or more of the four marketing mix elements.

1. **Reacting to a Competitor's Position**. A product may need to be repositioned because a competitor's entrenched position adversely affects its sales and market share.
2. **Reaching a New Market**. Repositioning a product allows it to reach a new market not yet tapped.
3. **Catching a Rising Trend**. Changing consumer trends can also lead to repositioning a product.
4. **Changing the Value Offered**. In repositioning a product, a company can decide to change the value it offers buyers and trade up or down.
   a. **Trading up** involves adding value to the product (or line) through additional features or higher-quality materials.
   b. **Trading down** involves reducing the number of features, quality, or price.
   c. Trading down often exists when companies engage in *downsizing*—reducing the content of packages without changing package size and maintaining or increasing the package price. Firms have been criticized for this practice.

MAKING RESPONSIBLE DECISIONS

Consumer Economics of Downsizing—Get Less, Pay More

Starkist, Frito-Lay, P&G, and Nestlé, Kimberly-Clark, Georgia-Pacific, and many other consumer product marketers have reduced the amount they put in a package but charge the same price. Or, they reduce the content within a package but maintain the same package size, dimensions, and prices.

The issue raised is whether the practice of reducing the contents of packages without changing the package size or price is deceptive and therefore unethical if manufacturers do not inform consumers of the change. Consumer advocates believe it is; manufacturers do not.

LEARNING REVIEW

4. **How does a product manager help manage a product's life cycle?**

   Answer: A product manager shepherds a product through its life cycle by modifying the product, modifying the market, and repositioning the product.

5. **What does "creating new use situations" mean in managing a product's life cycle?**

   Answer: Finding new uses for an existing product.

6. **Explain the difference between trading up and trading down in repositioning.**

   Answer: Trading up involves adding value to the product (or line) through additional features or higher-quality materials. Trading down involves reducing the number of features, quality, or price, or downsizing—reducing the content of packages without changing package size and maintaining or increasing the package price.

III. BRANDING AND BRAND MANAGEMENT [LO3]

- **Branding** is a marketing decision by an organization to use a name, phrase, design, or symbols, or combination of these to identify its products and distinguish them from those of competitors.

- A **brand name** is any word, device (design, shape, sound, or color), or combination of these used to distinguish a seller's goods or services.

[*SLN 11-1: What's in a Name? Ask the California Dried Plum Board*]

- A **trade name** is a commercial, legal name under which a company does business.

- A **trademark** identifies that a firm has legally registered its brand name or trade name so the firm has its exclusive use, thereby preventing others from using it.

- Because a good trademark can help sell a product, *product counterfeiting*, which involves low-cost copies of popular brands not manufactured by the original producer, has been a growing problem.

  a. Counterfeit products can steal sales from the original manufacturer or harm the company's reputation. U.S. firms lose between $200 and $250 billion each year to counterfeit products.

  b. The U.S. government passed the *Stop Counterfeiting in Manufactured Goods Act* (2006).

- Consumers benefit most from branding. because , which allows them to be more efficient and brand loyal shoppers.

  a. They can recognize competing products by their distinct brand names and trademarks, which allows them to be more efficient shoppers.

  b. They can recognize and avoid products with which they are dissatisfied, while becoming loyal to other, more satisfying brands.

A. Brand Personality and Brand Equity

- Brands offer both product identification and a means to distinguish their products from competitors.

- Successful and established brands take on a **brand personality**, a set of human characteristics associated with a brand name.
- Consumers often assign personality traits to products— traditional, romantic, rugged, sophisticated, rebellious—and choose brands that are consistent with their own or desired self-image.

- Marketers try to infuse a brand with a personality through advertising that depicts a certain user or usage situation and conveys certain emotions or feelings to be associated with the brand.

- **Brand equity** is the added value a given brand name gives to a product beyond the functional benefits provided. This value has two distinct advantages:

  a. Brand equity provides a competitive advantage.

  b. Consumers are often willing to pay a higher price for a product with brand equity. This is represented by the premium a consumer will pay for one brand over another when the functional benefits provided are identical.

  1. Creating Brand Equity.

    a. Brand equity is carefully nurtured by marketing programs to create strong, favorable, and unique consumer associations and experiences with a brand.

b. Brand equity resides in the minds of consumers and results from what they have learned, felt, seen, and heard about a brand over time.

c. Brand equity is not easily or quickly achieved; it arises from a sequential building process consisting of four steps:

- Develop positive brand awareness and an association of the brand in consumer's minds with a product class or need to give a brand an identity.
- Establish a brand's meaning in the minds of consumers in terms of a functional, performance-related dimension and an abstract, imagery-related dimension.
- Get consumers to develop proper responses to a brand's identity and meaning. Here attention is placed on how consumers think and feel about the brand.
- Create an intense, active loyalty relationship (a deep psychological bond) between consumers and the brand.

2. Valuing Brand Equity.

a. Brand equity provides a financial advantage for the brand owner.

- Successful, established brands have an economic value in the sense that they are intangible assets that can be bought or sold.
- They can appreciate in value when effectively managed—and can lose value when not well managed.

b. **Brand licensing** is a contractual agreement whereby one company (licensor) allows its brand name(s) or trademark(s) to be used with products or services offered by another company (licensee) for a royalty or fee.

c. Successful brand licensing requires careful marketing analysis to assure a proper match between the licensor's brand and the licensee's products.

B. Picking a Good Brand Name

- Picking a good brand name is a difficult and expensive process.
- Companies spend a lot of money to identify and test a new brand name.
- The criteria for selecting a good brand name are:

a. The name should suggest the product benefits.

b. The name should be memorable, distinctive, and positive.

c. The name should fit the company or product image.

d. The name should have no legal restrictions that would produce trademark infringement suits, or regulatory restrictions that could arise through improper use of words.

e. Brand names need an Internet address, which further complicates name selection because the domain name may already be registered.

f. The name should be simple and emotional.

g. For international use, brand names must be carefully checked for prior impressions or undesirable images in different languages and cultures.

Web Link

Have an Idea for a Brand or Trade Name? Check It Out

More than a million brand names or trade names are registered with the U.S. Patent and Trademark Office. Thousands more are registered each year. Access the U.S. Patent and Trademark Office website (www.uspto.gov) to check whether a new brand or trade name has already been registered.

C. Branding Strategies

Companies have several strategies when branding a product:

1. Multiproduct Branding Strategy.

a. **Multiproduct branding** is a branding strategy in which a company uses one name for all its products in a product class. This approach is sometimes called *family branding*, or *corporate branding* when the company's trade name is used.

b. There are several advantages to multiproduct branding. This brand strategy:

- Capitalizes on brand equity among consumers who will transfer a favorable attitude for a product to other items in the product class with the same name.
- Makes *line extensions* possible, which is the practice of using a current brand to enter a new market segment in its product class.
- Results in lower advertising and promotion costs because the same name is used on all products, thus raising the level of brand awareness.

c. A risk with line extension is that:

- Sales of an extension may come at the expense of other items in the company's product line (cannibalism).
- It works best when it provides incremental revenue by taking sales away from competing brands or attracting new buyers.

d. Some companies employ *subbranding*, which combines a corporate or family brand with a new brand.

e. A strong brand equity also allows for a *brand extension*, the practice of using a current brand name to enter a completely different product class.

- The risk with brand extensions is that too many uses for one brand name can dilute the meaning of a brand for consumers.
- A variation on brand extensions is the practice of *co-branding*, the pairing of two brand names of two manufacturers on a single product.
- Co-branding benefits firms by allowing them to enter new product classes and capitalize on an already established brand name in that product class.

2. Multibranding Strategy.

a. **Multibranding** is a branding strategy that involves giving each product a distinct name when each brand is intended for a different market segment.

b. Multibranding is a useful strategy when each brand is intended for a different market segment.

c. Some companies array their brands on the basis of price-quality segments.

d. Other companies introduce *fighting brands*, new product brands that are defensive moves to confront and counteract competitors' brands.

e. Promotional costs tend to be higher with multibranding compared with the multiproduct branding because a firm must generate awareness among consumers and retailers for each new brand name without the benefit of any previous impressions.

f. The advantages of this strategy are that each brand is unique to each market segment and there is no risk that a product failure will affect other products in the line.

g. Some multibrand firms have found that the complexity and expense of implementing this strategy can outweigh the benefits, and therefore have pruned the number of brands.

3. **Private Branding Strategy**.

   a. **Private branding** is a branding strategy used when a company manufactures products but sells them under the brand name of a wholesaler or retailer. This strategy is also called *private labeling* or *reseller branding*.

   b. Private branding is popular because it typically produces high profits for manufacturers and resellers and consumers buy them.

4. **Mixed branding** is a branding strategy where a firm markets products under its own name(s) and that of a reseller because the segment attracted to the reseller is different from its own market.

IV. PACKAGING AND LABELING PRODUCTS [LO4]

- **Packaging** is a component of a product that refers to any container in which it is offered for sale and on which label information is conveyed.
- A **label** is an integral part of the package that typically identifies the product or brand, who made it, where and when it was made, how it is to be used, and package contents and ingredients.
- The customer's first exposure to a product is the package and label and both are an expensive and important part of marketing strategy.

MARKETING MATTERS

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

Pez Candy, Inc. (www.pez.com) recognizes the importance of creative packaging as a source of customer value, which manifests itself in about 450 Pez character candy dispensers. Each refillable dispenser ejects tasty candy tablets in a variety of flavors that delight preteens and teens alike in more than 60 countries. The unique Pez package dispenses a "use experience" for customers beyond the candy: fun, which translates into a 98 percent awareness level for Pez among teenagers and 89 percent among mothers with children. Pez has not advertised its product for years. With that kind of awareness, who needs advertising?

A. Creating Customer Value and Competitive Advantage through Packaging and Labeling

- Packaging and labeling costs companies more than $120 billion annually and account for about 15 cents of every dollar spent by consumers for product.

- Packaging and labeling are essential because both provide important benefits for the manufacturer, retailer, and ultimate consumer, thereby providing a competitive advantage.

1. **Communication Benefits**.

   a. A major benefit of packaging is the label information on it conveyed to the consumer, such as directions on how to use the product and what the product is made of, which is needed to satisfy legal requirements of product disclosure.

   b. The labeling system for packaged and processed foods in the U.S. provides a uniform format for nutritional and dietary information.

   c. Other information consists of seals and symbols, either government required or commercial seals of approval (e.g. the Good Housekeeping seal).

2. **Functional Benefits**.

   a. Packaging often plays an important functional role, such as storage, convenience, protection, or product quality.

   b. The convenience dimension of packaging is becoming increasingly important.

   c. Consumer protection has become an important function of packaging through the use of:

   - Safety seals or pop-tops that reveal if the package was previously opened.
   - "Open dating," which states the expected shelf life of the product.

   d. Functional features of packaging also can affect product quality.

3. **Perceptual Benefits**.

   a. Packaging and labeling also create perception in the consumer's mind.

   - A package's color, shape, and graphics distinguishes it from other brands.
   - A package can connote status, economy, and product quality.
   - A package can convey a brand's positioning, build brand equity, and reinforce the brand's image in consumers' minds.
   - A package and labeling can enhance brand recognition and facilitate the formation of strong, favorable, and unique brand associations.

   b. Because labels list a product's source, brands competing in the global marketplace can benefit from "country of origin or manufacture"

perceptions. Consumers tend to have stereotypes about country-product pairings that they judge "best," which can affect a brand's image.

B. Contemporary Packaging and Labeling Challenges

1. **Connecting with Customers**. The challenge lies in creating aesthetic and functional design features that attract customer attention and deliver customer value in their use. If done right, the rewards can be huge.

2. **Environmental Concerns**.

   The amount, composition, and disposal of packaging material continues to receive much attention due to the concern about the growth of solid waste and the shortage of viable landfill sites.

   a. Recyclable packaging material is a major thrust.

   b. Other firms use less packaging material.

   c. European countries have been trendsetters concerning packaging guidelines and environmental sensitivity. U.S. firms marketing in Europe have responded to these guidelines, and ultimately benefited U.S. consumers.

3. **Health, Safety, and Security Issues**.

   a. A majority of U.S. and European consumers believe companies should make sure products and their packages are safe, regardless of the cost.

   b. New packaging technology and materials that extend a product's *shelf life* (the time a product can be stored) and prevent spoilage continue to be created with special applications for developing countries.

4. **Cost Reduction**.

   a. About 80 percent of packaging material used in the world consists of paper, plastics, and glass.

   b. As the cost of these materials rise, firms try to find innovative ways to cut packaging costs while delivering value to their customers.

V. PRODUCT WARRANTY

- A final component for product consideration is the **warranty**, which is a statement indicating the liability of the manufacturer for product deficiencies.

- There are various types of product warranties with different implications for manufacturers and customers:

  a. *Express warranties* are written statements of liabilities. The FTC has required greater disclosure on express warranties to indicate whether the warranty is:

  - A *limited-coverage warranty* specifically states the bounds of coverage and areas of noncoverage.
  - A *full warranty* has no limits of noncoverage.

  b. The *Magnuson-Moss Warranty/FTC Improvement Act* (1975) regulates the content of consumer warranties and so has strengthened consumer rights with regard to warranties.

  c. *Implied warranties* assign responsibility for product deficiencies to the manufacturer.

  d. Brands with limited warranties tend to receive less positive evaluations compared with full-warranty items.

  e. The trend now is toward "strict liability" rulings, where a manufacturer is liable for any product defect, whether it followed reasonable research standards or not.

  f. Warranties represent much more to the buyer than just protection from negative consequences—they can hold a significant marketing advantage for the producer.

LEARNING REVIEW

7. What are the five criteria mentioned most often when selecting a good brand name?

Answer: The brand name should: (1) suggest the product benefits; (2) be memorable, distinctive, and positive; (3) fit the company or product image; (4) have no legal or regulatory restrictions; and (5) be simple and emotional.

8. Explain the role of packaging in terms of perception.

Answer: It enables the product to be easily recognized by consumers and allows the company to differentiate itself from competitive offerings.

9. **What is the difference between an expressed and an implied warranty?**

   Answer: Express warranties are written statements of liabilities. Implied warranties, which are unwritten, assign responsibility for product deficiencies to the manufacturer even if the retailer sells the product.

APPLYING MARKETING KNOWLEDGE

1. **Listed here are three different products in various stages of the product life cycle. What marketing strategies would you suggest to these companies? (*a*) Canon digital cameras—growth stage, (*b*) Panasonic high-definition television—introductory stage, and (*c*) handheld manual can openers—decline stage.**

   Answers:

   a. **Canon digital cameras (growth)**. Canon must try to generate selective demand in the face of increasing competition that occurs during the growth stage of the product life cycle. The company could offer new features, such as higher megapixel resolution or add accessories, such as lens, for the same price as preceding models.

   b. **Panasonic high-definition television (introductory)**. Panasonic must generate awareness by running ads or generating publicity for its high-definition TVs at venues such as the annual Consumer's Electronics trade show. The company must stimulate primary demand.

   c. **Handheld manual can openers (decline)**. Handheld can opener firms may choose to market their can openers in developing countries where electricity is not widely available in households or where electric can openers are viewed as a discretionary item.

2. **It has often been suggested that products are intentionally made to break down or wear out. Is this strategy a planned product modification approach?**

   Answer: Sellers rarely make products deliberately intended to break down or wear out but they often reduce the product's life expectancy ("engineered obsolescence") and quality to lower the price and make it more affordable to consumers. These consumers may then replace the worn out product with a newer, upgraded one—which in this case is a "planned product modification approach."

3. **The product manager of GE is reviewing the penetration of trash compactors in American homes. After more than two decades in existence, this product is in relatively few homes. What problems can account for this poor acceptance? What is the shape of the trash compactor life cycle?**

   Answers:

   a. **Poor acceptance**. The trash compactor is a high-learning product. The problems for poor acceptance include convincing consumers there is a benefit to compacting trash. There is also a fear among consumers about having a household appliance that has such force. Also, safety is a persistent worry.

   b. **Life cycle shape**. The trash compactor's product life cycle would seem to be in an extended introduction stage; its shape depicts a gradual rise in total product sales over two decades.

4. **For years, Ferrari has been known as the manufacturer of expensive luxury automobiles. The company plans to attract the major segment of the car-buying market who purchase medium-priced automobiles. As Ferrari considers this trading-down strategy, what branding strategy would you recommend? What are the trade-offs to consider with your strategy?**

   Answers:

   a. **Branding strategy recommendation**. Due to the brand equity in the Ferrari name, a multibranding strategy should be employed since the medium-priced car is targeted at a significantly different market segment. Car makers such as Toyota (Lexus), Nissan (Infinity), Honda (Acura), and General Motors (Cadillac), etc. employ this strategy.

   b. **Branding strategy trade-offs**. Trading down for Ferrari is very risky. The firm may lose the profitable, luxury market that purchases its expensive cars. If Ferrari develops a new car, it should choose a different Italian-sounding brand name. The company might promote its heritage as "designed by the makers of Ferrari." This different name might minimize the impact on their loyal buyers. Obviously, this approach means the company must spend more money promoting the name of this new car.

5. **The nature of product warranties has changed as the federal court system reassesses the meaning of warranties. How does the regulatory trend toward warranties affect product development?**

   Answer: The strict liability rules will make manufacturers more cautious about the products that they bring to market. Companies will have to spend more time in the development process to ensure there are no defects or complications that will make them liable for repairs or replacement of faulty products.

BUILDING YOUR MARKETING PLAN

For the product offering in your marketing plan,

1. **Identify (*a*) its stage in the product life cycle and (*b*) key marketing mix actions that might be appropriate, as shown in Figure 11-1.**

   Answer: Question #1 really applies best to a marketing plan for a product or service more than, say, a retail shop or a college club. In the latter cases, formal product life cycle analysis is less appropriate.

2. **Develop (*a*) branding and (*b*) packaging strategies, if appropriate for your offering.**

   Answer: Similarly Question #2b applies mainly to a marketing plan for a physical product. However, broad branding issues can apply to a product, service, or retail shop. In the case of the retail shop, its name and possible logo or catchy phrase may be a vital part of gaining customer awareness.

SLN 11-1: SUPPLEMENTAL LECTURE NOTE

What's in a Name? Ask the California Dried Plum Board

If a consumer is looking for prunes at a local grocery store, they will have to look for dried plums. Prunes don't exist anymore, according to the California Dried Plum Board, formerly known as the California Prune Board.

In 2001, the U.S. Food and Drug Administration gave its approval for renaming prunes dried plums. This approval followed several years of lobbying by prune growers. Marketing research had consistently shown that prunes had an image problem. They are too dark, too laxative, and made consumers think of breakfasts in nursing homes populated by the elderly. The prune stereotype was as a medicinal food for grandparents, rather than a healthful nutritious food for people who lead a youthful, active lifestyle.

The solution to this image problem? Change the name. Today's prunes are dried plums and positioned as an energy snack. Has the name change bolstered sales of dried plums, the fruit formerly known as prunes? The California Dried Plum Board says 'yes.' According to the Board's marketing director, "Not only did we stop the six-year decline we'd been facing, but our sales actually rose by 10 percent following the name change."

Sources: "That's Dried Plums to You," *Dallas Morning News* (February 2, 2001), p. 20; "What's Black and Wrinkled?," *The Economist* (August 5, 2000), p. 33; and Sonia Reyes, "Dried Plum Print Push Pares Prunes," *Brandweek* (August 12, 2002), p. 6; and "What' s in a Name?," *Incentive* (April 1, 2003), p. 18.