Products, New Product Development Process, Branding

Illustrative Product decisions

a. Corporate product portfolio including mergers and acquisition decisions and changing portfolio

b. SBU product portfolio including design of new product development process and product deletion decision

c. Product line positioning, width and depth of product line, product modification

d. Brand positioning

Factors affecting product decisions

- the consumer
- the competitors
- the environmental factors
- firm's own objectives and resources

Understanding Products

Product

A product is anything (bundle of benefits) that can be offered to a market to satisfy a want or need. An offering consists of the product features / Quality, service mix/quality, value based price. Products include - physical goods (automobiles), services (musical concert), persons (electoral candidate), Experiences (air journey), events (cricket match), tourist places (Kashmir), Properties (Leela Penta Hotel), organizations(hospitals), information(trade Shows) and ideas(family planning)

Analysing the Five Product Levels – Indica Automobile

Core benefit - Transport

Basic Product - 4 wheel closed car

Expected product - good performance - all specs in the ad in small letters

Augmented product - wants beyond expectations - best after sales service even though not required

Potential product - possible evolution for the car of tomorrow

Classification of products

- durability, tangibility basis
  - durables, nondurables/consumables, services

- use basis
  - consumer, industrial, military, government

Industrial goods

- **raw materials and parts**
  - natural and manufactured raw material, components, subassemblies/modules, semi-knocked down kits
- **capital items**
  - Installations - buildings and plant
  - Equipment - portable factory equipment and office equipment
  - turnkey projects
- **supplies / consumables and business services**
  - operating supplies (paper, lubricants); maintenance/repair items (paint) and maintenance / repair service(Copier repair), business advisory services (legal, management

    consulting, advertising)

Consumer Goods Classification

Convenience goods - staples (soaps), impulse (gum)
emergency (umbrellas)

Shopping goods - homogenous (fans, food mixers -
price significant), heterogenous (textiles, furniture
- non price issues also signficant)

Specialty goods - goods with unique characteristics or brand identification - cars, cameras

Unsought goods - Special selling effort reqd
- encyclopedias, life insurance .

Product Hierarchy

Need Family: Personal Transport

Product Family: Automobiles

Product Class: 4 wheelers

Product Line: Passenger cars

Product Type: Mid size car

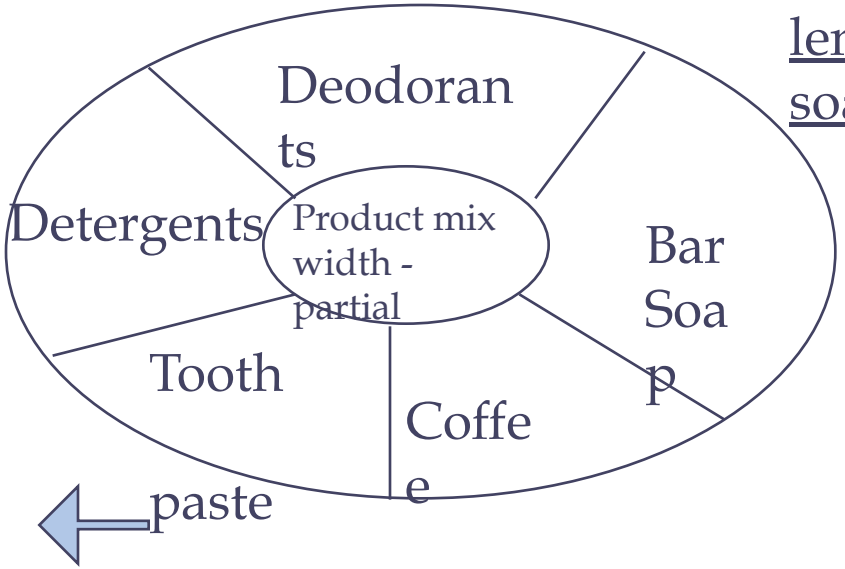
Brand: Maruti

Item: Esteem AX

PRODUCT SYSTEM – PC +PRINTER+ OPERATING SYSTEM + APPLICATION S/W + MOUSE

P&G Product-Mix vs Product line

Crest comes in two formulations and three sizes and so has a **depth** of six



Product Line length for Bar soaps

Ivory
Camay
Lava
Kirk's
Zest
Safeguard
Coast
Oil of Olay

Product Line length for Toothpaste

Gleem
Crest

P& G's product lines are **consistent**(closely related to each other) in distribution

Major elements of managing products

Product Life Cycle

Product Portfolio Analysis

Objectives of Product Portfolio Analysis

Product Line Management

Product Life Cycle

Making the PLC Operational / Issues to Look at PLC

1. Unit of Analysis – Product Class, Product Form, Product Line…..

2. What is the relevant market to which the PLC applies
   Relevant Product Market + Relevant Geographic Market

3. What is likely lifecycle pattern to emerge
   - fad, fashion, style, cycle-recycle, staple

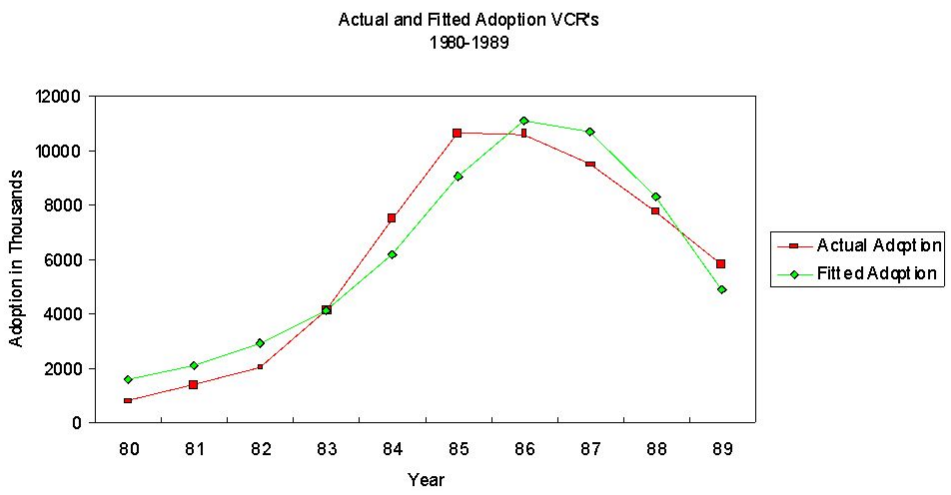
4. Identifying the product's stage in the PLC Model

5. Unit of measurement of PLC – unit sales, rupee value

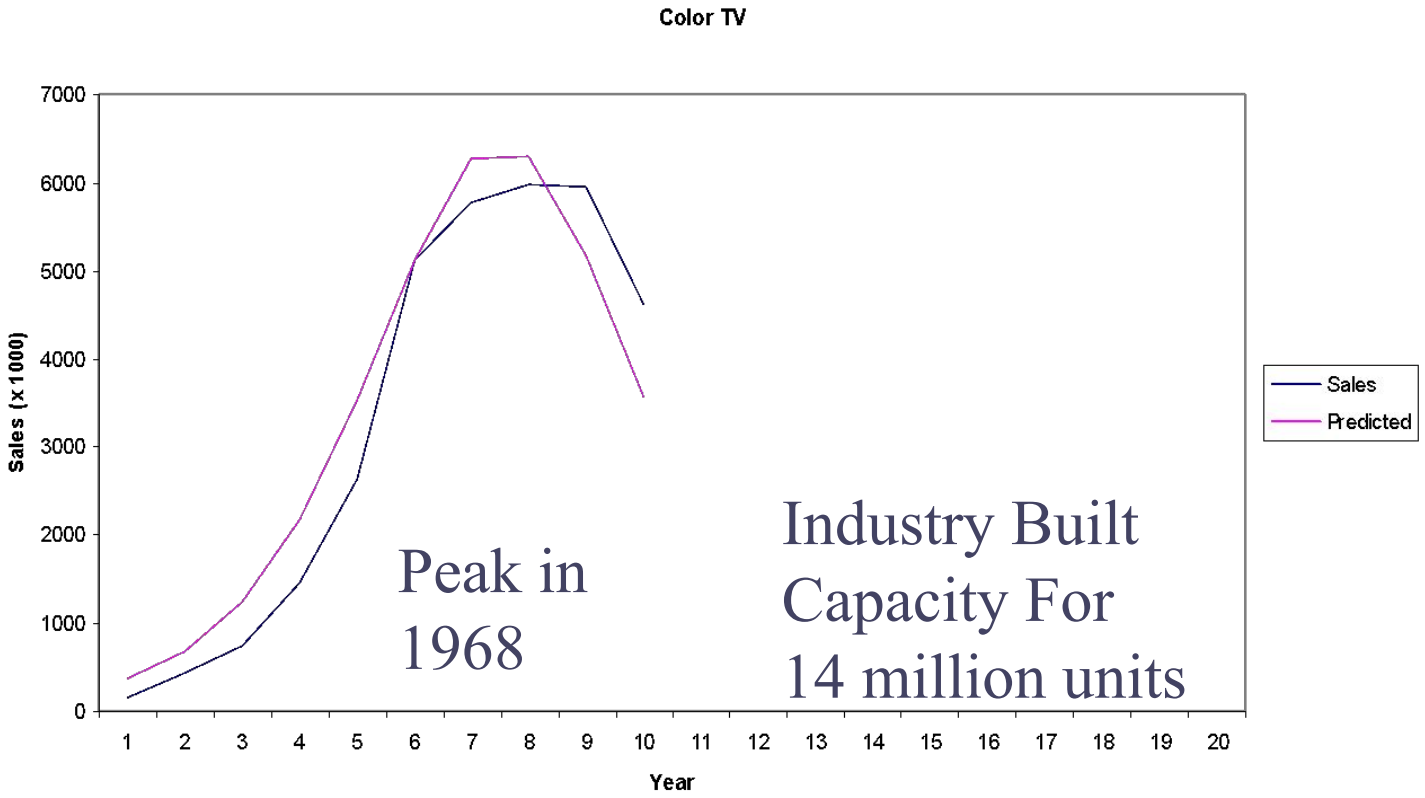
6. Develop PLC on weekly, monthly, quarterly or annual data

Empirical Generalization: Always (Almost) Looks Like a Bass Curve

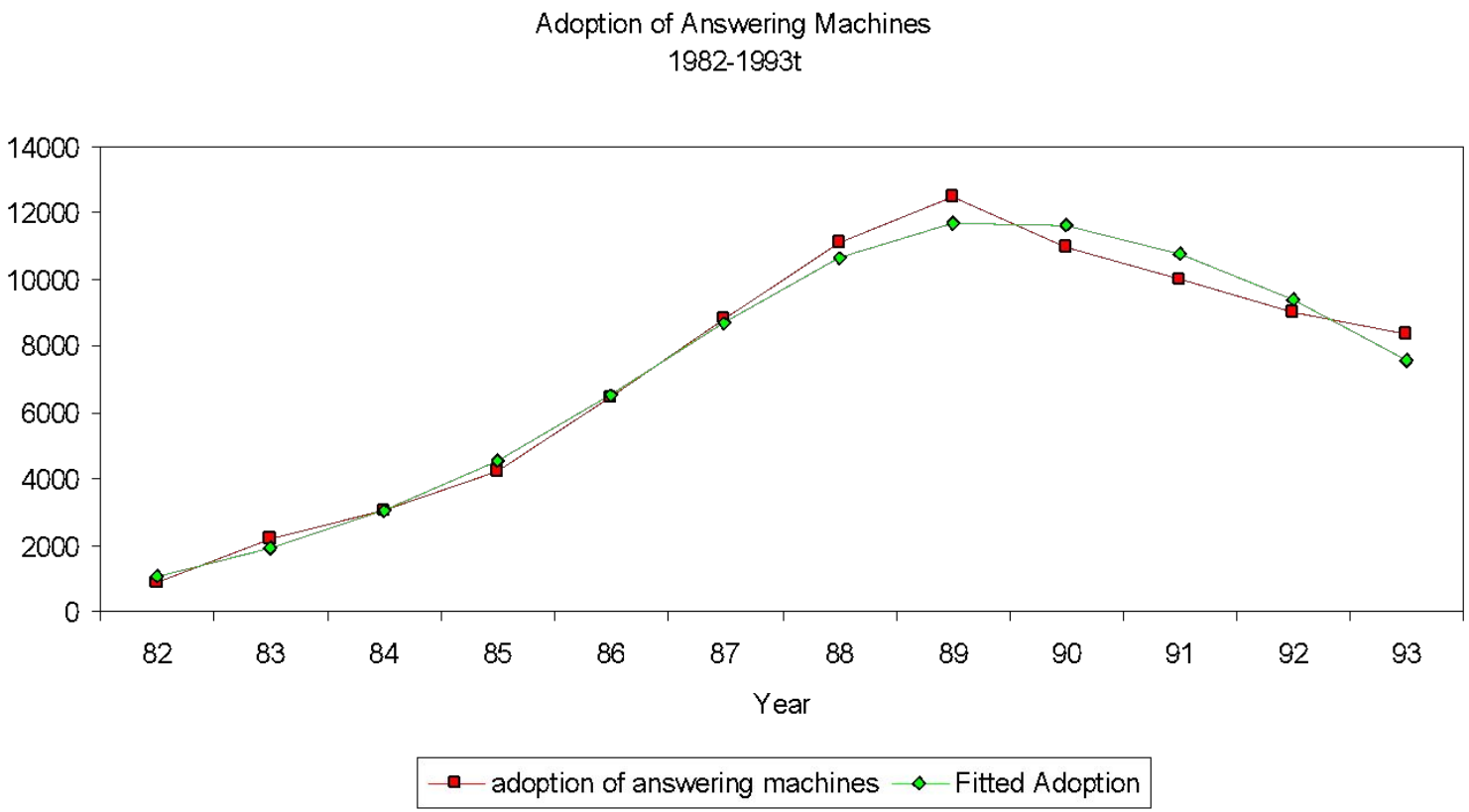
Adoption of VCR's



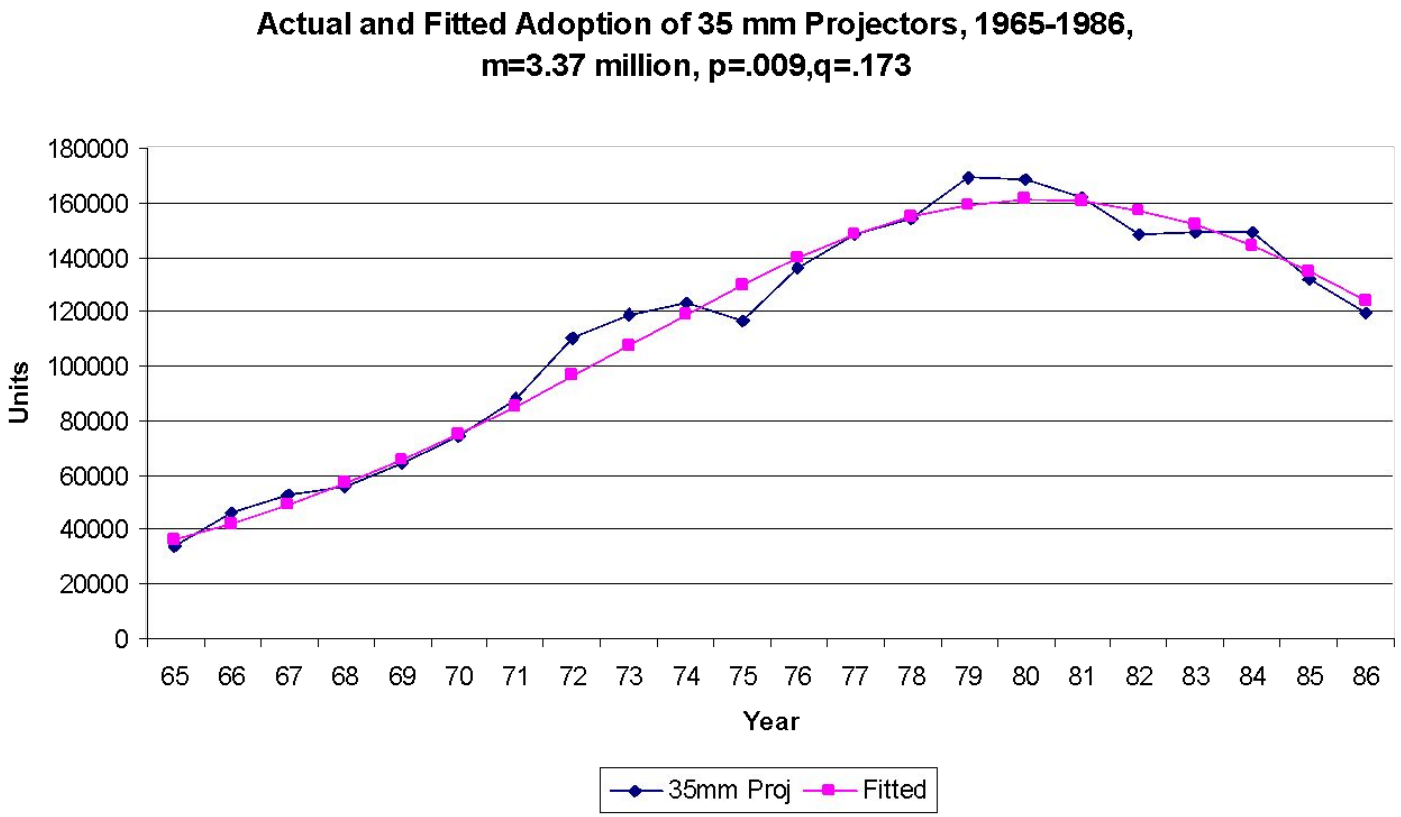
Color TV Forecast 1966



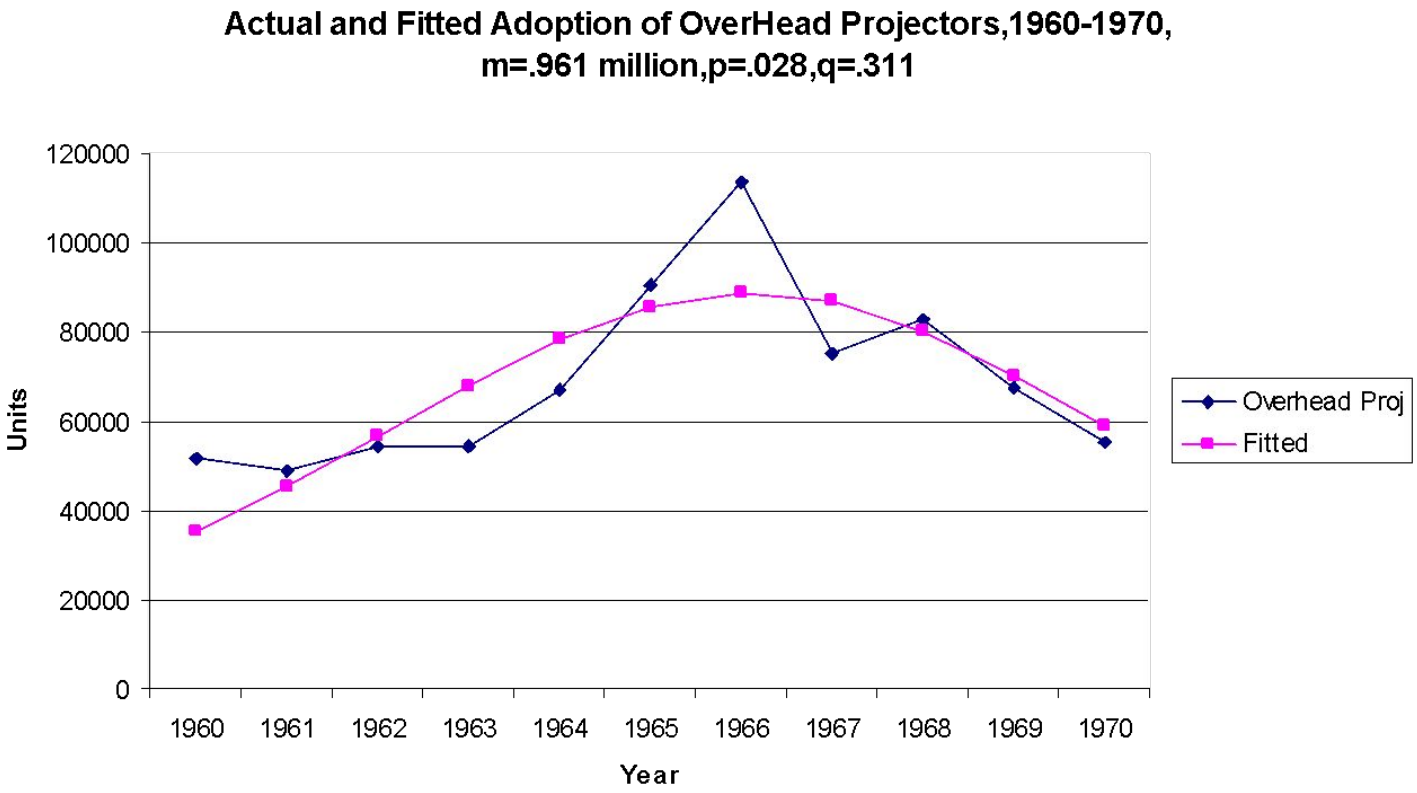
An Empirical Generalization



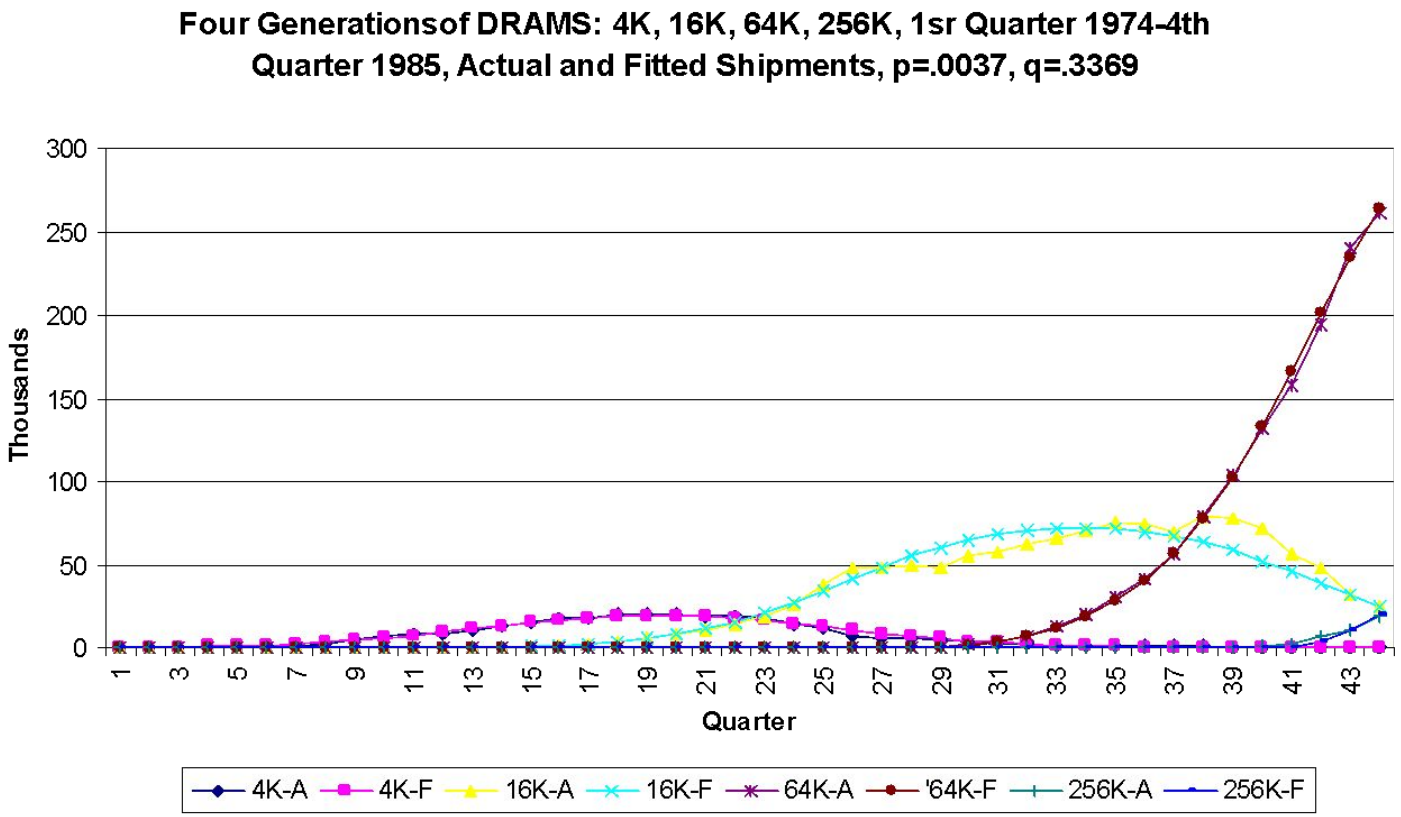
Another Example 35 mm Projectors



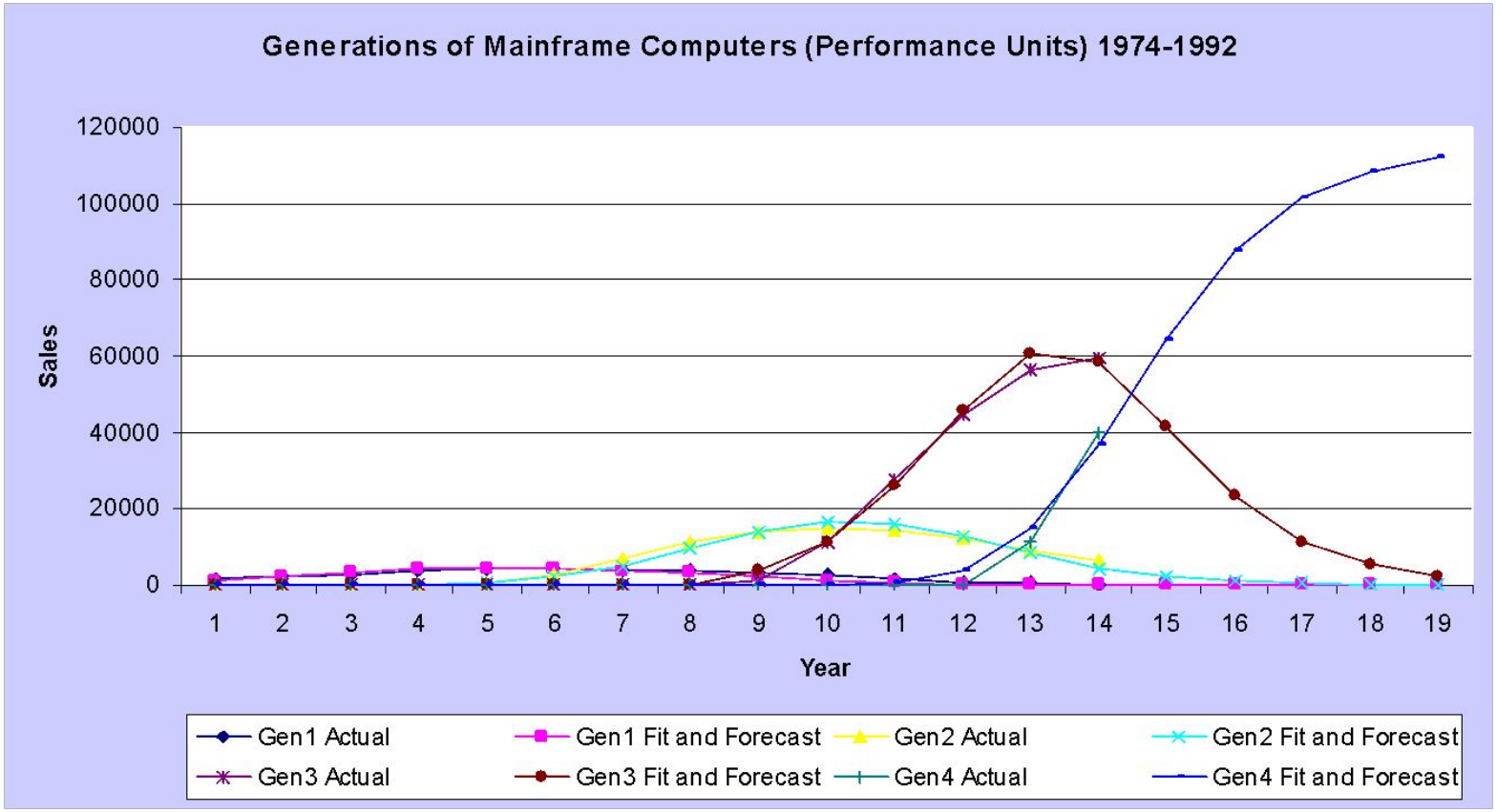
Another Example: Overhead Projectors



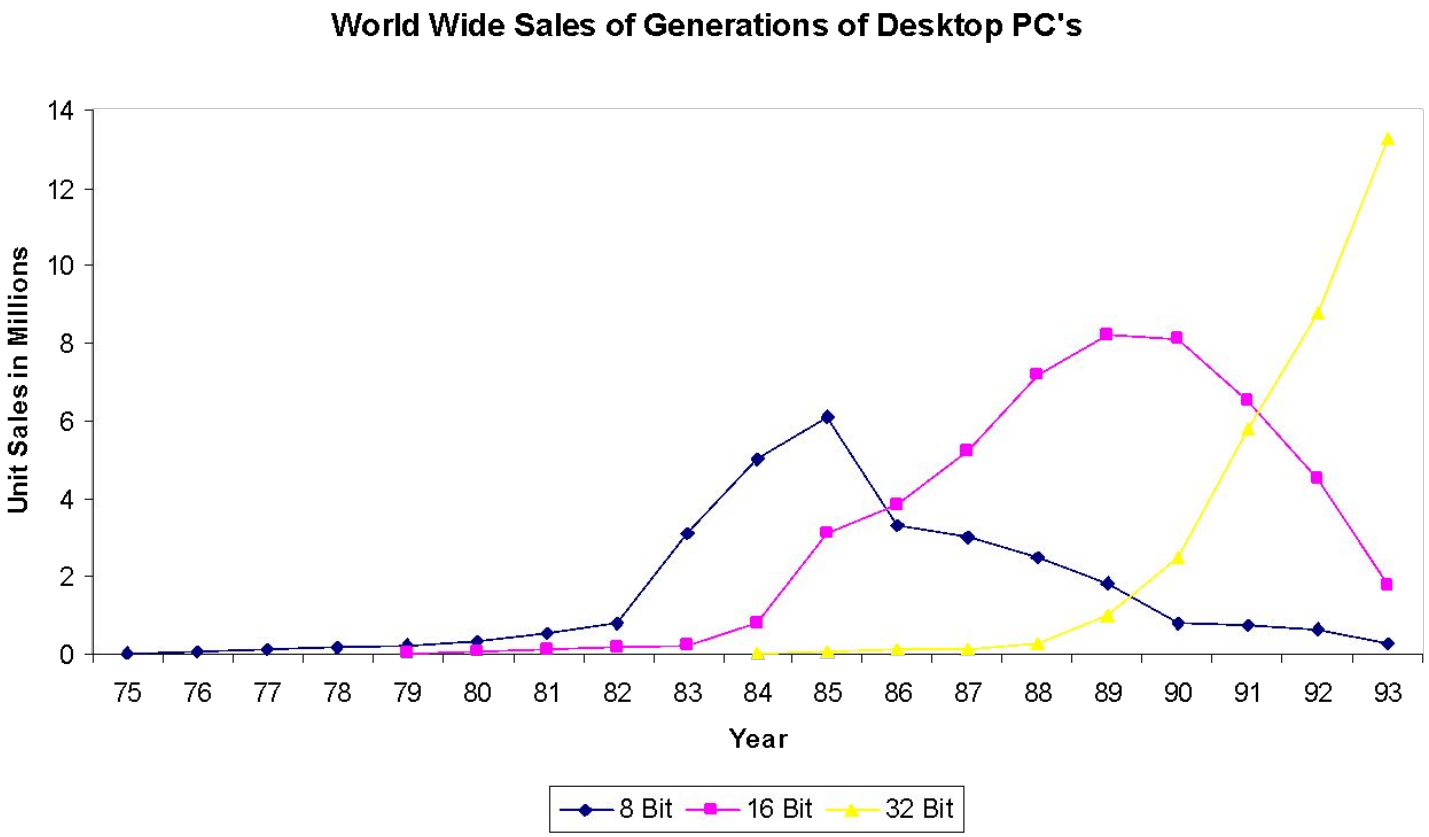
Capture Law- DRAMS
Norton and Bass: *Management Science (1987)*
Sloan Management Review (1992)



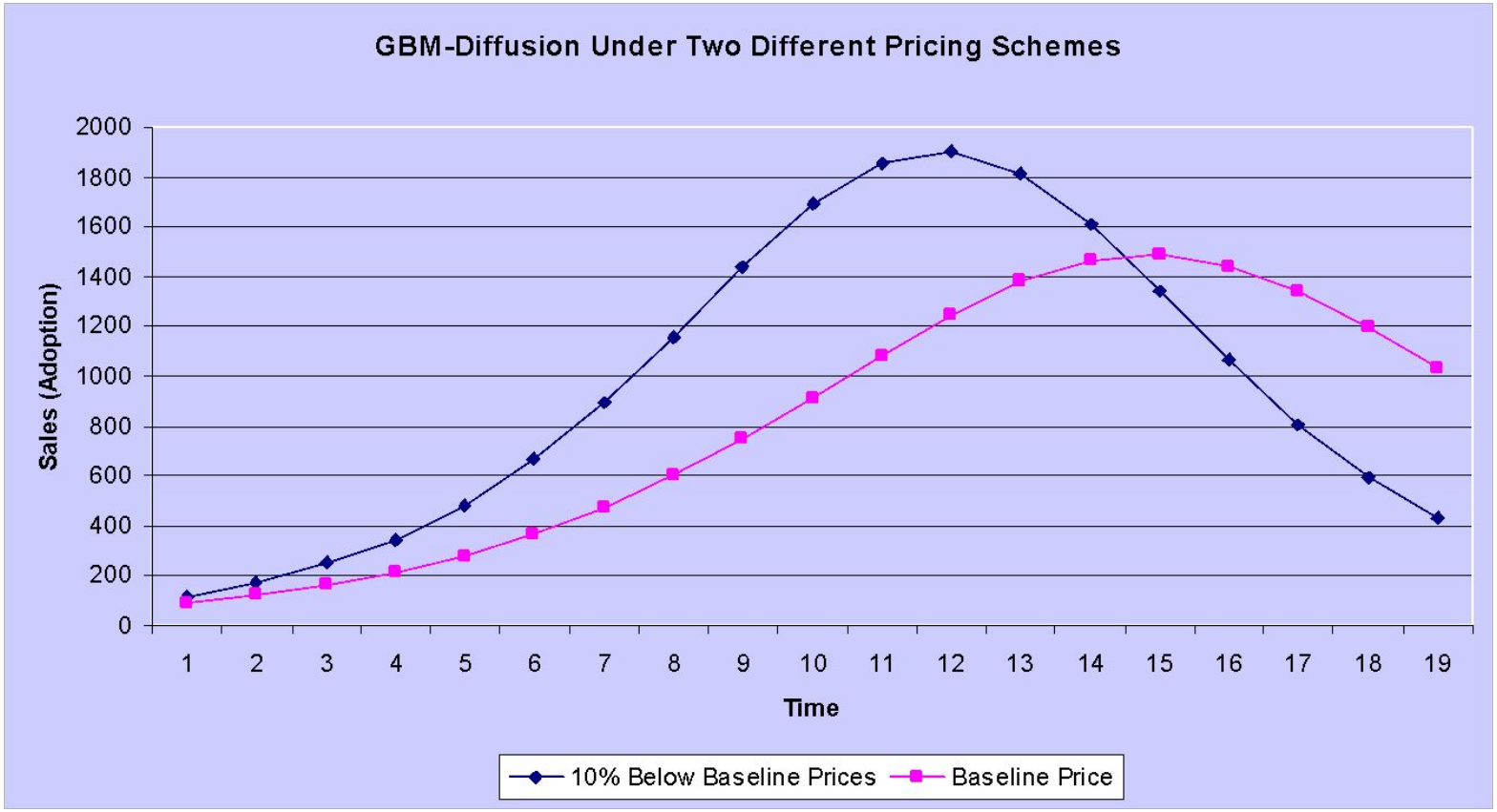
Capture Law-Mainframes-Beautiful!



Generations of PC's



Effects of Different Prices

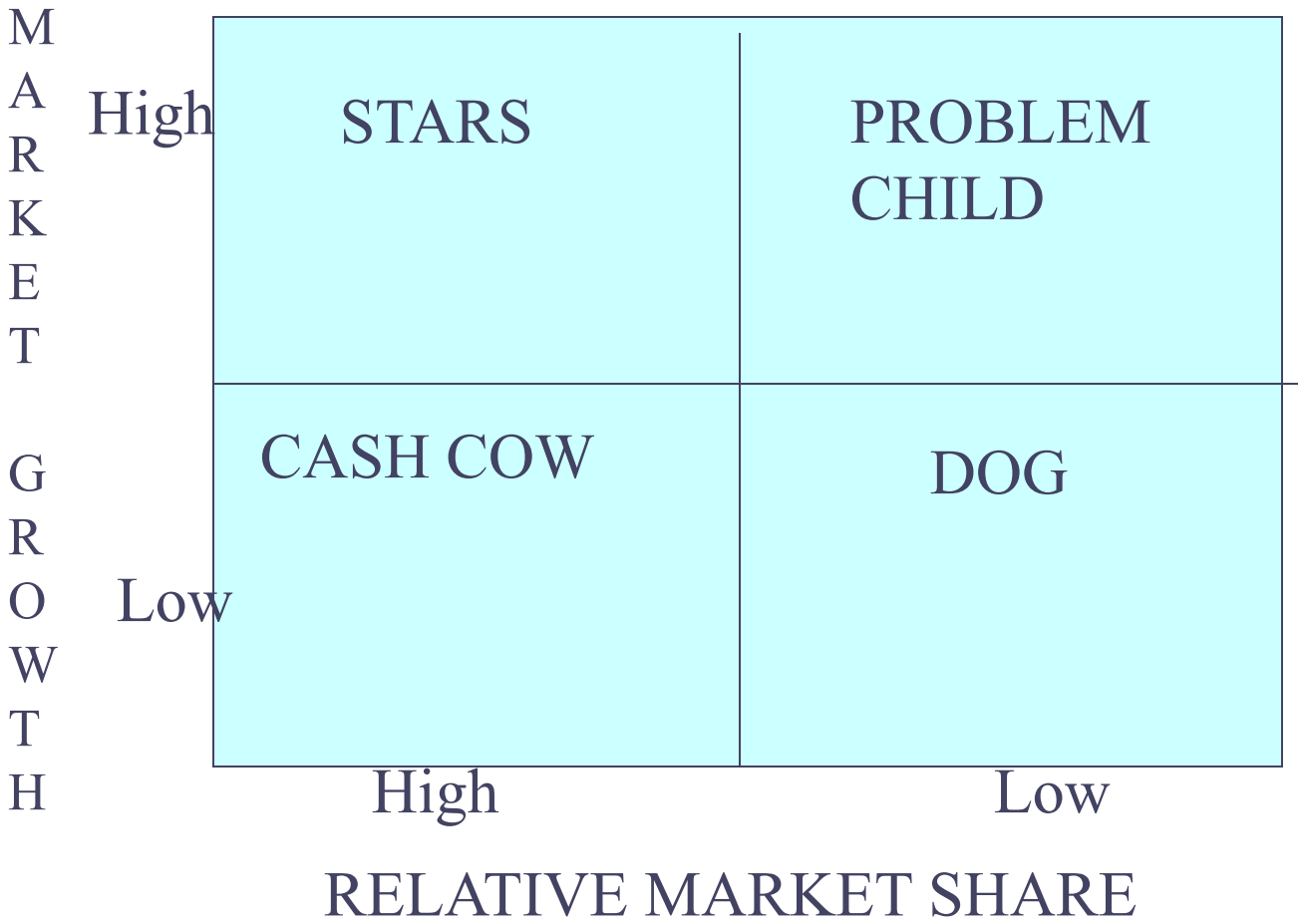


Product Portfolio Analysis

Objectives of Product Portfolio Analysis

1) Resource allocation among products and markets
2) portfolio analysis of competitors leads to a refined understanding of competitive strategy by action – reaction steps
3) Assess the marketing effort for each product to direct it in the product portfolio from one place to another

Boston Consulting Group- Growth share matrix.



Shell International directional policy matrix

	Prospects for sectors profitability			
		Unattractive	Average	Attractive
Company's Competitive Capabilities	Weak	Disinvest	Phased withdrawal	Double or quit
Company's Competitive Capabilities	Average	Phased withdrawal	Custodial Growth	Try harder
Company's Competitive Capabilities	Strong	Cash generation	Leader	Leader

Competitive capabilities- Market position
- Production Capability
- Product R &D

Mc Kinsey/GE Business Array

Industry attractiveness – Size, Market Growth, Pricing, Mkt. Diversity Competitive Structure, Industry Profitability				
Business strength - Size - Growth - Share - Position - Profitability - Margins - Tech. Position - Image - People		**High**	**Medium**	**Low**
	High	Investment and growth (G)	Investment and growth (G)	Selectivity/ Earnings
	Medium	Investment and growth (G)	Selectivity/ Earnings	Harvest
	Low	Selectivity/ Earnings	Harvest	Harvest

Product performance matrix

Company sales		Decline			Stable			Growth		
Industry sales	Profitability / MKT share	Below target	Target	Above Target	Below target	Target	Above target	Below target	Target	Above target
Growth	Dominant									
	average									
	Marginal									
Stable	Dominant									
	average									
	marginal									
Decline	Dominant									
	average									
	Marginal									

Product Line Management

- Product Line analysis
- Product line length management

Product Line Analysis

Study sales and profits of each item in line, to see Which to build, maintain, harvest, divest. Do ABC Analysis on sales / profits

Core products – Basic Computers – low margins
Staples – CPUs, Memory chips – higher margins
Specialties – digital movie equipment – still higher margin
Convenience items – monitors, printers –high volume high margin

Manage each of the above four types of products differently

Market Profile: Examine how the line is positioned against Competing lines. Understanding corresponding competing Products between your line and competitor's line. Understand Gaps in product line and understand market segements

Product Line Length Management

Product line objectives would be to induce both up selling and cross selling

High Market share seeking firms will have longer product lines. High profitability seeking firms will have shorter lines of important / more profit product items.

Product line length Management

Line stretching

Upward – Maruti – 800, Omni, Esteem, Baleno, Toyota - Lexus

Downward – Surf – Wheel

Two way - Rural Transport Vehicle – Ambassador – Mitsubishi Lancer (Hindustan Motors)

Line Filling (each item should produce a just noticeable difference)

TVS50 --- TVS Scooty --- TVS SUZUKI Mobike

Line Featuring: (oft promoted brand in line)

Lux in Soaps for HLL

Line modernization – Intel in Microprocessors

Line Pruning – First Ruf & Tuf ready to stitch kits. Later Ruf & Tuf Jeans

Developing New Products

Firm end

- New Product Development Process

Consumer end

- Consumer Adoption Process

New Product Development Process

Make or Buy Decision

Issues to New Product Development

Steps to New Product development Process

Factors for success of new product launches

New Product Strategies - Reactive and Proactive

Some reasons for new product failures

Make or Buy Decision

Considerations

1. Timing Considerations
2. Superiority of ‘Buy’ technology
3. Cost considerations
4. Management, Legal and Market feasibility

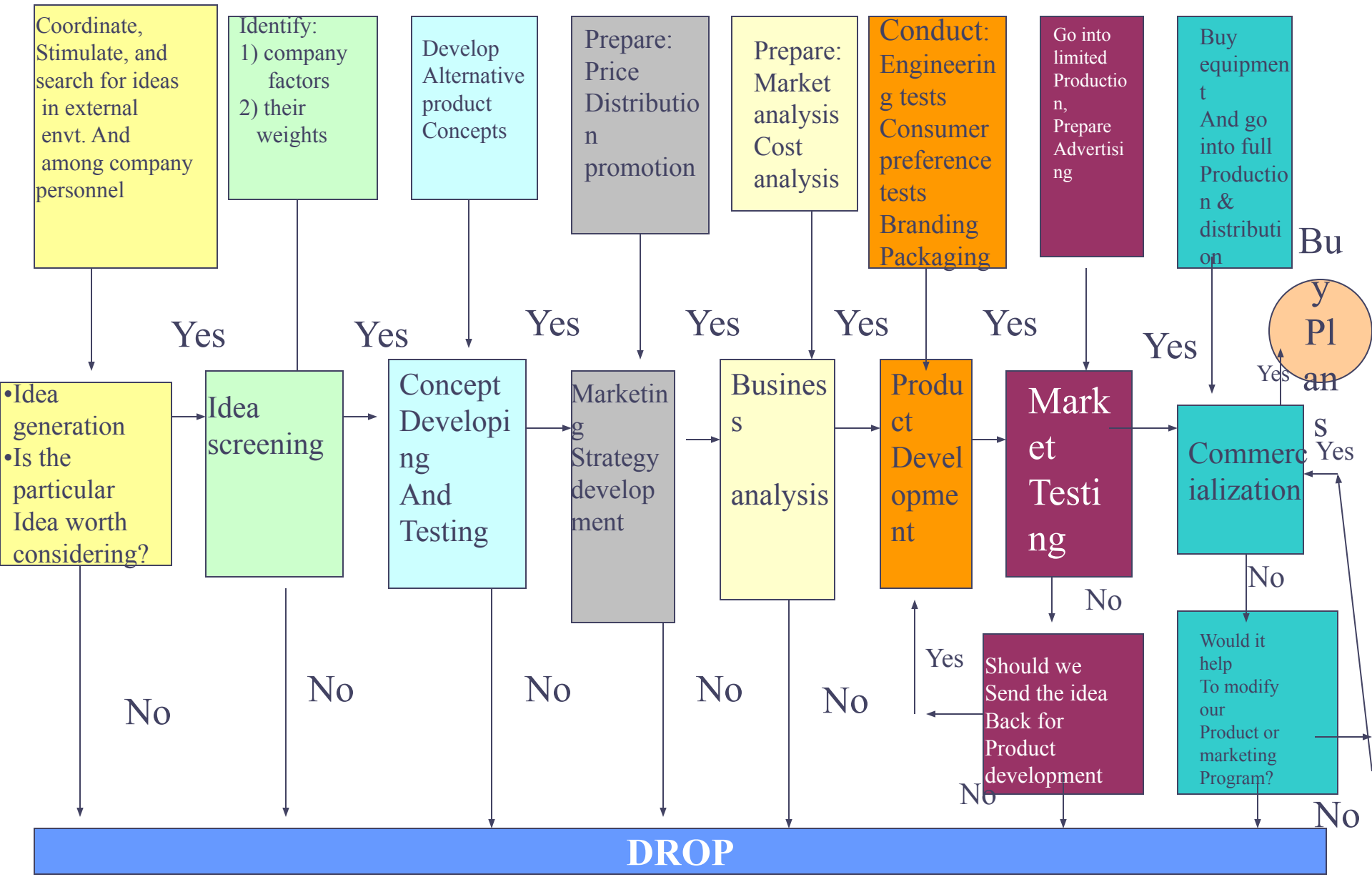
Some Issues to New Product Development

1. Factors hindering new product development
   - Shortage of important ideas
   - Fragmented markets
   - social and government constraints – Pollution standards – implementing them may increase cost relative to what market can bear
   - cost of development very high
   - capital shortages
   - demands for shorter development time – competition catches up quickly

2. Budgeting for New Product development
   - how much money to provide for each project
   - how many projects to provide
   - how to grapple with failure
   - how to reward success

3. Organizing for New Product development
   - New Product Managers, New Product Department
   - Cross Functional Venture Team
   - Stage Gate System – GO, KILL, HOLD, RECYCLE

New product development decision process



Idea Generation

Creativity Techniques + Interacting with others

Idea Screening

Drop Error (Wheel after Nirma)
Go Error (Edsel)
Weighted Index method of factors to success and relative weights

Concept Development

Idea converted to a usable proposition with a price for a particular target market. Product positioning map is used to find the ideas position in relation to competition (cornflakes with idli,dosa etc) and then the idea is used in concept development . The brand positioning is also used to evaluate the features and benefits the brand should have.

Concept Testing

- Simple presentation of concepts, rapid prototyping, virtual reality
- use of conjoint analysis technique to test consumer preferences with alternative concepts
- check concept on – communicability, believability, need level (or intensity), gap level (gap between current products and need), perceived value, purchase intentions, user targets, purchase occasion and purchase frequency.

Marketing Strategy

- Marketing strategy plan is made that consists of

a. target market analysis, positioning, sales, market share and profit goals in the first few years

b. planned price, distribution strategy and marketing budget for first year

c. long run sales and profit goals and marketing mix over time.

Business Analysis

- Assess Business Attractiveness
    - Estimate total sales – BASS Model, one time, repeat
        + replacement sales slide)
    - Estimate Costs and profits
    - Breakeven analysis
    - Risk analysis (optimistic, pessimistic and likely profit plans)

    Absolute Product Failure – Variable cost not recovered
    Partial Product Failure – Fixed Cost not recovered
    Relative Product Failure – Target ROI not achieved

Product Development

- Prototyping – conversion of customer attributes into engineering attributes
    - acceleration rate into required horsepower
- Customer testing – either alpha or alpha and beta
    - alpha testing – test within the firm to see how it performs
    - beta testing – refine the prototype after alpha test – test with consumers, opinion leaders, several decision makers

      consumer preferences measured on 3 scales
        - Rank Order
        - Paired Comparison
        - Monadic rating like a seven point interval scale

Market Testing

(Limited Market Info – then test; Risky products – Then test)

Consumer

Sales Wave Research – repeated offer of the product at a reduced price noting down the repeat purchase and satisfaction

Simulated Test Markets – used for testing advertising effectiveness, trial rates

Controlled Test Markets- panel of stores are enlisted to check sales, local ad and promo effects

Test Markets – How many test cities, Which cities, Length of Test, What information to collect, What action to take (rollout nationally – yes or no)

Variables monitored – trial, first repeat, adoption, purchase frequency

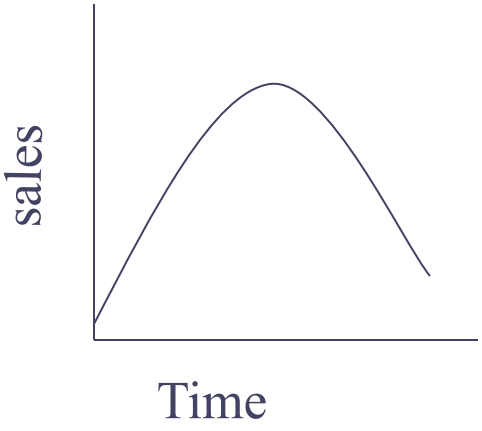
Industrial

Trade shows, Distributor and dealer displays, Test Marketing

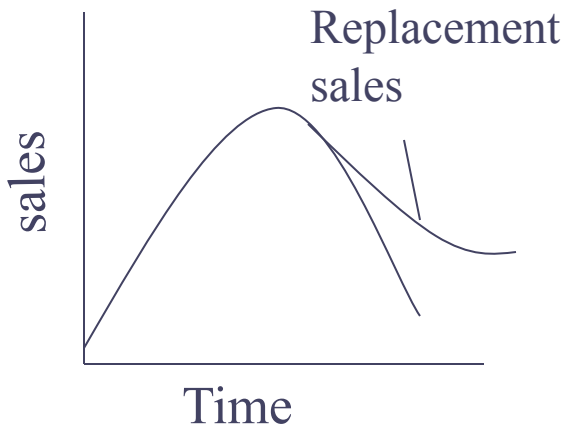
Commercialization

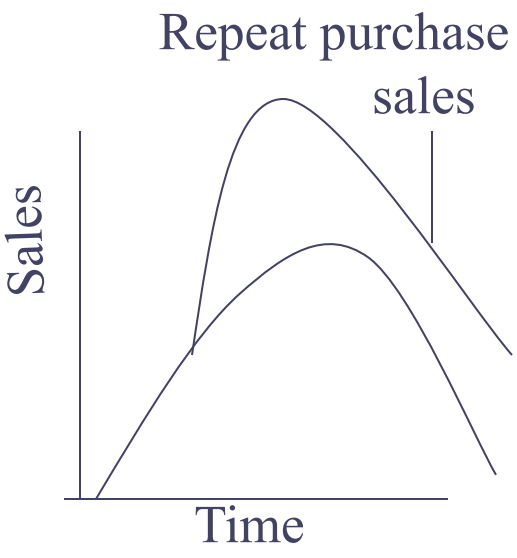
- WHEN (TIMING)
- WHERE (GEOGRAPHY)
- TO WHOM (among target market, also is it To innovators, early adopters, opinion leaders)
- HOW (Introductory Marketing Strategy)

One time purchased product

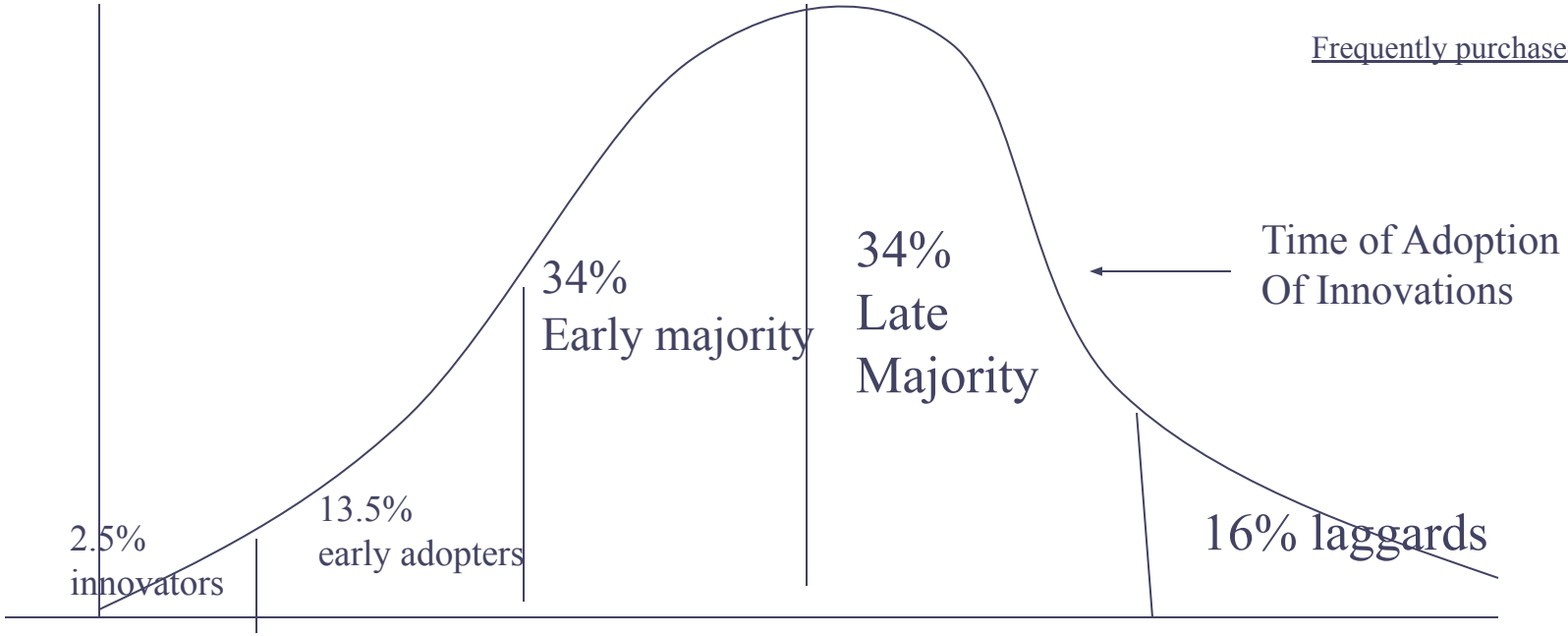


Infrequently purchased product





Frequently purchased product



Factors for success of new product launches

a) top management commitment

b) selective top management involvement in the product development process

c) development of a continuous new product development system

d) multiple product development efforts

e) continuous evaluation at each phase

f) flexibility in the product development system

General foods, for example, had the following experience over a 10 year period.

		Number of projects
1	Screening and analysis of new product ideas	600
2	Development	118
3	Test market	87
4	Market introduction	40
5	Market success	30

New Product Strategies

Reactive strategies

React to pressures of product development
From competition, within the organization

Proactive strategies

Explicitly allocate resources to preempt
Competition and market events

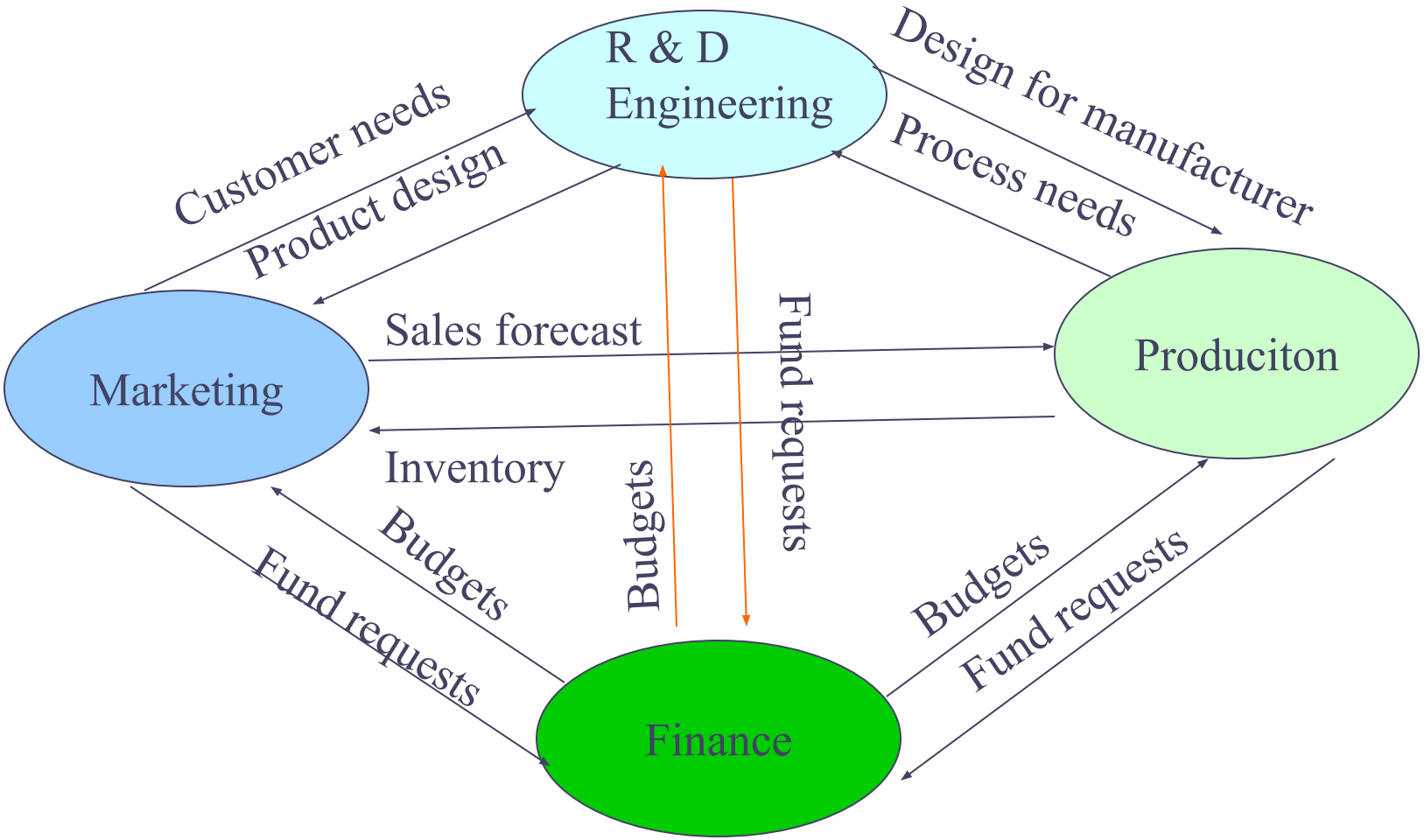
Reactive

- Defensive – defend against competitor's new products e.g. Nescafe vs Bru
- Imitative Strategy – 'me too' strategies in fashion for clothes, furniture
  Peter England after Louis Phillipe; NIMA after NIRMA
- Second but better strategy – copy and improve
  Lotus 1-2-3 was second, Visicalc was first
  Dove was first, Mysore Sandal Gold was later in a local market sense
- Purposively reacting to customer requests e.g. landscaping

Proactive

- Initiate new R&D projects in a planned manner so new products Are introduced e.g. IBM, HP, Microsoft especially Windows
- Marketing – Systematic need analysis and gap analysis to identify Products and services e.g. HLL, P&G, Colgate
- Entrepreneurial – INFOSYS – Entrepreneur makes it happen. At 3M there is a separate division for entrepreneurial new product introductions
- Acquisitions / Alliances – HLL of TOMCO, AT&T-BT, Toyota - Kirloskar

4. Cross-functional integration in new product strategy



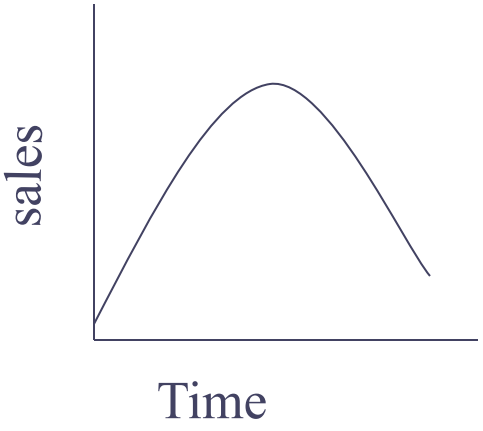
SOME REASONS FOR NEW PRODUCT FAILURES

1. Market too small – Imported cars
2. Poor match or fit with company – Unilever Chemical Business
3. Not new / Not different – Relaunch of Godrej-Cinthol
4. No real benefit – Savings Deposit Certificates in High Inflation Environment
5. Poor positioning Vs competition – NIMA in soaps vs NIRMA
6. Inadequate support from channel of distribution
7. Forecasting errors – Cars, TVs
8. Poor Timing – Microwave Owens in early 1990s
9. Competitive Response too good – Nescape Vs Bru
10. Changes in Customer tastes – fashion goods
11. Poor after sales service – EDSEL a lemon
12. Insufficient return on investment – possibly in pharma area
13. Lack of coordination in functions – R&D designs product not needed by user – IBM PS/2

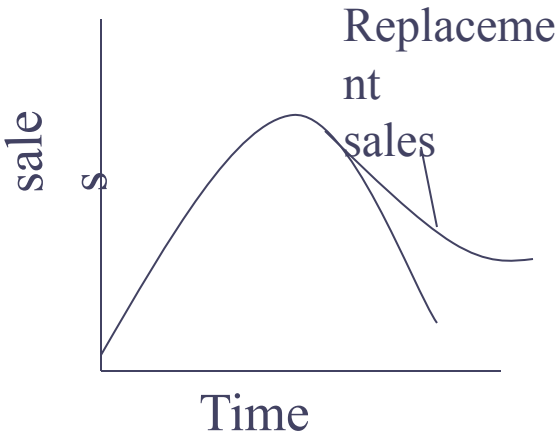
Developing New Products

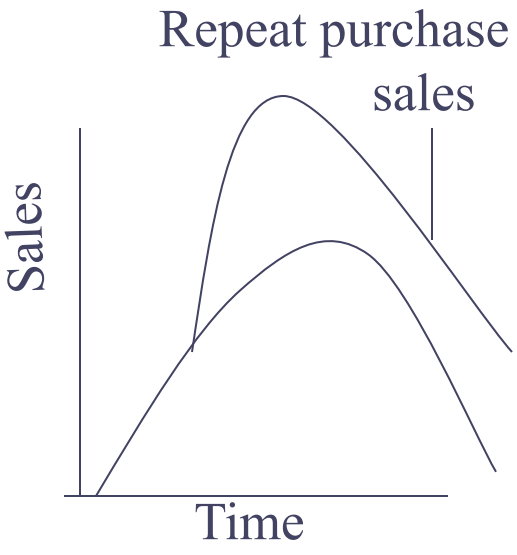
- Consumer Adoption Process - Individual level
  Awareness, Interest, Evaluation, Trial, Adoption
- Consumer Adoption Process - Aggregate level
  Diffusion process, Diffusion of Innovations
- Adopter Categorization on the basis of Relative Time of Adoption of Innovations
  Innovators, Early adopters, Early majority, Late majority
  Laggards
- Factors influencing rate of adoption
  Relative advantage, compatibility, complexity, divisibility,
  communicability

One time purchased product

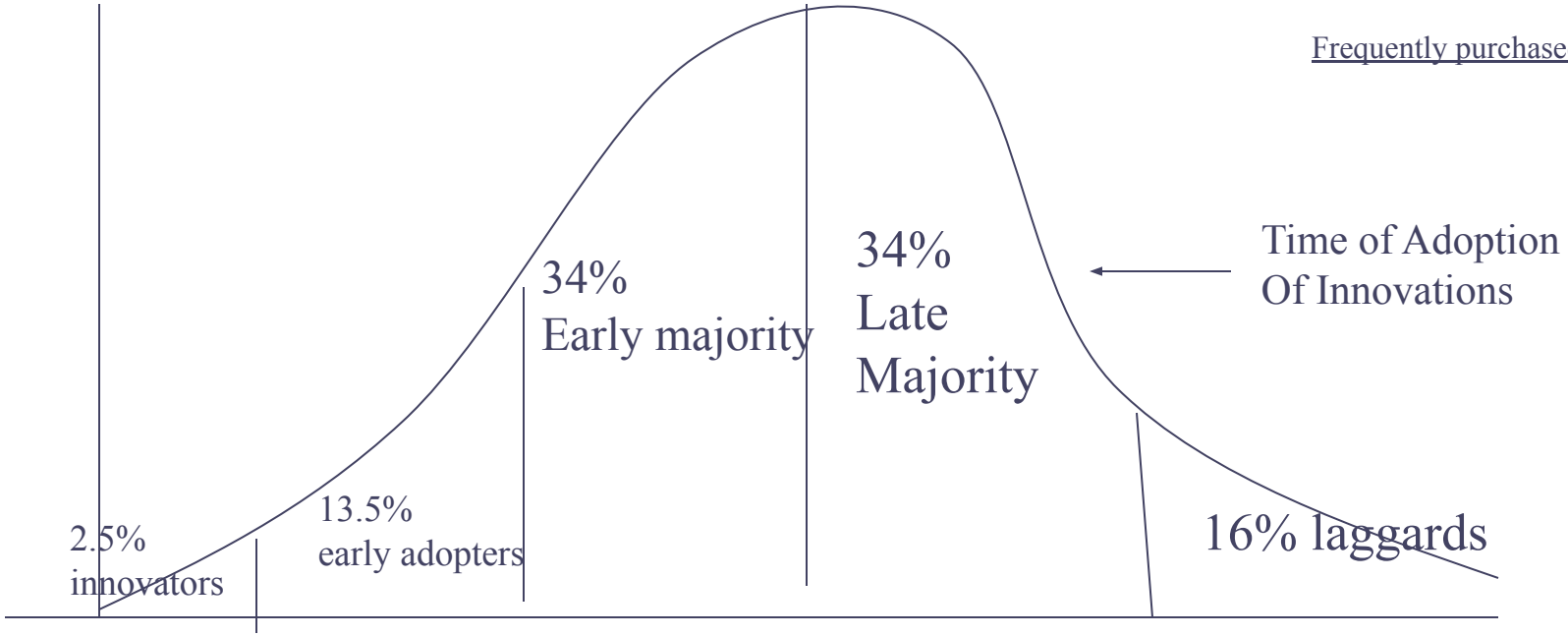


Infrequently purchased product





Frequently purchased product



BRANDING

Definition of a Brand

Issues in Brand Equity

Devising a Branding Strategy

What is a Brand

Products come to life, live and disappear but brands endure
…… Jean Noel Kapferer

Branding means nothing more and nothing less than creating a distinct personality… and telling the world about it .. Hook or crook
…….. Tom Peters

A brand should represent a program in addition to products
……. Jean Noel Kapferer

A company's brand is the primary source of its competitive advantage and a valuable strategic asset
……. David Aaker

A Brand is the sum of how consumers feel about a product
…….. Ogilvy and Mather

Why are brands built ?

1. Identify goods/services of one seller or group

2. Differentiate goods / services of one seller / group from competition

3. Reduce risk of uncertainties in demand through promise of a set of features / attributes / benefits delivered with consistent quality. The brand is a promise of the offer. Makes product less price volatile

4. Leverage across markets – e.g. Marlboro Tobacco moved into Marlboro brand classic jeans to gain on advertising for Marlboro brand as there was legal restraint on advertising tobacco; Similarly Wills cigarettes and Wills Sports

5. Makes an emotional connection with the customers and among customers

6. Move from descriptive reality to abstract reality. E.g. Palmolive originally stood for Palm products, today Palmolive stands for softness. Similarly WIPRO originally stood for Western India Vegetable products, today it stands for integrity, applying thought (generation of ideas).

Why are brands built …..cont

7. In a modern technological world, branding is a way of simplifying decision making and a way of reducing risk of consumers

8. Branding offers legal protection for unique features of a product :
   - brand naming through registered trademarks
   - manufacturing process through patents
   - packaging and designs through copyrights

   Brands are thus valuable pieces of legal property

9. Brands can develop associations with a certain level of quality

- AMA definition of a brand:

  Brand is a name, term, sign, symbol or design or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from competitors

- A brand conveys meaning about attributes, benefits, values, culture, personality, user. When the meaning is properly and fully conveyed it is deep, else it is shallow.

- A brand is a perceptual entity that is rooted in reality that reflects the perceptions and perhaps even the idiosyncrasies of consumers

- Branding is all about creating differences. Brand differences can be often related to attributes or benefits of the product (Gillette). It can also arise creating relevant and appealing images around the product by understanding consumer motivations and desires (Coca-Cola).

Levels of Brand Meaning

Brand : Bournvita

Ingredients : Cocoa

Attributes : Chocolate Taste

Benefits : Nourishing, Mentally alert, Energy

Values : Hardworking, aiming for excellence

Cultural Meaning if any : Upwardly mobile middle class culture

Brand Personality Phrase : Winner

Brand User : Healthy and hardworking child

Brand Identity is the meaning of what the brand represents and stands for and what the brand promises to customers. Normally brand identity is anchored at one or more levels of brand meaning (as shown in the previous slide). When the brand identity is anchored at the benefit level and is representing a single benefit it tantamounts to the Unique Selling Proposition.

If Colgate Dental Cream is anchored at the benefit level of strong teeth, then that Could be its USP.

Issues in Brand Equity

Defining Brand Equity

Brand Equity is a brand value endowed to products / services that helps protect and nurture product / services. Subjectively brand equity represents a surplus meaning attached to the brand, something more than the expenditure that has been incurred by the seller.

Marketing Advantages of Strong Brands

- Improved Perception of Product Performance
- Greater Loyalty
- Less vulnerability to Competitor marketing actions and crisis situation
- Larger margins
- Greater trade cooperation and support
- Increased marketing communication effectiveness
- Additional Brand Extension opportunity

Building Brand Equity

Building Brand Equity

Initial choices for the brand elements or identities making up the brand

- name, URL, logo, symbols, characters, spokespeople, slogans, jingles, packages and signage
- firms use more than one of above elements e.g. WIPRO – colored sunflower, Applying thought – slogan, WIPRO name based on earlier acronym
- choice of each element on criteria that includes memorable, meaningful, likeability, transferable to brand extensions, adaptable as times change (e.g. Lifebuoy – which retains its core proposition of health), protectible (legally)
- brand elements should be easily recognized and recalled and can reduce the burden on marketing communication to build awareness and brand associations
- Logos as important as brand names – LIC with folded hands covering a lamp, Parachute Oil with a coconut tree.

Building Brand equity

- Experience with the product or service

- Sum total of all brand contacts put together. In a long term time frame this could mean reputation

- Personalization of marketing efforts e.g. High end banks

- Integration of marketing efforts to the customer, especially integrating communications

- Internalization – everyone in the company lives the brand – good internal marketing as it would reflect in brand contacts

- Leveraging secondary associations – Coke with music concerts, Adidas with cricket (Sachin Tendulkar),

Managing Brand Equity

- Brand reinforcement to ensure that the brand value does not depreciate in time.
    - Establish a brand's abstract reality and reinforce this reality (e.g. Palmolive on softness, Nivea on skin care and personal care), through suitable line extensions and category extensions
    - Reinforce brand equity through constant innovation and relevance; Kmart failed in this to find its equities dwindling
    - Consistency of the marketing support to the brands – HLL in soaps, especially LUX.

Brand Crisis

Cola crisis in India on account of high level of pesticides, Cadbury India on account of worms in chocolates. Reactions should be swift and sincere.

-Brand Revitalization

- Go back to basics of consumer needs and wants – finding gaps in FMCG market or at the other end of spectrum – go for reinvention (Intel).
- Revitalization finds elements of both of the above, to refresh existing sources or find new sources of brand equity e.g. Lifebuoy

Issues in Branding Strategy

Parent Brand – ICICI (financial products)
Sub Brand – ICICI Prudential Life Insurance
Family Brand – Parent Brand in multiple product categories – GE
as in GE Medical Systems, GE Lighting, GE Plastics

Brand Extension
- Line Extension – Colgate with Active Salt in toothpaste line
- Category Extension – WIPRO Hydraulics – originally WIPRO consumer products

Brand Line – All products – both original and line and category extensions sold under a particular brand e.g. Colgate product
Brand Mix – the set of all brand lines that a seller makes e.g. Colgate and Palmolive
Branded Variant – Specific brand lines made available to specific retailers or distribution channels – NIKE FOR FOOTLOCKER
Licensed Product – AMCO - YUASA

An overview of Branding Decisions

Branding Decision	Brand-Sponsor Decision	Brand-Name Decision	Brand-Strategy Decision	Brand Repositioning Decision
Brand No brand	•Manufacturer brand •Distributor (Private) Brand *Licensed brand	*Individual names *Blanket family name *separate family names * Company – individual names	•Brand extensions – Line or category Multi-brands New brands •Co brands	•Repositioning •No repositioning

Brand Sponsor Decision

Manufacturer Brand – NIRMA;
Distributor brand – Sears Kenmore Appliances from Whirlpool,
Food-world Brand , Nilgiris
Licensed brand – AMCO-YUASA, Pierre Cardin and Christian Dior – licensed names for clothes of Hart Schaffner and Marx.

Brand Name Decision

Individual Names – Lexus; Blanket Family Name – TATA, GE;
Separate Family Names – Colgate Toothpaste, Palmolive Shave Cream;
Company Individual Names – Kellog's Rice Krispies, Kellog's Raisin Bran

Brand Strategy Decision

Line Extension – Colgate Dental Cream, Colgate Gel;
Category Extension – WIPRO consumer products, WIPRO Computers;
Multi-brands – HLL in soaps such as – Lux, Dove, Hamam..
New Brands – new brand in new product category – GoodKnight
CoBrands – WIPRO-GE, ICICI-HP credit cards

Product based brands vs Value based brands

Brands that are associated with a product are called product based brands.
e.g. Kellogg, Sprite, Woolworth (retailer)

Brands that are based on value tend to live longer and is easier to extend across Product items. E.g. Nestle stands for warm, caring, nutritious, healthy. Levi's s today is an umbrella brand for trousers not just jeans – Levi, Dockers, Slates; likely stands for values such as comfort, quality, style.

Celebrity endorsements tend to increase value of a brand when there is a good fit Between the celebrity endorser and the benefits the brand is supposed to possess.
Roles of Celebrity – Endorsements, Spokesperson, Peripheral route to persuasion
e.g. Benefit – performance quality; Sachin – Adidas
Brand Associations – Coke sponsors music concerts to build brand association with music.

Brand Extensions

Brand Extensions are a useful way to leverage across markets. It can facilitate new product acceptance

Brand Extensions can create positive feedback effects for the parent brand. It can Also increase market coverage. (Rexona deodorant in stick, spray, gel to cater Different segments and thereby increase coverage).

Useful to reduce rising cost of multi-brand portfolios

Create Mega Brands e.g. Nestle

Move away from product markets – Tata trucks to Tata Indica

Dilemma for category extensions is to maintain the identity of brands while playing
The rules of game for the new category

One type of brand extension is to keep brand name and product category but Change product item to suit lifestyle e.g. Lifebuoy – carbolic to noncarbolic

Brand extension helps own a concept – Palmolive today stands for softness