Chapter 9 Real People, Real Choices

Grendha is the American subsidiary of the Grendene Corporation, a major Brazilian shoe manufacturer. As Vice President of Grendha Shoes Corporation, Angelo Daros is responsible for all of the Brazilian company’s business in the United States. This includes the company’s operations, all of its brands—Rider, Melissa, and Grendha—and direct sales. He reports directly to the President of Grendene in Brazil. Angelo has been with Grendene for 16 years. He opened the American subsidiary in 1994. He earned a Bachelor’s Degree in business administration and a Master’s Degree in marketing from Fundacao Getulio Vargas in São Paulo, Brazil.

Decision Time at Grendha

Rider is one of many different shoes brands that Grendene S.A. makes and sells. The company first introduced the Rider brand as a line of sandals, mainly slides. Grendene promoted the shoes primarily in terms of their comfort: “a vacation for your feet.” This positioning allowed Rider to become a very successful sandal brand in the Brazilian market. Rider’s popularity in Brazil mushroomed to the point that the company was selling millions of pairs every month—it was safe to say that just about every person in Brazil owned at least one pair of Riders. And Riders is a very “democratic” brand that appealed to consumers at many income levels. In Brazil, the climate and culture create an environment where it is acceptable to wear sandals, particularly slides, anytime and anywhere. Riders became entrenched as a part of Brazilian life. In an effort to grow sales, Grendene opened a subsidiary in the United States in 1994 called Grendha Shoes Corporation. As part of this expansion, Grendha decided to launch the Rider brand in the American market. But slides are not as widely accepted by American consumers in all social situations, so Angelo needed a plan to position the Rider brand for the U.S. market. Angelo considered his options:

**Option 1 Position the American Rider in the same way as the Brazilian version.**

Angelo could position the line as a medium-priced line of sandals ($10 to $20), superior in quality to the unbranded products volume discounters sold. This would provide Grendha with only low to medium margins but a larger sales volume. There is no one major brand dominating this space. Competitors would be beach and surf brands like OP, Side Out, Speedo, and Body Glove that don’t have footwear as their main focus. This plan would connect the shoes to the mystique of the Brazilian lifestyle—sunny and colorful. But this option assumed that Americans wanted an extremely casual shoe that wasn’t necessarily very fashionable: a “vacation for your feet” to be worn in many situations.

**Option 2 Position Rider as an “after sport footwear” brand.**

The sandals would sell for more ($20 to $30), ideally at major sporting good retailers such as Foot Locker, Athletes Foot, The Sports Authority, Finish Line, and Champs. Selling at a higher price point would give Grendha bigger margins, which would allow the company to spend more to advertise and promote the brand. But Grendha would have to compete against the “big guys” in the sports arena such as Nike, Adidas, and Reebok.

**Option 3 Position Rider more specifically as an “after soccer” brand.**

The shoes would sell for $20 to $30 to provide funds to promote them in the United States. This strategy would allow Grendha to focus its efforts on one sports segment. In addition, the company could take advantage of Brazil’s reputation as a soccer power. Grendha might be able to sign famous Brazilian players to endorse the shoe, which would give Riders instant credibility among soccer enthusiasts. But Grendha would still encounter stiff competition from established soccer brands such as Umbro, Puma, and Adidas that were already well entrenched among American soccer players. In addition, this niche marketing strategy might limit the size of the potential market. Now, put yourself in Angelo’s Riders: Which option would you choose, and why?

Product Planning: Taking the Next Step

In 2006, Lexus introduced the GS450h—that’s “h” as in hybrid. It’s the first hybrid ever brought to market on a rear-wheel drive car, with an acceleration claim of 0 to 60 mph in 5 1/2 seconds. The GS450h is also the first “luxury hybrid;” it’s out to prove that the phrase isn’t an oxymoron. With an initial base price of $54,900, Lexus is banking on reeducating high-end car buyers that they can have their cake and eat it too with fuel economy, comfort, and performance.1) At the lower end of the emerging hybrid market Toyota’s Prius has been a sales phenomenon— although several other Prius rivals have posted more disappointing sales. Will the Lexus offering succeed? A lot depends on how the automaker markets and manages this innovative product. What makes one product fail and another succeed? It’s worth repeating what we said in Chapter 2) *Firms that plan well succeed*. Product planning plays a big role in the firm’s *tactical marketing plans*. Strategies the product plan outlines spell out how the firm expects to develop a value proposition that will meet marketing objectives. Today, successful product management is more important than ever. As more and more competitors enter the global marketplace and as technology moves forward at an ever increasing pace, products are created, grow, reach maturity, and decline at faster and faster speeds. This means that good product decisions are more critical than ever. Marketers just don’t have the luxury of trying one thing, finding out it doesn’t work, and then trying something else. In Chapter 8, we talked about what a product really is and about how companies develop and introduce new products. In this chapter, we’ll finish the product part of the story by seeing how companies manage products and examine the steps in product planning, as Figure 9.1 outlines. These steps include developing product objectives and the strategies required to successfully market products as they evolve from “new kids on the block” to tried-and-true favorites—and in some cases finding new markets for these favorites, as Grendha Shoes is trying to do. Next, we’ll discuss branding and packaging, two of the more important tactical decisions product planners make. Finally, we’ll examine how firms organize for effective product management. Let’s start by seeing how firms develop product-related objectives.

Using Product Objectives to Decide on a Product Strategy

When marketers develop product strategies, they make decisions about product benefits, features, styling, branding, labeling, and packaging. But what do they want to accomplish?

Clearly stated product objectives provide focus and direction. They should support the broader marketing objectives of the business unit in addition to being consistent with the firm’s overall mission. For example, the objectives of the firm may focus on return on investment. Marketing objectives then may concentrate on building market share and/or the unit or dollar sales volume necessary to attain that return on investment. Product objectives need to specify how product decisions will contribute to reaching a desired market share or level of sales. To be effective, product-related objectives must be measurable, clear, and unambiguous— and feasible. Also, they must indicate a specific time frame. Consider, for example, how a frozen entrée manufacturer might state its product objectives: • “In the upcoming fiscal year, eliminate the product’s trans fat content to satisfy consumers’ health concerns.” • “Introduce three new items this quarter to the product line to take advantage of increased consumer interest in Mexican foods.” • “During the coming fiscal year, improve the chicken entrées to the extent that consumers will rate them better tasting than the competition.” Planners must keep in touch with their customers so that their objectives accurately respond to customer needs. An up-to-date knowledge of competitive product innovations also is important to develop product objectives. Above all, these objectives should consider the *long-term implications* of product decisions. Planners who sacrifice the long-term health of the firm to reach short-term sales or financial goals may be on a risky course. Product planners may focus on one or more individual products at a time, or they may look at a group of product offerings as a whole. In this section, we’ll briefly examine both these approaches. We’ll also look at one important product objective: product quality.

Objectives and Strategies for Individual Products

Back to our love affair with cars. How do you launch a new car that’s only 142 inches long and makes people laugh when they see it? BMW did it by calling attention to the small size and poking fun at the car itself. The original launch of the MINI Cooper a few years back included bolting the MINI onto the top of a Ford Excursion with a sign “What are you doing for fun this weekend?” BMW also mocked up full-size MINIs to look like coin-operated kiddie rides you find outside grocery stores with a sign proclaiming: “Rides $16,850. Quarters only.” The advertising generated buzz in the 20- to 34-year-old target market. As a smaller brand, the MINI didn’t have an advertising budget for TV commercials—in fact, it was the first launch of a new car in modern times without TV advertising. Instead, the MINI launched with print, outdoor billboards, and Web ads. The aim wasn’t a heavy car launch but more of a “discovery process.”

Ads promoted “motoring” instead of driving, and magazine inserts included MINI-shaped air fresheners and pullout games. *Wired* magazine ran a cardboard foldout of the MINI suggesting readers assemble and drive it around their desks making “putt-putt” noises. *Playboy* came up with the idea of a six-page MINI “centerfold” complete with the car’s

 on the market, the MINI was the second most memorable new product of the year, following the heavily advertised Vanilla Coke.2 Some product strategies, for example, the new hybrid Lexus GS450h or the MINI Cooper, focus on a single new product. Strategies for individual products may be quite different for new products, for regional products, and for mature products. For new products, not surprisingly, the objectives relate to successful introduction.

After a firm experiences success with a product in a local or regional market, it may decide to introduce it nationally. Coors, for example, started out in 1873 as a regional beer sold only in Colorado. It didn’t move east of the Mississippi until 1981 and took another decade\ to move into all 50 states.

For mature products like tasty, cheddar Goldfish snack crackers that Campbell’s Soup Company manufactures under its Pepperidge Farm label, product objectives may focus on breathing new life into a product while holding on to the traditional brand personality. For Goldfish, “The snack that smiles back,” this means introducing a host of spin-offs—peanut butter flavored, giant-sized, multi-colored, and color-changing to name a few. Goldfish has been around since 1962 but continue to try to stay fresh with 25 varieties sold in more than 40 countries. In fact, over 75 billion Goldfish are consumed per year—if strung together, enough to wrap around the earth 30 times!3

Objectives and Strategies for Multiple Products

Although a small firm might make a go of focusing on one product, a larger firm often markets a set of related products. This means that strategic decisions affect two or more products simultaneously. The firm must think in terms of its entire portfolio of products. As Figure 9.2 shows, product planning means developing *product line* and *product mix* strategies encompassing multiple offerings. Figure 9.3 illustrates how this works for a selection of Procter & Gamble’s products.

**PRODUCT LINE STRATEGIES** A **product line** is a firm’s total product offering designed to satisfy a single need or desire of a group of target customers. For example, Procter & Gamble’s line of cleaning products includes three different liquid dish detergent brands: Dawn stresses grease-cutting power, Ivory emphasizes mildness, and Joy is for people who want shiny dishes. To do an even better job of meeting varying consumer needs, each of the three brands comes in more than one formulation. In addition to regular Dawn, (now called Ultra Dawn) you can also buy Dawn with Bleach Alternative,

Dawn Botanicals, Dawn Power Dissolver, Dawn Power Dish Brush, Dawn Direct Foam, and Dawn with Odor Erasor. The number of separate items within the same category determines the length of the product line. We describe a large number of variations in a product line as a *full line* that targets many customer segments to boost sales potential. A *limited-line strategy,* with fewer product variations, can improve the firm’s image if consumers perceive it as a specialist with a clear, specific position in the market. A great example is Rolls-Royce Motor Cars, which BMW now owns. Rolls-Royce makes expensive, handcrafted cars built to each customer’s exact specifications and for decades has maintained a unique position in the automobile industry. Every Rolls Phantom and 101EX that rolls out the factory door is truly a unique work of art.4 Organizations may decide to extend their product line by adding more brands or models when they develop product strategies. For example, Patagonia, Gap, and Lands’ End extended their reach by adding children’s clothing. When a firm stretches its product line, it must decide on the best direction to go. If a firm’s current product line includes middle and lower-end items, an *upward line stretch* adds new items—higher priced and claiming more quality, bells and whistles, and so on. Hyundai decided it could tap the market for bigger, more luxurious cars and SUVs, and stretched its line upward in the form of models such as the Azera sedan, Tucson and Santa Fe SUVs, and Entourage mini-van. It positions each of these against top-end products by Toyota and Honda but prices its cars thousands of dollars less.5 conversely; a *downward line stretch* augments a line by adding items at the lower end. Here the firm must take care not to blur the images of its higher-priced, upper-end offerings.

Rolex, for example, may not want to run the risk of cheapening its image with a new watch line to compete with lower-priced watches. In some cases, a firm may decide that it is targeting too small a market. In this case, the product strategy may call for a *two-way stretch* that adds products at both the upper and lower ends. Marriott Hotels, for example, added Fairfield Inns and Courtyard at the lower end and J.W. Marriott and Ritz Carlton at the upper end to round out its product line. A *filling-out strategy* may mean adding sizes or styles not previously available in a product category. Nabisco did this by introducing “bite-size” versions of its popular Oreo and Nutter Butter cookies. In other cases, the best strategy may be to *contract* a product line, particularly when some of the items are not profitable. For example, Heinz scrapped its “Bite Me” brand of frozen pizza snacks because of poor sales. The product, targeted to teens, failed to meet company expectations.6

We’ve seen that there are many ways a firm can modify its product line to meet the competition or take advantage of new opportunities. To further explore these strategic decisions, let’s return to the “glamorous” world of dish detergents. What does Procter & Gamble do if the objective is to increase market share? One possibility would be to expand its line of liquid dish detergents. If the line extension meets a perceived consumer need the company is not currently addressing, this would be a good strategic objective. But whenever a manufacturer extends a product line or a product family, there is risk of **cannibalization**, which occurs when the new item eats up sales of an existing brand as the firm’s current customers to switch to the new product. That may explain why Procter & Gamble met consumer demands for an antibacterial dish liquid by creating new versions of the existing brands Joy and Dawn. **PRODUCT MIX STRATEGIES** Product planning can go beyond a single product item or a product line to entire groups of products. A firm’s **product mix** is its entire range of products. For example, in addition to a deep line of shaving products, Procter & Gamble’s 2005 acquisition of Gillette gave P&G new toiletries Oral B toothbrushes, Braun oral care products, and Duracell batteries. In developing a product mix strategy, planners usually consider the *width of the product* *mix*, that is, the number of different product lines the firm produces. By developing several different product lines, firms can reduce the risk associated with putting all their eggs in one or too few baskets. Normally, firms develop a mix of product lines that have some things in common, be it distribution channels or manufacturing facilities. Wine and spirits distributor Constellation Brands’ entry into the mainstream supermarket wine space through its acquisition of Robert Mondavi is an example of a successful product mix expansion strategy. Americans are drinking more wine (and hard liquor) of late, and the Mondavi brand gives Constellation the crown jewel in the $3.6 billion supermarket wine channel.7

Quality as a Product Objective

Product objectives often focus on product quality: the overall ability of the product to satisfy customers’ expectations. Quality is tied to how customers *think* a product will perform and not necessarily to some technological level of perfection. Product quality objectives coincide with marketing objectives for higher sales and market share and to the firm’s objectives for increased profits.

In some cases, quality means fanatical attention to detail and also getting extensive input from actual users of a product as it’s being developed or refined—marketers refer to this as integrating the *voice of the consumer* into product design. The Japanese take this idea a step further with a practice they call **Kansei engineering**, a philosophy that translates customers’ feelings into design elements. In one application of this practice, the designers of the Mazda Miata focused on young drivers who saw the car as an extension of their body, a sensation they call “horse and rider as one.” After extensive research, they discovered that making the stick shift exactly 9.5 centimeters long conveys the optimal feeling of sportiness and control.8

**TOTAL QUALITY MANAGEMENT (TQM)** In 1980, just when the economies of Germany and Japan were finally rebuilt from World War II and were threatening American markets, an NBC documentary on quality titled, “If Japan Can Do It, Why Can’t We?” demonstrated to the American public—and to American CEOs—the poor quality of American products.9 So began the TQM revolution in American industry.

As we noted in Chapter 1, many firms with a quality focus have adopted the principles and practices of **total quality management (TQM)**, a philosophy that calls for companywide dedication to the development, maintenance, and continuous improvement of all aspects of the company’s operations. Indeed, many of the world’s most admired, successful companies—top-of-industry firms such as Nordstrom, 3M, Boeing, and Coca-Cola— endorse a total quality focus. Product quality is one way that marketing can add value to customers. However, TQM as an approach to doing business is far more sophisticated and effective than simply paying attention to product quality. TQM firms promote the attitude among employees that *everybody* working there has customers—even employees who never interact with people outside the firm. In such cases, employees’ customers are *internal customers—*other employees with whom they interact. In this way, TQM seeks to ensure customer satisfaction by involving all employees, regardless of their function, in efforts to continually improve quality. For example, TQM firms encourage employees, even the lowest-paid factory workers, to suggest ways to improve products—and then reward employees for good ideas. But how do you know when you’ve attained your goal of quality? Other than increased

For example, in 1987, the U.S. Congress established the Malcolm Baldrige National Quality Award to recognize excellence in U.S. firms. Major goals for the award are “helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits” and “recognizing the achievements of those companies that improve the quality of their goods and services.” 10 Table 9.1 shows recent winners of the Baldrige Award. Of course, recognition of the benefits of TQM programs is not limited to the United States. Around the world, many companies look to the uniform standards of the International Organization for Standardization (ISO) for quality guidelines. This Genevabased organization developed a set of criteria in 1987 to improve and standardize product quality in Europe. The broad set of guidelines, known as **ISO 9000**, establishes voluntary standards for quality management. Quality management ensures that an organization’s products conform to the customer’s requirements. In 1996, the ISO developed **ISO 14000** standards, which concentrate on “environmental management.” This means the organization works to minimize any harmful effects it may have on the environment. Because members of the European Union and other European countries prefer suppliers with ISO 9000 and ISO 14000 certification, U.S. companies must comply with these standards to be competitive there.11 One way that companies can improve quality is by using the **Six Sigma** method. The term *Six Sigma* comes from the statistical term *sigma,* which is a standard deviation from the mean. Six Sigma, therefore, refers to six standard deviations from a normal distribution curve. In practical terms, that translates to no more than 3.4 defects per million—getting it right 99.9997 percent of the time. As you can imagine, achieving that level of quality requires a very rigorous approach (try it on your term papers—even when you use spell-check!), and that’s what Six Sigma offers. The method involves a five-step processes called “DMAIC” (define, measure, analyze, improve, and control). Employees are trained in the method, and, as in karate, they progress toward “black belt” status by successfully completing all the levels of training. Employees can use Six Sigma processes to remove defects from services, not just products. A “defect” means failing to meet customer expectations.

For example, hospitals can use Six Sigma processes to reduce medical errors, and airlines can use Six Sigma to improve flight scheduling.

**ADDING A DOSE OF QUALITY TO THE MARKETING MIX** Marketing people research the level of quality consumers want and need in their products and what price they are willing to pay for them. The price-versus-quality decision is a major aspect of quality through its marketing communications. But keeping on top of what customers want is just the beginning. Firms also have to deliver a product consumers perceive to be of high quality at the right place and at the right price. Instead of being satisfied with doing things the same way year after year, marketers must continually seek ways to improve product, place, price, and promotion. Let’s see how quality concerns affect the marketing mix: • **Product:** One way firms can offer quality for their customers is by improving their customer service support. For example, Whirlpool has been steadily improving the repair services it offers on its appliances. In the past, if your washing machine broke down, you’d call Whirlpool, they’d refer you to a service center, and you’d call the service center and try to schedule a repair time. Today, technology lets Whirlpool’s customer service reps view the schedules of all its repair technicians in your area and then schedule a repair time that suits your schedule—all during the first phone call. Whirlpool also offers an online service that lets customers schedule service themselves, without even talking with a rep. The easier it is for customers to interact with the company and get results, the more satisfied they will be. And Whirlpool’s acquisition of Maytag in 2006 gives the company the opportunity to expand this quality emphasis to include customers of the already quality-focused Maytag product line.12 • **Place:** TorPharm, the largest generic pharmaceutical manufacturer in Canada, involved its suppliers in its efforts to improve on-time delivery to customers. First, TorPharm developed purchasing and delivery strategies to ensure that more than 99 percent of the time the right quantities of raw materials arrived from suppliers when expected. Then TorPharm worked with its customers, namely U.S. pharmacies, to improve its on-time delivery rate of products from as low as 60 to 95 percent or better.13 • **Price:** Hewlett-Packard (HP) is lowering costs and improving service to customers at the same time. HP developed a “sure supply” technology that is embedded into its printer cartridges. The technology has a sensor that detects when the ink supply is low, and the networked printer automatically orders a new cartridge. By building an automated cartridges-supply service into the printer, HP also reduces its own costs related to processing a customer’s phone order.14 • **Promotion:** Today’s marketing firms realize that customers want information when

they need it, not when it’s convenient for the marketer. Gap exemplifies this philosophy.

At Gap’s Old Navy stores, salespeople wear headsets so they can quickly get information to answer customers’ questions. **DIMENSIONS OF PRODUCT QUALITY** But what exactly *is* quality? Figure 9.4 summarizes the many meanings of quality. In some cases, product quality means durability. For example, athletic shoes shouldn’t develop holes after their owner shoots hoops for a few weeks. Reliability also is an important aspect of product quality—just ask Maytag and the “lonely repairman” it featured in its commercials for years. For many customers, a product’s versatility and its ability to satisfy their needs are central to product quality. For other products, quality means a high degree of precision. For example, high-tech audio equipment promises clearer music reproduction with less distortion. Quality, especially in business-to-business products, is also related to ease of use, maintenance, and repair. Yet another crucial dimension of quality is product safety. Finally, the quality of products such as a painting, a movie, or even a wedding gown relates to the degree of aesthetic pleasure they provide. Of course, evaluations of aesthetic quality differ dramatically among people: To one person, quality TV may mean PBS’s *Masterpiece Theater,* while to another it’s Adult Swim’s *Aqua Teen Hunger Force.* Marketing planners often focus product objectives on one or both of two key aspects of quality: level and consistency. Customers often determine the *level of quality* of a product by comparison with other brands in the same product category. A handcrafted Rolls- Royce boasts higher quality than an assembly-line Ford Mustang, but this may be irrelevant to a Mustang buyer inclined to compare his sports car to a MINI Cooper and not to an elite luxury car. *Consistency of quality* means that customers experience the same level of quality in a product time after time, bringing repeat business and free word-of-mouth advertising, or *buzz*. Consistent quality is also one of the major benefits of adopting TQM practices. Consumer perceptions can change overnight when quality is lacking. Ask anybody who’s ever bought a new car that turned out to be a lemon. **HOW E-COMMERCE AFFECTS PRODUCT QUALITY** The Internet has made product quality even more important in product strategies. One of the most exciting aspects of the digital world is that consumers can interact directly with other people— around the block or around the world. But this form of communication cuts both ways since it lets people praise what they like and slam what they don’t to an audience of thousands. Numerous Web sites like Planet Feedback (**www.planetfeedback.com**) let consumers “vent” about bad experiences they have had with products.

Marketing Throughout the Product Life Cycle

Many products have very long lives, while others are “here today, gone tomorrow.” The **product life cycle** is a useful way to explain how the market’s response to a product and marketing activities change over the life of a product. In Chapter 8, we talked about how marketers go about introducing new products, but the launch is only the beginning. Product marketing strategies must evolve and change as they continue through the product life cycle. Alas, some brands don’t have long to live. Who can remember the Nash car or Evening in Paris perfume? In contrast, other brands seem almost immortal. For example, Coca Cola has been the number one cola brand for 120 years, General Electric has been the number one light bulb brand for 104 years, and Kleenex has been the number one tissue brand for 82 years.15

The Introduction Stage

Like people, products are born, they “grow up” (well, most people grow up anyway), and eventually they die. We can divide the life of a product into four separate stages. The first stage shown in Figure 9.5 is the **introduction stage**. Here customers get the first chance to purchase the good or service. During this early stage, a single company usually produces the product. If it clicks and is profitable, competitors will follow with their own versions. During the introduction stage, the goal is to get first-time buyers to try the product. Sales (hopefully) increase at a steady but slow pace. As is also evident in Figure 9.5, the company usually does not make a profit during this stage. Why? Research-and-development (R&D) costs and heavy spending for advertising and promotional efforts cut into revenue. During the introduction stage, pricing may be high to recover the R&D costs (demand permitting) or low to attract a large numbers of consumers (see Figure 9.6). For example, the introductory base price of the Lexus GS450h we described at the beginning of this chapter was $54,900, nearly the same as the BMW 550i’s base price of $57,400. The price is designed to appeal to consumers who are willing to pay for the GS450h’s unique combination of comfort, great gas mileage, and superb performance. The high cost helps

Lexus recover its R&D costs for this revolutionary new engineering design. How long does the introduction stage last? As we saw in Chapter 8’s Wi-Fi example, it can be quite long. A number of factors come into play, including marketplace acceptance and the producer’s willingness to support its product during start-up. Many products never make it past the introduction stage. For a new product to be successful, consumers must first know about it. Then they must believe that it is something they want or need. Marketing during this stage often focuses on informing consumers about the product, how to use it, and its promised benefits. However, this isn’t nearly as easy as it sounds: Nearly 40 percent of all new products fail.16

The Growth Stage

In the **growth stage**, sales increase rapidly while profits increase and peak. Marketing’s goal here is to encourage brand loyalty by convincing the market that this brand is superior to others. In this stage, marketing strategies may include the introduction of product variations to attract market segments and increase market share. The cell-phone is an example of a product that is still in its growth stage, as worldwide sales continue to increase. A big part of its continued growth is due to relentless product innovation and the building in of converging communication features. As we saw in Chapter 2, Qode is betting its future on the continued growth of the cell-phone industry. When competitors appear, marketers must use heavy advertising and other types of promotion. Price competition may develop, driving profits down. Some firms may seek to capture a particular segment of the market by positioning their product to appeal to a certain group. And, if pricing has initially been set high, it may be reduced to meet the increasing competition.

The Maturity Stage

The **maturity stage** of the product life cycle is usually the longest. Sales peak and then begin to level off and even decline while profit margins narrow. Competition grows intense when remaining competitors fight for their share of a shrinking pie. Firms may resort to price reductions and reminder advertising (“did you brush your teeth today?”) to maintain market share. Because most customers have already accepted the product, For example, almost everyone owns a TV, which means most people who buy a new set are replacing an older one. During the maturity stage, firms will try to sell their product through as many outlets as possible because availability is crucial in a competitive market. Consumers will not go far to find one particular brand if satisfactory alternatives are close at hand. To remain competitive and maintain market share during the maturity stage, firms may tinker with the marketing mix. Competitors may add new “bells and whistles,” as when producers of potato chips and other snack foods modify their products. When consumers became concerned about carbohydrates and turned to diets such as Atkins and South Beach, Frito-Lay introduced new lines of low-carb chips like the Tostitos Edge low-carb tortilla chips. Unilever likewise rolled out 18 new low-carb products, rejuvenating venerable brands like Ragu spaghetti sauce and Wishbone salad dressing. Attracting new users of the product can be another strategy that marketers use in the maturity stage. Market development means introducing an existing product to a market that doesn’t currently use it. Many U.S. firms are finding new markets in developing countries such as China for products whose domestic sales are stagnant. For example, Emerson Electric, a venerable brand in the United States for over 125 years, is offsetting stagnated domestic sales with aggressive investment in growth in China—over 25 percent per year, with sales of over $1 billion there.

The Decline Stage

We characterize the **decline stage** of the product life cycle by a decrease in product category sales. The reason may be obsolescence forced by new technology— where do you see a new typewriter in this computer age? Although a single firm may still be profitable, the market as a whole begins to shrink, profits decline, there are fewer variations of the product, and suppliers pull out. In this stage, there are usually many competitors, with none having a distinct advantage. A firm’s major product decision in the decline stage is whether to keep the product at all. An unprofitable product drains resources that it could use to develop newer products. If the firm decides to keep the product, it may decrease advertising and other marketing communications to cut costs, and reduce prices if the product can still remain profitable. If the firm decides to drop the product, it can eliminate it in two ways: phase it out by cutting production in stages and letting existing stocks run out, or simply dump the product immediately.

If the established market leader anticipates that there will be some residual demand for the product for a long time, it may make sense to keep the product on the market. The idea is to sell a limited quantity of the product with little or no support from sales, merchandising, advertising, and distribution and just let it “wither on the vine.” In the Internet era, some products that otherwise would have died a natural death in stores continue to sell online to a cadre of fans, backed by zero marketing support. Online purveyors such as **oldtimecandy.com**, **hometownfavorites.com**, and **candydirect.com** sell Beeman’s, Black Jack, and Clove gum direct to consumers. In the “old days” (that is, before the Internet), those gum brands would have been doomed by aggressive marketing budgets for all the crazy new product introductions in the category by behemoth gum competitors Wrigley and American Chicle. At the start of the chapter, you met Angelo Daros of Grendha Shoes. He needs to figure out the best way to introduce Rider sandals to the American shoe market. Read “Real People, Other Voices” to learn how others advise Angelo. Oil of Olay has been a great example of a product that, like a cat, has had multiple lives through the product life cycle. The pink moisturizer was first developed during World War II for Britain’s Royal Air Force as a lotion to treat burns. In 1962, another company bought it and started to market it as a “beauty fluid.” Procter & Gamble acquired that company in 1985 and reinvigorated it by pumping in a lot of advertising dollars. In the early 1990s, P&G started to launch line extensions built around the Oil of Olay name.

The company also began revamping the product’s image to make it more appealing to women. P&G figured out that they are grossed-out by the word “oil” because they equate it with greasy. Now the $500 million line of skin-care products and cosmetics is known simply as Olay, targeted to women who want to “love the skin you’re in.” The Olay line includes over a dozen brand extensions such as Total Effects (to diminish Baby Boomers’ fine lines and wrinkles), Complete (an all-day moisturizer with UV protection), and Ribbons body wash (with your choice of aloe extract, almond oil, or jojoba butter). Olay’s an example of a product with life cycle staying power!

Creating Product Identity: Branding Decisions

Successful marketers keep close tabs on their products’ life cycle status, and they plan accordingly. Equally important, though, is giving that product an *identity* like Skippy Peanut Butter did with its Skippy Snack Bars. These scrumptious delights are made of layers of peanut butter and granola combined with kid-pleasing ingredients such as marshmallows and fudge. That’s where branding comes in. Here, the brand personality connotes pure, unadulterated fun, and the launch of the new snack bars featured TV commercials with the animated Nutshells, a band of musical elephants.19 How important is branding? Well, of the more than 17,000 new products or line extensions companies introduce each year, 25 percent are new brands. Marketers spend about $127.5 billion per year to introduce these new brands—that’s $7.5 million per brand, on average. We said earlier that nearly 40 percent of all new products fail, but for new brands the failure rate is even higher—up to 80 to 90 percent.20 Branding is an extremely important (and expensive) element of product strategies. In this section, we’ll examine what a brand is and how certain laws protect brands. Then we’ll discuss the importance of branding and how firms make branding decisions.

What’s in a Name (or a Symbol)?

How do you identify your favorite brand? By its name? By the logo (how the name appears)? By the packaging? By some graphic image or symbol, such as Nike’s swoosh? A **brand** is a name, a term, a symbol, or any other unique element of a product that identifies one firm’s product(s) and sets it apart from the competition. Consumers easily recognize the Coca-Cola logo, the Jolly Green Giant (a *trade character*), and the triangular red Nabisco logo (a *brand mark*) in the corner of the box. Branding provides the recognition factor products need to succeed in regional, national, and international markets. There are several important considerations in selecting a brand name, brand mark, or trade character. First, it must have a positive connotation and be memorable. Consider Toro’s experience when it introduced a lightweight snow thrower called the “Snow Pup.” Sales were disappointing because “pup” conveyed a small, cuddly animal—not a desirable image for a snow thrower. Renamed the “Snow Master” and later the “Snow Commander,” its sales went up markedly under the more rugged names.21 A brand name is probably the most used and most recognized form of branding. Kool- Aid and Jell-O are two of the first words kids learn. Smart marketers use brand names to maintain relationships with consumers “from the cradle to the grave.” For example, Jell-O now markets low-carb versions of its gelatin dessert to appeal to carb-counting adults. A good brand name may position a product by conveying a certain image or personality (Ford Mustang) or by describing how it works (Drano). Brand names such as Caress and Shield help position these different brands of bath soap by saying different things about the benefits they promise. Irish Spring soap provides an unerring image of freshness (can’t you just smell it now?). The Nissan Xterra combines the word *terrain* with the letter *X,* which many young people associate with extreme sports, to give the brand name a cutting-edge, off-road feel. How does a firm select a good brand name? Good brand designers say there are four “easy” tests: *easy to say*, *easy to spell*, *easy to read*, *and easy to remember—*like P&G’s Tide, Cheer, Dash, Bold, Gain, Downy, and Ivory Snow. And the name should also “fit” four ways: *fit the target market*, *fit the product’s benefits*, *fit the customer’s culture*, and *fit legal requirements*. When it comes to graphics for a brand symbol, name, or logo, the rule is that it must be recognizable and memorable. No matter how small or how large, the triangular Nabisco logo in the corner of the box is a familiar sight. And it should have visual impact. That means that from across a store or when you are quickly flipping the pages in a magazine, the brand will catch your attention. Some successful marketers enhance brand recognition by creating a trade character such as the Pillsbury Dough Boy or the Playboy Bunny. **TRADEMARKS** A **trademark** is the legal term for a brand name, brand mark, or trade character. The symbol for legal registration in the United States is a capital “R” in a circle like this: ®. Marketers register trademarks to make their use by competitors illegal. Because trademark protection applies only in individual countries where the owner registers the brand, unauthorized use of marks on counterfeit products is a huge headache for many companies. A firm can claim protection for a brand even if it has not legally registered it. In the United States, *common-law protection* exists if the firm has used the name and established it over a period of time (sort of like a common-law marriage). Although a registered trademark prevents others from using it on a similar product, it may not bar its use for a product in a completely different type of business. Consider the range of “Quaker” brands: Quaker Oats (cereals), Quaker Funds (mutual funds), Quaker State (motor oil), Quaker Bonnet (gift food baskets), and Quaker Safety Products Corporation (firemen’s clothing). A court recently applied this principle when Apple Corp., the Beatles’ music company, sued Apple Computers in 2006 over its use of the Apple logo. The plaintiff wanted to win an injunction to prevent Apple Computer from using the Apple logo in connection with its iPod and iTunes products; it argued that the application to music related products came too close to the Beatles’ musical products. The judge didn’t agree; he ruled that Apple Computer clearly used the logo to refer to the download service, not to the music itself.

The Importance of Branding

A brand is *a lot* more than just the product it represents—the best brands build an emotional connection with the consumer. Strong brands don’t just meet rational needs, they create an emotional reaction. Think about the most popular diaper brands—they’re named Pampers and Luvs, not some functionally descriptive name like Absorbancy Master. The point is that Pampers and Luvs evoke the joys of parenting, not the utility of the diaper. Marketers spend huge amounts of money on new-product development, advertising, and promotion to develop strong brands. When they succeed, this investment creates **brand equity**, which is a brand’s value to its organization over and above the value of the generic version of the product (that is, how much extra will you pay for a golf shirt with a Ralph Lauren logo on it than for the same shirt with no logo?). We can identify different levels of loyalty or lack thereof by observing how customers feel about the product. At the lowest level, customers really have no loyalty to a brand and will change brands for any reason, often jumping ship if they find something else at a lower price. At the other extreme, some brands command fierce devotion, and loyal users will go without rather than buy a competing brand. Figure 9.7 shows one way to think about these escalating levels of brand. At the lowest level of the “brand equity pyramid,” consumers are aware of a brand’s existence. Moving up the pyramid, they might look at the brand in terms of what it literally does for them or how it performs relative to competitors. Going up still farther, they may think more deeply about the product and form beliefs and emotional reactions to it. The truly successful brands, however, are those that make the long climb to the top of the pyramid—they “bond” with their customers so that people feel they have a real relationship with the product. Here are some of the types of relationships a person might have with a product: • **Self-concept attachment:** The product helps establish the user’s identity. (For example, do you feel more like yourself in Ralph Lauren or Sean John clothing?) • **Nostalgic attachment:** The product serves as a link with a past self. (Does eating the inside of an Oreo cookie remind you of childhood?)

• **Interdependence:** The product is a part of the user’s daily routine. (Could you get through the day without a Starbucks coffee?) • **Love:** The product elicits emotional bonds of warmth, passion, or other strong emotion. (Hershey’s Kiss, anyone?)

As the pyramid in Figure 9.7 shows us, the way to build strong brands is to build strong bonds with customers—bonds based on *brand meaning.* This concept encompasses the beliefs and associations that a consumer has about the brand. In many ways, the practice of brand management revolves around the management of meanings. Brand managers, advertising agencies, package designers, name consultants, logo developers, and public relations firms are just some of the collaborators in a global industry devoted to the task of *meaning management*. This complex and synergistic system is based on one simple but critical truth: strong brands are built on strong meanings. The corollary: brands die when their meanings lose value in consumers’ worlds. Table 9.2 shows some of the dimensions of brand meaning. Brand equity means that a brand enjoys customer loyalty because they are not only aware of it but they also perceive it to be superior to the competition. For a firm, brand equity provides a competitive advantage because it gives the brand the power to capture and hold on to a larger share of the market and to sell at prices with higher profit margins.

For example, among pianos, the Steinway name has such powerful brand equity that its market share among concert pianists is 95 percent. What makes a brand successful? Here is a list of 10 characteristics of the world’s top brands:

**1.** The brand excels at delivering the benefits customers truly desire.

**2.** The brand stays relevant.

**3.** The pricing strategy is based on consumers’ perceptions of value.

**4.** The brand is properly positioned.

**5.** The brand is consistent.

**6.** The brand portfolio and hierarchy make sense.

**7.** The brand makes use of and coordinates a full repertoire of marketing activities to

build equity.

**8.** The brand’s managers understand what the brand means to consumers.

**9.** The brand is given proper support, and that support is sustained over the long run.

**10.** The company monitors sources of brand equity. Products with strong brand equity provide enticing opportunities.

A firm may leverage a brand’s equity with **brand extensions**—new products sold with the same brand name. For example, in 2004 premium ice cream maker Häagen-Dazs decided to get into the growing low-fat ice cream market (keep in mind, in this context “low” fat is a relative concept). Its choices were to create a new brand or modify the existing one. It chose to introduce the line as Häagen-Dazs Light, which it proclaimed to have “all the taste and texture of original Häagen-Dazs with only half the fat.” The brand extension was an immediate success, and the company now offers 14 flavors under the Light banner, many of which are available only in a Light version. More generally, this success highlights the potential value of a strong brand name: Although many people assume that the European-sounding name ensures high quality, in reality the name is made up. Häagen-Dazs started in the Bronx, New York, and today Pillsbury owns it! The makers of those irresistible marshmallow Peeps have expanded the brand to increase recognition and jump-start candy sales, which had been growing steadily but slowly. The first official “Peeps merchandise” including socks, jewelry, and loungewear, appeared in thousands of Target, JCPenney, Wal-Mart, and Nordstrom stores in Spring

2004 and the following spring the company rolled out a more ambitious line that includes everything from cosmetics to egg-dyeing kits to Peeps screensavers. Anybody ever catch a glimpse of the giant yellow Peeps balloon floating down Broadway in the Macy’s Thanksgiving Day Parade? That’s one big yellow chick! Because of the existing brand equity, a firm is able to sell its brand extension at a higher price than if it had given it a new brand, and the brand extension will attract new customers immediately. Of course, if the brand extension does not live up to the quality or attractiveness of the original brand, brand equity will suffer, as will brand loyalty and sales.

Branding Strategies

Because brands are important to a marketing program’s success, developing and executing branding strategies is a major part of product decision making. Marketers have to determine whether to create individual or family brands, national or store brands, or co-brands— not always easy or obvious decisions.

**INDIVIDUAL BRANDS VERSUS FAMILY BRANDS** Part of developing a branding strategy is deciding whether to use a separate, unique brand for each product item—an *individual brand strategy*—or market multiple items under the same brand name—a **family brand** or *umbrella brand* strategy. Individual brands may do a better job of communicating clearly and concisely what the consumer can expect from the product, while a well-known company like Apple may find that its high brand equity in other categories (like computers) can sometimes “rub off” on a new brand (like the iPod). The decision of whether to use an individual or family branding strategy often depends on characteristics of the product and whether the company’s overall product strategy calls for introduction of a single, unique product or for the development of a group of similar products. For example, Microsoft serves as a strong umbrella brand

for a host of diverse individually branded products like Office, Internet Explorer,

Xbox, and MSN Web Search, while Procter & Gamble prefers to brand each of its household products separately.

**NATIONAL AND STORE BRANDS** Retailers today often are in the driver’s seat when it comes to deciding what brands to stock and push. In addition to choosing from producers’ brands, called **national or manufacturer brands**, retailers decide whether to offer their own versions. **Private-label brands**, also called *store brands,* are the retail stores or chain’s exclusive trade name. Wal-Mart, for example, sells store brand Sam’s Cola and Sam’s cookies along with national brands such as Coke and Oreos. Store brands are gaining in popularity for many value-conscious shoppers. Retailers continue to develop new ones, and some are adding services to the mix: Target and others now offer walk-in medical care in select locations, staffed by a nurse practitioner or physician’s assistant. Retailers choose a private-label branding strategy because they generally make more profit on these than on national brands. Even midrange retailers such as JCPenney now offer private-label clothing to lure millions of customers away from more upscale department stores as well as lower-end discounters. Penney’s Stafford and St. John’s Bay brands for men have become a significant competitive force against national brands like Dockers, Haggar, and Levi’s. In addition, if you stock a unique brand that consumers can’t find in other stores it makes it much harder for shoppers to compare “apples to apples” across stores and simply buy the brand where they find it sold for the lowest price. Loblaws, Canada’s largest supermarket chain, sells over 4,000 food items under the “premium quality” President’s Choice label, from cookies to beef, olive oil, curtains, and kitchen utensils. Sales of President Choice items run from 30 to 40 percent of total store volumes. Under the private label, Loblaws can introduce new products at high quality but lower prices than brand names. It can also keep entire categories profitable by its mix of pricing options. Competitors that sell only national brands can cut prices on those brands, but that hurts their overall profitability. Loblaws can bring prices down on national brands but still make money on its private-label products.

**GENERIC BRANDS** An alternative to either national or store branding is **generic branding**, which is basically no branding at all. Generic branded products are typically packaged in white with black lettering that names only the product itself (for example, “Green Beans”). Generic branding

is one strategy to meet customers’ demand for the lowest prices on standard products such as dog food or paper towels. Generic brands first became popular during the inflationary period of the 1980s, when consumers became especially price conscious because of rising prices. However, today generic brands account for very little of consumer spending.

**LICENSING** Some firms choose to use a **licensing** strategy to brand their products. This means that one firm sells another firm the right to use a legally protected brand name for a specific purpose and for a specific period of time. Firms do this for a variety of reasons. Licensing can provide instant recognition and consumer interest in a new product, and this strategy can quickly position a product for a certain target market by trading on the high recognition of the licensed brand among consumers in that segment. For example, distiller Brown-Forman licensed its famous Jack Daniels bourbon name to T.G.I. Friday’s for use on all sorts of menu items from shrimp to steak to chicken. The menu partnership—called the Jack Daniels Grill—has been highly successful, contributing to a turnaround in sales at Friday’s in the highly \ competitive midrange family restaurant space.34 Much better known, however, is the licensing of entertainment names, such as when movie producers license their properties to manufacturers of a seemingly infinite number of products. Each time a blockbuster Harry Potter movie hits the screens, a plethora of Potter products packs the stores. In addition to toys and games, you can buy Harry Potter candy, clothing, all manner of back-to-school items, home items, and even wands and cauldrons.

**COBRANDING** Frito-Lay sells K.C. Masterpiece–flavored potato chips, and Post sells Oreo O’s cereal. Strange marriages? No, these are examples of **co- branding**, as is the Jack

Daniels/T.G.I. Friday’s combination we already mentioned. This branding strategy benefits both partners when combining the two brands provides more recognition power than either enjoys alone. For example, Panasonic markets a line of digital cameras that use Leica lenses. Leica lenses are legendary for their superb image quality. Panasonic is known for its consumer electronics. Combining the best in traditional camera optics with a household name in consumer electronics helps both brands. A new and fast-growing variation on co-branding is **ingredient branding**, in which branded materials become “component parts” of other branded products.35 This was the strategy behind the classic “Intel inside” campaign that convinced millions of consumers to ask by name for a highly technical computer part (a processor) that they wouldn’t otherwise recognize if they fell over it.36 Today, consumers can buy Breyer’s

Ice Cream with Reese’s Peanut Butter Cups or M&M’s candies, Twix cookies or Snickers bars.

Van De Camp’s Fish & Dips come with Heinz ketchup dipping cups. The ultimate co-branding deal may be an Oscar Meyer Lunchables Mega Pack, which includes up to five brands in a single package. Its Pizza Stix pack, for example, comes with Tombstone pizza sauce, Kraft cheese, a Capri Sun Splash Cooler, and a 3 Musketeers bar. Brand heaven! The practice of ingredient branding has two main benefits. First, it attracts customers to the host brand because the ingredient brand is familiar and has a strong brand reputation for quality. Second, the ingredient brand’s firm can sell more of its product, not to mention the additional revenues it gets from the licensing arrangement.

Creating Product Identity: Packaging and Labeling Decisions

How do you know if the soda you are drinking is “regular” or “caffeine-free?” How do you keep your low-fat grated cheese fresh after you have used some of it? Why do you always leave your bottle of Glow perfume out on your dresser so everyone can see it? The answer to all these questions is effective packaging and labeling. So far, we’ve talked about how marketers create product identity with branding. In this section, we’ll learn that packaging and labeling decisions also are important in creating product identity. We’ll also talk about the strategic functions of packaging and some of the legal issues related to package labeling.

Packaging Functions

A **package** is the covering or container for a product, but it’s also a way to create a competitive advantage. So, the important functional value of a package is that it protects the product. For example, packaging for computers, TV sets, and stereos protects the units from damage during shipping, and warehousing. Cereal, potato chips, or packs of grated cheese wouldn’t be edible for long if packaging didn’t provide protection from moisture, dust, odors, and insects. A multilayered, soft box protects the chicken broth shown in Figure 9.8 from spoilage. In addition to protecting the product, effective packaging makes it easy for consumers to handle and store the product. Figure 9.8 shows how packaging serves a number of different functions. Over and above these utilitarian functions, however, the package plays an important role in communicating brand personality. Effective product packaging uses colors, words, shapes, designs, and pictures to provide brand and name identification for the product. In addition, packaging provides specific information consumers want and need, such as information about the specific variety, flavor or fragrance, directions for use, suggestions for alternative uses (for example, recipes), product warnings, and product ingredients. Packaging may also include warranty information and a toll-free telephone number for customer service. We’ve already talked about Häagen-Dazs; now let’s see how rival Ben & Jerry’s Ice Cream redesigned its package in the late 1990s to make its products more user-friendly. Because the top of the carton is the first thing customers see in a coffin-type freezer, the company replaced the photo of Ben and Jerry that used to appear on the top lid with text identifying the flavor. Other changes included a more upscale look of a black-on-gold color scheme and enticing realistic watercolors of the product’s ingredients. These made it easier for consumers to find the flavors they wanted. A final communication element is the **Universal Product Code (UPC)**, which is the set of black bars or lines printed on the side or bottom of most items sold in grocery stores and other mass-merchandising outlets (we saw in Chapter 2 how Qode is using the three dimensional version of this code to launch a new business). The UPC is a national system of product identification. Each product has a unique 10-digit number assigned to it. These numbers supply specific information about the type of item (grocery item, meat, produce, drugs, or a discount coupon), the manufacturer (a five-digit code), and the specific product (another five-digit code). At checkout counters, electronic scanners read the UPC bars and automatically transmit data to a computer controlling the cash register, allowing retailers to track sales and control inventory.

Designing Effective Packaging

Should the package have a zip-lock closing, feature an easy-to-pour spout, be compact for easy storage, be short and fat so it won’t fall over, or be tall and skinny so it won’t take up much shelf space? Designing effective packaging involves a multitude of decisions. Planners must consider the packaging of other brands in the same product category. For example, dry cereal usually comes in tall rectangular boxes. Quaker, however, offers a line of “Quaker Bagged Cereals” packaged in re-closable plastic bags and priced in stores at 25 to 35 percent less than well-known brands packaged in fancy boxes. Not all customers are willing to accept a radical change in packaging, and retailers may be reluctant to adjust their shelf space to accommodate such packages. In addition to functional benefits, the choice of packaging material can make an aesthetic statement. Enclosing a fine liqueur in a velvet or silk bag may enhance its image. A fine perfume packaged in a beautifully designed glass bottle means consumers are buying not only the fragrance but an attractive dressing table accessory as well. Who says people don’t judge a book by its cover? Firms seeking to act in a socially responsible manner must also consider the environmental impact of packaging. Shiny gold or silver packaging transmits an image of quality and opulence, but certain metallic inks are not biodegradable and are harmful to the environment.

Some firms are developing innovative *green packaging* that is less harmful to the environment than other materials. Of course, there is no guarantee that consumers will accept such packaging. They didn’t take to plastic pouch refills for certain spray bottle products even though the pouches may take up less space in landfills than the bottles do. They didn’t like pouring the refill into their old spray bottles. Still, customers have accepted smaller packages of concentrated products such as laundry detergent, dishwashing liquid, and fabric softener. What about the shape: Square? Round? Triangular? Hourglass? How about an old-fashioned apothecary jar that consumers can reuse as an attractive storage container? What color should it be? White to communicate purity? Yellow because it reminds people of lemon freshness? Brown because the flavor is chocolate? Sometimes we can trace these decisions back to personal preferences. The familiar Campbell’s Soup label is red and white because a company executive many years ago liked the football uniforms at Cornell University! Finally, what graphic information should the package show? Should there be a picture of the product on the package? Should cans of green beans always show a picture of green beans? Should there be a picture of the results of using the product, such as beautiful hair? Should there be a picture of the product in use, perhaps a box of crackers showing them with delicious looking toppings arranged on a silver tray? Should there be a recipe or coupon on the back? Of course, all these decisions rest on a marketer’s understanding of consumers, ingenuity, and perhaps a little creative luck.

Labeling Regulations

The Federal Fair Packaging and Labeling Act of 1966 controls package communications and labeling in the United States. This law aims at making labels more helpful to consumers by providing useful information. More recently, the requirements of the Nutrition Labeling and Education Act of 1990 have forced food marketers to make sweeping changes in how they label products. Since August 18, 1994, the U.S. Food and Drug Administration (FDA) requires most foods sold in the United States to have labels telling, among other things, how much fat, saturated fat, cholesterol, calories, carbohydrates, protein, and vitamins are in each serving of the product. These regulations are forcing marketers

to be more accurate than before in describing their products. Juice makers, for example, must state how much of their product is real juice rather than sugar and water. As of January 1, 2006, the FDA also requires that all food labels list the amount of trans fats in the food, directly under the line for saturated fat content. The new labeling reflects scientific evidence showing that consumption of trans fat, saturated fat, and dietary cholesterol raises “bad” cholesterol levels, which increase the risk of coronary heart disease. The new information is the first significant change on the Nutrition Facts panel since it was established.39

Organizing for Effective Product Management

Of course, firms don’t create great packaging, brands, or products—people do. Like all elements of the marketing mix, product strategies are only as effective as their managers make them and carry them out. In this section, we’ll talk about how firms organize for the management of existing products and for the development of new products.

Management of Existing Products

In small firms, a single marketing manager usually handles the marketing function; he or she is responsible for new-product planning, advertising, working with the company’s few sales representatives, marketing research, and just about everything else. But in larger firms, there are a number of managers like Angelo Daros of Grendha responsible for different brands, product categories, or markets. Depending on the organization, product management may include brand managers, product category managers, and market managers. Let’s take a look at how each operates. **BRAND MANAGERS** Sometimes, a firm sells several or even many different brands within a single product category. Take the laundry soap aisle in the supermarket for example. Would you have ever guessed that all these brands are manufactured and marketed by Procter & Gamble: Bounce, Cheer, Downy, Dreft, Era, Febreze, Gain, Ivory, and Tide? In such cases, each brand may have its own **brand manager** who coordinates all marketing activities for a brand: positioning, identifying target markets, research, distribution, sales promotion, packaging, and evaluating the success of these decisions. While this assignment is still common, some big firms are changing the way they allocate responsibilities. For example, today P&G’s brand managers function more like internal managing the complete business of key retail clients across all product lines. Brand managers still are responsible for positioning of brands and developing brand equity, but they also work heavily with folks from sales, finance, logistics and others to serve the needs of the major retailers that comprise the majority of P&G’s business. By its very nature, the brand management system is not without potential problems. Acting independently and sometimes competitively against each other, brand managers may fight for increases in short-term sales for their own brand. They may push too hard with coupons, cents-off packages, or other price incentives to a point at which customers will refuse to buy the product when it’s not “on deal.” Such behavior can hurt long-term profitability and damage brand equity.

**PRODUCT CATEGORY MANAGERS** Some larger firms have such diverse product offerings that they need more extensive coordination. Take IBM, for example. Originally known as a computer manufacturer, IBM now generates much of its revenue from a wide range of consulting and related client services across the spectrum of IT applications (and the company doesn’t even sell personal computers anymore!). In cases such as IBM, organizing for product management may include **product category managers**, who coordinate the mix of product lines within the more general product category and who consider the addition of new-product lines based on client needs. **MARKET MANAGERS** Some firms have developed a **market manager** structure in which different managers’ focus on specific customer groups rather than on the products the company makes. This type of organization can be useful when firms offer a variety of products that serve the needs of a wide range of customers. For example, Raytheon, a company that specializes in consumer electronics products, special-mission aircraft, and business aviation, sells some products directly to consumer markets, others to manufacturers, and still others to the government. Its customers are best served by a differing focus on these very different markets.

Organizing for New-Product Development

Because launching new products is so important, the management of this process is a serious matter. In some instances, one person handles new-product development, but within larger organizations new-product development almost always requires many people. Often individuals who get this assignment are especially creative people with entrepreneurial skills. The challenge in large companies is to get specialists in different areas to work together in **venture teams**. Thesem teams focus exclusively on the new-product development effort. Sometimes the venture team is located away from traditional company offices, usually in a remote location called a “skunk works.” This colorful term originated with the Skonk Works, an illicit distillery in the comic strip “Li’l Abner.” Because illicit distilleries were bootleg operations,