

10

# Crafting the Brand Positioning

## Marketing Management:

An Asian Perspective  
(5<sup>th</sup> edition)

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## Crafting the Brand Positioning

# 10

No company can win if its products and offerings resemble every other product and offering. Companies must pursue relevant positioning and differentiation. As part of the strategic brand management process, each company and offering must represent a distinctive big idea in the mind of the target market.





# Learning Objectives:

- Understand how a firm can choose and communicate an effective positioning in the market
- Understand how brands are differentiated
- Understand what marketing strategies are appropriate at each stage of the product life-cycle
- Understand what the implications are of market evolution for marketing strategies

# The **essence** of Chapter Ten:

- No company can win if its products and offerings resemble every other product and offers.
- As part of the strategic brand management process, each offering must represent a compelling, distinctive big idea in the mind of the target market.
- A company can reap the benefits of carving out a unique position in the marketplace.
- But circumstances often dictate that companies reformulate their marketing strategies and offerings several times. Marketers must develop strategies for each stage in the product's life-cycle.

# Developing and Communicating a Positioning Strategy

All marketing strategy is built on **STP—Segmentation, Targeting, and Positioning.**

➡ A company discovers different needs and groups in the marketplace, targets those needs and groups that it can satisfy in a superior way, and then positions its offering so that the target market recognizes the company's distinctive offering and image.

➡ If a company does an excellent job of positioning, then it can work out the rest of its marketing planning and differentiation from its positioning strategy.

# Positioning:

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- **Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.**



# Positioning:

- The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm.
- The result of positioning is the successful creation of a customer-focused value proposition, a cogent reason why the target market should buy the product.

# Positioning:

- Positioning requires for similarities and differences between brands be defined and communicated.
- Deciding on positioning requires determining a frame of reference by identifying target markets, competition and identifying the ideal points-of-parity and points-of-difference brand associations.

**Table 10.1** Examples of Value Propositions Demand States & Marketing Tasks

Company & Product	Target Customers	Benefits	Price	Value Proposition
Volvo Station wagon	Safety-conscious "upscale" families	Durability & safety	20 % premium	Safest most durable wagon your family can ride
Top laundry detergent	Environment protective consumers	Eco-friendly & high-performance cleaning	10 % premium	plant-based detergent eco-friendly & keeps clothes clean

# Competitive Frame of Reference

- A starting point in defining a competitive frame of reference for a brand position is to determine category membership—the problems or sets of products with which a brand competes and which function it substitutes the closest.
- Target market decisions are often a key determinant of the competitive frame of reference.

# Points-of-Parity and Points-of-Difference (POP and POD)

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- Once the competitive frame of reference for positioning has been fixed by defining the customer target market and nature of competition, marketers can define the appropriate points-of-difference and points-of-associations.

# Points-of-Difference (POD)

- Points-of-difference (PODs) are attributes or benefits consumers strongly associate with a brand, positively evaluate it and believe that they cannot find the same extent with a competitive brand.
- Creating strong, favorable and unique associations as point-of-differences is a real challenge, but essential in terms of competitive brand positioning.



# Points-of- Parity

- Points-of-parity (POPs) are associations that are not necessarily unique to the brand but may in fact, be shared with other brands.
- These types of associations come in two basic forms: **category and competitive.**

# Category POPs

- Category points-of-parity (pop) are associations' consumers view as essential to be a legitimate and credible offering within a certain product or service category. They represent necessary conditions but not necessarily sufficient for brand choice.
- Category points-of-parity may change over time due to technological, legal, or consumer trends.

# Competitive POPs

- Competitive points-of-parity are associations designed to negate competitors' points-of-difference.
- If a brand can “break-even” where the competitors are trying to find an advantage and can achieve advantages in other areas, the brand should be in a strong competitive position.

**Visa versus American Express**—Visa's POD in the credit card category is that it is the most widely available card, which underscores the category's main benefit of convenience. In contrast, American Express has built its equity by highlighting the prestige associated with the use of its card. Having established their PODs, Visa and American Express now compete by attempting to blunt each other's advantage to create POPs. Visa offers gold and platinum cards to enhance the prestige of its brand and advertises "It's Everywhere You Want to Be" in settings that reinforce exclusivity and acceptability. American Express has substantially increased the number of vendors that accept its cards and created other value enhancements through its "Make Life Rewarding" program.

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or  
**BATTERY**

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American Express built its credit card brand with appeals based on prestige and now defends itself against Visa and other competitors by increasing the number of vendors that accept the card.

# Points-of-Parity **Versus** Points-of-Difference

1. To achieve a point-of-parity on a particular attribute or benefit, a sufficient number of consumers must believe that the brand is “good enough” on that dimension.
2. There is a “zone” or “range of tolerance or acceptance” with points-of-parity.
3. The brand does not literally have to be seen as equal to competitors, but consumers must feel that the brand does well enough on that particular attribute or benefit.
4. With points-of-differences, the brand must demonstrate clear superiority.
5. Often the key to positioning is not so much as achieving a point-of-difference as in achieving points-of-parity.

# Establishing Category Membership

- Marketers must inform consumers of a brand's category membership; sometimes consumers know a brand's category membership but may not be convinced that the brand is a valid member of that category.
- Brands are sometimes affiliated with categories in which they do not hold membership. This approach is one way to **highlight** a brand's point-of-difference. The typical approach to positioning is to inform consumers of a brand's membership before stating its point-of-difference.



# Straddle Positioning

- Occasionally a company will try to straddle **two** frames of reference.
- BMW's positioning of luxury **and** performance is an example

# Communicating Category Membership

- There are three main ways to convey a brand's category membership:
  - **Announcing category benefits.**
  - **Comparing to exemplars.**
  - **Relying on the description of the product.**

# Choosing POPs and PODs

- Points-of-parity are driven by the needs of category membership (to create category POPs) and the necessity of negating competitors' PODs (to create competitive POPs).
- Marketers must decide at which level(s) to anchor the brand's points-of-differences.
  - At the lowest level are the **brand attributes**.
  - At the next level are the **brand's benefits**.
  - At the top level are the **brand's values**.

# Developing & Communicating a Positioning Strategy

## - Choosing POPs & PODs

### 2 considerations when choosing POP & POD

Consumers find  
POD desirable



3 key consumer  
desirability criteria



1. ***Relevance***
2. ***Distinctiveness***
3. ***Believability***

Firms capable to  
deliver on POD



3 key  
deliverability criteria



1. ***Feasibility***
2. ***Communicability***
3. ***Sustainability***

**Table 10.2** Judging Desirability and Deliverability for Points-of-Difference

Desirability Criteria		Deliverability Criteria	
<b>Relevance</b>		<b>Feasibility</b>	
Target consumers must find the POD personally relevant and important.		The product design and marketing offering must support the desired association. Does communicating the desired association require real changes to the product itself, or just perceptual shifts in the way the consumer thinks of the product or brand? The latter is typically easier.	
<ul style="list-style-type: none"><li>● The Westin Stamford hotel in Singapore advertised that it was the world's tallest hotel, but a hotel's height is not important to many tourists.</li><li>● Procter &amp; Gamble leverages on four different points of relevance in the detergent market: superior cleaning (Tide), fragrance (Gain), color protection (Cheer), and stain fighting (ERA). These PODs are relevant to different groups of customers.</li></ul>		<ul style="list-style-type: none"><li>● Haier tries to break away from its lower-end niche of small refrigerators into higher-end products with better margins. Its key challenge is to convince overseas retailers and consumers that it can make quality appliances.</li><li>● Geely attempts to move upmarket while maintaining low sticker prices for its cars. To do so, it has to overcome its low quality image first in China, then abroad.</li></ul>	
<b>Distinctiveness</b>		<b>Communicability</b>	
Target consumers must find the POD distinctive and superior.		Consumers must be given a compelling reason and understandable rationale as to why the brand can deliver the desired benefit. What factual, verifiable evidence or "proof points" can ensure consumers will actually believe in the brand and its desired associations?	
<ul style="list-style-type: none"><li>● Feichang Cola was launched in China by Wahaha in a crowded soft drink market that included Coca-Cola. Positioned as Future Cola, it used the tagline, "Future Will be Better" and was promoted with a campaign that played heavily on nationalistic sentiments.</li></ul>		<ul style="list-style-type: none"><li>● Substantiators often come in the form of patented, branded ingredients, such as Nivea Wrinkle Control Crème with Q10 coenzyme or Herbal Essences hair conditioner with Hawafena.</li></ul>	

**Table 10.2** Judging Desirability and Deliverability for Points-of-Difference

Desirability Criteria	Deliverability Criteria
<p data-bbox="219 539 1070 582"><b>Believability</b></p> <p data-bbox="219 582 1070 726">Target consumers must find the POD believable and credible. A brand must offer a compelling reason for choosing it over the other options.</p> <ul data-bbox="219 726 1070 1008" style="list-style-type: none"><li data-bbox="219 726 1070 869">● Mountain Dew may argue that it is more energizing than other soft drinks and support this claim by noting that it has a higher level of caffeine.</li><li data-bbox="219 869 1070 1008">● Chanel No. 5 perfume may claim to be the quintessential elegant French perfume and support this claim by noting the long association between Chanel and haute couture.</li></ul>	<p data-bbox="1070 539 2011 582"><b>Sustainability</b></p> <p data-bbox="1070 582 2011 774">The firm must be sufficiently committed and willing to devote enough resources to create an enduring positioning. Is the positioning pre-emptive, defensible, and difficult to attack? Can the favorability of a brand association be reinforced and strengthened over time?</p> <ul data-bbox="1070 774 2011 1008" style="list-style-type: none"><li data-bbox="1070 774 2011 1008">● It is generally easier for market leaders such as Visa and SAP, whose positioning is based in part on demonstrable product or service performance, to sustain their positioning than for market leaders such as Fendi, Prada, and Hermès, whose positioning is based on fashion and is thus subject to the whims of a more fickle market.</li></ul>





Wahaha's **Future Cola** played on *nationalistic sentiments* for a brighter future as a *distinctive positioning strategy*

# Marketing Memo: Writing a Positioning Statement

- To communicate a company or brand positioning, marketing plans often include a positioning statement.
- The statement should follow the form:
  - **To (target group and need) ,**
  - **our (Brand),**
  - **is (the concept)**
  - **that (what the POD is or does).**

## MARKETING MEMO

### • WRITING A POSITIONING STATEMENT

To communicate a company or brand positioning, marketing plans often include a *positioning statement*. The statement should follow the form: To *(target group and need)* our *(Brand)* is *(concept)* that *(POD)*. For example: "To *busy professionals who need to stay organized*, *Palm Pilot* is an *electronic organizer* that *allows you to back up files on your PC more easily and reliably than competitive products*." Sometimes the positioning statement is more detailed:

*Mountain Dew*: To young, active soft-drink consumers who have little time for sleep, Mountain Dew is the soft drink that gives you more energy than any other brand because it has the highest level of caffeine. With Mountain Dew, you can

stay alert and keep going even when you have not been able to get a good night's sleep.

Note that the positioning first states the product's membership in a category (e.g., Mountain Dew is a soft drink) and then shows its POD from other members of the group (e.g., has more caffeine). The product's membership in the category suggests the POPs that it might have with other products in the category, but the case for the product rests on its PODs. Sometimes the marketer will put the product in a surprisingly different category before indicating the points-of-difference.

**Sources:** Bobby J. Calder and Steven J. Reagan, "Brand Design." In *Kellogg on Marketing*, Dawn Iacobucci, ed., (New York: John Wiley, 2001), p. 61; Alice M. Tybout and Brian Sternthal, "Brand Positioning." In *Kellogg on Marketing*, Dawn Iacobucci, ed., (New York: John Wiley, 2001), p. 54.

# Creating PODs and POPs

- One common difficulty in creating a strong competitive brand positioning is that many of the attributes or benefits that make up the points-of-parity and points-of-difference are negatively correlated.
  - If consumers rate the brand highly on one particular attribute or benefit, they also rate it poorly on another important attribute.
  - Unfortunately, consumers typically want to maximize both attributes and benefits.
  - The best approach is to develop a product and service that performs well on both dimensions.

**Table 10.3**

**Examples of Negatively Correlated Attributes & Benefits**

Low Price vs. High Quality

Taste vs. Low Calories

Nutritious vs. Good Tasting

Efficacious vs. Mild

Powerful vs. Safe

Strong vs. Refined

Ubiquitous vs. Exclusive

Varied vs. Simple

# Differentiation Strategies

- To avoid the commodity trap, marketers must start with the belief that they can differentiate anything.
- The obvious means of differentiation, and often most compelling ones to consumers, relate to aspects of the product or service.



### **How to identify new, consumer-based points-of-differentiation:**

- 1) How do people become aware of their need for your product & service?
- 2) How do consumers find your offering?
- 3) How do consumers make their final selection?
- 4) How do consumers order & purchase your product ?
- 5) What happens when a product/service is delivered?
- 6) How is your product installed?
- 7) How is your product or service paid for?

### **How to identify new, consumer-based points-of-differentiation:**

- 8) How is your product stored?
- 9) How is your product moved around?
- 10) What is the consumer really using your product for?
- 11) What help is needed when they use your product?
- 12) What about returns or exchanges?
- 13) How is your product repaired or serviced?
- 14) What happens when your product is disposed of or no longer used?

# Differentiation Strategies

- **Competitive** advantage is a company's ability in one or more ways.
- **Leverageable** advantage is one that a company can use as a springboard to new advantages.
- A company hopes to **continue** inventing new advantages
- Customers **must see** any competitive advantage as a customer advantage.

# Different forms of differentiation

- Personnel differentiation
- Channel differentiation
- Image differentiation

# Personnel Differentiation

- Better-trained people - strong competitive advantage
  - *Eg: McDonald's people are courteous*

## 6 characteristics:

- ***competence, courtesy, credibility, reliability, responsiveness, communication***

# Personnel Differentiation



Becoming a Singapore Airlines flight attendant is not easy as company requirements are strict. But Singapore Airlines has a worldwide reputation for excellent service, built largely on the customer relations skills of its flight attendants.

# Channel Differentiation

- Competitive advantage through - design distribution channels' **coverage, expertise & performance**
  - *Example: Dell in computers distinguish themselves*
  - *Develop & manage high-quality direct-marketing channels*

# [ Image Differentiation ]

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- How the public perceives the company or its products
- ***Identity*** - how a company aims to identify/position itself or its product

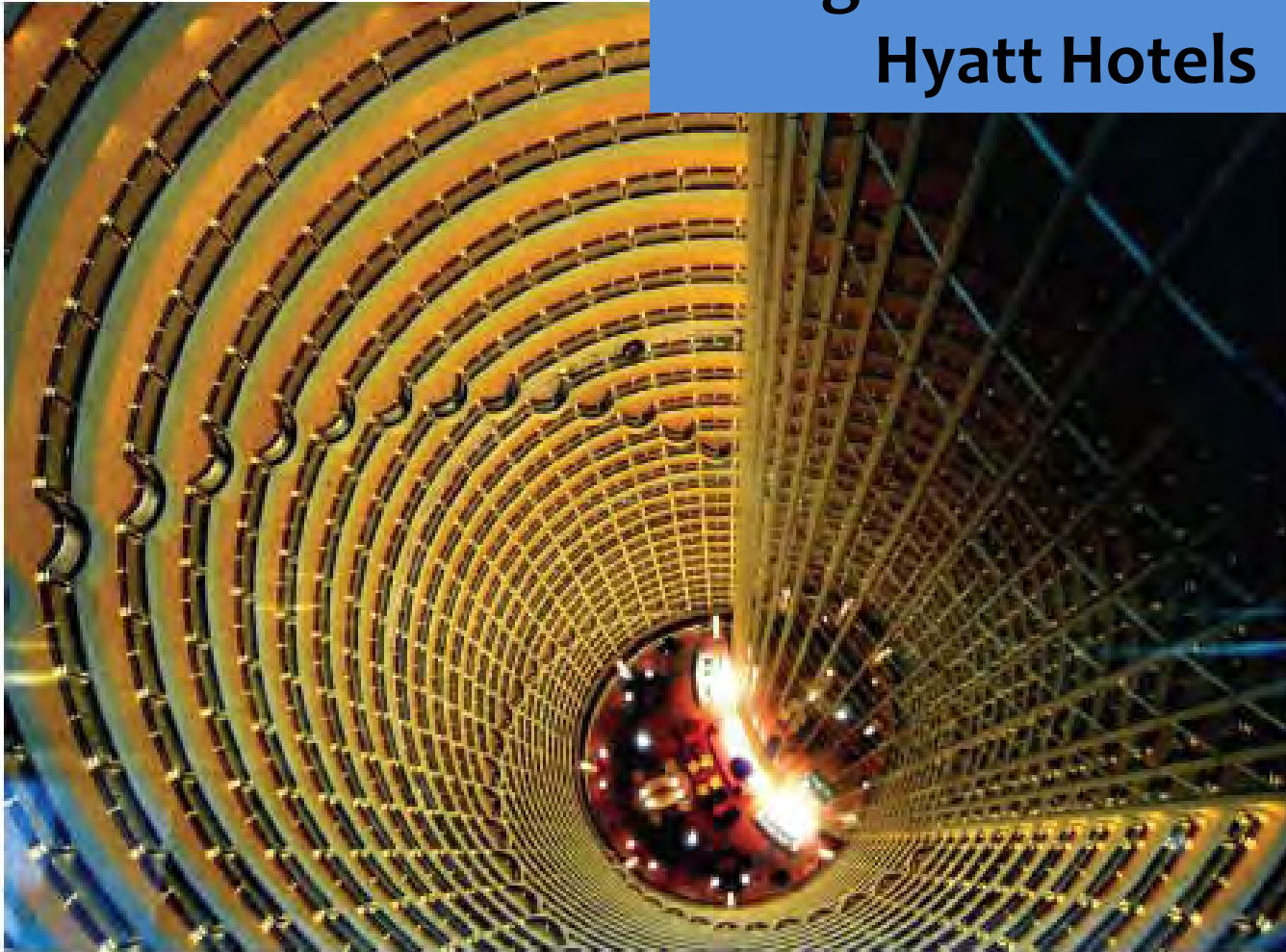


# Image Differentiation: **Identity**

An **effective** identity:

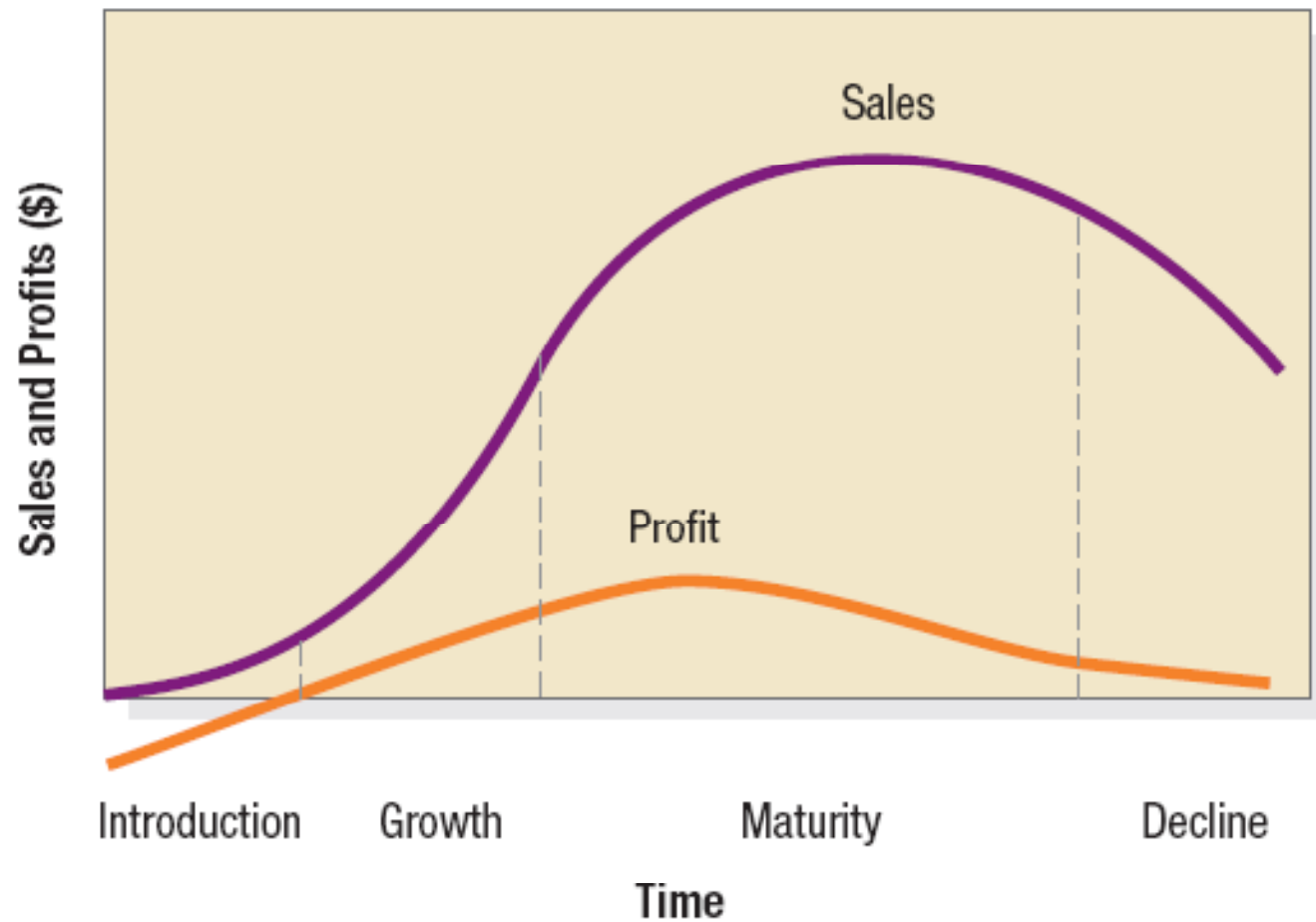
1. Establishes product's character & value proposition
2. Conveys character in a distinctive manner
3. Delivers emotional power beyond a mental image

## Image Differentiation – Hyatt Hotels



Using image differentiation, Grand Hyatt hotels have distinctive atrium lobbies.

# Figure 10.1 Sales and Product Life Cycles



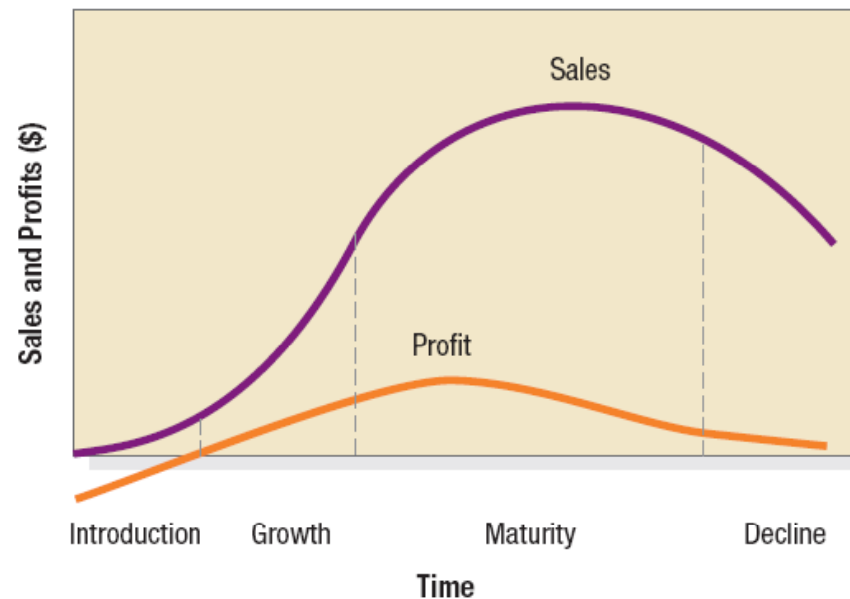
# Product Life Cycle Marketing Strategies

- A company's positioning and differentiation strategy must change as the product, market, and competitors change over the product life cycle (PLC).
- Products have a limited life.
- Product sales **pass through distinct stages**, each posing different challenges, opportunities, and problems to the seller.
- Profits rise and fall at different stages of the product life cycle.
- Products **require different** marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

# Product Life Cycles

The product life-cycle is divided into four stages:

- **Introduction.**
- **Growth.**
- **Maturity.**
- **Decline.**

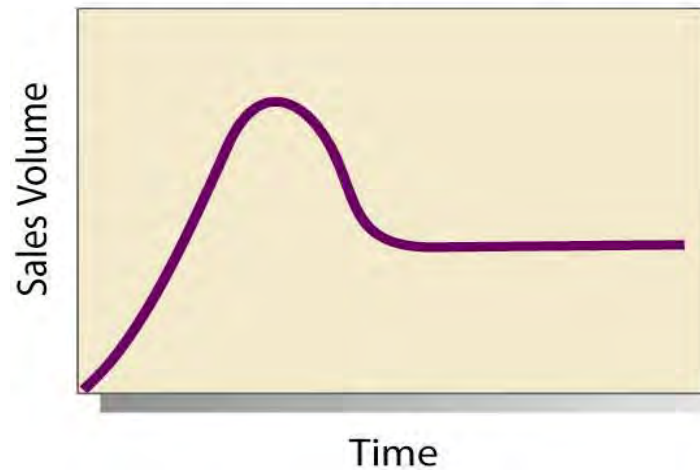


# Applications of PLC

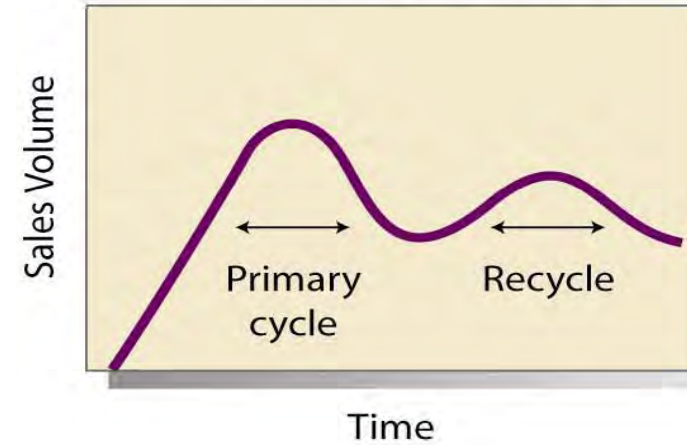
- The PLC concept can be used to analyze a product category, a product form, a product, or a brand.
- Figure 10.2 (a) shows a growth-slump-maturity pattern.
- Figure 10.2 (b) shows a cycle-recycle pattern.
- Figure 10.2 (c) shows a scalloped pattern.

## Figure 10.2 Common PLC Patterns

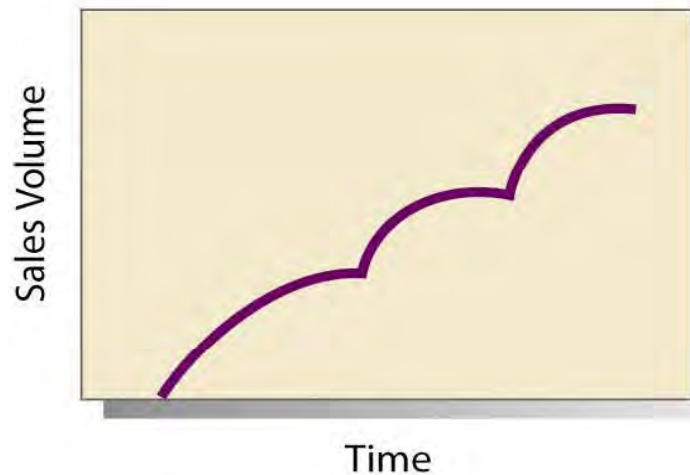
(a) Growth-Slump-Maturity Pattern



(b) Cycle-Recycle Pattern



(c) Scalloped Pattern



# Style, Fashion, and Fad Life Cycles

- A **style** is a basic and distinctive mode of expression appearing in a field of human endeavor.
- A **fashion** is a currently accepted or popular style in a given field.
- Fashions pass through four stages:
  - Distinctiveness.
  - Emulation.
  - Mass-fashion.
  - Decline.

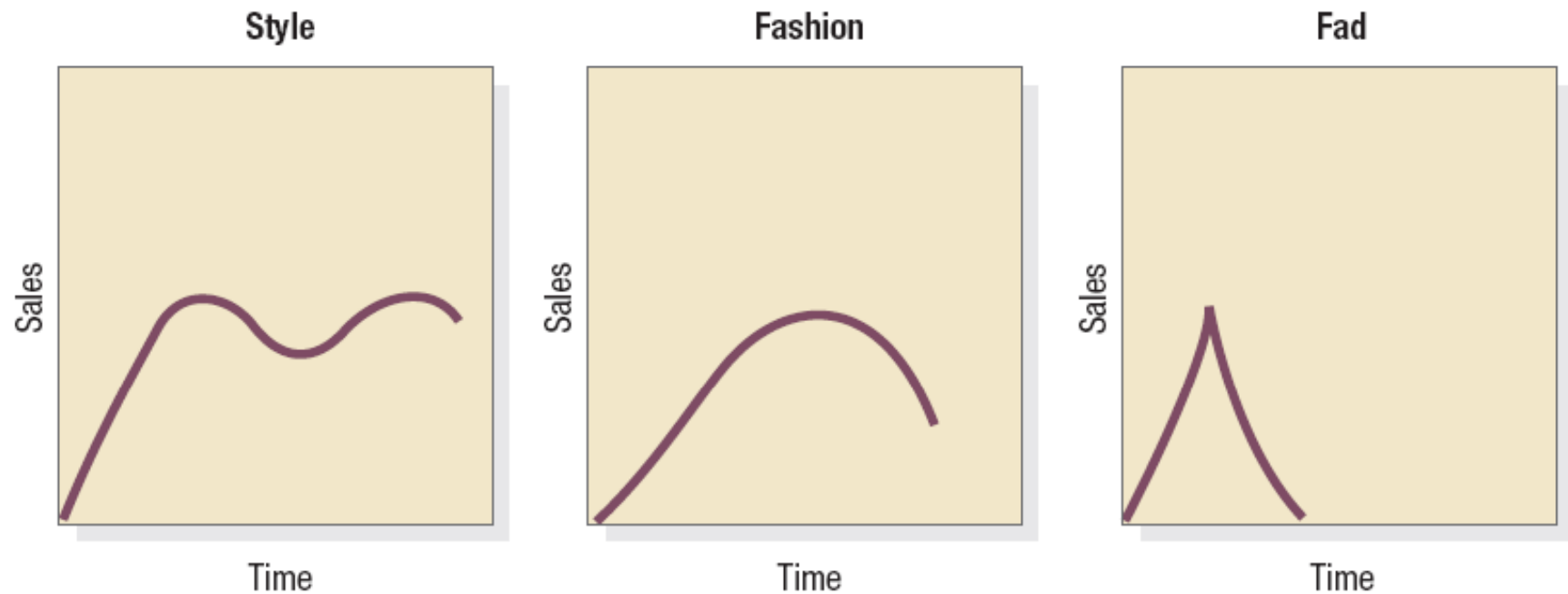


# Style, Fashion, and Fad Life Cycles

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- The length of a fashion cycle is hard to predict.
- **Fads** are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast.
- Fads do not survive because they do not normally satisfy a strong need.

# Figure 10.3: Style, Fashion and Fad Life Cycles



# Marketing Strategies:

## Introduction Stage and Pioneer Advantage

# Introduction Stage

- A) Profits are negative or low in the introduction stage.
- B) Promotional expenditures are at their highest ratio to sales because of the need to:
  - 1) Inform potential consumers.
  - 2) Induce product trial.
  - 3) Secure distribution in retail outlets.
- C) Companies that plan to introduce a new product must decide when to enter the market.
- D) To be first can be rewarding, but risky and expensive.
- E) To come in later makes sense if the firm can bring superior technology, quality, or brand strength.
- F) Speeding up innovation time is essential in an age of shortening product life cycles.
- G) Most studies indicate that the market pioneer gains the most advantage.

# Sources of Pioneer's Advantage:

- 1) Early users will recall the pioneer's brand name if the product satisfies them.
- 2) The pioneer's brand also establishes the attributes the product class should possess.
- 3) The pioneer's brand normally aims at the middle of the market and so captures more users.
- 4) There are producer advantages:
  - a. Economies of scale.
  - b. Technological leadership.
  - c. Patents.
  - d. Ownership of scarce assets.
  - e. Other barriers to entry.

**Note: the pioneer's advantage is NOT inevitable.**

# Research by Schnaars

- Steven Schnaars studied industries where imitators surpassed the innovators. He found several weaknesses among the failing pioneers:
  - *New products were too crude.*
  - *Were improperly positioned.*
  - *Appeared before there was a strong demand.*
  - *Product-development costs were high.*
  - *Lack of resources to compete.*
  - *Managerial incompetence or unhealthy complacency.*

# Research by Golder and Tellis

Research raises further doubts about the pioneer advantage. They distinguish between an:

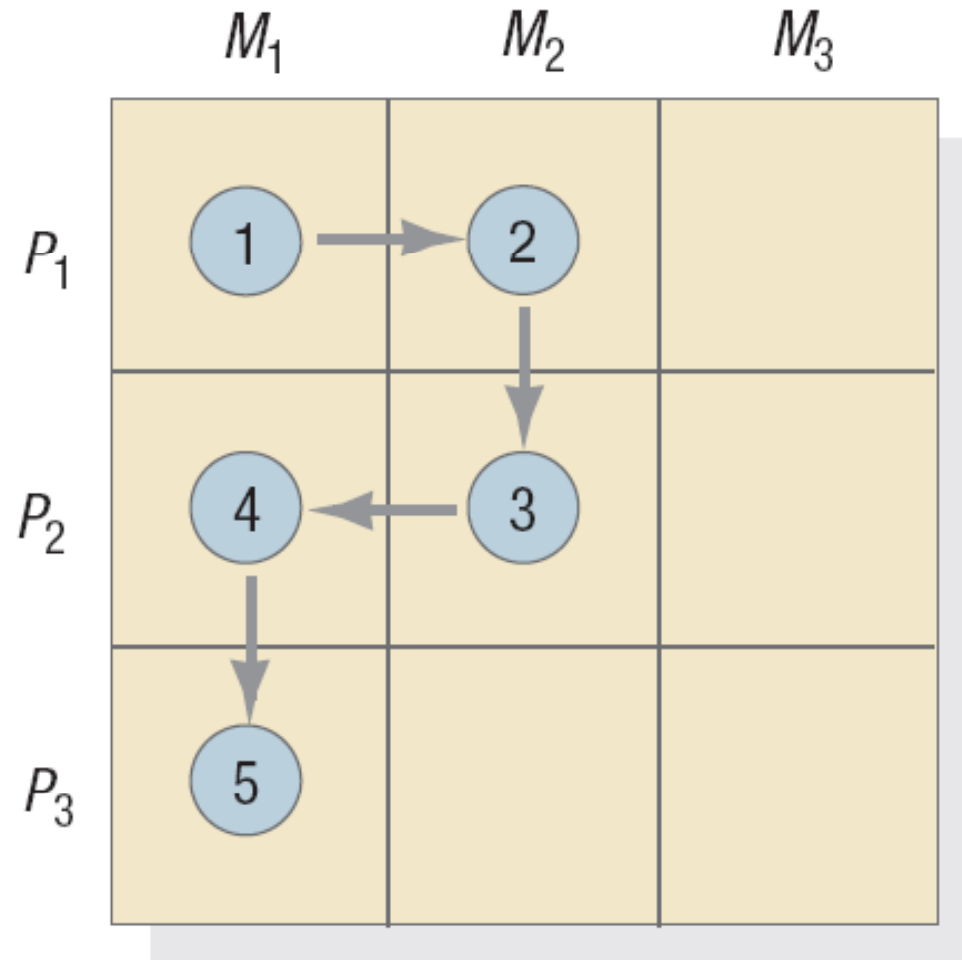
- **Inventor**: first to develop patents in a new-product category
- A **product pioneer**: first to develop a working model
- A **market pioneer**: first to sell in the new-product category

# Research by Golder and Tellis

- According to authors, there are five factors underpinning long-term market leadership. These are:
  - **Vision of a mass market**
  - **Persistence**
  - **Relentless innovation**
  - **Financial commitment**
  - **Asset leverage**



**Figure 10.4** Long-Range Product Market Expansion Strategy ( $P_i$  = Product  $i$ ;  $M_j$  = Market  $j$ )



# Marketing Strategies:

## Growth Stage

The growth stage is marked by rapid climb in sales.

Early adopters like the product, and additional consumers start buying it.

New competitors enter because they are attracted by the possible opportunities.

# Characteristics of the Growth Stage:

1. Prices remain where they are or fall slightly.
2. Companies maintain their promotional expenditures at the same or at a slightly increased level to meet competition and to continue to educate the market.
3. Sales rise much faster than promotional expenditures.
4. Profits increase.
5. Manufacturing costs fall faster than price declines owing to the producer learning effect.

# Strategies undertaken by firms in the growth stage:

- It improves product quality and adds new product features and improved styling.
- It adds new models and flanker products.
- It enters new market segments.
- It increases its distribution coverage and enters new distribution channels.
- It shifts from product-awareness advertising to product-preference advertising.
- It lowers prices to attract the next layer of price-sensitive buyers.

## Trade-offs in the growth stage:

- A firm in the growth stage faces a trade-off between high market share and high current profits.
- By spending money on product improvement, promotion, and distribution, it can capture a dominant position.

# Marketing Strategies:

## Maturity Stage

At some point, the rate of sales growth will slow, and the product will enter a stage of relative maturity.

This stage normally lasts longer than the previous stages and poses big challenges to marketing management.

Most products are in the maturity stage of the life cycle.

# Maturity Stage:

- The maturity stage is divided into **three phases**:
  - Growth, where the sales growth rate starts to decline
  - Stable, where sales flatten on a per capita basis because of market saturation
  - Decaying maturity, where the absolute level of sales starts to decline, and customers begin switching to other products

## Maturity stage:

- The sales slowdown creates overcapacity in the industry that leads to intensified competition
- The industry eventually consists of well-entrenched competitors whose basic drive is to gain or maintain market share
- Dominating the industry are a few giant firms that serve the whole market and make their profits mainly through high volume
- Surrounding these dominant firms is a multitude of market nichers



## Maturity Stage:

- The issue facing a firm in a mature market is *whether to become one of the “big three” or pursue a niching strategy*
- Some companies at this stage abandon weaker products and concentrate on products that are more profitable or on new products

## *Marketing Strategies: Maturity Stage*

By the time  
you finish reading  
this headline,  
you'd have felt  
the relief of



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**Tiger Balm** revived its popularity with constant introduction of new products

# Marketing Strategies used for Maturity Stage:

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- 1. Market Modification**
- 2. Product Modification**
- 3. Marketing Program Modification**

# Market Modification

- The company might try to expand the market for its mature brand by working with the two factors that make up sales volume:

Volume = number of brand users x  
usage rate per user.

# Market Modification Strategies

- It can try to expand the number of brands users by converting non-users.
- It can also try to expand the number of brand users by entering new market segments.
- A third way to expand the number of brand users is by winning competitors' customers.
- Volume can also be increased by convincing current users to increase their brand usage:
  - Use the product on more occasions.
  - Use more of the product on each occasion.
  - Use the product in new ways.

**Table 10.4** Alternative Ways to Increase Sales Volume

Expand the Number of Brand Users	Increase the Usage Rates Among Users
<ul style="list-style-type: none"><li>● <b>Convert non-users.</b> The key to the growth of air freight service is the constant search for new users to whom air carriers can demonstrate the benefits of using air freight rather than ground transportation.</li><li>● <b>Enter new market segments.</b> Johnson &amp; Johnson promoted its baby shampoo to adults.</li><li>● <b>Attract competitors' customers.</b> Pepsi is always tempting Coke drinkers to switch.</li></ul>	<ul style="list-style-type: none"><li>● <b>Have consumers use the product on more occasions.</b> Eat Indomie instant noodles for breakfast.</li><li>● <b>Have consumers use more of the product on each occasion.</b> Drink a larger glass of soy bean milk.</li><li>● <b>Have consumers use the product in new ways.</b> Use Tums antacid as a calcium supplement.<sup>42</sup></li></ul>

# Product Modification Strategies

- Managers also try to stimulate sales by modifying the product's characteristics through quality improvement, feature improvement, or style improvement.

# Product Modification Strategies

- **Quality improvement** aims at increasing the product's functional performance.
- **Feature improvement** aims at adding new features that expand the product's performance, versatility, safety, or convenience.
- **Style improvement** aims at increasing the product's esthetic appeal.



# Advantages and disadvantages of feature improvements:

- ADVANTAGES:

- New features build the company's image as an innovator.
- Wins the loyalty of market segments that value these features.
- Provide an opportunity for free publicity.
- Generate sales force and distributor enthusiasm.

- DISADVANTAGES:

- Might not pay off in the long run.

# Marketing Strategies:

## Decline Stage

Sales decline for a number of reasons, including technological advances, shifts in consumer tastes, increased domestic and foreign competition.

All these lead to overcapacity, increased price-cutting, and profit erosion.

As sales and profits decline, some firms withdraw from the market. Those remaining may reduce the number of products they offer.

# Strategic options for products in decline stage:

**5** company strategies in declining industries:

- 1. Increase investment**
- 2. Maintain investment - uncertainty resolved**
- 3. Decrease investment selectively**
- 4. “Milk” investment - recover cash quickly**
- 5. Divest business quickly**

## Evidence of the PLC concept:

- The PLC concept helps marketers interpret **product and market dynamics**
- To conduct **planning and control**.
- And do **forecasting**.

**Table 10.5** Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
<b>Characteristics</b>				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing Objectives</b>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands	Phase out weak items and models
Price	Charge cost-plus	Price to penetrate market	Price to match or beat competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level Reduce to minimal level

**Sources:** Chester R. Wasson, *Dynamic Competitive Strategy and Product Life Cycles*, (Austin, TX: Austin Press, 1978); John A. Weber, "Planning Corporate Growth with Inverted Product Life Cycles." *Long Range Planning*, October 1976, pp. 12-29; Peter Doyle, "The Realities of the Product Life Cycle." *Quarterly Review of Marketing*, Summer 1976.

## Critique of the PLC concept:

1. Life-cycle pattern – too variable in shape & duration
2. Hard to tell which stage the product is in
3. PLC may be the result of marketing, not a course which sales must follow

# Marketing Insight: **Competitive category dynamics**

Cites **seven dynamics** that result in new categories:

1. expanding the boundaries of existing categories;
2. carves out a fresh niche;
3. bundle existing categories into a super-category;
4. repositions products into an original category;
5. customer needs to propel a new category;
6. new technology creates a new category;
7. companies exploit technology to create a new category.

# Market Evolution

- Because the PLC focuses on what is happening to a particular product or brand rather than on what is happening to the overall market, it yields a product-orientated picture rather than a market-orientated picture.
- Firms need to visualize a **market's evolutionary path** as it is affected by new needs, competitors, technology, channels, and other developments.
  - Like products, markets evolve through four stages: **emergence, growth, maturity, and decline.**



# Market Evolution

**LEGO Group**—LEGO Group, the Danish toy company, enjoyed a 72 percent global market share of the construction toy market; but children were spending more of their spare time with video games, computers, and television and less time with traditional toys. Lego recognized the need to change or expand its market space. It redefined its market space as “family edutainment,” which included toys, education, interactive technology, software, computers, and consumer electronics. All involved exercising the mind and having fun. Part of LEGO Group’s plan is to capture an increasing share of customer spending as children become young adults and then parents.



# Market Evolution: **Emergence**

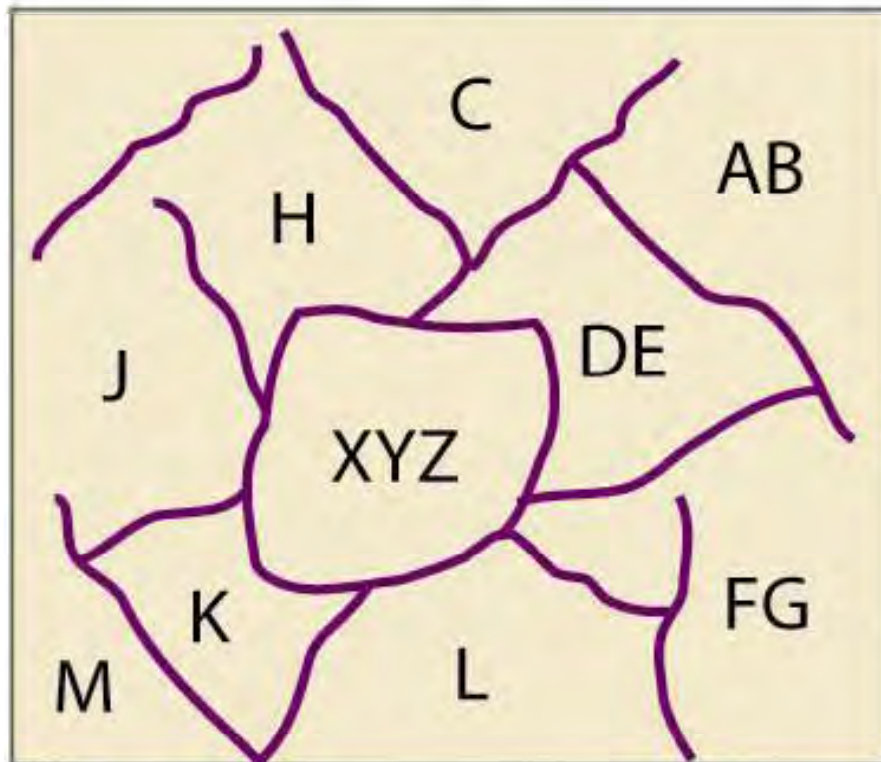
- Before a market materializes, it exists as a latent market.
- A market, in which buyer preferences scatter evenly, is called a **diffused-preference market**.

# Emergence (diffused-preference)

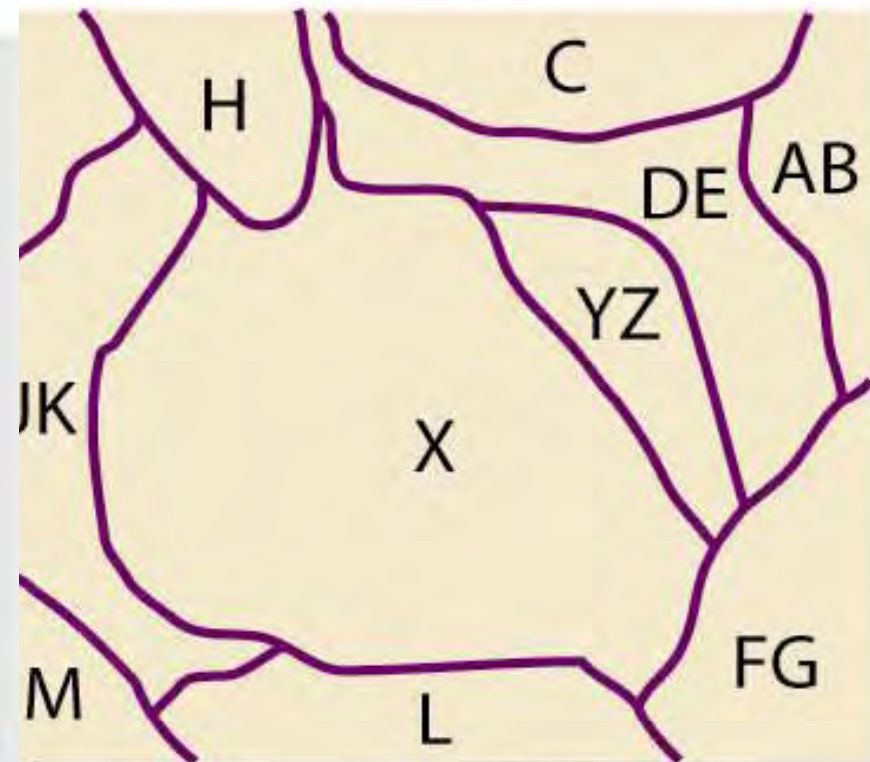
- In a **diffused-preference market**, the entrepreneur's problem is to design an optimal product for this market. There are **three options**:
  - Design the new product to meet the preferences of one of the corners of the market - a **single-niche strategy**.
  - Launch two or more products simultaneously to capture two or more parts of the market - a **multiple-niche strategy**.
  - Design the new product for the middle of market - a **mass-market strategy**

## Figure 10.5 Market-fragmentation & Market-consolidation Strategies

(a) Market-fragmentation Stage



(b) Market-consolidation Stage



# Market Evolution: **Growth**

- If the new product sells well, new firms will enter the market, thus ushering in a market-growth stage.

## Market Evolution: **Maturity**

- Eventually, the competitors cover and serve all the major market segments and the market enters the maturity stage.
- As market growth slows down, the market splits into finer segments which results in high market fragmentation occurs.

# Market Evolution: **Maturity**

- Market fragmentation is often followed by a market consolidation caused by the emergence of a new attribute that has strong appeal.
- Even a consolidate market condition will not last. Other companies will copy a successful brand, thus causing the market will eventually splinter again.
- Mature markets swing between fragmentation brought about by competition and consolidation brought about by innovation.

## Market Evolution: **Decline**

- Eventually, demand for the current products will begin to decrease and it will enter the decline stage.
- Either society's total need level declines, or a new technology replaces the old.



# Final Discussion:

## Marketing Debate – Do Brands Have Finite Lives?

Often, after a brand begins to slip in the marketplace or disappears altogether, commentators observe, “all brands have their day.” Their rationale is that all brands, in some sense, have a finite life & cannot be expected to be leaders forever.

Other experts contend, however, that brands can live forever & their long-term success depends on the skill & insight of the marketers involved.

**Take a position:** Brands cannot be expected to last forever  
versus There is no reason for a brand to ever become obsolete

# Final Discussion:

## Marketing Discussion

Identify other negatively correlated attributes & benefits not included in Table 10.3.

What strategies do firms use to try to position themselves on the basis of pairs of attributes & benefits?