This Part Contains:
11 Building brands using the international marketing mix
12 Marketing planning

WHAT THIS PART IS ABOUT

The final section of this book draws together all the previous areas and shows what marketers actually do with the resources at their disposal. Branding is a major weapon in a marketer's armoury and so Chapter 11 looks back at previous chapters on the marketing mix and shows how the marketing mix elements combine to build brands. Chapter 12 explains the marketing planning process and how it is used to manage marketing activities and to achieve marketing goals.

Modern organisations are highly reliant upon marketing and successful marketing is dependent upon the skills of marketers. There is a wide range of different roles within marketing: research and analysis, logistics planning and management, account handling, brand management, new product development, price setting – it would take too much space to list them all here. However, we do want you to share our enthusiasm for marketing and to find your ideal marketing role. So we have put an extra, bonus, section on this book’s companion website that explains what marketers do in more detail and how your career might develop.

Go to www.sagepub.co.uk/masterson3e

We wish you good luck in your future marketing career!
Introducing the international marketing mix

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BRAND-BUILDING CHALLENGES

The following are illustrations of the types of decision that marketers have to take or issues they face. You aren’t expected to know how to deal with the challenges now; just bear them in mind as you read the chapter and see what you can find that helps.

- Aphrodite is a small, well-known confectionery brand that wants to change its image to that of a supplier of high-quality, special-occasion sweets. The marketing director has asked you to review current marketing activities to ensure that they support this new market position. What do you need to check?

- You are the marketing manager for a well-known designer fashion brand. A chain store has approached your company with a view to placing a large order. The finance manager is delighted and is prepared to discount the price. However, the managing director has some concerns. Do you think this order should be accepted? Do you want to impose any special terms and conditions?

- A friend owns two coffee bars, one in Leicester and one in Edinburgh. She now works in Edinburgh as that coffee bar is new and has no manager yet. Since she left, takings at the Leicester restaurant have dropped right down and she doesn’t know why. She has asked you to help her find the problem. Do you know what to do?

- You are the brand manager for a range of jams that are one of the oldest brands in the world. The range has distinctive and well-recognised packaging. However, the packaging is not recyclable and you are under pressure to change it. You are worried about losing your brand’s competitive advantage. What do you need to consider? What can you do?
INTRODUCTION

The marketing mix is at the core of any marketing plan. The most commonly used schematic for the marketing mix is the 4Ps and this has the advantage of being both widely recognised and easy to remember.

The marketing mix is a set of tools and should be treated as such. No one element can stand alone; they must all support each other. If they conflict, target markets will be confused, objectives will not be met and the brand’s image will be diluted. Marketing managers blend their marketing mixes to make an integrated plan that will achieve their marketing objectives.

This chapter is a round-up of the marketing mix, summarising the techniques, demonstrating how they fit together and showing how they can be integrated to build brands. The idea of branding as an integral part of a modern product was introduced in Chapter 6. It will be considered here as a strategy that employs all elements of the marketing mix.

MARKETING MIX OBJECTIVES

Before any decisions are taken on what to do with the marketing mix, it is important to know what you are trying to achieve. If you just get into your car and drive, without first deciding where you want to go, then you will just drive around aimlessly. To reach a destination, you have to know where you want to be and plan a route to get there. The marketing mix is the organisation’s route to its marketing objectives (see Exhibit 11.1).

Exhibit 11.1  Planning to meet objectives
An organisation’s objectives work in a hierarchy. At the top level are the corporate objectives. All other objectives, including marketing, should be designed to contribute to those overall, corporate objectives.

The objectives illustrated in Exhibit 11.2 are insufficiently detailed for the real world – more precision and explanation is required.

The meeting of customer needs is at the heart of good marketing. Marketers have to get inside their customers’ heads and see the offering through their eyes. If the offering is noticeably better than that of the competition, then competitive advantage will be created. For example, it may be better quality, or cheaper, have a better image or be more readily available. The marketing mix will be more effective if it is well integrated, i.e. each element fits with the others so that there are no contradictory signals (see ‘Mixing it’ below). Resources are always a constraint on marketing activities. There is no point in designing a mix that the company does not have the resources (finance, expertise, time or a suitable infrastructure) to implement.

THE MARKETING MIX: A REPRISE

FIRST THERE WERE 4PS: THE TRADITIONAL MARKETING MIX

Each of the 4Ps is covered in more depth in its own chapter (Chapters 6–10). This chapter focuses on integrating the elements of the marketing mix to build brands and also introduces some of the additional complexities associated with international marketing and the marketing of service products. Exhibit 11.3 summarises the 4Ps and shows how they can fit together.
It may seem obvious just what a product is (a pen, a car, a ring, a bar of chocolate, etc.), but there is rather more to it than that.

Products of the same type, e.g. cars, and even produced by the same manufacturer, e.g. Ford, are differentiated by features, quality, size, speed, shape and colour. They have different features (engine size, braking system, colour, interior trim, etc.) and come in different sizes for different drivers (small car, small family car, family car, executive, limousine, van, minibus, people carrier, etc.). All these things are characteristics (or attributes) of a particular car and so a product could be said to be a bundle of characteristics. It is the quality of these features, coupled with the workmanship that goes into the product, that determines its quality. Quality is something that most customers look for in a product, even though they cannot always afford to buy the best. This is an example of how the marketing mix integrates. The best components, such as those that go into a Rolls-Royce (e.g. walnut veneer dashboards), cost more than others (e.g. plastic dashboards). This means that a higher price will have to be set for the products that have the higher-quality components. Some customers will be willing and able to pay that price (so long as the quality really is better), some will not. Those who do buy a Rolls-Royce will be buying not just a car but an exclusive image. They will therefore expect impeccable service, both before and after the sale.

Companies provide a range of products, of differing quality, with different features, different images and different levels of support, to match the prices that different customers are prepared to pay for that product type.

So a product is a bundle of characteristics but, of course, that is not what customers really want to buy. What the customer really wants is the benefit that the product brings. People do not just buy cars, they buy means of transport or status symbols. They do not really buy rings because they want small bands of metal, they want tokens of affection, gifts, decorated fingers, symbols of their engagement. Marketers must concentrate on the benefits their products bring to their purchasers – the product features and quality are really just the means by which those benefits are delivered.

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**Exhibit 11.3** The 4Ps: key variables

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Features</td>
<td>Price range</td>
<td>Intermediaries</td>
<td>Advertising</td>
</tr>
<tr>
<td>(characteristics</td>
<td></td>
<td>(retailers,</td>
<td></td>
</tr>
<tr>
<td>(attributes)</td>
<td></td>
<td>wholesalers, etc.)</td>
<td></td>
</tr>
<tr>
<td>Range</td>
<td>Discounts</td>
<td>Coverage</td>
<td>Personal selling</td>
</tr>
<tr>
<td>Support services</td>
<td>Allowances</td>
<td>Order processing</td>
<td>Public relations</td>
</tr>
<tr>
<td>Brand</td>
<td>Negotiation policy</td>
<td>Stock control</td>
<td>Sales promotion</td>
</tr>
<tr>
<td>Design</td>
<td>Credit policy</td>
<td>Delivery</td>
<td>Direct marketing</td>
</tr>
<tr>
<td>Packaging</td>
<td>Price changes</td>
<td>Transport</td>
<td>Sponsorship</td>
</tr>
</tbody>
</table>
ACTIVITY

Choose a pair of products from the list below. What are their features? What are the benefits that those features are designed to deliver?

- Kindle Fire and Kindle Paperwhite
- a tub of Häagen-Dazs ice cream and a Unilever Cornetto
- a pair of trainers and a pair of walking boots
- sleeping bags and duvets (think of all the possible variances)
- music downloads and CDs.

Products have a number of levels, which together make up the total product offering. Customers may decide between two products on the basis of any of the attributes listed in Exhibit 11.4, e.g. customer support, but they will not buy a product that does not deliver the core benefit required. A pen must write, chocolate must taste good, a car must go.

The basic product is the product itself and includes features, components and quality level. Remember that this may be a physical product or a service product. Service products also have features, components, quality levels, etc. Take a dry cleaning service, for example. It may be local (a feature), include ironing (a component), be standard or gold service (quality), and be given back to the customer in a plastic bag.

Exhibit 11.4 The total product offering
bag or a strong clothes carrier (packaging). The perceived product is the product as the customer actually sees it, which may not be in quite the way the supplier intended. For example, a restaurant may wish to be thought of as upmarket, but its target market may just think it is over-priced. The augmented product is the surrounding support for the product, including all support services, delivery and installation.

Take a shirt as an example. Its core benefits are that it covers nakedness and provides some warmth. As a basic product, the shirt is blue, fashionably styled, available in most sizes and made of 100% cotton of the highest quality. The supplier offers a no-quibble, money-back guarantee if the shirt fails to live up to expectations. This augments (adds to) the product. If the shirt in question also happens to be made by Armani, how does that affect your perception of it?

Previously, firms tried to differentiate themselves from their competition through tangible product advantages: their products might be better quality, come in more colours, have additional features, etc. Competitive strategies centred upon developing a product that was demonstrably superior to competitors’ products and then updating it regularly in order to maintain that superior position. However, as markets have become more competitive, tangible product differences are harder to maintain and so the augmented product has become the main source of competitive edge for many companies – providing their unique selling propositions (USPs).

The term USP originally stood for ‘unique selling point’ and was first used by Rosser Reeves, whose idea was that advertising worked best when it made one clear point. Unfortunately, the phrase was picked up and reinterpreted as meaning that a product must have a unique feature, something that it is increasingly hard to maintain (Pickton and Broderick, 2004). The word ‘point’ caused confusion and consequently ‘unique selling proposition’ is the definition now generally preferred. The USPs of today are most likely to be derived from additional services or from branding. (For more on services, see Chapter 7.)

Branding is part of the augmented product and is one of the best ways to differentiate a product from its competition. Towards the end of the twentieth century, branding came to be seen as the main contributor to a company’s competitive edge. The emphasis was on brand value. Leading brands battled for the loyalty of consumers: few more fiercely than the big sportswear companies, Nike, Reebok and Adidas, who spent millions on promoting their brands. They competed as fiercely to sponsor the best, or in some cases the most photogenic, sports stars as those athletes competed themselves.

Some highly successful organisations are just brands – they don’t actually make anything and may franchise the selling operation too. For example, Virgin has lent its name to a number of products (vodka, cola, cosmetics) that it has very little to do with. At the beginning of the twenty-first century, the brand’s power looks less sure. Customers seem to want more value than a brand alone can give. Customer service may be a key source of competitive edge over the next few years.
**International product decisions**

Most consumer products are adapted in some way to suit the needs of different countries although there is some convergence of global tastes and preferences, largely due to improved communications and the efforts of multinational and global companies. This allows manufacturers to standardise products in certain categories. For example, Gillette’s Mach 3 was developed as a world product. It is a standard shaving system designed to meet the needs of men who want a quicker, closer shave – whatever their nationality.

**ACTIVITY**

This exercise is perhaps best done in class, or at least with a group. List as many products as you can that are absolutely standard in all their features and characteristics, the world over. Then compare lists and see if you agree with the products that others have listed.

There are some products that look the same and are assumed to be the same, but even Coca-Cola is not the same in all countries, e.g. it has more sugar in India than it does in Europe. There are many more standardised products in b2b and industrial markets. Raw ingredients such as vegetables, commodities such as salt, metals, minerals and gemstones are all more likely to be standard, as are many office and computer supplies. Analysis tools such as the **product life cycle** and the **Boston Consulting Group Portfolio Matrix (BCG matrix)** are used in international marketing as well as in domestic marketing. Products may be at different stages in their life cycles in different countries, although these differences are reducing as the forces of globalisation gather force. Exporting has long been seen as a means of extending a product’s life cycle but, with the convergence of life cycles internationally, the general shortening of product lives and the trend for global brands to launch new products simultaneously in multiple countries, this is becoming less common. In terms of the BCG matrix, at the simplest level the ‘market’ referred to on the axes can be taken as the country in question, although it should be remembered that few countries are really just one big uniform market segment. (See Chapter 6 for more on the product life cycle and the BCG matrix.)

**PROMOTION (MARKETING COMMUNICATIONS)**

Consumers have a wide choice of products on which to spend their money. Sellers try to influence that choice through the use of promotion. This is the part of the marketing mix that is primarily concerned with communication, which is why it is now more commonly known as marketing communications. Marketing communications is thought to be a better term as it is a more accurate description and because there was always the possibility of confusion between promotion and sales promotion. Marketing communications and promotion are interchangeable terms and this book uses both.
global focus: Cars for the people

A car is often the single most valuable item that a person owns. Great thought and effort goes into the selection and purchase of a car: it is not just transport, it is a statement, a status symbol, an outward representation of its owner’s inner self. In the developed world, the make and style of a car says a lot about its driver, especially about their wealth. Then again, in some other parts of the world, just owning a car, any car, speaks of affluence. Imagine the joy of buying your first, brand new car in a society where fewer than eight people in a thousand own one.

This is the dream that the Tata motor company hoped to make come true for thousands of Indians when it proudly launched the world’s cheapest car. With a price of just 100,000 rupees (which was less than £1450/€1600), the Nano was less than half the price of the next cheapest car already available in India and only slightly more expensive than an upmarket motor bike. It was aimed at those who wanted quick and convenient transport but could not afford any of the cars then on the market.

The idea for this radical new product came from observing whole families piled on to one motorbike (quite a common sight on Indian roads), father driving with a child standing between his knees while mother sits behind with the smallest child on her lap. Tata’s designers felt that the practice demonstrated a clear customer need for safer, more comfortable transport.

The Nano was promoted as the latest in a distinguished tradition of people’s cars that started with the Model T Ford and included the Volkswagen Beetle and the Mini. The Nano had no radio, no boot, no airbag, no passenger side mirror and only one windscreen wiper. It was light and simple, held five adults (just), had more plastic than steel and was held together by hi-tech glue. Questions were raised about its ability to pass the stringent safety tests required by markets such as the European Union (EU) but Tata claimed that the design allowed for further strengthening with metal plates should they decide to sell it in such markets – at a cost of course.

Analysts were predicting that India would soon be the fastest-growing car market in the world but still not everyone wanted to celebrate the launch of this new wonder car. Environmental campaigners were concerned about the pollutant effect of so many extra cars on the road. They made the point that if just 10% of Indian motorcyclists bought Nanos instead, there would be an extra 1 million cars in the country. Many major Indian cities already suffered from smog and the traffic in Delhi crawled along at an average of nine miles an hour. Delhi’s Centre for Science and Environment argued that people needed better public transport rather than more affordable private cars.

The Indian motoring lobby remained positive in the face of the criticism and pointed out that Indians owned very few cars compared to Western consumers who had been able to afford cars for many years. Would the highly affordable Nano be able to do for the Indian car market what Ford’s Model T did for the USA?
The promotional mix traditionally comprises:

- advertising
- public relations (PR)
- sales promotion
- personal selling.

Direct marketing communication and sponsorship can be added to these.

Advertising uses **paid media** (advertisers buy space or air time in which to show their adverts), e.g. television, radio, cinema, Internet, leaflets. Media relations is a large part of **public relations (PR)** and this uses **earned media**, mainly through media releases, the placing or seeding of stories, press conferences or briefings, and publicity stunts. Although PR does not use paid-for space or air time, it would be a mistake to describe PR as free. PR agencies do not work for free and there are printing and other costs to account for as well. Organisations use a range of PR activities, including exhibitions, **hospitality**, **sponsorship** and **product placement**. All of these are designed to build relationships with audiences and promote understanding of the organisation and its activities. Short-term special offers (money-off coupons, multibuys, competitions, free trials, etc.) are called **sales promotions** and are a popular choice, especially among **FMCG** retailers. Personal selling ranges from sales assistants in shops, through door-to-door salespeople and telesales, to the high-level account managers who sell large capital items (such as bridges and mainframe computers) to governments and the boards of multinational clients.

All these activities must be integrated so that they support, rather than contradict, each other. The same message and tone should come through from each activity. This is an important part of building brand image. As well as being integrated with each other, marketing communications activities must also fit with the rest of the marketing mix as the message comes through from all of the mix, not just from explicit communications. Harrods sells quality products at premium prices, and we expect its communications to be similarly upmarket. A gaudy advert in a downmarket magazine offering a **BOGOF** would detract from its carefully cultivated image. (For more on marketing communications, see Chapter 8.)

**INTERNATIONAL PROMOTION (MARKETING COMMUNICATIONS) DECISIONS**

While promotional strategies may be global, differences of language and environment mean that they can rarely be absolutely standard in their detail. Adverts, packaging and promotions will all have to be translated. Different images, and

**paid media** channels of communication in which advertisers buy space, e.g. television, magazines, social media sites

**public relations (PR)** planned activities designed to build good relationships and enhance an organisation’s or an individual’s reputation

**earned media** channels of communication outside marketers’ direct control that are used to talk about brands, issues, organisations; traditionally PR media, e.g. newspaper columns/editorials (not advert space), individuals’ blogs, individuals’ social media pages

**hospitality** hosting clients (e.g. providing refreshments in a private room) at events

**sponsorship** giving financial aid, or other resources, to an individual, organisation (usually non-profit making) or event in return for a positive association with them, e.g. the Coca-Cola cup

**product placement** arranging for products to be seen, or referred to, in entertainment media, e.g. during TV or radio programmes, films, plays, video games

**sales promotion** short-term special offers and other added-value activities, e.g. two for the price of one

**FMCG** (fast-moving consumer goods) low-value items that are bought regularly (the shelves empty quickly), e.g. toothpaste

**BOGOF** buy one get one free
actors, may need to be used if locals are to relate to them. Some countries insist on local actors appearing in all adverts and there are numerous other regulations that affect what promoters can and cannot do, country by country. There are a number of ways around these problems. Television and cinema adverts may be dubbed (although this does not help overcome the foreign looks of the actors). Some companies develop pattern adverts. These have a consistent look and tone, although some images and the slogan may be written for a specific audience.

Advertising media varies in its availability and quality. Some countries have no national press, some have no local press. In remote parts, television reception may be poor. The Internet is still banned in parts of the world (although this is hard to enforce in practice). In recent years, many companies have made their first foray abroad via the Internet which is an excellent direct sales medium provided that the product in question does not require too much personal support.

Trade fairs and exhibitions are often important to firms who are trying to get established in an overseas market. These provide the perfect place to demonstrate products, meet potential buyers and agents, and check out the competition.

PLACE (DISTRIBUTION AND LOGISTICS)
Place is perhaps the least descriptive of the marketing mix titles and therefore the most likely to cause confusion. Place refers to the whole distribution process – from customer enquiry to after-sales service. In consumer marketing, the place where the actual sale happens is part of that, but it is not the whole story. In b2b, the sale often takes place on the customer’s premises, where a salesperson has called.

The marketing channel, or distribution channel illustrated in Exhibit 11.5, is a three-level channel (i.e. there are three links in the chain between the manufacturer of the product and the eventual customer).
An important task of marketing management is to design the marketing channel. The longer the channel, the more removed the producer of the product is from its customers and the more opportunity there is for things to go wrong. Most manufacturers have little or no customer contact; it is the retailer who builds a relationship with the customer. This lack of contact makes it harder for manufacturers to get to know what their customers think of the products, what they would like to see changed, what new products they might like. It also means they have to work harder to build brand loyalty.

The shortest channel is a zero-level (0-level) channel. This means direct sales – there are no intermediaries. The product’s producers deal with the customer themselves.

**ACTIVITY**

Given the availability of the Internet, its relatively low cost and the fact that most households now have access to it, why don’t all manufacturers sell directly to customers? Why do they let their products be sold through traditional marketing channels at all? What is it that they may not be able to do, or not do as well as wholesalers and/or retailers?

Think this problem through from the point of view of:

- a PC manufacturer such as Hewlett Packard
- an FMCG manufacturer such as Kellogg’s
- a car manufacturer such as Renault
- a shoe manufacturer such as Clarks.

Marketing managers not only have to work out the length of a channel, but its breadth. How many retailers, distributors, etc. will handle the product? The answer will partly depend on whether this is an exclusive or a mass-market product. Is it cheap or expensive? Again, the mix intermingles. The nature of the product helps to determine the nature of the channel.

Channel design is only the beginning. The supply chain for a product may be complex and will require careful ongoing management. Good relationships throughout the chain are essential for long-term success. Distributors need support and encouragement if they are to choose to push the right product forward.

Place is about getting the right product to the right customer at the right time. A lot goes on behind the scenes to ensure that this happens.
PART FOUR

International place decisions

Indirect exporters leave the job of getting goods to customers to someone else, but companies with a more direct involvement have to organise distribution themselves. This can be a difficult task as distribution channels, and the nature of the intermediaries available, can vary enormously. The Japanese distribution infrastructure used to be so fiendishly complicated that some would-be exporters claimed it was an unofficial barrier to trade. (For more on place, see Chapter 9.)

PRICE

Price is the one element of the marketing mix that does not need a budget. The other three Ps all cost significant amounts. Price brings the money in.

At one level, the price is what a business charges its customer for the goods and services it provides. However, the product that the customer is buying may

e-focus: Channel conflict

The Internet opens up new markets for all members of the supply chain, from raw materials suppliers through to retailers. This freer market access brings new competition with it, both from companies at the same level in the supply chain and from those at different levels who were not previously seen as competitors at all. Organisations can reach previously inaccessible markets, e.g. overseas markets, and at the same time the distinction between levels is blurring as wholesalers and manufacturers sell directly to consumers.

For example, a number of sportswear retailers have set up Internet sites to offer their customers an alternative way to buy sporting goods. In the world of e-commerce, these retailers may have to deal with competition from retailers in other countries (although in practice, many retailers cannot cope with supplying overseas orders and so only deliver to specific locations). Most of these retailers get their stocks from wholesalers, who can also now sell sports goods directly to consumers.

Wholesalers do not operate from smart high-street stores and so, in the past, were not equipped to deal with end customers. Now they can. With an Internet site, the wholesalers can cut out the retailers and sell direct. It doesn’t stop there. If the wholesalers can do this, why not the manufacturers themselves?

This merging of customer bases is a cause of channel conflict. Supply chain members are able to compete with other members higher up, or lower down, the chain. Some manufacturers choose not to compete. They may offer products direct to customers but make sure that the deal is not as good as can be obtained at online retail sites. There is sound reasoning behind this strategy, and it is often to do with order administration and the problems of dealing with thousands of customers when you are only used to dealing with tens of customers.
actually cost more than the price suggests. This may be because of hidden costs, such as a computer upgrade required before the software will run, or it may be more subtle, like the time it will take the customer to install the new software (time is money), or the loss of the benefits they would have got if they had bought a different package. So the organisation needs to bear these other things in mind when setting the actual price.

The price of a product is usually the most significant part of the value that a customer hands over in exchange for a product. Therefore, the perceived value of the product must be at least equal to the price. Other elements of the mix can be used to increase the perceived value and therefore allow the charging of a higher price, e.g. attractive or useful packaging, a free gift or an additional feature such as the bonus disks that come with some DVDs.

The price of a product sends a message to potential customers: high quality, cheap and cheerful, bargain, or somewhere in between. It is important that this message accords with the actual product. If Rolls-Royce halved its prices, people would be likely to think that the quality had dropped significantly. If Toshiba drops the price of its computers because a new model will be out soon, people may see this as a bargain and snap them up. The price and the product must match up if marketing is to work successfully.

Prices must also be in accord with place. If a restaurant wants to charge high prices, it usually needs not just good food, but also to be in a prime location. Perhaps then the restaurant critics will give it good write-ups (which is good PR). (For more on price, see Chapter 10.)

**customer focus:** *Now with added extra!*

Some organisations add new features to their products in an attempt to make them seem better value. However, if customers see no benefit to the additions, this ploy will only add to the firm’s costs, eventually necessitating a higher price that customers may be unhappy to pay. For example, an online retailer offered a reduced-price DVD player in its clearance sale. As an added incentive, the player came with 50 free films. They were not well-known films and spanned a variety of genres – they looked like the titles that usually appear in the bargain tub. Does this seem like a good deal?

**International pricing decisions**

Organisations with trading partners or customers overseas, have to choose a currency in which to price contracts for sale. Given that marketing is about meeting customer needs, it would seem to be good marketing practice to price in the customer’s currency. However, this has some disadvantages for the seller in terms of costs and practicalities of converting the customer’s currency into their own. In practice, many contracts are priced in a well-accepted, stable, easily convertible currency, such as the US dollar – whether or not one of the parties is American.
Goods and services that are sold directly to end-users or consumers, rather than through marketing channels, will normally have to be priced in the local currency.

**PACKAGING – THE FIFTH P?**

Whether or not we grant packaging the status of a fifth P, it is certainly a very important part of the product offering. Packaging transcends the traditional 4Ps, playing a part in each and every one.

It is part of the product. Many products have to be packed or they cannot be sold. For example, the product may be liquid (e.g. cough syrup), dangerous (e.g. acid), potentially damaging (e.g. hair dye), delicate (e.g. contact lenses) or perishable (e.g. foodstuffs). As well as protecting the product, the packaging may be there to protect consumers. Childproof tops protect the young from accidental ingestion of harmful medicines. Tamper-proof packs prevent the malicious from poisoning, or otherwise spoiling, products.

Sometimes the packaging is more than a means to contain the product; it is an integral part. Products such as toothpaste turn packaging into a feature: pump or tube? Food can be packaged in different ways and this turns it into different products. For example, peas may be sold in tins, jars, packets, vacuum packs or their original pods. Individual drinks cartons have straws attached to make them easier to drink on the go.

Some packs are deliberately made attractive so that people will use them rather than put the product into something else (e.g. some of Marks & Spencer’s desserts come in glass bowls). This can be good promotion too if the pack has the product’s name on it. How many people, even in cafés, bother to decant ketchup out of the bottle rather than have it sitting on the table advertising Heinz?

**ACTIVITY**

Next time you go grocery shopping, look carefully at the different types of packaging used. Who are they designed to appeal to? Are you influenced in your choice of product by the packaging?

Packaging can be a key consumer decision criterion, especially for commodity products. Take milk as an example. Milk can be packaged in a number of ways: glass bottle, plastic bottle, paper carton, tin or packet (for dried milk). Some customers may choose the milk with the carton that is easiest to open, or the one that pours best, or keeps the milk freshest longest, or survives freezing.

Innovative packaging can confer competitive advantage. A supplier who invents a new and better way of packaging has an advantage over its competitors – at least until they catch up. Imagine having been the first to put fruit juice into a small carton with a straw, milk in an easy-pour carton, shampoo in a sachet or tissues in a pocket-sized pack.

The packaging is a key part of the brand identity and so is jealously guarded by brand owners. Coca-Cola watches competitors carefully and is quick to object.
if any rival product looks too similar to its own (e.g. the first can design for Sainsbury’s Cola bore too close a resemblance). Distinctive packaging becomes associated with the product and is the means by which the product is recognised: Jif’s lemon juice is packed in a yellow plastic lemon. Perrier has a distinctive green bottle.

Packaging is sometimes referred to as the silent salesman because of its marketing communications role. Packaging sends a message about the product inside. This may be explicit (i.e. it may be a slogan or on-pack promotion) or it may be implied through the packaging’s style. Advertisements often contain a pack shot, usually at the end of the ad. It is hoped that this image of the pack will stay with the consumer and then, when they see it in the shop, they will remember the message of the advert. This is particularly useful for products that rely on recognition, i.e. when customers may browse shelves looking for a suitable product to buy (this applies to most FMCG).

Packaging is also informative. It states country of origin, lists ingredients, gives instructions for use and carries warnings (e.g. not suitable for children under 3). The packaging can also be used to persuade people to use more of the product. Allegedly, Domestos increased its sales substantially by changing the instruction ‘use sparingly’ to ‘use liberally’. Foodstuffs regularly carry recipes designed to encourage cooks to see how else the product can be used. Imaginative packaging can help to sell the firm’s other products, e.g. by including other products in the recipes, attaching a trial-size packet of biscuits to the coffee (or vice versa). There are many possibilities.

Packaging can be varied to give a company more pricing options. Refill packs are cheaper than original products. Larger sizes are often better value.

Good packaging is essential to protect products during distribution. Secondary packaging (large cartons and palettes) may be needed here to make sure goods are easy to handle, can be stacked safely, and arrive at their destination in good condition. Sometimes this secondary packaging can be turned to good promotional advantage. Packets of crisps, which are notoriously hard to keep on the shelves (they sell fast and so run out, and they also slip about), are normally supplied to retailers in large brown boxes. One innovative crisp company decided to use these boxes to give their crisps an edge. They perforated a hole in one side of the box so that, when the hole was punched in, customers could reach into the box and pull out the crisps. The boxes had become display stands (all bearing the crisp manufacturer’s name and logo, of course). Shops no longer had to unpack the crisps and restock the shelves. When a box was empty they just brought in the next box.

INTERNATIONAL PACKAGING
Packaging is an important part of the mix and must be carefully designed for overseas markets. The following should be taken into account:

- any laws and regulations governing its composition, recycling, the languages used
- cultural issues that may affect the size of the packet, the colours used – and the languages used
- education and literacy levels in the country – how should the instructions be written? Perhaps they should be diagrammatic? Dangerous products (e.g. pharmaceuticals) must be especially carefully explained
- transport – one of packaging’s main functions is to protect the goods during transit. How rough is the handling likely to be?
Internationally consistent packaging has the advantage of being recognisable to travellers and so is especially important for products that might be bought by visitors to a country: camera film, headache pills, toiletries, suntan lotion, etc. They may not speak the language well enough to ask and so the sight of a familiar package will reassure them and give that product a competitive edge over others.

**ethical focus: The lookalikes**

A number of manufacturers have taken retailers to court over own-label brands that just look too much like the real thing. The complaint may be about the make-up of the product itself or it may be about the packaging – an infringement of the brand is potentially even more damaging than a rip-off of the product itself.

- United Biscuits, makers of the much-loved Penguin, sued ASDA over its Puffin bars.
- Coca-Cola’s objection to Sainsbury’s Classic Cola can resulted in a redesign.
- Kellogg’s has complained about the package design of Tesco’s breakfast cereals.
- ASDA was in trouble over the appearance of its own-label versions of popular spirits such as Archers and Malibu.

The original manufacturers have put millions into brand development and don’t see why these retailers should cash in. It is difficult to decide where to draw the line – when is it a product inspired by the original and when is it a cheap imitation?

**THE EXTENDED MARKETING MIX: 7PS**

The 4Ps do not provide enough scope for the support of modern products, many of which have a strong service element. The 7Ps were developed as a marketing mix for services, but are really more appropriate than four for all but the simplest products today. Exhibit 11.6 shows examples of the use of the additional 3Ps.

The first three products in Exhibit 11.6 are services, while the last one is a physical product, a PC, but it still has a number of service elements that are important to the customer. Retailing is itself a service and so the shopper is a service user. With a product like a PC, there may be more service elements involved: helplines, installation assistance, maintenance, etc. Contrast this with an FMCG purchase, such as soap powder. There is no installation help or maintenance required for this product, but there is still a retail service to be provided. Also, check the side of the box. Many
FMCG products do offer advice lines or similar services – all are designed to try to establish a relationship with the customer and offer a better service.

These additional 3Ps must also be integrated into marketing plans. They too should support the rest of the mix, not clash with it.

**Exhibit 11.6  Examples of use of the additional 3Ps**

<table>
<thead>
<tr>
<th>Example products</th>
<th>Examples of physical evidence (the tangible aspects of the service)</th>
<th>Examples of people (who deliver the service)</th>
<th>Examples of process (how the service is delivered)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car cleaning</td>
<td>Car shampoo, sponges</td>
<td>The cleaners</td>
<td>While you shop</td>
</tr>
<tr>
<td>Restaurant meal</td>
<td>Food, tables, cutlery</td>
<td>Cooks, toilet cleaners</td>
<td>Self-service</td>
</tr>
<tr>
<td>Car hire</td>
<td>The car, maps</td>
<td>Receptionist, mechanics</td>
<td>Car delivered to home address</td>
</tr>
<tr>
<td>Personal computer</td>
<td>Retail environment</td>
<td>Shop assistants, helpline operators</td>
<td>Assistants’ approach to customers in store, call-queuing systems</td>
</tr>
</tbody>
</table>

**PHYSICAL EVIDENCE**

Physical evidence includes peripheral products, such as free peanuts on a bar, products that are part of the service, such as ice in a drink, the décor of the place where the service is provided – and anything else that is tangible, but not the actual physical product itself.

The physical evidence may be the key thing in setting customer expectations. A smart, trendy bar with genuine art on the walls, expensive-looking furniture and waiters in tuxedos sets the expectation of superior service, a good wine list, high prices and a classy clientele. Contrast that with a typical local pub or bar, with posters and a wide-screen TV on the walls, a footrest around the base of the bar, hard-back chairs, a juke box and the bar staff in T-shirts. Quite a different customer expectation is set. Customer expectations are extremely important in marketing, and particularly in services marketing. A customer who has been let down, i.e. has received a service that does not meet their expectations, is an unhappy customer. They are liable to complain and to say unflattering things about the product to their friends. Often, if they had received the same service but had known what to expect beforehand and chosen it anyway, then they will be quite content with that situation.

So physical evidence is an important aspect of customer service and must match the rest of the mix if expectations are to be met.
PEOPLE
Most services require people to deliver them and to receive them. Although there are an increasing number of services delivered electronically, e.g. Internet messaging, where people’s involvement is limited to the original set-up and maintenance of the service and dealing with queries and complaints, people remain an important asset for most service providers. The quality of the service is liable to be largely dependent upon the quality of the people involved in its delivery and so, once again, the people must match the rest of the mix. A high-class restaurant needs silver service waiters; a burger joint does not.

The people who deliver the service are an integral part of its marketing mix, as are the people who receive that service. Customers are part of the interaction and influence the way a service operates. For example, it is quite possible for two people to eat the same meal in the same restaurant and experience the same service but one will love it and one hate it. This is equally true of concerts, haircuts and service from shop assistants.

PROCESS
Process starts long before a service is actually experienced. It starts with the prospect’s very first contact with the service-providing organisation. This may be reading a brochure, visiting a website, making a phone call or calling into an office or shop. The process of service delivery is key to customer satisfaction and therefore to the stimulation of positive word of mouth and repeat business. The restaurant can be the smartest in the world, the staff the best trained and friendliest, but if customers find their booking has been lost, or if the food takes hours to arrive, they will not be happy. In a pizza restaurant, however, there may be no advance bookings and customers may be expected to queue. Customers may be happy to do this, especially if they are able to sit in the bar and have a drink, listen to music, read the menu. That is all part of the process.

Once again, the process has to be right, and fit with the rest of the marketing mix, if the product is to be a success. (For more on the 7Ps, see Chapter 7.)

MIXING IT (INTEGRATING THE MARKETING MIX)
Each element of the marketing mix should support the others. They should build to a consistent whole that accords with the organisation’s brand values and so builds the brand’s image. For example, an upmarket, exclusive fashion brand would:

- require high-quality products, made with top-class fabrics, that are well styled and well made, perhaps finished by hand (product)
- command premium prices (price)
- be sold in more exclusive, fabulously done-up stores (place, physical evidence)
- be sold by smart, fashionably dressed staff (people)
- provide an alteration service to achieve a perfect fit (process)
- be promoted in a tasteful, creative way, perhaps with adverts placed in fashion and lifestyle magazines, and with suitably upmarket celebrities wearing the clothes (promotion).

However, a mass-market clothing brand might:

- use cheaper fabrics and mass-production techniques while keeping fancy trims to a minimum
• undercut competitors’ prices
• be sold everywhere
• be carried home in cheap plastic bags
• be promoted extensively, in newspapers and magazines that the customers read, on billboards, even on flyers.

These mixes send clear, but very different, messages about the company’s offering. If the messages are contradictory, then customers will become confused. You cannot charge a high price but use cheap materials (at least not for long). If your products are on sale everywhere, they lose their exclusive image (this is why Levi’s was so keen to stop Tesco selling its jeans, and why perfumers such as Calvin Klein do not want their products sold in high-street stores such as Superdrug).

The marketing mix is used to implement marketing strategies and plans. It is the marketer’s toolkit, and deciding how to use each tool is a key part of the marketer’s job. Those decisions are made in the light of the organisation’s objectives and its overall strategy to meet those objectives. Look back at the above example: if a brand wants to maintain its upmarket position, then clearly it must be in the best shops and be made of high-quality materials. The desired market position informs the choice of how to use marketing tools. With the marketing purpose firmly in mind, marketing managers are able to design effective marketing programmes, which must be based on a well-coordinated marketing mix.

VARYING THE MIX THROUGH A PRODUCT’S LIFE

Marketers do not decide on the best marketing mix for a new product and leave it at that forever. The mix has to be varied over time in response to, or in anticipation of, the changing marketing environment (see Chapter 2) and the brand’s circumstances. The product life cycle (which was introduced in Chapter 6) provides an illustration of how the optimal marketing mix may change over time (see Exhibit 11.7).

Exhibit 11.7 Mixing it through the product life cycle
The product life cycle model was originally devised for generic products, i.e. the product type not the individual branded item (e.g. shoes, not Clark’s shoes). It can, however, be applied to individual, branded products as well.

**INTRODUCTION**

Products are often very expensive to launch. The research and development that goes into a new product can cost hundreds of thousands or even millions, and will have to be recouped in the early life of the product. Initially, the promotion budget will be at its highest. People do not know about this new product and so they must be told. There may be no distribution channels and so those need to be built up. If the product is a new invention (e.g. 3D films, space flights or domestic robots), then the company may be able to use a price-skimming strategy to help recover some of its costs more quickly (see Chapter 10). However, the prospect of large profits will encourage competitors into the market (unless the new product is protected by patents – though often even these are not enough).

**GROWTH**

During the product’s growth stage, organisations should be focusing on building brand loyalty and encouraging repeat purchases. They might introduce new products or lines and add more advanced features to existing products. A lower price may attract new customers or encourage existing ones to buy more. However, if the initial strategy was penetration pricing, perhaps for a me-too product, then prices may now be put up. Distribution coverage is vital to build up sales. A good push strategy (i.e. promoting the product to members of the distribution channel) may encourage retailers and other intermediaries to stock the product.

**MATURITY**

By this stage there are likely to be a larger number of competitors in the market and so competition for customers is fierce. Promotion strategies will be geared towards maintaining market share and extending this profitable maturity stage for as long as possible. Good customer service and the rewarding of loyal customers will help to retain them. Generally, the price of a mature product needs to be competitive, but if the firm has done a good job of building brand loyalty, then demand may now be more price inelastic. If its customers are truly loyal, truly committed to the brand, then the firm may actually be able to charge a slightly higher price than its competitors.

**DECLINE**

When a product is in decline, ranges and features are cut to a minimum. Unprofitable products, and less popular features, are phased out. Expensive promotion is unlikely to be worthwhile and so the marketing communications budget is cut. If there is no immediate replacement on the way, then some distributors may be dropped. Demand for the product is likely to be very price elastic and so prices need to stay low in order to make sales. The exception to this is when a product has built a highly loyal following (perhaps it has gained the status of a cult product), where a few people may be prepared to pay high prices to obtain their beloved product before it disappears forever.
EXPAND YOUR KNOWLEDGE

**Classic article**


The product life cycle is a well accepted concept in marketing although it needs to be applied wisely. In this article, the author demonstrates the significance of product life cycle to marketing planning in each of the stages of the cycle.

**CRITICISMS OF THE MARKETING MIX**

The mix has been at the heart of marketing since the 1960s, but it is not universally acclaimed. There are those who find the 4Ps too limiting and so add further elements to the list. Some authors feel the fifth P should be packaging, others that it should be people. The element of people is formally included in the 7Ps of services marketing but packaging still moves around.

Jones and Vignali (1994) added an S, for service. It is today recognised that all products have a service element and that this is key to their acceptance and success. Customer service must be at the heart of a *market-orientated* organisation and the responsibility of everyone in the company, not just the marketing team. Grönroos (1997) considered that to view service as a separate element of the marketing mix would be disastrous for an organisation as it would isolate customer service as a distinct function apart from the rest of the organisation rather than being fully integrated at its core. This would downgrade its importance.

Modern marketing stresses the importance of building good relationships with customers and intermediaries, and so one problem with the marketing mix is that it emphasises techniques rather than customers and their needs. We could see relationship building as part of promotion, but this brings a danger of inducing customer cynicism. Card-based loyalty schemes are viewed by many as mere sales promotion – and customers are likely to have cards, and collect points, from all competitors.

The marketing mix has occasionally evolved into other letters. For example, Lauterborn (1990) proposed the 4Cs:

- customer needs and wants
- cost to the customer
- convenience
- communication.

The 4Cs have the advantage of being more customer focused. However, the 4Ps are indelibly lodged in the minds of several generations of marketers and are likely to be the preferred model for some time to come.
The development of faster and better methods of manufacture has led to the vastly increased level of choice being offered to the customer. This change from a supply-dominated marketplace to one where customers demand certain things, and are prepared to look for what they want, comes from the certain knowledge that those things will be available from one of the many possible sources now competing for their business. Increased distribution of goods and services nationally, internationally and globally, presents vast choice to customers. The challenge in such a world is to find customers in the first place, and to hang on to them in the future. This is one of the objectives of branding.

Brand strength is important and so maintaining and building this strength is an essential part of managing a brand. Strong brands sell more easily, both initially and to loyal customers and are therefore valuable organisational assets.

Exhibit 11.8 The world's top brands

According to Interbrand, a leading global brand consultancy, the top ten brands (with values ranging from Coca-Cola's US$77,839 million to Toyota's $30,280 million) of 2012 were:

1. Coca-Cola 77,839 ($m)
2. Apple 76,568 ($m)
3. IBM 75,532 ($m)
4. Google 69,726 ($m)
5. Microsoft 57,853 ($m)
6. GE 43,682 ($m)
7. McDonald's 40,062 ($m)
8. Intel 39,385 ($m)
9. Samsung 32,893 ($m)
10. Toyota 30,280 ($M)

IT and electronics companies continued to dominate the listings, with another four technology companies in the next ten (Cisco, Hewlett Packard, Oracle and Nokia). Coca-Cola has maintained its first-placed position while Apple has pushed IBM into third place. Only two of the top ten are from outside of the USA: South Korean Samsung and Japanese Toyota.

See www.interbrand.com for the full report.


BRANDING

Brands are important assets for many companies, and building and maintaining their strength is a key marketing task that involves all of the marketing mix. A brand is more than a design or a concept. It is a combination of values which together promise customers the solution to their problems or the answer to their needs. The brand is greater than the products it encompasses and adds value to it. Modern branding has seemed to be the saviour of mass-produced products which often have little or no other means of differentiation. However, it has now become a victim of its own success. The credit for the success of many modern products has been attributed to their branding, but now it is often thought to be the brand that can cause a product to fail (Haig, 2003). If a brand’s image deteriorates, then its sales will suffer as Levi’s found to their cost when their jeans were no longer perceived as fashionable, nor even as a youth brand, in the late 1990s.
BEHIND THE BRAND

Branding has given rise to a host of terms that are often used slightly differently in different texts and by different people. At the heart of a brand is its **brand personality** (see Exhibit 11.9). A brand can be described in a similar way to a person. Brands may be young (e.g. FCUK), mature (e.g. Epicure), rebellious (e.g. Virgin), understated (e.g. Liberty), classy (e.g. Aston Martin), forceful (e.g. Nike), caring (e.g. Body Shop) – any personality descriptor that can be applied to a person, can be (and probably has been) applied to a brand. Marketers develop their brands’ personalities, which may be articulated in a brand personality statement, e.g. ‘This is a chocolate bar that bites back. It’s edgy and assertive whilst being absolutely dependable – a bar you want on your side.’ This is not meant as a slogan for an advertising campaign, although it might help inspire one. This is the way the brand team see their product, and it is what they want their customers to see too. Their next challenge, therefore, is to find a way to express their chocolate bar’s personality clearly to others.

Brand personality is encapsulated in **brand identity**. A brand’s identity is a set of cues which help people to form their impressions of the brand, e.g. logo, name, colours, strap line and packaging. However, messages are not always received as intended (see Chapter 8). The target audience’s perception of the brand may be different from its intended personality.
ACTIVITY

Pick two or three products within the same category, e.g. three cars or three clothing brands. Examine their brand identities and try to deduce the brand personalities that lie behind them. What else affects the way you see these brands?

Those identity cues represent values that the brand owner wants to be associated with the brand. For example, Pepsi is blue because it is a different cola and also refreshing and modern. Hovis packaging has an old-fashioned look because it is a traditional brand. Unleaded petrol comes out of a green-handled pump because it is more environmentally friendly. The internal processing of these brand values adds up to an overall brand image.

The target market’s perception of the brand is called the brand image and it is this that really matters. Brand personalities and identities only exist in order to create an image. This is what people really think of the brand and, in an ideal world, it would match the brand personality as this is the image the brand team wanted people to have. A brand’s power stems from the collective nature of these perceptions. One person’s perception cannot create a powerful brand; it takes numerous people accepting the brand truth and reinforcing it in their everyday lives (Holt, 2004). Whether or not personality and image match will depend upon how well the brand team have constructed their brand’s identity, and upon what else people hear about the brand. Brands exist independently of their owners. Brand owners cannot control everything that is said about them or how they are used. A person forms a brand image on the basis of all their experience with the brand – not just the official brand communications.

EXPAND YOUR KNOWLEDGE


Product-harm crises can cause major revenue and market-share losses, lead to costly product recalls, and destroy carefully nurtured brand equity. The authors analyse 60 fast-moving consumer goods (FMCG) crises that occurred in the United Kingdom and the Netherlands to assess the effects of post-crisis advertising and price adjustments on the change in consumers’ brand share and category purchases, the extent of negative publicity surrounding the event and whether the affected brand had to publicly acknowledge blame. The authors provide context-specific managerial recommendations on how to overcome a product-harm crisis.
The Innocent brand is one of the big success stories of the 2000s. It has grown from a virtually unknown fruit drink found in just a few stores to a must-have for every food shop and sandwich store of note. The makers of Innocent smoothies take great care to ensure that the product is as high quality as it can be – pure fruit, no additives and no concentrates – but that is only part of their appeal. Their strong brand identity has played a key role in building the Innocent brand. Their distinctive, apparently hand-sketched, fruits or shapes with halos logo have a childlike quality and are reassuringly simple looking. The brand personality seems to be good quality, good for you, pure, fun and ethical. The fun aspects come out through their advertising and most strongly through the packaging, which also showcases their ethical stance. Take the time to read an Innocent pack and you will not only find out exactly what’s in your drink, but also what isn’t, e.g.

- No concentrates
- No stabilisers
- No flavourings
- No GM stuff
- No preservatives
- No added sugar
- No e numbers
- No funny business

You may also find such things as a picture of a fireman’s hat (drawn by Kat, aged 26 1/2) alongside a little story about energy entitled smoky bacon.

A brand personality such as Innocent’s demands environmental friendliness. The individual-size smoothie bottles are made of 100% recycled plastic: ‘greener than your seasick Auntie Sue on a cross-channel ferry after a big night out at Wetherspoons’ (www.innocentdrinks.co.uk). Their green credentials are further strengthened by sourcing all their bananas from plantations certified by the Rainforest Alliance (‘We love them’) and by donating 10% of their profits to charities working in the countries where their fruits come from.
To sum up, the brand personality is put across through symbols known as the brand identity and these create, alongside other cues such as the advertising, a brand image in the minds of the target market.

**BRAND EQUITY**

A good brand image has a value. Branded goods usually carry higher prices than unbranded ones. Compare the prices of lesser-known brands of sportswear with those of Nike and Adidas. This value is known as brand equity and it is a difficult thing to calculate even though it is often one of the company’s most valuable assets.

High brand equity is clearly a desirable thing and the brand’s marketing mix should be designed with this in mind. For example, frequent price promotions, such as discounts or sales, indicate low brand equity and will do nothing to build it up, whereas brands that have a high price, high distribution intensity, pleasant shopping environment and large advertising budget are likely also to enjoy significant brand equity (Yoo et al., 2000).

One way to value brands is to examine takeover bids. Companies usually have to pay more than the value of a firm’s physical assets in order to buy it. They pay for goodwill (ongoing business prospects) and they pay for brands. In the early 1990s, Nestlé paid £2.5 billion ($3.6 billion) for Rowntree’s, which was much more than the company was apparently worth (Smith, 2006), in a deal that gave it rights to one of the biggest-selling chocolate snacks of all time: Kit Kat. Unfortunately, this technique does not help put a value on the balance sheet of a company that is not subject to a takeover bid.

An alternative way to value a brand is to ascertain how much extra customers are prepared to pay for the branded good rather than an unbranded one. So, how much more would you pay for a Kit Kat than for an unheard-of chocolate wafer biscuit? That price premium can then be multiplied by the number of bars sold (say in a year) to arrive at the brand equity. Neither these, nor the many other valuation methods tried, are entirely satisfactory. However, it is generally agreed that strong brands do have value – we are just not sure how much.

Valuing brands is complicated; valuing brand extension potential is even more so but Thorsten et al. have developed a means to measure the monetary value of brand extension rights in the context of motion pictures (i.e. movie sequel rights) and to calculate the effect of variations of key product attributes, such as the continued participation of stars, on this value.

**BRAND TYPES**

There are a number of different types of brand in the marketplace today (see Exhibit 11.11) each of which has advantages and disadvantages. Most of Cadbury’s products have an individual brand name as well as the corporate name. Cadbury’s name is the badge of quality, while the individual name is an identifier for a particular recipe of confectionery. A purely descriptive name for Cadbury’s Flake would be too long and would not differentiate the product from the competition. Heinz, however, traditionally sticks to straightforward descriptions of its products alongside its corporate brand name, e.g. Heinz baked beans, Heinz tomato ketchup. The company relies on its own name to help establish the desired brand image. Even Heinz, who traditionally used their corporate brand name only, have now caught the brand name fever, though, by introducing, or acquiring, some range brands (e.g. Weight Watchers and Linda McCartney).

![Exhibit 11.11 Brand types](image-url)

<table>
<thead>
<tr>
<th>Corporate umbrella brands</th>
<th>The products use the corporate name</th>
<th>e.g. Heinz, Next</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range brands</td>
<td>Groups of related products share a brand name</td>
<td>e.g. Taste the Difference (Sainsbury’s), Lean Cuisine (Nestlé)</td>
</tr>
<tr>
<td>Individual brands</td>
<td>Each product has its own brand name</td>
<td>e.g. Twix (Mars), Bold (Procter &amp; Gamble)</td>
</tr>
<tr>
<td>Own-label (private) brands</td>
<td>Products bear the retailer’s (or wholesaler’s) name</td>
<td>e.g. Tesco, Marks &amp; Spencer</td>
</tr>
<tr>
<td>Generic brands</td>
<td>A product descriptor with no brand or owners’ name</td>
<td>e.g. Ibuprofen</td>
</tr>
</tbody>
</table>
Own-label brands are a big success story. Once the poor relation of branding, seen as inferior to manufacturer brands, they now take up the bulk of supermarket shoppers’ trolleys. They are popular with retailers (and some wholesalers) because they enable them to earn better profits. These products are not manufactured by the retailers, just badged by them. The advantage to the manufacturer is that it can use up spare capacity this way. However, these brands can be the cause of friction in the supply chain if the manufacturer believes that the own-label product is too similar to its own (see ethical focus box ‘The lookalikes’ on p. 482).

Generic brands are less common in FMCG than they used to be. Nowadays, they are more likely to be pharmaceuticals and they can be controversial. Many life-saving drugs, e.g. for cancer or for AIDS, are very expensive and well beyond the reach of third-world countries. Some companies, notably in India, ignore patents and make copies of these drugs and sell them for a fraction of the normal price. Is this a crime or a public service?

BRAND NAMES

There are historical reasons behind most corporate brand names. Companies often start out with the owner’s name (e.g. Mars, Cadbury, Sainsbury, Guinness, Ford, Mercedes, Marks & Spencer, Dior). This remains the corporate brand name as it is well known and people make associations with it. In the 1990s, however, there was a management craze for renaming organisations, i.e. changing their brand names. There were a number of reasons behind this, including:

- a more attractive name that either described the organisation better or enhanced the brand identity
- a name that was more acceptable (or just easier to pronounce) in international markets (e.g. Jif household cleaner became Cif)
- distancing the organisation from its past (e.g. Andersen Consulting became Accenture after a scandal).

Not all of these renamings were successful. Take Consignia, for example. This was the new name chosen, after extensive consultation and market research, for the Royal Mail service. There were good reasons for wanting to change the name. The business had changed and was no longer merely a mail service. They operated call centres, courier services and logistics services and so the name no longer described the business that well. It was limiting their ability to add new services. Also, the organisation wanted to grow its business in overseas markets, beyond the rule of Queen Elizabeth II, where there might even be other ‘Royals’ and ‘Royal Mails’ to cause confusion. Finally, it wanted to revamp its image and be seen as a modern business rather than one stuck in the nineteenth century. Consignia was chosen because it does not actually mean anything in any language, but it sounds attractive and relevant.

It was a disaster. The organisation and its branding consultants severely underestimated the British public’s attachment to the old name, and the media’s will to sink the new one. Within about three years, the old name was back.

People do not like change. They get used to a brand and its look, and can react surprisingly strongly to management improvements. Such updates therefore need to be handled very carefully.
BRANDING STRATEGIES

The types of brands a company uses, and the way they relate to each other and to the corporate brand, is often referred to as their brand architecture. There are a number of brand architectures in use today but the best known are the branded house and the house of brands (Abraham and Taylor, 2011). According to the World Advertising Research Centre’s best practice briefing (WARC, 2012), a house of brands comprises a set of stand-alone brands, e.g. Mars owns Dolmio, Pedigree Petfoods and Uncle Ben’s. This architecture helps firms to position different products clearly and to maximise their impact in their target markets. It is also useful for a diverse portfolio where the company needs to distance some brands from each other. For example, customers may not be happy to buy the same brand of chocolate and dog food. A branded house (which is sometimes known as monolithic) uses a single master brand to span a set of products, known as sub-brands. This master brand reassures potential purchasers while the sub-brand serves as a descriptor, e.g. Virgin (master brand): Virgin Trains, Virgin Atlantic, Virgin Mobile, Virgin Media, Virgin Money (sub-brands).

The choice of brand type can almost be said to be a strategy in itself. It certainly has far-reaching consequences for the company’s marketing. However, there are some specific strategies that relate to branding.

Branding strategies are used ‘to differentiate products and companies, and to build economic value for both the consumer and the brand owner’ (Pickton and Broderick, 2004). The following are some of the more commonly used strategies.

Co-branding is when two companies’ brand names appear together, as on PCs when the brand name of the chip manufacturer appears alongside the PC maker (e.g. ‘Intel inside’). Either or both brands should benefit from this as the good reputation of one rubs off on the other.

Multibranding is a strategy employed by companies that have multiple products within the same category. This gives the customer the illusion of choice. They can switch brand but still be buying from the same supplier. For example, Procter & Gamble has many different brands of washing powder: Ace, Dreft, Bold (Bolt), Ariel, Dash, Fairy, Daz, Bonus, Vizir and Tide. These are not all available in all countries, and each lays claim to slightly different properties, but they all clean clothes.

The above are ongoing strategies. However, one of the great advantages of a strong brand is that it can be used to launch new products with a far greater chance of success. According to Kotler (2003), there are three ways to introduce more products under the auspices of an existing brand:

- **line extension** – introducing product variants under the same brand name, e.g. a new flavour or colour
- **brand extension** – using the brand name on products in a new category but within the same, broadly defined market, e.g. a biscuit company starting to produce cakes
- **brand stretching** – using the name on products in a different market, e.g. a cigarette company making clothes.

For example, when Robinsons launched a new summer fruits drink flavour, that was a line extension. When Mars started making ice cream bars, that was a brand extension. The king of brand stretching is Richard Branson of Virgin, taking a brand architecture the structure of an organisation’s brand portfolio which shows how their brands relate to one another; it typically includes master and sub-brands

branded house a form of brand architecture which uses a single master brand to span a set of products, known as sub-brands

house of brands a form of brand architecture which comprises a set of stand-alone brands with their own names and identities, although there may be a reference to the owning brand
Rovio was founded in Finland in 2003 and had just two employees. Now the company employs more than 500 staff and has offices in China, USA and Sweden. How did that happen? Rovio is the company that made those birds angry – and let them fly!

Angry Birds is one of the most successful paid-for apps ever. It is available on numerous platforms and in numerous versions; from Brazilian birds to Star Wars. According to Michele Tobin, the company’s vice president, brand ad partnerships and advertising in the Americas, its success was based on ‘a lot of science, a lot of trial and error and a little bit of magic’.

The existence of over 260 million Angry Birds players across the globe suggests that there may be substantial opportunities for Rovio to expand into other sectors. The company is pursuing brand stretches into theme parks and films. It already sells books and consumer products such as clothing, toys and accessories and has an online store as well as a bricks and mortar store in Helsinki.

Rovio has an impressive animation studio where it produces a weekly cartoon series called Angry Birds Toons. The cartoon is available on a range of media: there is a dedicated channel on Rovio’s website, a new button within its games and smart TV apps for appliances made by firms like Samsung and Roku. MTV, the Cartoon Network and Comcast Xfinity on demand have also signed up to broadcast the series, which will be aired in nations from Brazil and India to Germany and the USA.

Each new Rovio game now contains customised, integrated adverts. They favour brands that add value to the games, for example by offering rewards or additional content:

‘For us, it is all about how to deliver a better experience that will benefit both the advertiser and our fan base’, said Tobin. ‘Because we’re a multi-faceted media company, we can do some pretty interesting things not only in the game, but outside the game.’

One example of this was an initiative undertaken with McDonald’s in China. In a twist on the premise of Angry Birds, the idea was that pigs had stolen food from McDonald’s. Television adverts told this story, and giant, empty burger boxes and packs of French fries began to appear in Beijing and Shanghai. The fast-food chain’s famous golden arches were turned into slingshots, and limited-edition merchandise was available in branches. This multimedia campaign also used geo-location technology on smartphones to tell fans who were near a McDonald’s store that they would receive special in-game rewards and content if they just went inside.

The Rovio company was built on just one game, one idea but Angry Birds has been an amazing success and prompted huge brand love. One good brand can launch many popular products.

Sources: Whiteside, 2013.
name originally chosen for the music industry and launching it into airlines, drinks, trains, radio, cosmetics, mobile phones, etc. – that is really stretching a brand!

These new product strategies carry different levels of risk. The lowest risk would appear to be the line extension. It can be anticipated that existing, loyal customers will try a new variant of a product they already buy. However, all that is happening here is that they are substituting the new version for the old. There is no overall increase in sales. Line extension does have a role to play, though. It is essential to many brands that new versions be introduced or the line will become boring. Chocolate manufacturers launch new bars. Perfumiers introduce new scents or packaging. Drinks companies try out new flavours. New versions of products replace those that have reached the end of their lives and no longer sell well. A good brand manager anticipates that decline, and has the new variant ready in advance of it (refer to the section on the product life cycle in Chapter 6 and above).

SOME BRANDS ARE SO STRONG THAT THEY HAVE THEIR OWN MYTHOLOGIES. IT IS A BRAND MANAGER’S DREAM TO WORK ON SUCH A BRAND OR, EVEN BETTER, TO RAISE THEIR BRAND TO THAT STATUS. HARLEY DAVIDSON IS ONE SUCH BRAND. ITS CUSTOMERS ARE MORE THAN LOYAL – THEY ARE IN LOVE WITH THOSE BIKES. MANY HARLEY OWNERS ARE TATTOOED WITH THE BRAND NAME AND IMAGERY. OTHER MOTORCYCLES MAY BE TECHNOLOGICALLY SUPERIOR OR A BETTER RIDE, BUT HARLEYS ARE MORE MACHO AND THEY JUST BELONG ON THE ROAD TO FREEDOM.

The temptation to capitalise on such a strong brand proved irresistible. The company opened a chain of shops with a wide range of Harley-branded merchandise: T-shirts, socks, lighters, ornaments, even aftershave and perfume. It didn’t go down well with the core market of bikers.

Harley had failed to remain true to its heritage and had ignored the nature of those loyal bikers. In the past, the company had been fussier about what was badged ‘Harley Davidson’, understanding the importance of focusing on motorbikes and so preserving the Harley mystique. Toiletries were too great a stretch for the bikers and therefore for the company. Fortunately, the error was recognised in time and the unsuitable merchandise has been withdrawn. So it’s back to leather jackets and motor oil – and the open road.

Brand extension carries a higher risk of failure. People loved Mars ice cream. It was such a success that other chocolate manufacturers followed suit. So would you buy any kind of food from Mars? How about frozen ready meals? Baked beans? Breakfast cereal?

Unilever successfully extended its Lynx brand. The original Lynx was just a deodorant, but now a wide range of grooming products are available under that brand name. Sometimes a brand carries with it associations that would be unhelpful to the new product. Companies may then actively try to disassociate the two. So Levi’s did not call its cotton trouser ‘Levi’s’ but Dockers instead. Sometimes, a company opts for a new range brand name, perhaps coupled with the corporate brand (e.g. Tesco Finest).

The riskiest of these three strategies is brand stretching. Often, the stretched brand breaks. Xerox computers were never as popular as the company’s copiers and printers. Cosmopolitan’s move into the health food sector (with a range of low-fat dairy products) did not work, nor did its Cosmo Spirit Cafés (Anon, 2003). The strategy does work for some, however, even without a new range brand name. Yamaha successfully added musical instruments, home audio/video equipment, computer peripherals and sports equipment to its motorcycle range. Many retailers have successfully moved into financial services, offering credit cards, loans and insurance. Usually they do not run these services themselves, of course, but license others to do so, lending their name to the enterprise.

EXPAND YOUR KNOWLEDGE


In this article, the authors trace branding practices in China from 2700 BC to contemporary times and demonstrate that China has had a sophisticated brand infrastructure with a continuous history. They chronicle the consumer culture of the time in China, and how brands developed out of it, demonstrating that brands can develop in varying ways.

GLOBAL BRANDING

Although it is rare to find globally standardised products, there are a number of global brands. A global brand may not have (in fact, almost certainly will not have) a completely standardised marketing mix, but it will have the same brand personality the world over and that personality will be expressed through a brand identity that is standard in its essential design, even though there may be some variance in packaging, languages used, etc.

Take McDonald’s, for example. The golden arches are a well-recognised symbol throughout the world. Ronald McDonald has clowned his way through restaurant openings from New York to Shanghai. The writing beneath the arches may be in another language, or even another alphabet, but the brand identity is nonetheless the same. The products are not exactly the same though, and nor is the marketing mix. In India, Hindus do not eat beef products and so the burgers have to be
made of something else, originally mutton but now the Maharaja burgers are chicken. Veggie burgers are also available in India, where the staff who make them wear a different uniform and prepare them separately from the meat (this is an example of a different process). The veggie burgers are also sold in other countries where there is a significant demand for vegetarian foods (e.g. some European countries), but are not generally available in the USA. In predominantly Muslim countries, the burgers are called beefburgers rather than hamburgers because Muslims do not eat pig products and the word 'ham' is therefore off-putting (even though there is no ham in the burger – the name comes from Hamburg where the recipe originated). In Australia, you can get a McOz: a quarter pounder with beetroot, tomato, lettuce and onions.

Prices vary according to local costs, ingredients and income levels. Promotions have to be in the right language and suited to local audiences. In some countries, McDonald's own their own restaurants; elsewhere they are franchised. Some outlets, e.g. in Japan, sell ranges of branded toys and other products; others do not. Yet McDonald's is held, quite rightly, to be the epitome of a global brand. Its image is consistent, as is its positioning.

EXPAND YOUR KNOWLEDGE

Classic articles


These classic papers address the challenges of marketing worldwide in interlinked economies. The papers have at their hearts the inescapable view that marketing should no longer be thought of at a local level alone and suggest how to handle marketing across borders.

BRAND LOYALTY

A company’s loyal customers consistently choose that brand over any other. This brand loyalty has to be earned by the company and can be destroyed much more quickly and easily than it can be established. Loyalty is important because loyal
Customers make the best brand ambassadors, spreading positive word of mouth and so encouraging others to buy the product, and because repeat purchases mean a steadier, more reliable volume of sales for the company in question. Quality is crucial, both in the product itself, and in any supporting service. Poor service will lead to disappointment in the purchase and a reluctance, if not outright refusal, to ever buy that brand again.

A customer who repeatedly purchases the same brand may, or may not, be loyal to it. True loyalty comes from an ongoing relationship, not from convenience. So a customer who shops in their local supermarket every week may do so out of convenience rather than loyalty. It may sound like this does not matter, as the sales are made anyway, but what happens when another store opens nearby? Does that supposedly loyal customer stay with the shop they have always used or do they switch? Also, where do they shop when they are away from home? Truly loyal customers will stick with their store and that makes them valuable.

Brand loyalty is based on an emotional bond between the customer and the brand. It can be very personal and powerful, and is usually formed on the basis of past experience, past brand encounters. When Coca-Cola launched New Coke in the USA in the 1980s, the reaction from customers was phenomenal. The product had been extensively blind taste-tested in the marketplace and had been almost universally described as having a superior taste to original Coke. However, when the new version replaced the old, public reaction was violent. Street protests took place to demand that the old recipe be reinstated. Customers were so emotionally involved with the brand, it meant so much to them, that the change was felt as a personal blow. They felt betrayed and so their loyalty was tested to the limit. Wisely, just 79 days after the launch, Coca-Cola changed back – and apologised.

It is far more expensive to win a new customer than to keep an existing one and so it is cost-effective (as well as nice) to build these emotional linkages, and hence brand loyalty. Wise companies calculate the customer lifetime values (the net present value of all their purchases of the brand, past and future), rather than just looking at short-term sales. This approach is not without its drawbacks, however. The very act of calculation tends to reduce exchanges to transactions rather than relationships (Peelen, 2005), and without a good relationship with customers it is unlikely that the company will retain customers for a lifetime anyway.

**ACTIVITY**

Pick a favourite product – one that you are loyal to (a chocolate bar, drink, restaurant, brand of sports equipment, TV programme). Make a list of what might cause you to buy, watch or consume something else instead.

A strong brand is a good starting point for building brand loyalty, but the loyalty does not happen automatically. Loyalty comes out of a good, mutually beneficial relationship and its foundation is trust. This trust must go both ways. Clearly, customers must trust the brand. They must feel comfortable with it, secure that products will do what they are supposed to, that the quality will be maintained, that their brand experience will be the same as it was the last time they made a
purchase, and the time before, and the time before that. Equally, the company must display some trust in its customers. A company that treats customers as if they are trying to con it will never build a relationship with those customers, will never gain their loyalty. This demonstration of trust can be an explicit part of the offer, or it may be demonstrated on an individual basis as part of the brand’s customer service. For example, Virgin Wines will leave a delivery of 12 bottles of wine on a customer’s doorstep if they are out when the delivery driver calls. If the wine is stolen, they replace it with no questions asked. Similarly, they encourage their customers to try wines by offering to refund any bottles that the customer does not like. Clearly, it would be easy to take advantage of this but, as the company has been making those offers for a large number of years now, it would seem that Virgin customers are generally honest and so the company’s trust is not misplaced.

Customer satisfaction is a key contributor to loyalty, but not all satisfied customers will be loyal. For example, you may have really enjoyed the last holiday you took – the flight, hotel, resort and value were all great – but you will probably want to go somewhere else next time. Satisfied customers will have a positive attitude towards the company and will probably intend to buy from it again. This, however, may not be enough to clinch the actual sale. A positive attitude is only a predisposition to behaviour; other things often get in the way and cause a person to do something else. They may even go out with the intention of buying one thing but come home with another. (For more on attitudes and their relationship to behaviour, see Chapter 3.)

Customers remain loyal because they value what they get from a firm (Reichfeld, 1994). This value mainly comes from product quality, functionality and style, service and support. These things are not all within the control of the marketing department, so if a company wants to build loyalty, it needs all departments to work together to achieve this. There needs to be an integration of customer-related activities across the whole organisation. This is easier for companies with a customer focus (see Chapter 1).

**EXPAND YOUR KNOWLEDGE**


This paper, based on research with car enthusiasts attending a ‘brandfest’, investigates the links between personality traits, product attachment, brand trust and loyalty, and wishes to be part of a brand community.

**LOYALTY SCHEMES (CARDS)**

The term loyalty scheme is really a misnomer. You cannot buy true loyalty; it has to be earned through excellence in products and customer care. The loyalty cards available from so many large retailers today are, more accurately, reward cards, and they are a sophisticated form of sales promotion and a source of customer data. Customers earn points on their bill, which they can exchange for money off...
the next bill or other treats, such as days out or tickets for the cinema or other entertainment venues. The Boots Advantage Card is one of the largest, and most generous, reward schemes in the UK, with nearly 15 million cards in circulation (Boots, n.d.). Advantage Card holders earn four points for every pound spent. Each point is worth a penny off future purchases. In-store machines give out points balances, vouchers and details of special offers.

Most of the people who have a supermarket reward card have at least two. One of the UK’s biggest supermarket chains, Asda, ditched its reward card scheme for a while, claiming that research shows that its customers prefer lower prices. Asda’s sales figures suggested that this strategy can work well. Later they offered customers a store card with 1% cashback on Asda shopping and 0.5% on other purchases – with an introductory bonus of 0% interest on the credit. Is that different to collecting points? It may be more attractive to customers who can spend the cash wherever they like.

These reward card schemes cost millions. Tesco issued vouchers worth £320 million (approximately €470 million) in 2005 (Tesco, 2006). On top of that, there is the cost of mailshots, the administration of the scheme, the customer support. Why are these companies prepared to spend all this money? Mainly, they do it for market research and improved target marketing. Every time a customer uses their card at the checkout, a computer records all their purchases. This information, combined with the personal information the cardholder gave when they filled out the application form, helps companies build up a detailed customer profile of shoppers. They then use this information to improve their marketing by stocking the products such customers are most likely to buy and by tailoring offers to suit them.

Customer data can highlight a marketing opportunity that sales data would not. For example, according to sales data, the market for birdseed and feeders was

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**customer focus: Punishing loyalty**

There has been a finance battle going on in the UK. Credit cards have been employing some highly destructive weapons in their fight for new customers. The bait they offer is 0% interest on balances transferred from other cards. This free offer has a time limit, of course – often six months. After that, the customer has to pay a standard interest rate. The offer is not usually available to existing customers, only to new ones when they first take out a card.

Many customers play a lucrative game with this, taking out a new card with a new company at the end of the honey-moon six-month period, transferring their outstanding balance on again and so still getting their 0% finance. Some forget and so have to pay some interest at least some of the time. Are the credit card companies actively encouraging disloyalty? It seems hard to believe that this is their intention.

How would you feel as a long-standing customer who isn’t getting such a good deal?
very small. However, by analysing its customer data, Tesco found that people who bought bird feeders were also likely to buy organic foods. So it stocked a wider range of bird feeders, told its organic food customers about them – and watched the sales rocket (Shabi, 2003).

The information that stores gain from their reward card schemes is worth a lot to them. Market research can be expensive, yet here the stores have customers volunteering their information, electronically, every time they present their card at the till. The set-up costs are high but the research information pours in.

**EXPAND YOUR KNOWLEDGE**


Hollebeek explores the emerging concept of ‘engaged customers’ and its relationship to brands.
SUMMARY

Most marketing plans rely heavily on the marketing mix for their implementation. The 4Ps has been the most commonly used framework for many years but this is always extended to 7Ps when considering services marketing. As so many products now have service elements to them (warranties, guarantees, after-sales service, retailing, etc.), the 7Ps framework has become generally preferred for all products – tangible and intangible ones. Packaging is another important marketing tool and is often proposed as the fifth P.

Although they remain the most popular frameworks, the 4Ps and 7Ps models are not without their critics, mainly on the grounds that they are insufficiently customer-focused.

A brand’s marketing mix should be integrated, each element working with the others to present a united front and support the organisation’s marketing objectives. An uncoordinated mix sends conflicting messages to target customers and is much less effective in terms of building brand values and achieving marketing goals.

CHALLENGES REVIEWED

Now that you have finished reading the chapter, look back at the challenges you were set at the beginning. Do you have a clearer idea of what’s involved?

HINTS

- The marketing mix must be integrated so all elements should support the organisation’s desired position in its market.
- See ‘Contribution pricing’ in Chapter 10 but also remember that price is seen as a determinant of quality.
- The 7Ps of services marketing are key determinants of the attractiveness of services to customers.
- This is an ethical question – how important is the environment to your firm? Are there ways to maintain the brand identity even when changing packaging (Nestlé managed it with Kit Kat, for example)?

READING AROUND

JOURNAL ARTICLES


**BOOKS AND BOOK CHAPTERS**


**WEBSITES**

[www.cim.co.uk](http://www.cim.co.uk) – the Chartered Institute of Marketing.


**SELF-REVIEW QUESTIONS**

1. What are the 7Ps? (See p. xx)
2. Where does packaging fit in the marketing mix model? (See p. xx)
3. What are the five characteristics of a well-designed marketing mix? (See p. xx)
4. Name and describe the levels of the total product offering. (See p. xx)
5. What are the main tools of the promotional mix? (See p. xx)
6. What is another name for ‘promotion’? (See p. xx)
7. How can packaging give a product a competitive advantage? (See p. xx)
8. What is the relationship between brand personality and brand image? (See pp. xxx–xx)
9. Why is it important that all elements of the marketing mix match and support each other? (See pp. xxx–xx)
10. What faults can you find with the marketing mix as a framework for marketing activity? (See p. xx)
Mini case study  Small objects of desire

Read the questions, then the case material, and then answer the questions.

Questions

1 Identify the elements of Apple’s brand identity.

2 Was the launch of the iPhone a line extension, a brand extension or a brand stretch? Explain your answer and then discuss the advantages of this strategy.

3 What evidence is there that Apple enjoys a high level of brand loyalty? What advantages does this bring the company?

4 Is Apple a lifestyle brand? Give reasons for your answer. (You may want to refer back to the section on lifestyle branding in Chapter 1.)

5 Should electronics manufacturers take responsibility for the impact of their products on the environment? What could they do to make their businesses more environmentally friendly?

Why would anyone queue for over 24 hours to buy an (arguably) over-priced phone? Especially when they could buy it from a shop around the corner for the same price and without queuing at all? Questions like these were puzzling passers-by on the day that the Apple iPhone went on sale in London for the first time.

The queues outside Apple’s flagship store in Regent Street started two days before the iPhone’s much publicised arrival. It was November. It was cold and wet. Even the people queuing seemed bemused as to why they were doing it. ‘I’m a commercial director. This is ridiculous behaviour for someone like me’, said one member of the queue, while a civil servant near the front offered at least a partial explanation for why he wanted to be one of the first to own the iPhone: ‘Several of my colleagues have tried to arrange meetings with me on Monday just to have a look at it.’

The Apple iPhone combines a phone with a fully featured web browser, advanced camera and music player. Even at the time of its launch, it was by no means the only device on the market to do all of these things. There were a number of cheaper rivals but none of them inspired the adulation given to Apple’s new product. Fans of the iPhone raved over the deceptive simplicity of the design and were especially enthusiastic about the minimalist touchscreen. The iPhone is beyond such restraints as a conventional keypad. Lucky iPhone owners just brush their fingertips over the sleek, full-colour display. Time Magazine called it ‘the invention of the year’.

Over half a million iPhones were sold over the weekend of its launch in the USA. This extraordinary level of sales made the company’s first-year sales target of 10 million look easily achievable. With that sales volume, Apple would achieve 1% global mobile market share which, while impressive for a new entrant in such a short space of time, would still be a long way short of market domination – in volume terms at least.
Apple has a reputation for leading-edge technology and attention to detail, particularly style detail. Very few other brands generate such interest and inspire the number of brand ambassadors that Apple does. Apple customers believe that the company really cares about the way they use the technology – and about the way people look while using the technology. As a web designer in the iPhone queue on that wet November morning in London said: ‘...the point is the attention to detail. I’m actually going to enjoy using my phone, and Apple are the only company that I know in most of consumer electronics who care about this stuff.’

The Apple Mac pioneered an icon-based operating system (the source of a long-running dispute with Microsoft over the Windows design) which was the starting point for Apple devotion. Mac users would not dream of trading in their computers for mere PCs and, years after the Mac revolution, Apple’s entry into the MP3 market inspired a similar response. The iPod dominates that market, not least in terms of brand awareness and desired purchase. Apple products are recognised as style icons by a wide demographic: their appeal crosses divides of age, income, gender and taste – although approximately 93% of the queue for the new phone were male.

The phone’s launch price was a hefty £269 (€399) but there was speculation that the price might come down. In the USA, Apple cut the original price of the iPhone by $200 (£100, €135) and then had to offer refunds to early customers who complained vociferously.

Price was not the only off-putting feature of the iPhone. In the UK, broadband Internet access was available through Edge but, at the time of the launch, Edge only covered 30% of Britain, so in most places iPhoners would not be able to use that feature. Additionally, in an attempt to maximise revenues, Apple had negotiated exclusive contracts with specific network providers. All iPhones bought in the UK were tied into the O2 network for 18 months. These network deals had already broken down in France and Germany, where local anti-competition laws had forced Apple to unbundle the iPhones and offer them with a free choice of network. This freedom of choice came at an even higher price, of course. In Germany, the unbundled iPhones were on sale at €999 (about £720), while it cost €399 (the same as in the UK) to buy an iPhone with a contract with Apple’s German partner, T-Mobile.

Among all the Apple-inspired hype came a burst of bad publicity too. Green lobbyists took advantage of the interest in the iPhone’s launch to make their own attack on the mobile phone market. Greenpeace claimed that mobile phones were significant polluters and that mobile companies needed to do far more to minimise their impact on the environment. Zeina Alhajj, Campaign Coordinator for Greenpeace, said: ‘Over the life cycle of a phone there is massive pollution. The phone companies are making big changes – transparency and reporting is far ahead of what it was four years ago, for example – but it is still far away from being a really green industry.’

A recent Greenpeace report claimed to have found evidence of widespread, hazardous chemical contamination of rivers and underground wells in countries where electronics goods are manufactured. Greenpeace also complains that consumers are wasteful, replacing phones more often than is necessary and so artificially inflating the demand for new phones. Western consumers
in particular frequently replace working phones with the latest models, keeping phones on average for only 18 months when they are designed to last for ten years.

Only a small proportion of these thousands of discarded phones are recycled. Nokia, the world’s biggest mobile handset manufacturer, believes that about 48% of old handsets are abandoned or forgotten by their owners – many of them are just lying at the bottom of drawers.

**SOURCES:** Burkeman, 2007; Judge, 2007a, 2007b.

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