Module 8: Branding and New Product Development

Learning outcomes

On successful completion of this module you will be able to:

Branding

- Understand what a brand is and how branding works
- Understand the process and importance of developing a brand and how to measure its value
- Identify and evaluate popular branding strategies and brand positioning

New Product Development (NPD)

- Outline the stages in developing new products
- Understand the factors that affect the rate of diffusion and consumer adoption of new products

Learning resources

Australian Seafood CRC 2013, *Accelerated Product Development Fact Sheet*. Available through this link.

Readings

8.1 Introduction

This module is concerned with what brands are, how they are created and what they do. The module considers how new brands and products are developed. Strong evidence from data-driven research over many years tells us that the key to marketing effectiveness is improving a product, place or thing's physical and mental availability. In regards to growing brands, research can guide us and demonstrate that a mark or logo is only one very basic (but important) part of the picture. To grow a brand in the minds of current and potential customers, we need more people to notice or recall Australian food and agricultural products (i.e. increase our mental availability for those in the market) and have our products and services widely available for consumption (physical availability).

Activity

Consider a food product you're familiar with -

- How aware are consumers of your brand? Where does your brand 'sit' in the market? Is it big, small, niche, or are you new to the game? How is it positioned?
- How well is it entrenched in the mind of the consumer? People can't buy if they can't think of you (quickly or positively) in a purchase situation.
- What is your brand image? What associations do people link to your brand that helps them to remember who you are and why they should buy you?
- Are you refreshing the mental structures (those associated links) that define your brand?
- Is your brand available both mentally and physically to as many potential consumers as possible? Or are you missing potential consumers?

8.2 What is a brand and how does it work?

Video

The following video explores what brands are and how they are developed.

According to the American Marketing Association (AMA) a brand is:

> *"A name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and differentiate them from those of competitors."* (American Marketing Association 2014).

Product vs brand

A product is something that is made in a factory, grown on a farm or caught in the ocean; a brand is something that is bought by a customer. A product can be copied or sold in equal form by a competitor; a brand is unique. A product can be quickly out-dated or its market quickly saturated; a successful brand can stand the test of time. Think Coke (a strange black fizzy drink, a cola, made by hundreds of other companies); think John West, and the list goes on.

Influential adman, Stephen King, distinguishes products from brands:

> *"A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless."* (Bonsall 2014, p.131)

This module is all about how food and agribusiness manufacturers must understand the power and advantage of the brand (it's not as easy as it first seems, particularly in the food business).

Why do we (consumers) need them?

Customers:

- Have too much choice;
- Have too little time;
- Are too lazy to do a full information search, evaluation of alternatives; and
- Are reassured of quality from past experience, especially for intangible items.

Brands make our lives easier! (they save time, minimise risk, simplify choice).

Why do manufacturers and the industry need them?

Producers and retailers have:

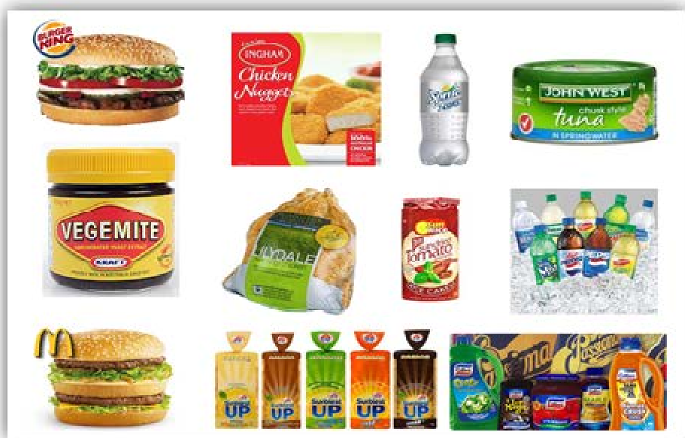
- To identify the maker;
- Simplify product handling and distribution demarcation;

- Be aware of legal issues and protection of IP (copyright and patent infringement);
- Create barriers for competitors who want to copy their success; and
- Establish ongoing relationships with the customers.

So brands are vital for manufacturers, just as they are for consumers.

The left image below is a range of **brands** you should be very familiar with from the food industry!

The right image below is a range of **products** made by those brands!



Private labels (supermarket brands)

We covered private label products (or supermarket home brands) in Module 5 when we looked at retailing. Private label (PL) products have become a very big issue in the Australian (and global) retailing scene, particularly in the past 5-10 years. PLs are brands too, it's just that their brand is an umbrella-brand which represents the store in which they are sold and whose store brand they are marked with. They compete directly with the 'traditional' brands we have grown up with. Once simply considered generic products (Home Brand or Black and Gold) of the lowest quality and the simplest packaging indicating their supermarket origin and their budget nature, they are now highly sophisticated competitors that come in a variety of formats, from budget through to premium, that look, taste and feel almost identical to the 'known' brand offerings, but generally with a significant price advantage.
Here are some examples of just how pervasive and intense the brand vs PL battle has become in the Australian market.

Supermarkets are aiming to capture market share from those well known label/premium brands and increase their overall market share from roughly 20%, up to a huge 50% (depending on the category) by 2020. This represents billions in extra revenue for the supermarkets, with the added ability of supermarkets being able to exert more influence over the margins of name brands. Because the financial viability of name brands depends on maintaining generous profit margins if they are adversely impacted on, entire product lines can come under threat.

Profit drives investment in new product and technological development, therefore if name brand companies are not able to invest in new production technologies, premium product ingredients and the marketing that helps make their brands distinctive from others, they are at serious risk of failure.
This makes the need to develop and grow strong and successful brands more important than ever for the individual producer and non—generic brand producing companies.

Activity

- Read the article below about Vegemite's strength as a brand and the impact this has had on retailers private label versions.
- What do you think the future is for PL and non-PL brands in Australia?
- Can you think of any strategies to help brands to overcome the oligopoly power of the major retail chains (the articles should give you some hints)

Can’t touch this: Vegemite too strong for the private label clones

The Vegemite spinoff, Cheesybite, from several years ago may have been a flop, but there is no getting around the fact that Vegemite continues to be a roaring success in the Australian market.

Suppliers everywhere are feeling the squeeze as retailers slash their prices and grow their private label brands, but so far Vegemite remains untouchable by private label and imitation products. There’s a private label version of just about every product these days in Coles and Woolworths, but neither company will mess with Vegemite.
Even Aldi appears to have refrained from copy-cat packaging its own similar product – a popular tactic by the company.

The much loved Australian yeast paste is still consumed in 80 per cent of Australian households, says a spokesman for Mondelez International (formerly Kraft Foods), the company that produces Vegemite in Australia.

“There is almost a perfect correlation between Vegemite jar sales and population growth in Australia that we’ve plotted over the years”, a spokesman told BRW.

According to The Australian Financial Review, Mondelez produces 22 million jars of Vegemite every year from its Port Melbourne Factory. The spokesman confirmed with BRW its profits were “stable”, helping to contribute to the American company’s 64 per cent leap in the net profit for its Australian operations in the 12 months to December 2012, to $74.9 million.

Mondelez didn’t want to be drawn into a debate about private labels and price cuts, with the spokesman saying: “Our broader company philosophy has been mutuality with retailers and long-term contracts.”

Even Aldi’s blatant rip off “Brekkie Mite” would fail to worry the supplier – particularly has Mondelez has been selling Vegemite at Aldi stores for years.

There are a few very good reasons why Vegemite has continued to keep its market share in the 90 years since it was first developed.

Synonymous with Australia

Vegemite has been marketed so well that it has become a symbol of Australian culture. It started with that infectious television jingle “Happy Little Vegemites”. The revival of the commercial several years ago reminded consumers that it had become an icon brand. Even during World War II, advertisements were put up with the slogan “Vegemite: Keeping fight men fighting fit”.

Name the spread

Arguably, even the Cheesybite or iSnack 2.0 debacle helped Vegemite’s image by reminding people how much they preferred the original. Just as the Fred Walker Company – which later become the Kraft Food Company – hatched a plan to have Australians publicly name the yeast spread, the public was asked to get involved in naming the new Vegemite. It was, in the end, Fred Walker’s daughter who came up with Vegemite, but that’s another story. Walker’s determination to make Vegemite an Australian food icon through the ‘20s and ‘30s eventually paid off.

Product development and consumer analytics

While Vegemite is one of the few brands Mondalez can’t change too much, it can innovate in the way it interacts with customers, it claims. For example, by using consumer insights, the company has discovered it is the empty-nesters who stop buying Vegemite. “It is perceived as a child’s product and there has been a tendency to not put it on the shopping list until grandkids come along.” Now the supplier is building campaigns around making Vegemite relevant for those of any age.

First-generation Australians love it

Vegemite stands to at least hold onto its growth, given the take-up rate among new Australians.

“There was this myth that new Australians didn’t love Vegemite, but our research has proved that wrong. In fact, new Australians or first-generation Australians are great adopters of Vegemite.”

8.3 Developing a brand

Brands are vital to both consumers and producers. But how are these brands generated and maintained? How do you brand a product like a fish or a chicken? Although marketing departments and producers provide the drive for brand creation through their promotional programs and other activities, ultimately, a "brand" is an intangible entity with intrinsic and or monetary value that resides exclusively in the minds of consumers.

According to Kotler & Keller (2012, p. 265), "*A brand is a perceptual entity rooted in reality, but it is more than that - it reflects the perceptions and perhaps even the idiosyncrasies of consumers*." By branding a product - be it salty yeast based spreadable condiment like Vegemite or a pre-packaged marinara mix in the supermarket chiller section by John West - consumers are being educated about what the product that contains that brand's mark or name is, what it does or stands for, who it is aimed at for purchase, and most importantly, why consumers should care about any of those things.

This is the process of giving a product a label, making it distinct from other products that may be functionally similar or even the same, and giving it meaning through attributes imbued in the brand. It's a process of telling the consumer this is what our (the brand's) product can do for you, and why it's different from the same product with different brand labels and why you should buy this product over another.

The key to branding is a psychological one. The branding process creates a mental map or an interconnected web of information that helps consumers arrange their knowledge about goods (like the superior quality Australian beef or salmon over cheaper imports due to shorter handling times and shorter distance from producer to store) and services (like the sustainability monitoring of Australian fishery bodies and hygiene practices of our processing plants in comparison to those of other countries). The organisation and categorisation of such information streamlines the consumer's ability to make decisions. This process provides tangible benefits to companies and producers – strong successful brands make more money than smaller ones and growing brand revenues increase in successive sales periods.

The key to branding is for consumers to consider brands as being distinct from each other, though they occupy the same category. These distinctions are related to both the physical or functional attributes of the product itself - information known as intrinsic cues are one distinction; such as shape, size, smell and taste (for example, Pringles chips are packaged in a tube; tasting rather different in comparison to the foil bag packaged Smith's chips). More intangible image based concepts (extrinsic cues) are what the product represents socially to the consumer, where the product comes from (red wine from China vs Australia), and the messages about the product delivered through advertising (for example, why are organic free range eggs better than cage eggs?). Clearly, marketers have very little or no influence over the intrinsic attributes of a product, though they can be involved in helping to produce new attributes, as seen in 8.5 – Measuring Brand Value.

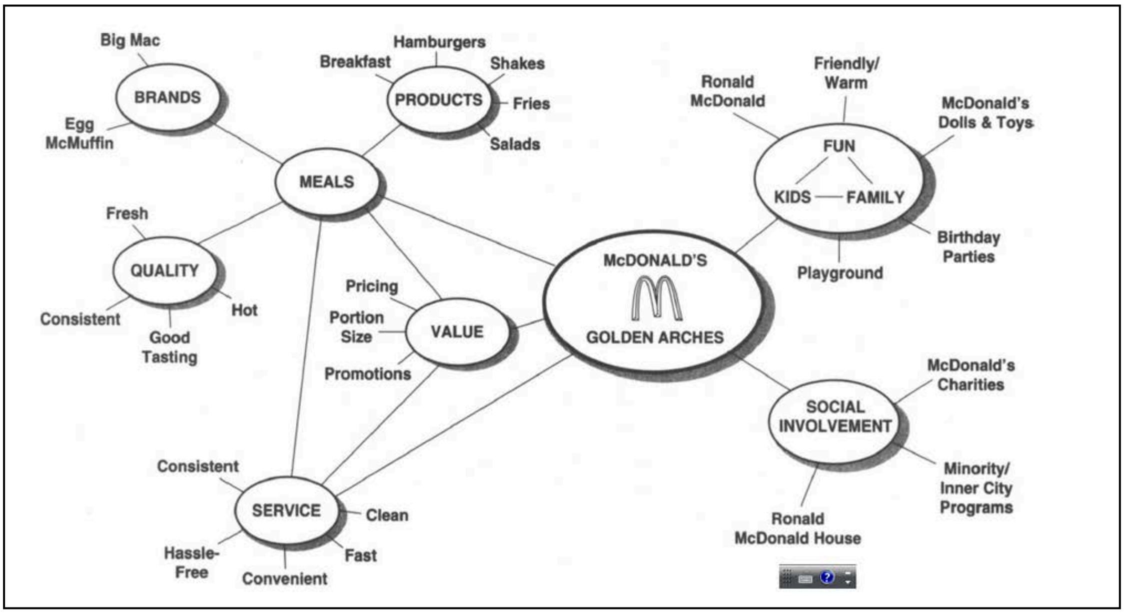
Whenever and wherever consumers are deciding between alternatives, brands play an important decision-making role; the key to success here is convincing consumers that all the product offerings in the category are not the same and that meaningful differences exist. Having an understanding about how our memory works helps to show why this is so important.

Brand based memory structures and networks

The human memory consists of a network of links and nodes, where pieces of information or nodes (e.g. a brand name, product experience or a need or emotion) are linked to other nodes (e.g. "I'm hungry and want healthy food" or "I'm sad and chocolate or wine will make me feel a little bit"). If there is a 'link' between two of these pieces of information then this is a meaningful association in memory (that means it's likely to have an impact on my purchase behaviour or propensity). Keller (2013) suggests that this helps marketers to understand how brands and brand knowledge are created in memory – this is very important.

Figure 8.1, below, displays a very simple mental map of how someone might retrieve or link associations with McDonald's, and what that colour can signify in people's minds.

Figure 8.1: When I think of McDonald's, what do I think of *or* what makes me think of McDonald's?



Source: (Aaker 1996, cited in John et al. 2006)

Weaving the mental web

According to Romaniuk (2006), information encountered during brand or product experiences, if it is important enough to be remembered or encoded in your memory, becomes linked to the brand in a consumer's mind. This means the brand is really a group of elements or concepts that are meaningfully associated with the brand - that is, likely to be influential in a brand's selection and purchase likelihood by the consumer. This form of information processing can have many outcomes for the brand, including informing the consumer's overall brand attitude or acting as a mental shortcut (or heuristics) for information processing in product selection and consumption situations (Nedungadi 1990; Romaniuk & Nicholls 2006).

When consumers retrieve items from memory when they go to buy something, like a chocolate bar or a salmon fillet, a source node (piece of information) is activated by something in the external environment – it could be advertising, the need to cook dinner, or it could be the kids nagging for an after-school treat. This information activation results in a flow of subsequent activations which spreads through the connected links in the brain from one node to another, until a brand or product is brought to mind which satisfies that customer's want or need.

There are two factors which determine whether the brand is retrieved: whether associations with it exist in memory at all (remember, people won't buy your brand if they don't know it exists!) and the relative strength of the associations for one brand in the same category relative to the (often similar or the same) associations for other brands in the category. Many attributes are generic to a category (low in sugar, pre-packaged, fresh, in brine, good for parties), so they can make consumers think of a number of brands. It's the marketer's job to make your brand the most prominent one.

The more prominent (salient or cognitively available) an attribute is in the mind of the consumer, the more likely it is to activate the network of associations to retrieve a particular brand. This means those associations or images that are the strongest, and most easily accessible, will deliver the strongest and most consistent influences on a consumer's behaviour. A person's strongest or most chronically accessible memories are capable of being activated automatically upon the mere presence of an appropriate situational cue or psychological need (Fazio, Sanbonmatsu, Powell, & Kardes, 1986). It is those cues that need to be linked with the greatest strength to your brand.

When making decisions about brands, consumers use many information cues (both tangible and intangible), such as:

- Brand attributes (e.g. "this pineapple smells ripe, it's grown in Australia.");
- Brand benefits ("I know it's good for me, it reminds me of being on holiday."); and
- Brand attitudes ("I like/dislike this brand.").

The activation of the network of all the above pieces of information makes me recall the brand I wish to buy. For example, it comes in a yellow jar, it's a spreadable condiment, contains lots of vitamin B, has a very unique flavour, it seems very Australian (though sadly it isn't anymore), most people outside Australia don't like the taste, and it's a black paste = Vegemite.

8.4 How Brands Grow

Byron Sharp published a book in 2010, titled *How brands grow: What marketers don't know.* The following video is a TED talk where Byron explains how brands grow from a slightly different perspective.

Video

Now that we are familiar with how brand information is created and stored in the mind, the next most important question is, obviously, how do we imagine it will grow? Brand growth is increased market share; however, the process of making this actually happen is not quite so simple, although the principles that underlie it are.

Here are the most important things you need to know about how brands grow. These facts may surprise (or they may not) but these three simple points are the key to brand success:

Growing market share comes directly from increasing brand popularity, that is, by having more people buying it. These customers must come from all buying classes; however, the majority of whom are light-buyers, who only buy the brand infrequently. It's hard to make people who are already buying a lot of your brand like it more and buy it more, as they already like it and buy it lots! But by slightly increasing the amount that the many light-buyers buy, you will increase your brand's popularity and aggregate sales.

Brands that are slightly differentiated (Atlantic salmon vs Tasmanian salmon), compete as if they are nearly identical, but vary widely in their level of popularity and therefore their market share. Supermarkets are all too aware of this reality (as discussed previously) as they create PL products that seem increasingly and strikingly similar to the brands we know well. Consumers see products like Coke and Pepsi, Maggi and Fantastic noodles, and Pink Lady and Gala apples as highly interchangeable products; though they may have a preference for one brand over the other. It takes consumers very little to switch to an alternative, example scenarios could include the fact that the product is unavailable, its packaging has changed or it's in a different place on the supermarket shelf to last week. It's the marketer's job to make that switch more unenticing.

Finally (and most importantly), brand growth and competition is about two market-based assets: ***physical and mental availability***. Above all else, these are the keys to brand success (and failure). Brands that are easier to buy and are available at more outlets will sell more. Brands that are remembered with the least effort and resonate most strongly in the mind of the consumer will also sell more - even in highly homogenised markets (e.g. chicken fillets, salmon and canned tuna).

These last two concepts are so important that they require a little further explanation:

Physical availability is the ease with which a product (once activated in a consumer's mind) is accessed and/or obtained. For example, how easy is it for a consumer to fulfill a need for a nice bottle of SA wine once they have thought about it? When looking on the shelf for wine do they see SA wines as an option? Do they know that the Barossa Valley is even located in SA? If they hear about SA from a friend as a beautiful destination, how easy (available) is it for them to visit? If we want to continue to grow the brand of South Australia and all that it encompasses, we have to attract new customers.

Mental availability is the ease with which a product, brand or place is noticed and/or thought of in different buying situations, be it buying wine or choosing a holiday. The level of mental availability is based on the existence of mental networks linked to a product in buyers' minds. For example, when a consumer thinks of great wine or seafood, does SA (or a SA wine region) pop into their mind? If they hear someone mention SA, do they think of great food, wine and a wonderful place they can visit? Current research funded by the Grape and Wine Research Development Corporation (GWRDC) and conducted by the Ehrenberg-Bass Institute, shows that only 54% of Chinese wine consumers can recall the Barossa Valley as a wine producing region. This means we still have a long way to go in building mental links between the strength of SA wine production capabilities and the SA state brand. It also means that we have a great opportunity to develop this type of association in the most efficient and comprehensive way.

8.5 Measuring brand value

Professor Kevin Keller offers his insight into what brand value is within the following video.

Reading

Now that we have an idea about how brands are created, we now need to have a way of understanding how to measure the value of that brand. This brand value is often referred to as 'brand equity', and it can be measured a number of ways.

There are three prevailing measures of assessing a brand's worth: the financial view, the product view and the consumer view.

The financial view

This is the very classical economic view of a brand's worth:

- The price that a potential buyer of a brand/company would pay minus the accumulated costs of all the tangible assets it has – such as, factories, tools, land, real estate, stock etc.
- What was paid (*market capitalisation= share price x N of shares*) minus the balance sheet value (replacement cost of all assets) = Brand equity.
- Usually is adopted when brand equity is being measured for the purpose of mergers and acquisitions (e.g. Westpac bought St. George, who bought BankSA; or Bendigo Bank merged with Adelaide Bank; Wesfarmers bought Coles). This usually results in an end dollar figure or ratio (i.e. the brand with higher brand equity is that which brings a greater dollar value back to the firm).

Therefore, the financial estimation of brand equity is an estimate of the future value of trading under a given brand name, and is neither tangible, fixed, nor guaranteed, and is also highly subjective (*Expected return x risk)*.
For example, FOX (News Corp.) bought MySpace.com in 2005 for $580m and sold it for $35m in 2011. Here, brand equity is an estimate of the future value of trading under this brand name. As such, it is neither tangible, fixed, nor guaranteed.
Accountants use tools to make estimates; these involve a lot of subjective judgment.

Two companies (a buyer and seller) may compute different values, based on what they would achieve. Clearly, Fox didn't achieve much out of MySpace. This type of brand equity is based on what the buyer wants to pay. Thus, it's highly subjective.

Product view (price-premium)

This is the most common economic approach to measuring equity in a brand; the price premium approach. That is, the ability of a brand to charge higher price than a product without its brand name (e.g. a private label). John West can (and does) charge more for canned salmon than Woolworths' Home Brand.

The product view is frequently measured in simulated choice experiments against hypothetical scenarios/brands to estimate price points and predicted market share. It is an improved approach on the financial approach, as it can determine an estimate of revenue premium. The revenue premium is the ability to charge a higher price at equal or higher sales volume to reflect, at an aggregate level, the cumulative effect of all marketing variables on the final consumer choice (meaning the researcher does not actually know specifically on an individual attribute or associative/cognitive level what the drivers are). This can be expressed in dollar figures (in an easy to communicate fashion) and can be compared to real purchase data (i.e. supermarket scanner panel).

An understanding of this measure can be driven by the brand only (not all market or marketing inputs, because different people think differently and have different lifestyles), meaning the assessment is less subjective. This also makes the assessment more reliable from a purely stationary economic perspective, as different people will come up with the same result, but for different reasons.

The downside of this form of measurement (that is a favorite with economists and choice modeling analysts) is that many measures are based on hypothetical (unrealistic) scenarios of consumer choice (artificial context, restricted information) and complicated statistical methods that rely on consumer-conscious processing of all information. Processing the entirety of the information rarely occurs – how often do you give a TV ad your full and undivided attention? In addition, benchmarking brands can be hard to establish. We know that brands compete with PLs, but they draw on different associations to build their memory structures and recall activators – it's more about the store attributes than the product attributes. PLs now have multiple tiers and differ from retailer to retailer, which can confuse the consumer to compound the insights into the source of equity. Finally, such measures only give a snapshot of the current situation – i.e. if I had to choose today/right now what would I do, rather than how this could change in the future?

As food marketers, the product approach gives us little understanding about what individual level consumer purchase drivers are and therefore how we as marketers can affect them. That leads us to the final measure of brand equity – the one we can have most influence over.

Customer-based approach

Keller's (1993) Customer Based Brand Equity (CBBE) comes from brand knowledge created and stored in memory (as discussed previously). The CBBE concept comes at the measurement of brand equity from the perspective of the consumer. According to Keller (2013, p.73) *"Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favourable, and unique brand associations in memory".*

This means that CBBE has two fundamental components: brand awareness and recognition.

Brand awareness (recall) is the ability to retrieve brands in a particular category from memory. What tinned tuna brands do you know? The order in which your brand comes to mind is an indicator of the recall measure and is usually an indicator of the average usage or likelihood of brand usage for many people.

Brand awareness is the strength of the brand node or trace in memory, as reflected by the consumer's ability to recall or recognise the brand under different conditions. As an example - How strong is the link between the category and brand name of McDonald's and hamburgers or fast food?

Recognition is the ability of the consumer to confirm prior exposure to a brand when prompted (e.g. are you aware of this brand?). The percentage of people who recognise the brand is a measure of its salience or mental availability. If people can't recognise the brand when prompted, it's unlikely that they will consider buying it in a purchase situation.

Creating a brand image is about developing marketing programs which promote the linkage of strong, favorable and unique associations to a brand in the consumer's mind. How and why these associations are formed, from a CBBE perspective, does not matter; what matters is simply that the association is strong, favorable and unique.

Therefore, the network of associations that a consumer forms about a brand can come from a variety of sources; not just marketing campaigns (i.e. product trial, word of mouth, consumer reports, news stories etc.). Therefore, marketers have to recognise these other sources of associative development by managing them as best they can (e.g. PR) and designing campaigns which adequately account for these sources of association in developing campaigns.

The more deeply a consumer thinks about product information and can relate it to their existing brand knowledge, the stronger the associations will be linked to the brand. Marketers have to create and nurture favourable associations by convincing consumers that a brand satisfies their needs and wants the 'best', or most efficiently, in such a way that collectively they form an overall positive brand judgment. This means, the associations which are *desirable* to consumers – such as convenience, reliability, effectiveness and efficiency – are delivered by the product (it does what it says it's going to do!).

Strong associations to a brand within a category are critical to its success. But unless there are no other brands in the category, it's likely that some of these associations will (at least in part), be shared by other brands. Therefore the key for marketers is to create a distinction between brands by providing consumers a compelling reason why they should buy one product over the other. That is, they must either do this explicitly (directly compare their product's attributes to another brand's, i.e. its tuna chunks are larger than the competitor's) or implicitly (infer their product is better on a less tangible level, i.e. it's for a more discerning consumer). In either case, the development of a strong and unique position is one of a marketer's key roles – and vital for CBBE.

So what does this form of brand equity measurement and development mean? Unlike the financial and product based methods we mentioned, it means that the real value of the brand actually resides in the mind of the consumer. Therefore, understanding the mind of the consumer is the key to marketers valuing and understanding brand equity, and how do we understand what is in the mind of the consumer? Through research!

8.6 Developing & establishing brand positioning

According to Kotler & Keller (2007, p. 155), positioning is the act of designing the company's products and services and defining an image to occupy a distinctive place in the mind of the target consumer. The goal is to locate the brand in the consumer's mind with the aim of maximising the potential benefits to the company or producer. A well-positioned brand helps guide optimum marketing strategy, such as through the use of Integrated Marketing Communications (IMC), as we will see in the next module. Positioning clarifies the brand's 'essence' or key attributes, what goals and needs the brand can fulfill to help to satisfy the consumer, and where the product 'sits' in its particular market. The purpose of positioning is to successfully create a customer-focussed value proposition – something that a consumer needs or wants and for you (the marketer) to make the 'why' choice obvious.

Figure 8.2

TABLE 10.1 Examples of Value Propositions

Company and Product	Target Customers	Key Benefits	Price	Value Proposition
Perdue (chicken)	Quality-conscious consumers of chicken	Tenderness	10% premium	More tender golden chicken at a moderate premium price
Volvo (station wagon)	Safety-conscious upscale families	Durability and safety	20% premium	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	Delivery speed and good quality	15% premium	A good hot pizza, delivered promptly to your door, at a moderate price

Source: (Kotler & Keller 2012, p.298)

When is a brand well positioned in the market?

According to Thomason (2014, pers. comm., 17 March), there are five key elements that contribute to a well-positioned brand.

Consumer insights: especially attitudes and behaviours toward both the category and the brand

Competitor analysis: to understand potential threats and opportunities

Target definition: who, when, where and how to influence

Brand promise: should be relevant, motivating, memorable and 'ownable'

Brand symbols: distinctive marks, logos, styles and personality.

Brand saliency relates to the quantity and quality of brand memory structures. According to Thomason (2014, pers. comm., 17 March), five key elements to contribute to building saliency include:

Visibility: high physical and mental presence in buying situations

Vitality: impactful promotions, events, news releases

Brand associations: positive imagery across the range of drivers

Audience reach: extensive media presence and POS participation

Momentum: confidence, dynamism and sense of pride.

Activity

Positioning bread –

The brand offerings of bread within Australian supermarkets and grocery stores have increased in number. Brands not only fight over the consumer dollar (as the recent supermarket bread price war has demonstrated), but also are positioned to appeal to various markets and demographics. Certain brands may fulfill customer desires based on their quality, nutritional or price needs.

Following Kotler's examples of value propositions above, form your own analysis of the positioning of these three brands and answer the questions below.

Coles Smart Buy bread range	Tip Top bread range	Helga's bread range
		

- What are the symmetries? Where are the divergences?
- Identify how differently each of the products is positioned.
- Use Figure 8.2 as an example of how to do this.

Company and Product	Target customers	Benefits	Price	Value Proposition
Coles Smart Buy				
Tip Top				
Helgas				

8.7 New product development

New product development is the development of original products, product modifications and new brands through a company's own R&D efforts. These new product developments can come in a number of forms, each with its own particular role to play within the development and maintenance of a brand. Each of the formats of NPD offer different aspects to the brand portfolio and are determined by elements like need, innovation, changing market conditions and creativity.

Broadly speaking, a brand's new products can fall into one of the following categories:

Type	Description	Example
New to the World	Inventions (known as discontinuous innovations), are products that didn't exist before a brand released them – something no one has ever seen before.	Pop-Tarts (introduced in 1964).
New Category Entries	Products that take the firm into a different category.	McDonalds making salads available as a meal.
Additions to Product Lines	These are products that are line extensions in the firm's current markets.	Gatorade released 3 drinks for people practising sports. One is consumed beforehand, one during, and one afterwards. It was originally only one drink for all situations.
Product Improvements (continuous improvements)	Represents existing products that have been made better over time.	The introduction of the Cadbury 'Joyful' range of products, displayed a move away from the classic 'Diary Milk Block' to the new 'Dairy Bubbly'.
Repositioning	The same products that are re-targeted for new use, application, or to a new user.	Nutella recently re-positioned their breakfast spread towards mums, as people recognised the product as a treat, rather than a breakfast spread. The strategy focussed on promoting the health benefits of hazelnuts, rather than the perceptions that it was a chocolate spread.

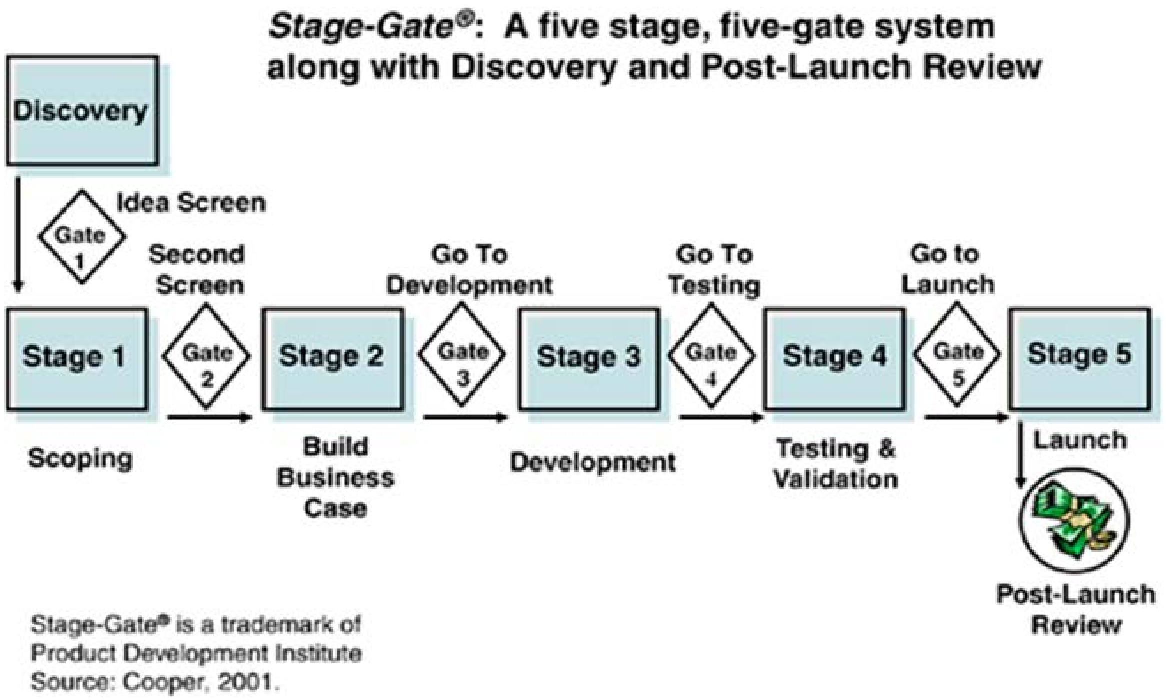
8.8 Developing new food products

Australian Seafood CRC 2013, *Accelerated Product Development Fact Sheet.* Available through this link.

Reading

While all the above examples demonstrate how new products can be created, generated or revitalised as if they were new, the marketer has to decide how they will employ the NPD strategy. Using the Star-Gate© model, we can see how this decision process works.

Figure 8.3: Stage-Gate – a five stage, five-gate system along with discovery and post-launch review



In short, marketers using this approach to NPD have to consider the following key questions:

- Can potential users easily see it is new and better?
- Does it easily fit into existing patterns of behaviour and the associations people have with the brand?
- People do not like to change the way they do things, therefore, is the development too much for them to accept?
- Is it easy to understand and can it be well communicated as being part of the existing brand?
- Consumers quickly filter out information; so are the benefits of this new product easy to comprehend in a very short period of time?
- Can it be trialled easily? Are there easily apparent benefits that people will be able to quickly identify and want to use to gain benefit from?

Watch this video on NPDs in the food category for some ideas (these videos really tell you how NP come about!). The video is accessible through this link.

An overview of the five stages new food products go through to make it onto store shelves is shown below.

From concept to consumer: Food product development stages

Decide *what the food product is*

Brainstorm ideas, discuss requirements and determine feasibility for a particular product concept.

Discover *who shall buy it and what makes it unique*

Use surveys and other research tools to focus the product concept and target goals. Research should also identify customer needs and wants, guiding how the product should provide satisfaction.

Define *the product*

What's going to be in the product?
Describe the key elements such as taste, colour, consistency and vitamin fortification.
Going by what consumers want, what is going to be put in? Do customers want specific flavours or colours?

Develop *the product*

This includes establishing formulas to create the product and combining ingredients to create a prototype. Flavouring also has to be assessed; blind sensory analysis can guide the product outcome to determine which ingredients create the best possible product.
Shelf life has to be considered, as the types of ingredients used determine the expiration of the product. What is the most appealing packaging design? Does it reinforce the product's message through colour or shape?

Deploy *the product*

Give the product a name. Finalise details of the formula, packaging and distribution. How shall the product be shipped? Does the packaging need to be altered to accommodate for more products being able to be shipped at once?
Price the product in accordance to profit goals.
Assess promotion strategies and the product life cycle. Will the product line be extended in the future?

Six 'mega-trends' to drive new food product development

Food Technology, the official magazine of the Institute of Food Technologists (IFT), identified "six mega-trends" and urged the food industry to take note.

Here are the trends that are likely to make it to your markets according to the US-based IFT and market researchers:

Weight management

Super fibres, low-glycaemic sweeteners, fat-burning ingredients and foods that promote "feel[ing] full longer, help[ing] you eat less," and appetite suppression.

Out with the salt

Lower-sodium foods have created a need for potassium and magnesium. Presently, "vitamin E and whole grains are the most commonly used heart health ingredients."

Less is more

Organic foods with minimal ingredients, preservative-free products.

Functional foods au naturel

Products promoting carotenoid sources, resveratrol, super-foods (spices, ancient grains, heirloom), and phytochemicals (nuts). Expect more labels touting "naturally rich in," "natural goodness" (stevia), and "naturally high in" for "prebiotic, anti-inflammatory, cholesterol-lowering, and low-glycaemic" benefits.

Free 2.0

Next gen of "-free" foods to include additive-, preservative-, gluten- and lactose-free foods. High fructose corn syrup and MSG are out and more products with peas, lentils, chickpeas, amaranth, quinoa, millet, sorghum, and teff are in.

Niche flavours become mainstream

Umami, nut-flavoured beverages and dairy products (cashews, almonds, and pistachios), spicy candy (chili), cooling spice ice cream and chewing gum (cinnamon, coriander, anise and ginger), rhubarb, chai, golden kiwi, cloudberry, baobab, and coffee berry are emerging flavours; vegetable-flavoured yogurt (cucumber, dill, carrot), flower flavours (jasmine-flavoured lattes, blackberry and violet yogurt, and rose petal drinks) and new berry flavours (mountain huckleberry, garden berries, or field berries) are gaining momentum.

Review questions

1) What do you think are other emerging trends that drive new food product development?

If you can't think of any emerging trends, the links below contain further information regarding emerging trends and a list of the most prominent, and well as information pertaining to the rise of 'energy boost' products as an alternative to caffeine.

http://www.foodanddrinkeurope.com/content/view/print/860600

http://www.foodanddrinkeurope.com/content/view/print/833363

Activity

Now that we know how NPDs come about, try coming up with some of your own.

- Choose any three categories
- Choose three different types of NPD
- Explain why you chose the category and the NPD.

NPDs			
Target market			
Product use			
Differentiation			

8.9 Diffusion and consumer adoption of new products

Australian Seafood CRC 2013, Accelerated Product Development Fact Sheet. Available through this link.

Reading

We now know how brands are created, used and activated in the mind for purchase. We also have a good understanding of how new products are developed. Finally, we need to know how current and potential customers (sometimes referred to as adopters) of a brand's new products interact and how the new products will diffuse through the market. The basic premise of the analysis of NPD diffusion is that new product customers can be classified as innovators or imitators, and the speed and timing of their adoption of new products depends on their degree of innovativeness (the external 'I'll decide for myself' influence) and the degree of imitation (the internal 'me too' influence). Models have been widely used in new food products' sales and food processing technology forecasting for many years. One method of assessing this has been shown to be very robust over the years. A model created by Bass (1969) entitled the 'The Bass Model', has been very influential and accurate in describing the different stages of product adoption across many different categories, including food and agribusiness.

The main underpinning characteristic of this model of analysis is because potential adopters are influenced in different ways, marketers have to consider how they will promote their new products and how they can expect them to perform over time (and not freak out if they don't sell through the roof straightaway!). This is because product diffusion is determined by two factors – imitation and innovation.

Imitation

Imitation refers to internal influences. Customers choose to purchase based on the experiences and advice of other purchasers (word of mouth), e.g. "I bought that cheese/tried it at the supermarket and it's great (or awful), and you should try it too". This is much harder for marketers to influence or control.

- Potential adopters (new customers) are influenced by prior adopters (existing customers) through word of mouth and peer pressure (interpersonal/internal influence).

Innovation

Innovation refers to the influence of external factors. Customers choose to purchase based on their knowledge gained from marketing activities; such as advertising and product trials (e.g. free cheese at the supermarket). This is easier for marketers to control.

- Potential adopters are influenced by mass media advertising messages. For example, a person sees something that they like or want and they don't particularly care as to who else has or wants it, as the marketing has already worked on them (external influence).

A combination of the two

We don't live in a vacuum, so it is likely that both innovation and imitation affects product uptake and diffusion.

- Potential adopters are influenced by a combination of these elements. However, it is the element which exerts the greatest influence on their propensity to adopt a product that determines the overall market uptake.
- As we will see below, this creates two distinct patterns in the way that new products are adopted in the market (if they are even moderately successful, bearing in mind that 80%+ of new products, like new businesses, fail).

When discussing NPD, there are two general types of products with different uptake patterns. These are known colloquially as "blockbusters and sleepers".

The Blockbuster product

Quite simply, a 'blockbuster' like a movie such as *The Lord of the Rings: The Fellowship of the Ring* or *Batman: The Black Knight Rises* is going to be successful from day one – its peak adoption and sales will likely start from then or very close to then. In food marketing terms, this is like the introduction of McDonald's Triple Cheeseburger or the KFC Double (the burger that has two chicken fillets and no bun!). This fact is almost exclusively driven by external (innovation) factors, such as good marketing, the association with a strong brand (yes, Batman and Lord of the Rings are brands), and past experience with the brand's other products.

The sleeper product

Alternatively, a 'sleeper' product like the movies as *Blade Runner* and *The Shawshank Redemption* (each of which initially barely broke even at the box office, but are now cinematic classics worth hundreds of millions), take time to grow their success – peak adoption and sales can be seen in months or even years from the product's release. In food marketing terms, this is like the introduction of McDonald's McCafe or the introduction of premium ranges of meat-alternative meals like the 'Linda McCartney' and 'Quorn' ranges; once hard to come by but are now very popular. This reality is almost exclusively driven by internal (imitation) factors; such as a friend saying, "Actually, the coffee and cakes at McDonald's are pretty good", or someone suggesting that meat-free meals are pretty tasty, and possibly even the sense of moral satisfaction that you feel when your friends know that you're choosing not to eat meat. Initially, these things have little to do with the brand and take time to manifest in the product adoption process.

What these diffusion adoption models mean for marketing understanding and decisions:

- By knowing the type of product and market size/potential we have, we can predict how many people may adopt the product
- We can identify the patterns of adoption – imitation or innovation (or the ratio of both)
- We can assess and identify the impact of marketing activities, such as advertising and word of mouth, on new product adoption and in which product market they are most appropriate
- We can (approximately, but quite accurately) predict how many customers will eventually adopt the new product and when they will adopt it.

Gourmet Garden

In the mid 1990's, two scientists, from their un-satisfaction with the short season for fresh herbs, discovered a unique process to capture and store fresh chopped herbs via refrigeration (Gourmet Garden 2014). This enabled the herbs to be packaged fresh, without cooking or drying procedures enabling the best possible fresh flavour and aroma. In 1998 the Botanical Food Company, situated on the Sunshine Coast, Australia, began commercialisation of the patented process of capturing the freshness of herbs and spices in convenient tubes and single serve formats (Botanical Food Company, Ltd 2011). In 1999, the Botanical Food Company established the Gourmet Garden brand of fresh herbs and spice blends (Sunshine Coast Council 2014). Products are developed, manufactured, packaged and distributed from their headquarters in Palmwoods on the Sunshine Coast, Queensland (Botanical Food Company Ltd 2011). Gourmet Garden products are now available in all major grocery stores in Australia and are now being exported to New Zealand, United States of America, Canada, South Africa, Asia and Europe (Gourmet Garden 2014).

To keep up with demand, The Botanical Food Company commissioned a $17 million factory expansion in Palmwoods (Sunshine Coast Council 2014). This facility, completed in 2006, is one of the most advanced and efficient plants of its kind in Australia. Many features, such as a refrigeration plant 50 % more efficient than its predecessor, the collection of rainwater for use in the plant, and a 40 metre green belt surrounding the back of the site housing 8,000 native trees illustrates the Botanical Food Company's commitment to sustainable development and concern for the environment (Tronics 2014). This is also reflected in many decisions on all levels of the company, such as the partnership with ecoBiz, the Queensland Government's established program aimed at improving the efficiency of resources and waste reduction (Botanical Food Company Ltd, 2011).

Increased consumer demand and a rapid increase in product range led to another challenge for Gourmet Garden. Different package systems used over all 14 products was made efficiency difficult and storage space limited. In 2005, Gourmet Garden became a signatory of the National Packaging Covenant (NPC), which led to the implementation of many changes (Botanical Food Company Ltd 2011). The Botanical Food Company installed a new overhead printer into the Palmwoods facility enabling the company to use a single label throughout their entire product range, resulting in huge labour reductions (Tronics 2014).

In 2009, Gourmet Garden gained organic certification by the Organic Food Chain, giving them access to additional niche markets all around the world (Gourmet Garden 2014). Today, Gourmet Garden has become an ideal solution for busy cooks, not wanting to sacrifice flavor within their everyday cook.

9.0 Conclusions

This module has presented the concept of product branding and outlined how important brands are in marketing strategy and communication. It details what brands are, and why we need them as both producers and consumers. It demonstrates how important brands are for market evaluation and for marketing strategy. Perhaps most importantly, it demonstrates how the consumer approach to understanding brand equity is so vitally important for marketers, and extends the idea of brand value past simple economic or "snap-shot" views of consumer preference. Again, the members of the fragmented Australian food industry have to use this knowledge to best design the most effective branding strategies for their particular products – a process that, as the case studies and examples demonstrated, can vary widely. Growing brands through the understanding and execution of the principles of physical and mental availability is key.

The module then concludes by looking at how new products are strategically developed through a detailed systematic process, which must be followed if success (which is never guaranteed) is to be achieved. Finally, the module considered how different types of products are adopted and diffused in various markets. Some products are instantly successful, while others take some time to reach their sales and uptake peaks and potential. Understanding this phenomenon can help marketers to design more effective campaigns, and helps them get a little extra sleep at night if their product isn't an instant hit. You should consider how your particular company or industry applies the knowledge you have learned in this module, and see if you can identify some of the patterns that have been demonstrated in the NPD section.

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