Restructuring Product Portfolio and Leveraging Other Entities’ Associations

Instructor: Dr. Shih-Tung Shu
Department of Marketing Management
National Kaohsiung First University of Technology

APEC SME Crisis Management Workshop: Marketing Strategy
I. Restructuring Product Portfolio

*Product-Line Analysis:*

1. *Finance*
2. *Strategy*
3. *Development*
4. *Product-Mix Pricing*
5. *Labeling*
6. *Packaging*
7. *Warranties & Guarantees*
# Product-Mix Width & Product-Line Length for Lion Products

<table>
<thead>
<tr>
<th>PRODUCT LINE LENGTH</th>
<th>Toothpaste</th>
<th>Shampoo</th>
<th>Soaps</th>
<th>Laundry Detergents</th>
<th>Dishwashing Detergents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Clinica</td>
<td>Shokubutsu-Monotari</td>
<td>Shokubutsu-Monogatari</td>
<td>Top</td>
<td>Charmy</td>
</tr>
<tr>
<td></td>
<td>Dentor</td>
<td>Soft-in-One</td>
<td>Kireikirei</td>
<td>Heyaboshi</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prime</td>
<td>Free &amp; Free Damage Aid</td>
<td></td>
<td>Blue Dia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hitect</td>
<td></td>
<td></td>
<td>Acron</td>
<td></td>
</tr>
</tbody>
</table>
Product Portfolio - *Product-Line Analysis*

- Product line - basic platform & modules - meet different customer requirements
- Product-line managers - sales & profits & market profile of each product line
Product Portfolio - Product-Line Analysis

-Product Mixes

- **Width** - number of product lines
- **Length** - number of items in mix
- **Depth** - how many variants in each line
- **Consistency** - how close lines are in end use, distribution etc.
- How to expand business - product-line analysis - useful
Product-Line Analysis - 1. *Finance*

(*Item Contributions to a Product Line’s Total Sales & Profits*)

![Bar chart showing percentage contributions to sales and profit for different product items.](chart.png)
Product-Line Analysis- 2. Strategy

• MARKET Position - how each line is positioned against competitors’

• PRODUCT Map shows:
  ▫ *Which competitors’ items compete against company X’s items*
  ▫ *Possible locations for new items*
  ▫ *Identifies market segments*
<table>
<thead>
<tr>
<th>Category</th>
<th>Strategic Role</th>
<th>Margin &amp; Price</th>
<th>Promotion / communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics</td>
<td>Distinction</td>
<td>High</td>
<td>Brand loyalty awareness</td>
</tr>
<tr>
<td>Health</td>
<td>Prefer (supporting goods)</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Personal care</td>
<td>Traffic (Loss Leader)</td>
<td>Low</td>
<td>Sales Quality-oriented</td>
</tr>
<tr>
<td>Food &amp; Others</td>
<td>Convenience</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>
Product Map: for a Paper-Product Line

Provides information for 2 key decision areas: product-line length & product-mix pricing
Product-Line Analysis - 3. Development

(Product-Line Length Analysis)

• LINE STRETCHING - lengthens product line beyond current range

1. Down-Market Stretch - introduce lower-priced line WHY?
   i. Growth opportunities as mass-retailers
   ii. Tie up lower-end competitors
   iii. Its market - stagnating or declining
Product-Line Analysis- 3. Development

(Product-Line Length Analysis)

2. Up-market Stretch - enter high end of market for
   i. More growth
   ii. Higher margins, or
   iii. Position as full-line manufacturers

3. Two-Way Stretch - if currently in middle market - stretch line in both directions
Product-Line Analysis - **3. Development**

(Product-Line Length Analysis)

- **LINE FILLING**
  - Add more items in present range
    1. Reach for profits
    2. Satisfy dealers-lost sales -missing line items
    3. Utilize excess capacity
    4. Be full-line company
    5. Plug holes - keep out competitors
Product-Line Analysis- 4. Development

(Product-Line Length Analysis)

LINE MODERNIZATION, FEATURING & PRUNING

- Product lines - constantly modernized in rapidly changing market
- Encourage customer migration to higher-valued, higher-priced items
- Feature 1 or few items in line
- Periodic line review for deadwood that lowers profits
Why is product-mix pricing difficult?

Products have demand & cost interrelationships & are subject to different degrees of competition.
Product-Line Analysis

4. *Product-Mix Pricing*

- **1. PRODUCT-LINE PRICING**
  - Develop product lines, not single products & introduce price steps

- **2. OPTIONAL-FEATURE PRICING**
  - Offer optional products, features & services along with main product
Product-Line Analysis

4. Product-Mix Pricing

3. CAPTIVE-PRODUCT PRICING - use of ancillary or captive products

4. TWO-PART PRICING = fixed + variable fee
   Often used by service firms

5. BY-PRODUCT PRICING - producing certain goods result in by-products
Product-Line Analysis

5. **Product-Mix Pricing**

6. **PRODUCT-BUNDLING PRICING** - bundle products & features

1. **Pure bundling**
   
   ◇ Only offers products as a bundle

2. **Mixed bundling**
   
   ◇ Offers goods, individually & in bundles
Product-Line Analysis - 6. Packaging

- Packaging
  - Activities to design & produce the container for a product

- Well-designed packages
  - Create convenience & promotional value
Product-Line Analysis - 6. Packaging

• Growing use of packaging as a marketing tool:
  1. Self-service
  2. Consumer affluence
  3. Company & brand image
  4. Innovation opportunity
  5. Protect intellectual property rights
Product-Line Analysis - 6. Packaging

Packaging must achieve these objectives:

1. Identify brand
2. Convey descriptive & persuasive information
3. Facilitate product transportation & protection
4. Assist at-home storage &
5. Aid product consumption
Product-Line Analysis- 7. Labeling

- **Label** carries brand name or a great deal of information

**Functions:**

- label *identifies* product or brand
- label might also *grade* product
- label might *describe* product
- label might *promote* product
Product-Line Analysis

7. **Warranties & Guarantees**

- All sellers - legally responsible to fulfill buyer’s normal expectations
- Warranties
  - Formal statements of expected product performance by manufacturer
- Whether expressed or implied - legally enforceable
Product-Line Analysis-
7. Warranties & Guarantees

- Sellers offer general/specific guarantee
- Reduce buyer’s perceived risk

Guarantees effective in 2 situations:
1. Company/product - well-known
2. Product quality superior to competition
II. Leveraging the Other Entity’s (Brand’s) Associations
SMEs

• Always face a difficulty of limited resources.

• What should they do if plan to build up their own brand equity?
The Logic

- Based on the theory of cognitive consistency, customers may perceive what is true for the entity, then inference it to the brand.

- Credible sources of entities provide the brand with reliable and trustable external cues and add the value to the brand.
Leveraging the Other Entity Associations

Brand associations may themselves be linked to other entities, creating secondary associations:

- Company (through branding strategies)
- Country of origin (through identification of product origin)
- Channels of distribution (through channels strategy)
- Other brands (through co-branding)
  - Special case of co-branding is ingredient branding
- Characters (through licensing)
- Celebrity spokesperson (through endorsement advertising)
- Events (through sponsorship)
- Other third-party sources (through awards and reviews)
1. Co-Branding

- **CO-BRANDING:** \( \geq 2 \) current brands combine - joint product, marketed as 1
- *Same-company co-branding*
- *Venture co-branding*
- *Multiple-sponsor co-branding*
- *Retail co-branding*
An example of retail co-branding:

Kasikornbank in Thailand has Starbucks located in its branches to optimize space & each other’s image
Co-Branding

Advantages

• Product convincing - multiple brands
• Reduce cost to introduce product
• Learn about consumers

Disadvantages

• Risks & lack of control due to pair-up
• Lack of focus on existing brands
Co-Branding

• For co-branding to be a success:
  ▪ The 2 brands each have brand equity
  ▪ Logical fit of the 2 brands
    ▪ Combined activity maximizes advantages
    ▪ Minimizes disadvantages for both
Co-Branding

Brand alliances decisions:

• **Capabilities you do not have?**

• Resource constraints you are faced with?

• **Growth goals or revenue needs you have?**
2. **Ingredient Brand**

- **INGREDIENT BRANDING**
  - Create brand equity for materials or parts used in other branded products
- Enough awareness so buyers do not buy “host” product without ingredient
- “Self-branding” - advertise their own branded ingredients
  - *E.g.: CPU- “Intel inside”*
3. Licensing

- Involves contractual arrangements whereby firms can use the names, logos, characters, and so forth of other brands for some fixed fee.

- Examples:
  - Entertainment (Star Wars, Jurassic Park, etc.)
  - Television and cartoon characters (The Simpsons)
  - Designer apparel and accessories (Calvin Klein, Pierre Cardin, etc.)
4. Celebrity Endorsement

- Draws attention to the brand
- Shapes the perceptions of the brand
- Celebrity should have a high level of visibility and a rich set of useful associations, judgments, and feelings
Celebrity Endorsement: Potential Problems

- Celebrity endorsers can be overused by endorsing many products that are too varied.
- There must be a reasonable match between the celebrity and the product.
- Celebrity endorsers can get in trouble or lose popularity.
- Many consumers feel that celebrities are doing the endorsement for money and do not necessarily believe in the endorsed brand.
- Celebrities may distract attention from the brand.
5. Sporting, Cultural, or Other Events

- Sponsored events can contribute to brand equity by becoming associated to the brand and improving brand awareness, adding new associations.
- The main means by which an event can transfer associations is credibility.
6. Third-Party Sources

- Marketers can create credible associations in a number of different ways by linking the brand to various third-party sources.
- Third-party sources can be especially credible sources.
- Example: *J.D. Power and Associates’ well-publicized Customer Satisfaction Index; Quality Awards, Performance Rankings*…
The Bottom Line

- Customer Value Orientation
- Add Values to Customers Perpetually and purposefully
- Innovation in customer value-added activity
Parting Words

• There is no security in life, only opportunity.” — Douglas MacArthur

• Innovation in customer value is a firm’s endless job.