**Chapter Four**

**Product Policy Decisions**

**4.1. Product Standardization and Modification**

**Standardization-** developing same product for multiple countries

Premise-- consumes /share some common values, beliefs, and consumption patterns

Advantages: economies of scale and scope, price competitiveness, uniform image

**Product Adaptation**- modifying product to reflect characteristics of a market

 Premise-- consumers are not the same

 Advantages: improved fit between product and consumer, expanded penetration

**Aims of standardization *and Standards***

**Standard is a document which provides, inter alia, requirements, rules, and guidelines, for a** process, product or service. These requirements are sometimes complemented by a description of the process, products or services. Following are the primary aims of standardization:

1. ***Fitness for purpose***

Fitness for purpose is the ability of the process, product or service to fulfill a defined purpose under specific conditions. Any product, process or service is intended to meet the needs of the user. Sometimes the expectations of the users may be at variance with the actual purpose. In addition, it is difficult for the users to always spell out the desirable quality of the process, product or service. Standards help by identifying the optimum parameters for the performance of a process, product or service (e.g. product standards) and the method for evaluating product conformity (such as test method standards and quality control standards). Standards also lay down conditions for using the process, product or service, as otherwise any failure of the process, product or service due to improper use may be attributed by the users to a deficiency or lack of quality of the process, product or service.

1. ***Interchangeability***

The suitability for a process, product or service to be used in place of another to fulfill a relevant requirement is called *interchangeability*. Through a deliberate standardization process, it is possible to make processes, products or services interchangeable, even if they are created in different countries. For example, shaving blades of different brands may be designed to be used in the same razor, injection needles of different sizes and brands may be designed to fit the same hypodermic syringe.

1. ***Variety reduction***

It is popularly believed that variety is the spice of life. While a large number of varieties for a particular process, product or service may be helpful to consumers and enable them to select the most appropriate; this large number of varieties requires large inventories, resulting in high costs to manufacturers. *Variety reduction* is one of the aims of standardization for the selection, inter alia, of the optimum number of sizes, ratings, grades, compositions and practices to meet prevailing needs. Balancing between too many and too few varieties is in the best interest of both manufacturers and consumers.

1. ***Compatibility***

Parallel developments of processes, products or services, which are required to be used in combination, pose problems if they are not compatible. One of the aims of standardization is *compatibility*, namely, suitability of processes, products or services to be used together under specific conditions to fulfill the relevant requirements, without causing unnecessary interaction. For example in electronic data processing, information has to be coded for storage, transmission and retrieval in the form of electronic pulses. To make the code recognizable for any machine and all times, it has to be standardized. Such standardization helps to establish compatibilitybetween various machines or subsystems and permits expansion featuresand information exchange amongst different systems.

1. ***Guarding against factors that affect the health and safety of consumers***

Safety of the process, product or service is of great importance if, under certain conditions, the use of the process, product or service may pose a threat to human life or property. Therefore, identification of processes, products or services and their safety parameters, *not only under normal use but under possible misuse*, is one of the important requirements of standardization. For example, items for human consumptionshould be free from poisonous substances: if food colors are used incandy or sweets, they should be free from poisonous substances like lead or arsenic.If an electrical appliance is manufactured, it should be well insulated to be freefrom electrical hazards: electric irons, for example, should be designed so as toguard their user against electrical shock from any part of the iron. Safety standardsalso broadly cover the requirements to ensure the safety of equipment (e.g. a dustproofenclosure for equipment) and that of people and the environment (e.g. flameproofenclosures for equipment used in mines).

1. ***Environmental protection***

Environmental protection is an important aim of standardization: the focus here is on preserving nature from damage that may be caused during the manufacture of a product or during its use or disposal after use. For example, the domestic use of a washing machine should generate only a minimum of pollutants.

1. ***Better utilization of resources***

Achievement of maximum overall economy through *better utilization of resources* such as capital, human effort and materials is an important aim of standardization. In manufacturing organizations, it is this aspect of standardization of materials, components and production methods that makes it possible to reduce waste and to carry out mass production in an economic way. For example, in construction and civil engineering, the use of the appropriate quantities of cement and steel to achieve a required strength are recommended in building standards and codes of practices.

1. ***Better communication and understanding***

Whenever the transfer of goods and services is involved, standards spell out what means of communication are to be used between different parties. Since standards contain information that is recorded in a precise and documented form, they contribute towards *better communication and understanding* in a large variety of settings.

1. ***Transfer of technology***

Standards act as a good vehicle for technology transfer. Since standards incorporate the results of advances in science, technology and experience, they reflect the state of the art in technical development. As standardization is a dynamic process, standards are updated as new technologies are developed.

1. ***Removal of trade barriers***

Restrictions on the export of processes, products or services by the introduction of some technical barriers to trade, such as arbitrary product requirements, are being viewed with great concern. *Standards prevent such non-tariff barriers to trade* by harmonizing requirements in a manner that promotes fair competition. Purchasers can be convinced about the quality level of a product that has been manufactured according to a recognized standard.

**Benefits of standardization**

By its very definition, standardization is aimed at achieving maximum overall economy. Standards provide benefits to different sectors of society. Some of the benefitsof standardization are as follows:

1. **For manufacturers, standards:**
* Rationalize the manufacturing process.
* Eliminate or reduce wasteful material or labor.
* Reduce inventories of both raw material and finished products.
* Reduce the cost of manufacture.
1. **For customers, standards:**
* Assure the quality of goods purchased and services received.
* Provide better value for money.
* Are convenient for settling disputes, if any, with suppliers.
1. **For traders, standards:**
* Provide a workable basis for acceptance or rejection of goods or consequential disputes, if any.
* Minimize delays, correspondence, etc., resulting from inaccurate or incomplete specification of materials or products.
1. **For technologists, standards:**

Provide starting points for research and development for further improvement ofgoods and services.

**4.2. Branding**

In developing a marketing strategy for individual products, the seller has to confront the branding decision, branding is a major issue in product strategy. On the one hand, developing a branded product requires a great deal of long-term investment spending, especially from advertising, promotion, and packaging.

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands, marketers say that "Branding is the art and cornerstone of marketing." The American marketing association defines a brand as follows: -

"A Brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors".

A brand is essentially a seller's promise to consistently deliver a specific set of features, benefits, and services to the buyers.

A brand name is the part of brand consisting of words, letters, and/or numbers that can be vocalized. A trademark is defined as a brand that is given legal protection. Therefore, trademark is a legal term meaning the words, names, or symbols that the law designates as trademarks.

The best brands convey a warranty of quality. But a brand is even a more complex symbol. A brand can convey up to six levels of meaning.

**i. Attributes:-**A brand first brings to mind certain attributes. Thus, Mercedes suggests expensive, well built, well-engineered, durable, high prestige, high resale value, fast, and so on.

**ii.Benefits:-**A brand is more than a set of attributes, customers are not buying attributes; they are buying benefits. Attributes need to be translated into functional and/or emotional benefits. The attribute "durable" could translate into the functional benefit, "I won't have to buy a new car every few years". The attribute "Expensive" might translate into the emotional benefit, "The car helps me feel important and admired". The attribute "well build" might translate into the functional and emotional benefit, "I am safe incase of an accident".

 **iii)Values:-**The brand also says something about the product values. Thus, Mercedes stands for high performance, safety, prestige, and soon. The brand marketer must figure out the specific groups of car buyers who are seeking these values.

**iv) Culture:-**

The brand may represent a certain culture. The Mercedes represents German culture. Organized, efficient, high quality.

**v)Personality:-**

The brand can also project a certain personality. If the brand were a person, an animal, or an object, what would come to mind? Some time it might take on the personality of an actual well-known person or spokesperson.

**vi)User:-**

The brand suggests the kind of consumers who buys or uses the product. The users will be those who respect the product's values, culture, and personality.

The challenge in branding is to develop a deep set of meanings for the brand. When the audience can visualize all six dimensions of a brand, the brand is deep otherwise it is shallow.

***Brand Equity***

Brand varies in the amount of power and value they have in the market place. At one extreme are brands that are not known by most buyers in the market place. Then there are brands for which buyers have a fairly high degree of brand awareness (measured either by brand recall or recognition). Beyond this are brands with a high degree of brand acceptability. In other words, brands that most customers would not resist buying. Then there are brands that enjoy a high degree of brand preference. These are brands that are selected over the others. Finally there is brands that command a high degree of loyalty.

***High brand equity provides a number of competitive advantages: -***

* The company will enjoy reduced marketing costs because of high level of consumer's brand awareness and loyalty.
* The company will have more trade leverage in bargaining with distribution and retailers since customers expect them to carry the brand.
* The company can charge a higher price than its competitors because the brand has higher perceived quality.
* The company can more easily launch brand extension since the brand name carries high credibility.
* The brand offers the company some defense against fierce price competition

A brand name needs to be carefully managed so that its brand equity doesn't depreciate. Thus requires maintaining or improving over time brand awareness, brand perceived quality and functionality, positive brand associates, and so on.

***Brand Name Selection: -***

A good name can add greatly to a products' success. However, finding the best brand name is a difficult task. It begins with a careful review of the product and its benefits, the target market and proposed marketing strategies.

***Desirable qualities for a brand name includes:-***

1. It should suggest something about the product's benefits & qualities
2. It should be easy to pronounce, recognize, and remember. The brand name should be distinctive
3. It should be capable of registration and legal protection

Once, chosen, the brand name must be protected. Many times try to build a brand name that will eventually become identified with the product category.

 ***Branding Decisions***

To understand the role of trademark in strategic planning, one must understand what a trademark is from a legal standpoint. In many countries, branding may be nothing more than the simple process of putting a manufacturer’s name, signature or picture on a product or its package.

The basic purpose of branding is the same everywhere in the world. In general the functions of a brand are: -

* Create identification and brand awareness
* Guarantee a certain level of quality, quantity and satisfaction and
* Used as a promotional tool etc.

All of these purposes have the ultimate goal to induce repeat sales.

Branding levels and alternatives

There are four levels of branding decisions:

* + - 1. Branding Vs No Brand
			2. Private brand Vs manufacture’s brand
			3. Single brand Vs multiple brands
			4. Local brands Vs worldwide brand
1. **Branding Vs No Brand**

To brand or not to brand, that is the question. Branding is not a cost free preposition because of the added cost associated with marking, labeling, packaging and legal procedures. Branding is then probably undesirable because brand promotion is ineffective in a practical sense and adds unnecessary expenses to operations costs.

On the positive side, a brand fewer products allow flexibility in quality and quantity control, resulting in lower production costs along with lower marketing and legal costs. On the other hand, branding makes pricing possible because of better identification, awareness, promotion, differentiation, consumer confidence, brand loyalty, and repeats sales.

1. **Private Brand Vs manufacturer’s Brand**

Branding to promote sales and move products necessities a further branding decision: whether the manufacturers should use its own brand or a distributor’s brand on its product. Distributors in the world of international business include trading companies, importers, and retailers, among others; their brands are called private brands.

Clearly, the manufacturer has two basic alternatives: 1) its brand or 2) private brand. Its choice depends in part on its bargaining power. If the distributor is prominent and the manufacturer itself is unknown and anxious to penetrate a market, then the latter may have to use the formers brand on the product. But, if the manufacturer has superior strength, it can afford to put its own brand on the product and can insist that the distributor accept that brand as part of the product.

1. **Single Brand Vs Multiple Brand**

When a single brand is marketed by the manufacturer, the brand is assured of receiving full attention for maximum impact. But a company may choose to make several brands within a single market based on the assumption that the market is heterogeneous and thus be segmented.

Multiple brands are suitable when a company wants to trade either up or down because both moves have a tendency to hurt the firm’s main business. If a company has the reputation of quality, trading down without creating a new brand will hurt the prestige of the existing brand. By the same rationale, if a company is known for its low priced, mass produced products, trading up without creating a new brand is hampered by the image of the existing products.

1. **Local Brands Vs Worldwide Brand**

When the manufacture decides to put its own brand name on the product, the problem does not end there if the manufacture is an international marketer. The possibility of having to modify trademark cannot be dismissed. The international marketer must then consider whether to use just one brand name worldwide or different brands for different markets or countries.

 **Brand strategy**

A company has four choices when it comes to brand strategy, which are as follows:-

**i) Line extension:** Line extension occur when a company introduces additional items in the same product category under the same brand name, usually with features, such as new flavors, forms, colors, added ingredients, package sizes, and so on.

**ii) Brand Extension:** A company may decide to use an existing brand name to launch a product in a new category. Brand extension strategy offers a number of advantages. A well-regarded brand name gives the new product instant recognition and earlier acceptance. It enables the company to enter new product categories more easily. i.e. Sony puts its name on most of its electronic products and instantly establish a connection of the new products high quality.

**iii) Multi brands:** A company will often introduce additional brands in the same product category. There are various motives for doing this. Sometimes the company is trying to establish different features and/or appeal to different buying motives. A multi branding strategy also enables the company to lock up more distributors shelf space and to protect its major brand by setting up flanker brands. For example, Seiko establishes different brand names for its higher priced (Seiko LaSalle) and lower-priced watch (pulsar) to protect its flanks.

**iv) New brand:** When a company launches products in a new category, it may find that none of its current brand names are appropriate.

**v) Co-brands :**A rising phenomenon is the appearance of co-branding (also called dual branding), is which two or more well-known brands are combined in an offer. Each brand sponsor expects that the other brand name will strengthen brand preference or purchase intention. In the case of co-packaged products, each brand hopes it might be reaching a new audience by associating with the other brand.

***Advantages of Branding***

* The brand name makes it easier for the seller to process orders and track down problems. Furthermore, he seller find it easier to trace the order if it is misshaped, or to determine why the beer was rancid if consumer complain.
* The seller's brand name and trademark provide legal protection of unique product features, which competitors would otherwise be likely to copy.
* Branding gives the seller the opportunity to attract a loyal and profitable set of customers. Brand loyalty gives sellers some protection from competition and greater control in planning their marketing program
* Branding helps the seller segment markets.
* Strong brands helps build the corporate image, making it easier to launch new brands and gain acceptance by distributors and consumers.

There is evidence that distributors want manufacturers; brand names because brand makes the product easier to handle, hold production to certain quality standards, strengthen buyer's preferences, and make it easier to identify suppliers. Consumers want brand names to help them identify quality differences and shop more efficiently.

* 1. **Packaging**

Even after a product is developed and branded, strategies must still be developed for other product related aspects of the marketing mix. One such product feature, and a critical one for some products, is packaging, which consists of all activities of designing and producing the container or wrapper. Thus packaging is a business function and a package is an item.

***Packaging can be defined as follows:***

"Packaging includes the activities of designing and producing the container or wrapper for a product."The container or wrapper is called the package. The package might include up to three levels of material. Thus, old spice, after shave lotion is in bottle (primary package) that is in a cardboard box (secondary package) that is in a corrugated box (shipping package) containing six-dozen boxes of old spice.

In recent times, packaging has become a potent marketing tool. Well-designed packages can create convenience value for the consumer and promotional value for the producer.

Packaging and the resulting package are intended to serve several vital purposes.

**i) Protect the product on its way to the consumer:-**

A package protects products during shipment. Furthermore, it can prevent tampering with products, notably medications and food products, in the warehouse or the retail store.

**ii) Provide protection after the product is purchased:-**Compared with bulk (that is unpackaged) items, packaged goods generally are more convenient, cleaner, and less susceptible to losses form evaporation, spilling and spoilage.

**iii) Be part of a company's trade marketing program:-**

A product must be packaged to meet the needs of wholesaling and retailing middlemen. For instance, a packages size and shape must be suitable for displaying and stacking the product in the store.

**iv) Be part of a company's consumer marketing program:-**

Packaging helps identify a product and thus may prevent substitution of competitive product. At the point of purchase such as supermarket aisle - the package can serve as a 'silent sales person'

Ultimately, a package may become a product's differential advantage, or at least a significant part of it. In the case of convenience goods and operating suppliers buyers feel that are well-known brand is about as good as another. Thus a feature of the package - reusable jar, self-contained applicator etc, might differentiate these types of a product.

**i) Product description:-**

The package is expected to show not only what the product is, but also what it does in terms of benefits it gives the promotional message. This could be done using words or pictures.

**ii) Product image-**

The packaging material ought to match the image of the product inside. Highly prestigious products and inferior products should be packed differently.

**iii) Product value**

The pack is often designed to make its contents look more than they really are in terms of value a small value item looks huge in certain packages.

**iv) Shelf display**

It is also important products are packed in such a way that they occupy small space, they are protected from shocks damages, their shelf life increases, they are protected from pilferage.

**Packaging functions and criteria**

Much like the brand name, packaging is another integral part of a product. Packaging serves two primary purposes: functional and promotional. First and foremost, a package must be functional in the sense that it is capable of protecting the product at minimum cost.

For most packaging applications, marketers should keep in mind that foreign consumers are more concerned with the functional aspect of a package than they are with convenience. In addition to functional and promotional functions, good packaging should also satisfy secondary criteria. A good design should have impact, visibility, legibility, simplicity, consistency, versatility and honesty. Packaging does not have to be dull. Novel shapes and designs can be used to stimulate interest and create excitement.

**Mandatory package modification**

A package change may be either mandatory or at the discretion of the marketer. A mandatory change is usually necessitated by government regulations.

The complexity of packaging regulations is very well demonstrated by the experience of R.J.Reynolds in marketing cigarettes, a relatively simple product. The pack sold in USA can be shipped to only three or four markets.

The company has to employ more than 1400 product codes for all its brands in all countries. I.e. Ethiopia requires the imprint “Ethiopia” on the cigarette paper in addition to a special closure seal on every pack indicating retail price in Ethiopian currency.

**Optional package modification**

Optional modification of a package, although not absolutely necessary, may have to be undertaken for marketing impact or for facilitating marketing activities. In addition to condition of use, other cultural factors should be taken into consideration because such factors often determines and influence consumer preference.

Symbols and colors of packages may have t be changed to be consistent with cultural norms. If packages are offensive, they must be made more acceptable if the product is to be marketed successfully.

**Packing**

Packaging may be viewed as consisting of two distinct types

* + 1. Industrial (exterior) and
		2. Consumer (interior)

The aim of packaging is to prepare and protect merchandise for shipment and storage. Packing is more critical for overseas shipment than for domestic shipment because of the longer transit time and a greater number of hazards.

**Packing problems**

There are four common packaging problems; same of them are in direct conflict with one another. They are

* Weight
* Breakage
* Moisture and temperature and
* Pilferage and theft
	1. **Weight:** Over packing not only directly increases packing cost but also increases weight and size of cargo. Any undue increases in weight or size only serves to raise freight changes. Moreover, import fees or customs duties may also rise when import duties are based on gross weight. Thus overprotection, of the cargo can cost more than it is worth.
	2. **Breakage:** Although over packing is undesirable, so is under packing because the latter allows a products to be susceptible to breakage or damage. The breakage problem is present in every step of ocean transport. In order to protect the breakage, cargo should be unitized or palletized whenever possible.

**Palletizing** is the assembly of one or more packages on a pallet base and the securing of the load to the pallet. **Unitizing** is the assembly of one or more items into a compact load secured together and provided with acids and cleats for ease handling. These two packing methods force cargo handlers to use mechanical handling equipment to move cargo.

**iii) Moisture and temperature:** Certain products can easily be damaged by moisture and temperature. Such products are subject to condensation even in the hold of a shipped equipped with air conditioning or dehumidifying equipment. Another problem is that the cargo may be unloaded in the rain. Many foreign parts do not have covered storage facilities, and the cargo may have to be left in the open subject to heat, rain, cold or adverse elements. One very effective means of eliminating moisture is shrink wrapping, which involves sealing merchandise in a plastic film. Waterproofing can also be provided by using waterproof inner lines or moisture absorbing agents and by coating finished metal parts with a preservative or rust inhibitor.

**iv) Pilferage and theft: Cargo** should be adequately protected against theft. One method to discouraging theft is to use shrink wrapping seals, or strapping. Gummed sealing tapes with patterns when used, will quickly reveal any sign of tampering. Also, only well constructed packing in good condition should be used. I.e. containerization.

Another area of concern is marking. The main purpose of marking is to identify the shipment so that the carrier can forward the shipment to the designated consignee. Container can take care of most of the four packing problems. Because of a container’s construction, a product does not have to have heavy packing. A container is a large box made of durable material such as steel, aluminum, plywood and glass reinforced plastics.

The container by itself provides good protection for the product against breakage, moisture and temperature. Because breaking in to a container is difficult, this method of shipment discourages pilferage and theft as well.

**4.4. Labeling**

Labeling which is closely related to packaging is another product feature that requires managerial attention. A label is a part of a product that carries information about the product and the seller. A label may be part of the package, or it may be a tag attached to the product. Obviously there is a close relationship among labeling, packaging, and branding.

Types of labels:-Labels fall into three primary kinds:-

**i) A brand label:-**It is simply the brand name applied to the product or package.

**ii) A descriptive label:** It gives objectives information about the products' use construction, care, performance, and/or other pertinent features ingredients and nutritional contents.

**iii) A grade label:** It identifies the products judged quality with a letter, number, or word. Canned peaches are grade labeled A,B,C, corn and wheat are grade labeled 1 & 2.

Brand labeling is an acceptable form of labeling, but it does not supply sufficient information to a buyer. Descriptive labels provide more product information but not necessarily all that is needed or desired by a consumer in making a purchase decision.

**Functions of Labeling**

Labeling performs several functions. Some of which are illustrated below:-

* The label identifies the product or brand
* The label might also describe several things about the product, which made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safely.
* The label might promote the product through attractive graphics