part 2

CHAPTER 5 | Customer Acquisition Strategies and Tactics

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Managing Customer Acquisition

How was Sony able to build a strong brand name and reputation?

chapter 5

Customer Acquisition Strategies and Tactics

Sony: From Humble Beginnings to a Worldwide Brand

Today's college students may not recall that, for many years, Japanese products were considered to be low-cost, inferior intrusions into the marketplace. "Made in Japan" became the punch line for a variety of jokes. It took many years and major changes in attitudes for American customers to trust and respect what are now powerful worldwide brands. Among them, Sony has achieved a great deal of stature in the world of technology.

In 1946, the Tokyo Tsushin Kogyo K.K., or Tokyo Telecommunications Engineering Corporation, was formed. The Japanese

company, which was also known as Totsuko, began researching and manufacturing telecommunications and measuring equipment. Early success led to innovations in tape-recording equipment and in transistors, the cutting-edge technology of the time.

Eventually in 1955, a new brand name, Sony, was assigned to Totsuko's products, which included Japan's first transistor radio. The company expanded its operations into the United States in 1960, at a time when Japanese goods were not viewed favorably. Still, new televisions, stereos, and tape recorders were added to the product line.

Among the more noticeable innovations that led to respect for Sony's products was the introduction of Trinitron technology, which added depth and quality to the company's color television picture in 1968. Sony became the first Japanese company to be awarded an Emmy Award for technological achievement for Trinitron. Two years earlier, the company had also begun producing and selling one of the first color video cassette players. At that point, Sony's scope of operations reached Spain, France, and Germany, and soon after, Great Britain.

Some of Sony's product names remain part of the technology lingo of today. Betamax, the ½-inch-tape VCR product, was one of two major competing technologies in the late 1970s. In 1979, the "Walkman" was introduced. Three years later, the world's first CD player reached the marketplace carrying the Sony brand.

The Sony Corporation expanded into the music-recording industry as Sony Music Entertainment. The company moved into the life insurance marketplace through a coordinated effort with Prudential Insurance.

Most of the corporation's operations remain focused on technological innovations. The company was among the first competitors in the camcorder marketplace as well as high-definition television (HDTV) design.

A division of Sony opened in China in 1996. At the same time, the company expanded into digital technologies that are now commonplace. Flat-screen televisions soon followed.

Today, Sony exists as a multinational corporation that continues to reinvent itself on a regular basis. The range of products now offered includes banking services, semiconductors, and numerous others.

The power of the Sony brand rests on quality products, innovation, superior service, effective marketing communications, and successful management techniques. Changing consumer perceptions took time. At one point, the company's advertising tagline was "Sony, No Baloney." Such modesty is no longer necessary. What was once an unknown but innovative technology company is now a recognizable brand around the world.[1]

Chapter Overview

The first part of this textbook was devoted to building a solid marketing foundation focused on developing a customer-oriented company. In Part 2, various methods of acquiring new customers are described. This chapter examines the nature of customer acquisition beginning with the distinction between existing products and new goods and services. Markets, products, and brands are examined with the goal of customer acquisition in mind.

The remainder of Part 2 considers additional elements of customer acquisition. Chapter 6 addresses pricing. Chapter 7 reviews the role of advertising, including the use of nontraditional promotional programs. Chapter 8 examines the roles that consumer and trade promotions play in developing a strong customer base. Chapter 9 analyzes personal selling tactics. Each of these ingredients is a vital part of a marketing management approach that emphasizes a customer orientation in the process of building a loyal base of consumers.

From there, techniques to create positive interactions with them may be developed, and customer retention can be enhanced (see Figure 5.1).

The first portion of this chapter provides a brief review of the product life cycle concept, focusing on the industry level. An analysis of the product life cycle reveals the importance of and difficulties associated with customer acquisition. Next, various approaches to customer acquisition are described, focusing on markets, products, and branding approaches. This chapter concludes with a review of the implications for customer service in developing quality customer acquisition programs.

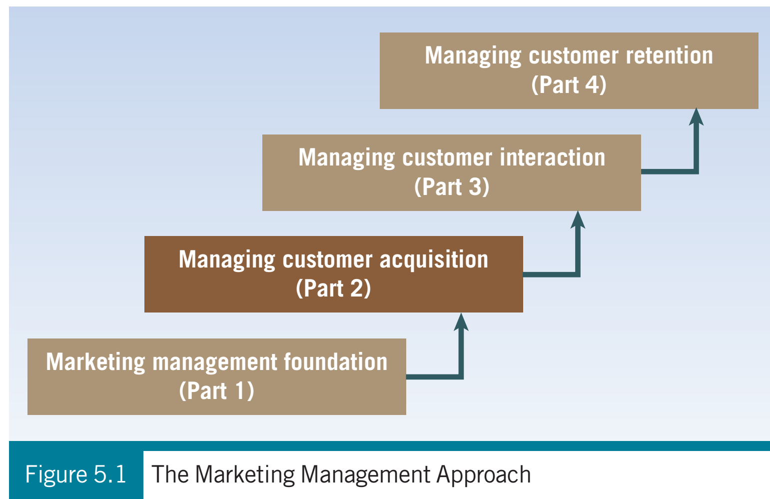


Figure 5.1 The Marketing Management Approach

The Product Life Cycle

The **product life cycle** models how sales of an item move over the lifetime of the item. A typical life cycle model consists of the introductory growth, maturity or saturation, and decline stages. Each presents new challenges for marketing managers.

When a marketing expert considers the product life cycle, it is helpful to first think in macro terms, or an assessment of the entire industry. Figure 5.2 illustrates the typical life cycle of a product in an industry (the camera industry) in terms of total sales revenues and industry profits.

A new product or innovation begins the *introduction stage.* In 1888, George Eastman created the first photographic film, and as a result, modern photography was born. In the 1890s, the first cameras were produced and sold by Eastman Kodak. Picture quality was poor and demand was low. Sales were limited to the few individuals willing to make purchases and those who knew how to operate the cameras. The early companies in the camera industry tended to experience losses, even though prices were high, as firms tried to recover development costs.

The basic marketing goals during the introductory stage are to increase consumer awareness of the product, incite interest in the generic product, and encourage customers to make trial purchases. The more radically different a product, the more difficult and lengthy the introductory stage will be, because it takes time for many consumers to accept a change. Still, some customers may purchase the product because of its uniqueness. If is too similar to other products already on the market, then consumers will continue purchasing the former product rather than something new.

In 1913, the 35-mm still camera was created. The flash bulb was introduced in 1935. Advances in technology continued, competition increased, and prices were driven down. At that point, many families could afford a camera. Cameras had entered the *growth stage* of the life cycle.

During the growth stage, marketing managers emphasize differentiating the company's brand and highlighting the superiority of the brand. Marketing tactics tend to focus on building brand preference and, ultimately, brand loyalty. Customer acquisition becomes

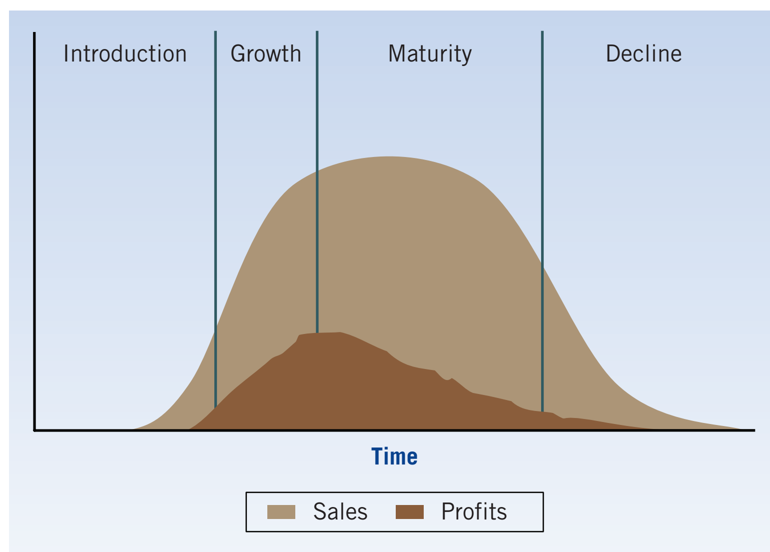


Figure 5.2 The Product Life Cycle

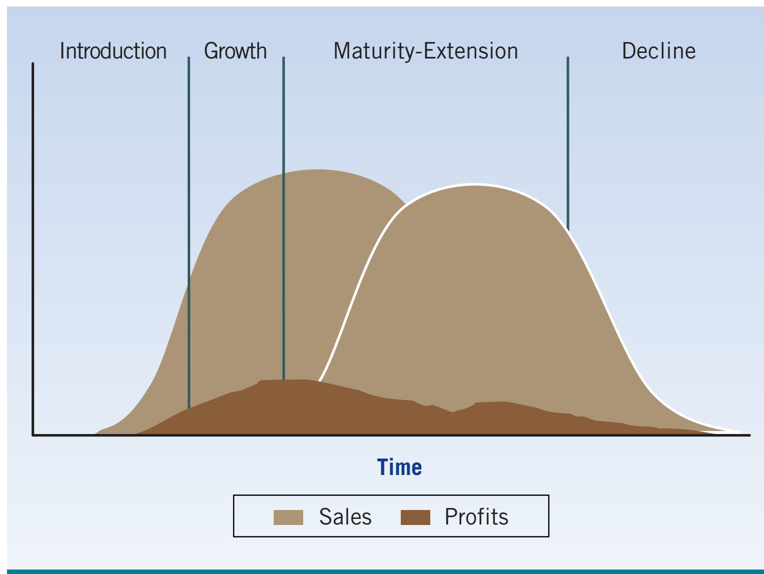


Figure 5.3 Extension of the Product Life Cycle

increasingly important. The total market expands rapidly, which provides the opportunity for a company to capture market share by acquiring new customers. As a result, money is invested in a variety of customer acquisition methods.

Next, *market saturation* or the *maturity stage* occurs. By the middle of the 20th century, most Americans owned one or more cameras. Sales and prices tend to level off in the maturity stage. Competition becomes intense, because in most cases too many companies have entered the industry with a version of the product. To grow, companies must take customers and sales away from competitors. To prevent a loss of market share, competitors often retaliate by using tactics such as cutting prices, offering coupons, or developing unique versions of the product that appeal to smaller, individual market segments. As the maturity stage continues, some companies are shaken out, or go out of business. The remaining competitors tend to find the equilibrium in which prices and marketing programs start to stabilize.

During the maturity stage, managers of the marketing department focus on long-term strategies for the company, including an emphasis on research and development to create product improvements or completely new products. Tactics used during the maturity stage include finding ways to maintain a competitive edge. Since there is no influx of new buyers into the market, the focus shifts to existing markets or to modifying the current product to meet the needs of specific target markets.

Most products today are in the maturity stage of the life cycle, which means intense competition exits. To survive, a company must continually modify its marketing approach to meet changes in competitor tactics and changes in consumer preferences. Company leaders also look for new products or modifications of current products in order to extend the life cycle or create a mini burst in the maturity stage of the life cycle. Figure 5.3 illustrates this process. In the camera industry, it took place when Kodak started marketing Kodachrome film in 1935. The maturity stage continues until a substitute product is invented or consumer tastes change. Cameras that use film remained in the maturity stage until digital cameras were invented.

How has the digital camera changed the photography industry?

The first digital camera was introduced in 1981 by Sony for the commercial market, because the price was too high for consumers. Then in 1991, Kodak took the technology one step further and developed a digital camera for photography professionals and journalists. As competitors entered the digital camera market with new versions, prices quickly declined until consumers could afford the new format. When this occurred, the film camera industry moved into the *decline stage.* Seeing the advantages of digital cameras, consumers are quickly changing over, and the demand for film cameras is plummeting. This change in the market, in turn, causes leaders of marketing departments to revise the company's strategies and tactics to address the change from film cameras to digital cameras. The introduction and growth stages for digital cameras occurred more quickly because consumers were already familiar with cameras and photography.

The characteristics of each stage of the product life cycle are unique. Therefore, the marketing strategies companies use will also change. Table 5.1 provides greater detail about the characteristics and marketing strategies used in each stage of the life cycle.

Stage of PLC	Characteristics	Marketing Strategies
Introduction	1. Market is small. 2. Growth rate is slow. 3. Often only the company is the pioneer. 4. Companies experience losses.	1. Build primary demand for the product. 2. Establish a distribution channel.
Growth	1. Market grows rapidly. 2. Competitors enter the market. 3. Profits are high.	1. Differentiate the brand. 2. Promote competitive advantage or product differentiation. 3. Build distribution channel.
Maturity	1. Growth slows and then flattens. 2. Competition is most intense. 3. Profits decline. 4. Some firms drop out due to competition. 5. Price becomes more important. 6. Large amounts are spent on marketing.	1. Segment market and focus on one or more segments. 2. Promote brand and product differentiation. 3. Focus on customer service, customer satisfaction, and customer retention. 4. Expand product or market opportunities.
Decline	1. Market declines. 2. Profits decline. 3. Substitute product is found.	1. Decide whether to leave market or be a niche player. 2. Promote the niche to those who still want the product.

Table 5.1 Characteristics of and Marketing Tactics for the Product Life Cycle (PLC)

The Importance of Customer Acquisition

As noted, many firms operate in the intensely competitive environment of the maturity stage of the life cycle. In that stage, the marketing team knows that in order to maintain current sales levels, new customers are needed to replace those who are lost or who have migrated to competing firms. The team can never reach the point where they can relax, believing the company has enough customers. Consequently, companies face a continuing struggle on two fronts: (1) keeping current customers and (2) finding new customers.

The number of new customers required to maintain the status quo or to grow depends on how well a firm retains its current customers. A firm that loses 5% of its customers every year needs to gain at least that many new ones during the year. It is clear that long-term marketing success is based, in part, on acquiring new customers. To do so, a progression of marketing goals must be met, starting with making consumers aware that a company or brand exists. Next, potential customers must be moved from awareness to more positive emotions, such as liking and preference, and eventually to the point of making the purchase. Then, postpurchase feelings are addressed, including offering reassurance and support by suggesting that the customer has made a wise choice and should consider repeating that choice in the future.

Acquiring new customers is difficult in the maturity stage of the product life cycle because each of the firm's competitors also tries to acquire new customers. When industry sales have stabilized, a firm acquires a new customer by enticing that person away from a competitor. In general, there are three basic forms of customer acquisition:

1. Developing existing or new markets
2. Developing existing or new products
3. Branding

At the same time, when developing marketing programs to acquire new customers, marketing managers should not lose sight of ways to retain current customers. The temptation exists to spend more time and money on acquiring new customers as current customers drift away. Such an approach ultimately creates problems for the company. Fortunately, many of the methods used to acquire customers may also help to keep them.

Customer Acquisition: Identifying Markets

- Existing markets
  - Brand switching
  - New needs
  - Product differentiation
- New markets
  - Discover or create new segments
  - Adapt current products
  - Geographic expansion
    - Domestic
    - International

Figure 5.4

Customer Acquisition Strategies: Markets

Marketing managers seeking to acquire new customers through identifying new markets can examine two primary areas: (1) existing markets and (2) potential new markets (see Figure 5.4). The goal is to find customer segments that can be approached through various marketing programs.

Existing Markets

Many times, new customers are located in existing markets. Any industry, from products such as clothes, medicines, and automobiles to services such as travel, life insurance, and banking, contains segments of individuals who may be enticed to change brands or who have not purchased the product for the first time yet. One approach to customer acquisition is to focus on *brand switching* within existing market segments. Thus, a consumer in the yogurt-as-health-food segment may be enticed to move from Dannon to Yoplait because one offers different features, ingredients, or taste as compared with the other.

Also, there are times when customers may be discovered because *new needs arise in existing markets,* due primarily to changing situations or cultural trends. For example, in 2009, all television stations in the United States moved from analog transmission to digital signals, known as HDTV. The existing market, television set owners, had fragmented into those owning old analog sets, those who purchased analog sets with the ability to receive an HD signal, and customers owning HDTV receivers. One market segment, owners of analog-only televisions, created a market opportunity for companies to produce and sell the adapters needed to translate the HD signal into an analog format. A similar situation emerged when the city of New York passed an ordinance outlawing the use of trans-fats in food preparation in any restaurant in the city.

A third approach is to create the perception that an existing product or brand is different and better, which is *product differentiation*. Brand equity and product differentiation are closely related. In both instances, the difference can be real or created in the consumer's mind through various marketing practices.

New Markets

New markets are discovered using a variety of tactics. Products may be used in new ways, new markets may be created, or a market may expand or evolve on its own. One common customer acquisition approach is to *discover or create new segments based on changing needs*. The past contains several examples. In personal grooming, past generations of males went to barber shops and females visited beauty salons. Currently, both genders go to style salons and receive more than just hair care. Many also offer manicures and pedicures along with other services. One group of physicians has expanded from traditional doctor's office formats to spa-based cosmetology, massage therapy, and other forms of care that may or may not be considered medically necessary. Avon's Skin So Soft lotion has evolved into an insect repellant product as well, thereby reaching a much wider and dramatically different market (think of hunters and fishermen).

Finding new market segments may be the result of *creatively adapting products to new markets* by thinking about what a good or service has to offer. Thus, the traditional segments of demographics, psychographics, geographic areas, product usage, user type, and others should continually be reexamined to see if a new group can be reached by creating a new product,

modifying an existing product, or changing the ways in which an existing product is marketed.

Not all these efforts to find, define, or redefine existing and new markets are the result of strategic decisions made by top managers. In more than one instance, a first-level employee had made a suggestion that was passed along to a supervisor, and eventually the idea was implemented. The Starbucks top management team actively solicits ideas from *baristas* and even customers. Several items sold at Starbucks were introduced based on suggestions from these sources. Entry-level employees often believe that discovering such innovations may be a pathway to quicker promotion and/or a bigger pay raise.

Past generations of males used barbershops for haircuts; in recent years, beauty shops have targeted services to both genders.

Geographic Expansion: Domestic Markets

Geographic expansion can take place through domestic expansion or by seeking out international markets. Customers may be acquired by expanding to a geographic area in which a good or service is not offered or where a particular brand is not being sold. Geographic expansion often creates a new set of obstacles, such as having to increase the number of units, offices, and employees. These become more complicated in any international program.

Many companies find the best route to growth is simply by adding new locations or finding new geographic markets to enter. This can be done by entering a new territory. There was a time in which Coors beer was only sold in Kansas, Colorado, and California. Part of the success achieved by the company resulted from entering other states.

Many times, a product has a regional base, which offers the possibility of moving into nearby territories. Other times, a firm many identify geographic areas with specific characteristics. For example, the Costco chain added locations in major metropolitan areas. The same was true for many years in the Krispy Kreme company.

One common strategy used for domestic expansion is *franchising*. The dramatic growth of many fast-food chains, including McDonald's and SUBWAY, is based on selling franchises in new locations.

Geographic Expansion: International Markets

As has been noted, many company leaders, even in small firms, view a firm's marketplace as the entire globe. Assisted by new technologies and more sophisticated delivery systems, smaller companies can identify customers and sell products around the world.

The standard methods for entering international markets begin with simple exporting but also include the other modes of entry shown in Figure 5.5. The problems associated with entering foreign markets are as well documented as the potential benefits. Company leaders carefully consider not only the method to be used in expanding but also how the various obstacles may be overcome.

In the summer of 2008, the Oreo cookie was being marketed for the first time in Great Britain. Many of the logistical issues were quickly and easily resolved. Culturally speaking, the challenge was much larger. It turns out that many British citizens are fiercely loyal to their "biscuits." Changing minds and attitudes toward an "American" product may prove to be difficult.[2]

Market research plays a key role in international expansion. Company leaders should be able to present solid evidence that expansion will succeed before attempting to export goods or beginning operations in a new country.

• **Indirect exporting**	One company handles exported goods for another company.
• **Direct exporting**	A company exports it own goods and services.
• **Turnkey project**	A company designs, builds, and starts up a business in another country and then sells the operation to a local client company.
• **Licensing**	A company transfers the rights and grants permission to produce and sell its products overseas to a foreign firm.
• **Franchising**	The license to sell applies only to a single good or service or to a single unit of operation.
• **Joint venture**	Two companies work together making and selling a product or operation.
• **Strategic alliance**	Cooperative agreements between potential competitors in a foreign country.
• **Wholly owned subsidiary**	A multinational corporation owns a company in another country.

Figure 5.5 Modes of Entry

Customer Acquisition: Developing Products

- Product development
  - Development
  - Diversification
- Product improvements
  - Based on customer needs
  - Based on technology
- Product line extensions

Figure 5.6

Customer Acquisition Strategies: Products

Acquisition of new customers often results from the implementation of a product strategy. Products attract new customers by offering new features, eliminating old problems, and solving different needs. The three most common product development strategies are displayed in Figure 5.6. Products are only developed when they can be matched with a viable market segment or when they can be differentiated from competing brands in the marketplace.

Product Development

Product development is a marketing strategy in which new goods and services are developed and then added to current lines and marketed to existing customers. **Product diversification** occurs when new goods and services are created for new market segments not currently being served by the company. Many firms spend large sums of money developing new products. When company leaders believe a viable market exists that can be tapped by offering a completely new product, funds will be authorized to turn the idea into a reality.

Before beginning the physical development of an item, various forms of testing take place. One of the more common is the use of focus groups. A **focus group** consists of a set of individuals who are prompted to discuss an item or topic. In 2007, Amazon.com began to offer a new product, the Kindle, which is a method of carrying a series of books and other reading materials in a portable device that offers a variety of features, including a dictionary that can be accessed while reading something else and the ability to load books, magazine articles, and even blogs from any location. In the past, focus groups had pointed out the problems with other methods of downloading books. The Kindle was developed to solve those problems.[3]

Cultural trends and other changes may also lead to development and diversification strategies. McDonald's added products such as fruit cups, yogurt, and salads to its standard menu. The products were developed to entice more health-conscious customers into the restaurant. Pizza Hut added several pasta products to its menu in an attempt to widen its customer base.

The strategy of developing a new product only succeeds through proper *implementation*. The product and its advantages must first be understood by internal employees. Then, these employees should be motivated to emphasize the new item to existing customers and potential new customers. The role of the first-line supervisor is to follow through and be certain that those at the entry level support the new product.

Product Improvements

Products are often improved in order to solve small, specific problems based on *customer needs*. For example, standard luggage in the past century was often quite large and only had a handle to be used for carrying the suitcase. One product improvement resulted from the frustrations many passengers had with baggage handlers, and the carry-on bag was developed. A second product improvement emerged when the concept of adding rollers to the suitcase was developed.

Products may also be improved when *new technologies* become available. Battery technology, for example, has evolved a great deal over the years. Alkaline-based batteries are now only one form. Competition comes from both nickel metal hydride and lithium batteries.

Product improvements often are marketed as the "better mousetrap." The advantages of the improvement become the key selling point. The improvements should match the needs of a viable market segment or create brand equity in the total market.

It is important to explain the advantages of a new version of a product to everyone in the company. Those holding first-line positions will be the ones to explain these features to potential customers. Supervisors should be able to reward those who make the effort to pass the information on to the public.

Product Line Extensions

Customers can be acquired through product line extensions. Many food and beverage producers use product line extension tactics. Recently, Bud Light was extended to include a Bud Light Lime product. Campbell's Soups added a series of lower-sodium "sea salt" products. The producers of Kool-Aid constantly add (and delete) versions of the product, as do the makers of Lipton Tea (caffeine-free, sweetened, unsweetened, lemon flavored, raspberry flavored, and peach flavored).

Extending product lines often involves customizing products to more specific tastes and individual preferences. In the eyeglass industry, some customers prefer tinted lenses while others want clear lenses. Extending product lines increases the chances that a set of customers will switch brands, because the new version more closely meets their needs.

In summary, the definition of marketing offered in Chapter 1 suggested that it is "discovering consumer wants and needs, *creating the products and services that meet those needs,* pricing, promoting, and delivering the products and services." One clear route to acquiring new customers is creating or adapting products that meet the needs of a set of consumers.

STOP AND THINK

Consider this statement:

Nearly 40,000 new products are brought to the marketplace each year. *Most fail to survive.*

Using the information you have read thus far, answer the following questions:

1. What market-based factors might explain this failure rate?
2. What product-based factors might explain this failure rate?
3. What market-based factors explain why one product succeeds while others fail?
4. What product-based factors might explain why one item succeeds and others fail?
5. Explain the connections between products and markets that explain success and failure.
6. Is it harder to create and sell a new good or a new service? Why?

How have Gillette and Schick developed strong brand names?

Branding

In the world of marketing management, creating a powerful brand has emerged as a key ingredient in the long-term success of a company. When a woman decides she needs a new perfume, one of her first thoughts is probably about the names of different perfumes she knows or has heard about. When a man thinks about buying cologne, various names probably may come to mind. In both instances, the name is the product's brand, whether it is for a specific item such as Cool Water, L'air du Temps, or Polo or a house name, such as Ralph Lauren, Yves Saint Laurent, or Paul Sebastian.

Strong brands can contribute to customer acquisition. For example, as a young man begins to discover the need to shave, he is likely to first consider well-known brands, such as Gillette or Schick. Major brands have the benefit of being the first considered for new shoppers as well as those who are in new situations. For instance, someone traveling in Europe for the first time may be enticed to stay at the Holiday Inn simply because the consumer remembers the brand name.

Types of Brands

Brands are assigned to individual products, such as an iPod; to lines of products, including all the Green Giant vegetables and juices; to companies offering products (Golden Corral, SUBWAY); to individual services; and to companies that offer services. MasterCuts is a brand assigned to a hairstyling service. The name MasterCard applies to both the service, a credit card, and to the company that offers the service. Visa uses the same name to identify the corporation and individual services such as the Visa Check Card.

There are several ways in which names and brands appear. The term used to identify an entire company is the **corporate name**, which may or may not be a brand. Procter & Gamble (P&G) is a corporate name that is not assigned to any product. The corporate name Campbell's is added to every product the company offers. In that situation, the name Campbell's is considered to be a **house mark** form of brand. A **brand** is the name given to a product and, in some instances, to the company. The primary forms of brands include

- family brands,
- flanker brands,
- brand extensions,
- private brands (or private labels),
- cobrands, and
- global brands.

Family Brands

A **family brand** is the name used when a company offers a series or group of products under one brand. For instance, the Black & Decker brand is used for a series of power tools. It is very similar to a house mark. The difference is that one company may feature several family brands. For instance, the Masco Corporation sells faucet and plumbing supplies using three family brands—Delta, Peerless, and Brizo.

The primary advantage of a family brand is that consumers usually transfer the image associated with the brand name to any new products added to current lines. When Black & Decker offers a new power tool, the new item automatically carries the reputation associated with the Black & Decker name. These transfer associations occur as long as the new product remains in the same product category. When additional products are not related to the brand's core merchandise, the transfer of loyalty may not occur as easily.

Black & Decker's strong brand name allows the company's marketing team to introduce new products with immediate brand equity.

Flanker Brands

A **flanker brand** is the development of a new brand by a company in a good or service category in which the company currently has a brand offering. Flanker brands may be used to expand a portfolio of products by adding higher- or lower-priced versions or versions aimed at particular markets. They are also featured when concerns arise that using the family brand name will confuse consumers and dilute the brand equity that has developed over the years.

Procter & Gamble's primary laundry detergent brand names are Cheer and Tide. Over the years, additional flanker brands, such as Ivory Snow were introduced. In total, Procter & Gamble offers 11 different brands of detergents in North America; 16 in Latin America; 12 in Asia; and 17 in Europe, the Middle East, and Africa. The company's marketing team introduced these flanker brands to appeal to target markets that they believed its main brand was not reaching.

Sometimes a flanker brand is introduced when company leaders conclude that offering the product under the current brand name will adversely affect the overall marketing program. Hallmark created a flanker brand known as Shoebox Greetings. The cards sell in discount stores as well as Hallmark outlets; however, the Hallmark brand sells only in its named retail stores. Shoebox Greetings cards are lower priced and allow Hallmark to attract a larger percentage of the market. Firms often use this type of strategy in high-end markets that want to compete in low-end markets. Doing so makes it possible to acquire a new set of customers for the company.

Flanker brands may also be part of an international operation. As noted, Procter & Gamble sells Ariel laundry detergent in Latin America, Asia, Europe, the Middle East, and Africa but not in North America. Offering different brands for specific markets continues to be a common flanker brand strategy in international markets.

Challenges of Brand Extensions and Multiple Brands

A **brand extension** is the use of the firm's current brand name on new products and new versions of current products. Due to its complexity, managing brand extensions and multiple brands is one of the most challenging tasks facing the marketing manager. Successful brands continuously evolve to meet the changing needs of a diverse marketplace.

Cannibalization

While multiple brands and brand extensions provide benefits as already mentioned, they can also create problems. The first is cannibalization. When a new product's sales take away from sales of the rest of the company's line, the new product does not contribute significantly to income or company profit.

To ensure that cannibalization does not occur, the target market for the new product or brand must be clearly different from the target market for current brands. The goal is to gain market share from competitors and new customers, not by diluting sales of current brands. Recently Jeep

	Quarterly Sales ($)		Change in Sales	
	1st Quarter	2nd Quarter	Dollars	Percent
Total of all oatmeal products	734,207	755,213	21,006	2.86
Sales of new oatmeal flavor		112,528		
Sales of oatmeal Flavor A	324,675	327,549	2,874	0.89
Sales of oatmeal Flavor B	123,763	96,543	–27,220	–21.99
Sales of oatmeal Flavor C	285,769	218,593	–67,176	–23.51
Measuring cannibalization effect	**Change in Sales ($)**	**Percent Sales**		
Sales of new oatmeal flavor	112,528			
Sales of oatmeal Flavor B	–27,220	24.19		
Sales of oatmeal Flavor C	–67,176	59.70		
New sales generated by new flavor	18,132	16.11		

Table 5.2 Cannibalization Effects

- Lighter manufacturer Bic spent $20 million to launch a line of perfume.
- Pond's, a face cream manufacturer, launched a toothpaste.
- Levi's in the 1980s introduced tailored suits.
- Victoria's Secret launched a new line of athletic wear.

Figure 5.7 Questionable Brand Extensions

introduced four additional models to accompany current lines. For years, Jeep only sold three models. Now there are seven. Jeep's marketing team defended the brand extension, stating that the new models appeal to different target markets. If they do, Jeep has succeeded with the extension. If they cannibalize sales of current models, then it will have been a mistake.[4]

A simplified example of the cannibalization effect is illustrated in Table 5.2. The first-quarter sales of a company that offers three flavors of breakfast oatmeal is $734,207. A new flavor was introduced that generated sales of $112,528 for the second quarter. An examination of sales for the company and for individual flavors indicates a serious problem of cannibalization. Although revenues for the new flavor were over $112,000, the company only experienced a sales increase of 2.8%, or $21,006. Only 16.11% of the sales of the new flavor came from new customers trying the flavor, or perhaps from individuals who would have purchased Flavor A. Sales of Flavor A did increase, which means it is unlikely that there was much of a cannibalization effect. The decline in purchases of Flavors B and C indicates that most of the individuals who tried the new flavor switched from these two flavors to the new one. Almost 60% of the sales of the new brand came from decline in the sales of Flavor C, and almost 24% of the income resulted from individuals who switched from Flavor B.

A Poor Fit

The second possible obstacle to an effective expansion occurs when a company moves into product categories that are not a good match. While sales may not cannibalize current products, the failure of the new product brand can damage the company's reputation and possibly adversely affect the brand equity associated with current products. Figure 5.7 highlights some of the brand extensions that have not achieved a great deal of success. Most of these companies entered markets that did not align well with the original core business. Therefore, when considering brand extensions, it is helpful to assess the impact the new brand will have on the company's current image and products currently on the market.

Private Brands

Closely related to brand extensions are private brands or private labels. In the past decade, private label brands have become increasingly popular. The trend resulted from changing consumer views of private labels. Where they were once viewed

as being low-cost, low-quality alternatives, many now believe quality levels are similar to manufacturers' brands.

In addition, the methods retailers use to market and display private brands in retail stores lead to a situation in which many consumers do not know if they are purchasing a private label brand or a manufacturer's brand. For instance, 45% of JCPenney's clothing revenue comes from its private labels such as Arizona Jeans, a.n.a., and American Living. The American Living brand was recently created by Ralph Lauren and added as a higher-end fashion line priced slightly higher than some national brands.[5] Wal-Mart offers eight different private brands of clothing, such as No Boundaries, Simply Basic, Metro 7, and Kid Connection. Unless consumers are knowledgeable about specific brands, many times they do not know if it is a private label or a manufacturer's brand.

The rise in the sales of private labels has led to many manufacturers producing private label brands in addition to the firm's primary brands. Others may consider this type of approach. Producing private label merchandise becomes viable when the manufacturer has excess plant capacity and a significant increase in sales of its brand does not seem likely. The manufacturer's management team also considers whether producing a private label might damage the reputation or hurt the sales of the company's brand. These issues were undoubtedly considered by Whirlpool's leaders when the company began to manufacture the Kenmore brand of appliances for Sears. Private labeling allows a manufacturer to increase sales without inviting the complications and marketing costs of flanker branding.

Retail marketing managers consider the private label option when the power of the store's name can be extended to individual products or when the store has a large customer base that is not highly loyal to manufacturers' brands. This allows alternative brands to be offered alongside manufacturers' brands, thereby increasing consumer choices. It also allows the retailer to earn larger margins on store brands. The presence of additional choices may be what it takes to expand a retail store's customer base by attracting new customers.

Private labels tend to experience higher sales during recessionary periods. Customers seeking lower-priced options may turn to them, both in big box stores such as Wal-Mart as well as in higher-end retail outlets.

What caused the rise in the sales of private labels?

Cobranding and Ingredient Branding

For some producers, cobranding and ingredient branding are vital elements in the company's marketing program. **Cobranding** occurs when two firms work together to market a good or service. Any credit card that carries both the card name (Discover, MasterCard) and another company's name (American Airlines, Sears) is part of a cobranding program. **Ingredient branding** takes place when a product is featured as a key ingredient or component of another product. A simple example is NutraSweet, which is used in over 5,000 products and is featured on many of the labels of those products. The Dolby sound system is another example of an ingredient brand.

The goal for both cobranding and ingredient branding is to take advantage of the two brands in order to reach a wider audience. Both programs allow for cooperative advertising, sharing data files regarding customers, and cross-selling of additional products once a purchase has been made. The stronger the power of the two brands, the more likely it becomes that these strategies will attract new customers.

Cobranding becomes a disadvantage when one brand in the relationship endures negative publicity or some other brand- or image-damaging event. The power of the NutraSweet brand may have been diminished in the past few years when some raised concerns about the possibility of injury to consumers' health. If so, there may be carryover effects to products containing the ingredient, even when the concerns are not legitimate.

- Brand continuously delivers benefits that meet or exceed expectations
- Ongoing relevance to defined audiences
- Price captures customers' perception of value
- Flexibility in communication with consistency
- Employees understand brand promise
- Brand is managed as a long-term asset

Figure 5.8

Characteristics of Top Global Brands

Global Brands

A **global brand** is one that is used by a multinational corporation. The same remains consistent across national boundaries. The name Sony is a global brand. Brands that achieve recognition in more than one country create a natural advantage in acquiring new customers and new markets.

Recently, Interbrand's Jeff Swystun discovered several common characteristics among the top 100 global brands, as shown in Figure 5.8.[6] Many of these items reflect the concept of brand equity.

Developing strong global brands requires the same types of marketing efforts as those dedicated to domestic brands. These efforts must permeate the entire organization. First-line employees should be as devoted to the success of the brand as the brand manager and CEO.

Developing Powerful Brands

A strong brand creates major opportunities for a company's marketing professionals. Developing successful brands, however, often takes time and money. Typically, a winning brand development strategy involves three components:

1. Brand awareness
2. Brand equity
3. Brand loyalty

Brand Awareness

The starting point in generating a strong brand is awareness. Two levels of awareness should be developed. The first is simple general knowledge that a brand exists. This includes knowing the brand name and what the brand offers—the good or service's characteristics and selling points. The second level emerges when members of specific target markets go beyond the most basic understanding that a brand is available and begin to gather more extensive information about the product.

Consider the introduction of a new product such as the Nintendo Wii. The primary goal in marketing such an innovation would be to raise general awareness about the product, including its differences from currently available products. Next, potential first-time buyers, or members of the primary target market, are provided with additional information. In this instance, the Nintendo's previous success in the video game marketplace gives the brand an advantage, as does the use of the house name Nintendo, because many gamers are aware of it.

In the simplest of terms, consumers do not purchase goods and services until they are aware that those items exist, which makes brand awareness the first step in acquiring customers. It is the responsibility of the marketing department to create brand awareness across the widest possible spectrum of potential customers, using all means available, including advertising, promotions, sales force activities, and public relations efforts.

Brand Equity

As has been noted in previous chapters, *brand equity* is the general perception by consumers that a good or service with a given brand name is different and better. The five pillars that build brand equity are displayed in Figure 5.9.[7] *Differentiation* means the product carries a unique, different, or superior attribute as compared with competing brands. *Relevance* is the personal appropriateness of the brand to consumers. The item fits into a lifestyle and resonates with the consumer. *Esteem* refers to the perceived popularity, public acceptance, and perceived quality of the brand. *Knowledge* involves the customer understanding the brand and believing the

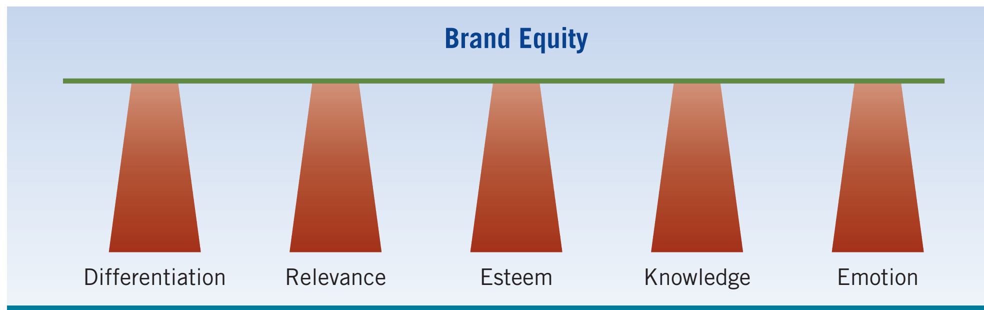


Figure 5.9 The Pillars of Brand Equity

brand is superior to other brands within the product category. *Emotion* contains the level of feelings the consumer has toward the brand, including the attributes of trust, confidence, image, and perceived value.

Brand equity not only creates a guarantee of quality, it can also alter the ways a customer perceives that quality. In a recent survey of satisfaction with mobile phone networks, consumers reported that Virgin Mobile's performance was superior to that of T-Mobile. The surprising aspect of this outcome is that Virgin Mobile does not actually operate its own network; it rents from T-Mobile. Thus, the evaluation involved the same product but different brand names. The result was a perceived difference in service performance. Since T-Mobile operated both networks, no actual differences in service actually existed.[8]

Harris Interactive, Inc. measured the level of brand equity of 1,170 brands. Over 20,000 individuals participated in the study and ranked a random sample of brands on six factors: familiarity, quality, purchase consideration, brand expectations, distinction, and trust. Figure 5.10 identifies the top 10 brands from this study.

Brand equity improves the odds that a particular brand will be selected when a consumer buys an item. Consumers and businesses are most likely to trust and buy brands that they are familiar with and have an affinity for. Therefore, a strong brand can be a major advantage in acquiring new customers and in encouraging current customers to purchase again.

Brand Loyalty

Brand loyalty occurs when a consumer makes a concerted effort to find and purchase a specific brand, because the consumer has developed a mental affinity with that brand. Brand loyalty can exist between a consumer and a retail operation, such as when a child begs to go to McDonald's

Rank	Brand	Overall EquiTrend Score
1.	Heinz Ketchup	79.27
2.	M&M's Plain Chocolate Candy	77.79
3.	HERSHEY'S Milk Chocolate Candy Bar	77.51
4.	HERSHEY'S KISSES Chocolate Candy	77.20
5.	Duracell Batteries	76.75
6.	Cheerios Cereal	76.53
7.	Discovery Channel	76.17
8.	Kraft Foods, Inc.	75.93
9.	Kleenex Facial Tissues	75.57
10.	NEOSPORIN Ointment	75.54

Figure 5.10 Top 10 Brand Equity Score Winners

and nowhere else. Loyalty may be found in allegiance to a specific brand, such as Coke or Pepsi. It also takes the form of loyalty to a line of products. This may be found in purchases of various products, from simple items such as food products to expensive goods including automobiles and designer clothing. Brand loyalty leads to repeat purchases, even in the face of evidence that another brand may be just as good.[9]

In terms of customer acquisition, brand loyalty leads to word-of-mouth endorsements. Loyal customers become *advocates* who are likely to encourage others to try and use a brand. In essence, a loyal customer can become a valuable tool in the marketing program's efforts to attract new customers.

Brand loyalty may be based on the product's features. It may also be related to the customer's experience with the company. A loyal restaurant patron may like the food but is loyal due to positive interactions with the wait staff. Customer service is often a key ingredient in the levels of loyalty expressed by customers.

The Brand Parity Problem

Brand parity exists when consumers believe there are few tangible distinctions between competing brands. This is often the case for products in mature markets. It tends to produce three adverse situations.

First, consumers become price sensitive and buy the brand featuring the lowest price, believing that all brands offer the same basic benefit. Second, brand parity tends to be inversely related to brand loyalty. The greater the brand parity, the less loyal consumers are to any particular brand. Third, when brand parity exists, consumers do not use price as a cue regarding quality. When brands are viewed as being almost identical, consumers do *not* believe the higher-priced brands carry greater levels of quality.[10]

In the past, one response to brand parity was to rely on advertising to create perceptions of higher levels of quality. This approach may not be effective. It only works when levels of brand parity are relatively low or when actual differences can be emphasized.

What can the marketing management team do when brand parity exists? There are three potential approaches. First, the product can be redesigned to develop an actual difference. A second method is to create a perceived difference among the brands. The third approach is to accept the fact that brand parity exists. The marketing department adjusts to the idea that parity is a natural consequence of the maturity stage of the product life cycle and that brand equity may no longer be possible. In these circumstances, advertising focuses on price or another decision variable rather than a product attribute or product difference.[11]

STOP AND THINK

Consider the various stages of the product life cycle in conjunction with the concepts of brand equity and brand parity.

1. What stage in the product life cycle best explains airline travel? Are there any airlines that have achieved brand equity in this marketplace?
2. What stage in the product life cycle best explains fax machines? Are there any companies that have achieved brand equity in this marketplace?
3. What stage in the product life cycle best explains the iPod? Have any companies been able to achieve brand equity in this market besides Apple?
4. What stage in the product life cycle best explains the printed newspaper industry? Can brand equity be achieved in such a way as to prolong the life cycle of any given newspaper?

The Role of Customer Service

Brand awareness, brand equity, and brand loyalty grow as the result of coordinated efforts by many individuals in a company. Perceptions of excellence are based on tangible product features but also emerge from intangibles. When attempting to attract and acquire new customers, quality service plays a role in each of the four activities described in this chapter.

Regarding markets, any company seeking to move into a new market will be well served by the reputation of offering the best service. Discovering new market segments may be the result of a successful market research effort. Winning that market will be based, at least in part, on how the consumers perceive the company. Quality service adds an intangible element to the image of the company, which makes attracting new customers more likely.

Manufacturing

In creating and delivering products, manufacturing operations gain market power and recognition by providing superior products; however, brand loyalty and equity only emerge when those products are delivered on time, in accurate amounts, with correct billing procedures, and with quality service after the sale. When items are damaged in shipping or other service failures take place, the importance of quality customer service becomes immediately clear. A manufacturer with a reputation for poor customer service to wholesalers and retailers may soon be placed in great jeopardy.

Retail

Retail operations encounter the same scenario as manufacturers. A store offering the best-value merchandise only succeeds when salespeople, delivery teams, repair departments, and anyone

What role does customer service play in attracting new customers and retaining current customers?

else associated with the operation work diligently to ensure quality service. In an era of mega stores, a small local merchant should be aware that the brands being sold in the store are only a small portion of the brand power of the store itself. Restaurants, dry-cleaning stores, and other local companies are most likely to succeed when the firm's name is recognized and customers are loyal based on a series of positive experiences.

Services

The importance of a brand reaches a premium when a company offers services. Services are intangible, which makes the name or brand the primary means by which the company is identified. Insurers such as Prudential and Allstate enjoy an advantage in the marketplace due to powerful brands. When State Farm faced accusations of poor or unfair customer service following the Hurricane Katrina tragedy, the brand may have suffered as well.[12] Success in many service industries, including banking, insurance, personal services (hair care, financial planning), travel, and entertainment, is largely based on the quality of service offered. This, in turn, is reflected as brand loyalty and consumer perceptions of brand equity.

Brands can be powerful tools in both acquiring and keeping customers in service industries. The responsibility for building a strong brand spreads from the top marketing manager through the entire organization, including first-line employees both within and outside the marketing department.

Pricing

Finally, a connection exists between pricing and customer service. For openers, customers paying higher prices expect the best customer service. This is true for both tangible goods and intangible services. Someone who pays a few extra dollars for tires expects them to be installed quickly and properly by a courteous service staff. A customer who pays more for a hairstyle expects the best possible look and the best possible treatment by the stylist.

In general, any time a customer considers a new company, new product, or new service, several factors will influence the final choice. The one common denominator for markets, products, brands, and prices is the connection to customer service. The company that delivers memorable, quality service automatically has an advantage.

YOURCAREER

Sometimes the path to success in a people-centered career does not take a direct route. Jerry Ross is on a journey that has already taken a series of dramatic twists and turns. At this point, the stopping place is as senior vice president for the First State Bank in Joplin, Missouri.

In college, Jerry Ross was a walk-on football player who earned a scholarship. He was eventually rated as a top-10 tight end by the NFL analyst Mel Kiper. Even though he was not drafted, Jerry signed a contract and was on the practice roster of the Buffalo Bills for a full season. The next year, Jerry was drafted by Amsterdam in the NFL Europe league and played a season there. He was then signed by the Jacksonville Jaguars, where he injured his knee in the preseason and was eventually cut from the squad. Jerry returned to college and finished his degree. At the same time, he began working as a mortgage loan officer in Pittsburg, Kansas. Soon after, an offer came from First State Bank.

First State Bank is the last remaining local bank in Joplin, Missouri. "We offer the full array of banking services; we have an investment arm, wealth management, individual brokers, account managers, and we offer life insurance policies," Jerry reports. "We also carry mortgages and the full array of commercial and industry services. We are a full stop shop, plus we're getting further into online products, such as deposit capture and all of the other services that our competitors offer."

When asked to describe the differences with mega banks in town, Jerry offered, "It's easier to have personal service at a smaller bank. I worked in a large bank. In the large bank, you have to understand the way they want it done. You become an in-between person. You have to understand your customers and their needs, and then you have to understand how the mega bank looks at things—then you take what they need and make it fit the mega bank. You can't fight the system."

He adds, "The difference is that in a smaller bank we are less rigid in our policies. When it comes to employees, you start with good employees and manage them to be empowered. A policy here is 10 pages. Over there it was three volumes full. Here, I can go across the hall to the owner and say, 'We need to restructure this loan in this way,' and he will either agree or disagree. I don't have to rewrite the whole policy."

There are also differences in management style. "We're basically committee driven when it comes to management style," he notes. Decisions are by consensus. "We do a really good job of working until we all agree. We all have the same goal, return on assets; as long as we make decisions with that in mind, we're in good shape."

Brand management is another key area of difference between First State Bank and the mega banks located in town. Jerry stated it this way: "Our brand carries us. When you're going to a customer, it's a local individual working with someone with local ties. We are Joplin, and the customer is very important to us. The money stays here in town. We're taking your dollars and reinvesting them here. We are able to help customers more when things don't go so well. Your name still means something to us. Your standing in the community means something to us." All of this is summarized in the bank's advertising tagline: "People you know, people you trust."

There is a downside. Jerry said, "Where it can be a hindrance is with larger corporate customers. They don't care as much about local ties, because their headquarters are somewhere else. So the larger mega banks are more likely to have the market on that. We struggle with this. We have to work harder and faster to change to stay up with the big banks."

As for personal success, Jerry was modest. "I'm still on a learning curve when it comes to dealing with retail customers. To me, customer service means that the biggest thing I face is taking the time to understand what that customer is really looking for and providing the service that matches. The bank is just my tool. My business is me and the relationships I have with customers. We all sell the same products. The technology has made it that way. Being able to sell something is based on that relationship."

As for his college experience, Jerry was straightforward. "I went to school to play football, and I succeeded. That was my goal. A lot of life experiences brought me to this point. When I came back to school after football, the classes I took made me more focused. Of course, the accounting classes were most important to what I do today. Mostly, the rest to me was about discipline. That is what college really did for me. Work ethic and discipline."

Chapter Summary

Customer acquisition programs are built to market existing products and new products. Finding customers in both areas helps the company grow and succeed over time. In this chapter, the acquisition strategies devoted to markets, products, brands, and prices are examined.

The types of tactics used in the area of markets include identifying market segments within existing markets and in potential new markets. Geographic expansion of markets can take place domestically as well as in the international arena.

New customers may be attracted by a company's products. Through the use of product development and diversification, products may be added to reach new or existing customers. Product improvements based on either customer needs or improvements in technology may also reach a new group of customers. Product line extensions are another method by which customers may be acquired, because they meet a unique set of needs.

Brands take many forms. Regarding brands, the most common goals are brand awareness, brand equity, and brand loyalty. Each can increase the number of customers a company serves. The marketing team will also seek to reduce perceptions of brand parity. Strong brands are a major force in both domestic and international markets.

Branding programs go beyond one name. Brand extensions are made through family brands and flanker brands. Companies may also increase sales and market coverage using private brands as well as cobranding and ingredient branding agreements. Quality customer service plays an invaluable role in developing a powerful brand.

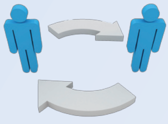
The secret to effective utilization of markets, products, brands, and prices is customer service. Quality service plays a role in creating customer perceptions of the firm and in determining how they respond to other marketing efforts.

Chapter Terms

Brand (p. 122)
Brand extension (p. 123)
Brand loyalty (p. 127)
Cobranding (p. 125)
Corporate name (p. 122)
Family brand (p. 122)
Flanker brand (p. 123)
Focus group (p. 120)
Global brand (p. 126)
House mark (p. 122)
Ingredient branding (p. 125)
Product development (p. 120)
Product diversification (p. 120)
Product life cycle (p. 115)

Review Questions

1. What are the four stages of the product life cycle, and how do they affect customer acquisition?
2. Name three ways in which customers may be acquired in existing markets.
3. When studying potential new markets, which two approaches can be used to acquire new customers?
4. What is product development and product diversification?
5. What role does a focus group play in developing a product diversification strategy?
6. Product improvements can be made in two ways to assist in customer acquisition. What are they?
7. Define the term corporate brand.
8. What advantage does a family brand have in customer acquisition?
9. How can flanker brands help a company expand its customer base?
10. What is cannibalization?
11. What are the three components of developing a winning brand strategy?
12. Identify and describe the pillars of brand equity.
13. Name and describe four methods for creating advertising budgets.
14. What is the relationship between brand parity and brand equity?
15. How can brand loyalty help a company acquire new customers?



CUSTOMER CORNER

While many companies think of marketing children's products to parents, few have noticed the potential of marketing to grandparents. Here are some facts about today's grandparents as they relate to grandchildren:[13]

- About one third of American adults are grandparents (70 million).
- The average age of the first-time grandparent is 47.
- Today's grandparents have a higher level of education and a higher level of income.
- Grandparents are actively involved in grandchildren's education and cultural enrichment.
- Grandparents spend more than $30 billion a year on grandchildren.
- Grandparents account for 17% of all toy sales in the United States.
- Grandparents traveling with grandchildren account for 20% of all trips taken with children. (Six million Americans vacationed with grandchildren in a typical month).

Given this information, it is clear that grandparents represent a viable new target market.

1. Can you identify any market segments among grandparents?
2. What types of products are best suited to grandparents seeking to buy gifts for grandchildren?
3. What types of brands are the most well known to grandparents? Do you believe they are more or less likely to be loyal to those brands?
4. What types of discounts can be successfully offered to grandparents?

When marketing to children, grandparents are an excellent target for products.

Discussion and Critical Thinking Questions

1. For each stage of the product life cycle, identify at least one product that is in that stage. Discuss the marketing strategies that are being used. (Remember, the life cycle concept applies to a product category, not to specific companies.)
2. Two new products that were introduced in 2008 include Bud Light Lime and a new line of pastas sold at Pizza Hut. What are the primary market segments served by these products, in the hope of acquiring new customers? Do you think it would be wise for the two products to be sold internationally? Why or why not?
3. Suppose you were the manager of a pizza restaurant close to your campus. Based on your knowledge of pizza restaurants in your area, what type of customer acquisition strategy would you pursue? Would you seek new markets or new products, or would you develop a branding campaign? Justify your answer.

(Before you make a decision, you will need to look carefully at the competition.)

4. An argument can be made that certain motion pictures have become brand franchises. Examples include *Indiana Jones, Bourne,* and *Shrek.* When a sequel of these films comes out, what branding strategy is being employed? When action figures of the characters in the films are sold, what product strategy is being used?
5. The following product categories may be used as examples of brand parity. Explain how you would proceed to develop stronger perceptions of brand equity in each one.
   - Soft drinks
   - Milk
   - Toothpaste
   - Aspirin
6. Explain the linkages between the three topics presented in this chapter: markets, products, and brands. Think in the following terms:
   - Customers needs
   - Changes in technology
   - Customer service
   - Changes in economic conditions
   - Social trends
7. Use the information given in Table 5.3 to calculate the cannibalization effect of introducing a new lawn mower model. Was the new model a success? Justify your answer.

Quarterly Sales	2008	2009
Total company sales	$1,979,312	$2,251,055
Sales of the new AZ24 model		$354,276
Sales of Model AZ 18	$532,876	$427,689
Sales of Model AZ 9	$248,764	$231,356
Sales of Model AW 11	$328,438	$354,478
Sales of Model AW 14	$869,234	$883,256

Table 5.3 Cannibalization Data for New Lawn Mower

Chapter 5 Case

LensCrafters

Many times, an innovation helps a company gain a major advantage in the marketplace. Over time, competitors copy that innovation. In order to continue to succeed, other elements such as a strong brand name and effective advertising are required.

The original LensCrafters store opened in 1983. Two innovations were featured. The first was that the company offered to deliver quality eyewear in "about an hour." The message that "we are fast" fit nicely with the busy lifestyles of consumers.

The second innovation was to bring the eye doctor, the optical laboratory, and a retail store featuring a variety of frames to the same place. This form of "one-stop shopping" represented a level of convenience that was not otherwise present in the marketplace.

Over time, LensCrafters expanded into numerous locations, most notably in shopping malls and other convenient-access places. A strong national advertising campaign highlighted the stores' key features in television, radio, magazine, and local newspaper advertisements and commercials.

As would be expected, competitors, such as Pearle Vision, duplicated or provided similar services. In order to respond, the marketing and management teams for LensCrafters decided it was time to move to a new positioning strategy, one that emphasized the emotional side of eyewear rather than the rational side. Consumer research indicated that many people view their glasses less as medical devices and more as fashion statements.

In response, LensCrafters began to rely on other brands. The stores feature frames by Prada, Versace,

Bvlgari, Chanel, Ray-Ban, Vogue, and Dolce & Gabbana. This led to cooperative advertising possibilities and the ability to take advantage of consumer loyalty to these popular fashion brands.

The marketing team at LensCrafters also developed advertising campaigns focused on eyewear as a fashion accessory. The messages encouraged people to think about eyeglasses just as they would think about purchasing a pair of jeans or shoes, or some other personal fashion statement. The ads were placed in print and on television.

The company's Web site was also revamped to make it more user-friendly and to convey the new message. A new feature of the Web site is an interactive "face shape selector," which allows individuals to upload their photos on the site. The software analyzes the person's face shape and then provides suggestions on which eyeglasses would look the best. At the same time, LensCrafters remodeled company stores to convey the same fashion message.[14]

Consistency across advertisements and across advertising campaigns is important to ensure that the target audience is receiving the same message. This means watching the visual, the tagline, and the product positioning. It does not mean that all ads must be identical. What it does mean is that there needs to be a common thread through all advertisements. If the positioning strategy is that of "fashion," as was indicated by LensCrafters, then that same message needs to be seen in all the firm's advertising. If ads that emphasized 1-hour service were thrown into the mix, then it would not be consistent with the message that LensCrafters wants to attain.

Why would LensCrafters use an advertising campaign to convince consumers that eyeglasses make a personal fashion statement?

1. What markets are currently served by LensCrafters? Can you identify any new markets that might help the company acquire new customers?
2. Can you think of any other products that could be added to a line of eyewear (product line extensions)?
3. Evaluate LensCrafters in terms of brand name, brand equity, and brand parity. Is it operating in a product industry with a high or low level of brand parity? Discuss the branding strategy that LensCrafters is using. Evaluate the strategy in terms of pros and cons.
4. When LensCrafters markets a new line of eyewear, what type of branding campaign should it use?
5. When other eyewear companies also begin to emphasize the fashion side of products, what should be the next move for LensCrafters?

Go to **www.sagepub.com/clow** for additional exercises and study resources. Select **Chapter 5, Customer Acquisition Strategies and Tactics** for chapter-specific activities.