

Unit 1 – Brands – the key parts of marketing


UNIT

1

Brands

OVERVIEW ▼

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Caferoma



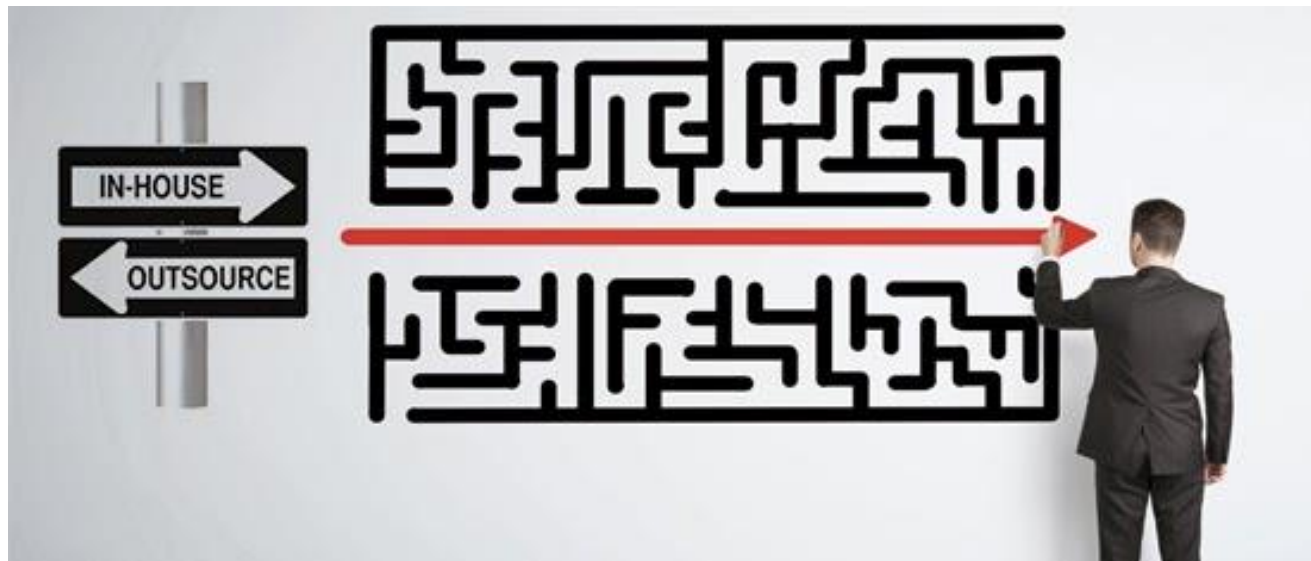
HARLEY-
DAVIDSON
USA

“Truly great brands are more than just labels for products.”

Tony O'Reilly, Irish entrepreneur

Reading – Outsourcing production

- What is outsourcing?
- Outsourcing – companies that move their production abroad (subcontracting to cheaper suppliers abroad).



Reading

Outsourcing production

- A** Why do some companies make luxury products abroad rather than at home?
- B** Read the article and answer these questions.
- 1 Which brands are mentioned? Do you know which country each is from?
 - 2 Which companies make all of their products in their own country?

Made in Europe

By Jo Johnson, Fred Kapner and Richard McGregor

Almost every fashion label outside the top super-luxury brands is either already manufacturing in Asia or thinking of it. Coach, the US leather goods maker, is a classic example. Over the past five years, it has lifted all its gross margins by manufacturing solely in low-cost markets. In March 2002 it closed its factory in Lares, Puerto Rico, its last company-owned plant, and outsources all its products.

Burberry has many Asian licensing arrangements. In 2000 it decided to renew Sanyo's Japanese licence for ten years. This means that

almost half of Burberry's sales at retail value will continue to be produced under licence in Asia. At the same time however, Japanese consumers prefer the group's European-made products.

Sanyo is now reacting to this demand for a snob alternative to the Burberry products made in its factories across Asia by opening a flagship store in Tokyo's Ginza, where it sells Burberry products imported from Europe.

In interviews with the FT, many executives say the top luxury brands will continue

to be seen, particularly in Asia, as European. Domenico De Sole of Gucci says: "The Asian consumer really does believe – whether it's true or not – that luxury comes from Europe and must be made there to be the best."

Serge Weinberg, Chief Executive of Pinault Printemps Redoute, which controls Gucci, says it will not move Gucci's production offshore. Yet some in the industry recognise that change may be round the corner even for the super-luxury brands. Patrizio Bertelli, Chief Executive of Prada, says: "The "Made in Italy" label is important but what we are really offering is a style, and style is an expression of culture." He therefore recognises that quality fashion items may

not always need to be produced in Italy.

Amitava Chattopadhyay, Professor of Marketing at Insead, the business school, says: 'A brand is a set of associations in the mind of the consumer and one of these is the country of origin. For luxury goods, the role of the brand is crucial. To damage it is a cardinal sin and no brand manager will want to get the balance between manufacturing location and the brand image wrong.'

From the *Financial Times*

FINANCIAL TIMES
World business newspaper.

str. 8, SB

Outsourcing production



▲ Mother, baby and pushchair in Burberry.

str. 8, SB

- C** Which of these statements are true? Correct the false ones.
- 1 Coach no longer has a factory in Puerto Rico.
 - 2 Coach, like many other companies, is outsourcing its products to reduce costs.
 - 3 Some Japanese people choose to buy Burberry products made in Europe rather than in Japan.
 - 4 Sanyo's store in Tokyo sells Burberry products made only in Asia.
 - 5 According to Domenico De Sole, the best luxury products are made in Japan.
 - 6 Gucci is planning to outsource some of its products.
 - 7 Patrizio Bertelli believes that luxury fashion products should always be made in Europe.
 - 8 Amitava Chattopadhyay says that companies need to pay careful attention to where they manufacture their products.
- D** Choose the best summary of the article.
- a) Most manufacturers of luxury brands do not wish to produce their goods in low-cost countries because they believe that it will damage their brand image.
 - b) Most manufacturers of top brands now produce their goods in low-cost countries. Consumers no longer care about where the products are manufactured.
 - c) Asian consumers think that European luxury goods are of high quality. The current trend of making such goods in Asia could damage the reputation of these luxury brands.

Vocabulary

Go through the first three paragraphs looking for words and phrases which mean the following:

1. brand
2. the difference between price and cost of production
3. factory
4. subcontracts
5. making with the permission of the brand owner
6. the most important branch of a retail chain

1. label
2. gross margin
3. plant
4. outsources
5. produce under licence
6. flagship store

Present Simple vs. Present Continuous – Practice

knjiga, str. 9

B Complete these sentences with the present simple or the present continuous forms of the verbs in brackets.

- 1 a) This year we (try) to develop a brand with personality.
b) We usually (develop) brands that say something.
- 2 a) Powerful brand names (create) strong consumer loyalty.
b) At the moment we (look) for a new brand name that suggests something about the product's benefits and qualities.
- 3 a) L'Oréal (sell) cosmetics and toiletries to consumers around the world.
b) This year L'Oréal (invest) over £180m in R & D .
- 4 a) The marketing department always (keep) within its budget.
b) Because the company made a loss last year, the marketing department (try) to reduce costs.

Present Simple vs. Present Continuous – Practice

knjiga, str. 9

C Complete the text below with the present simple or the present continuous forms of the verbs in brackets.

At the moment I¹ (work) for a cosmetics company. We offer a full range of cosmetic products and² (sell) cosmetics and toiletries around the world. Our main cosmetics brand³ (dominate) the French market and it⁴ (do) well in the rest of Europe at the moment, too. In fact, the brand⁵ (become) more and more popular throughout the world and our market share⁶ (grow) every day.

We usually⁷ (develop) and⁸ (extend) products under our existing brand name. The brand is distinctive and⁹ (stand) out from the competition. However, this year we¹⁰ (create) a completely new brand of cosmetics.

Discussion: Two promotions (pair-work)



Case 1

Harley Davidson



In 2003 the Harley Davidson brand was 100 years old. Although its brand image is based on the spirit of wild and rebellious youth such as Marlon Brando in the film *The Wild One* (1954), the typical consumer is very different. They are likely to be rich, middle-aged accountants trying to recapture their youth. The average age of Harley Davidson customers is 46 compared with 36 for the rest of the motorbike industry. At the party to celebrate the centenary, the surprise performer was actually Elton John, rather than the Rolling Stones who many people had expected. This caused many of the 150,000 riders and dealers to leave the event very unhappy. Although sales and earnings for Harley Davidson have been increasing for the past 18 years, many people see trouble on the road ahead. The problem is Harley Davidson's typical customers come from the baby-boom generation (1946–1964) and, as these customers get older, Harley Davidson may find its market shrinking.

- 1 What is the brand image of Harley Davidson?
- 2 Why were many people unhappy about the music at the party?
- 3 What problem could Harley Davidson have in the future?
- 4 What can Harley Davidson do to preserve its sales? Should it change its brand image? Should it look for new market segments? Should it stretch its brand?

Discussion: Two promotions (pair-work)



Case 2

JCB

- 1 Where does the name JCB come from?
- 2 What was surprising about JCB's customer research?
- 3 What sort of products do you think JCB developed as a result of its research?
- 4 Can you think of a similar example of brand-stretching in your country?

JCB is a world-famous engineering company. It was founded in 1945 by Joseph Cyril Bamford. He began his business working alone in a small garage. JCB makes construction and agricultural equipment such as tractors, earth-moving vehicles and loading machines. Now its world headquarters in England is one of the finest engineering factories in Europe. The company produces over 130 different models on four different continents and sells a full range of equipment in over 150 countries. It is truly a global brand.

JCB's research showed that its customers associated the company with the following brand values: 'yellow', 'digger' and 'durable'. Adults saw the brand as being very British, and suggesting an image of quality and being functional. Children, on the other hand, saw the brand as 'big', 'muddy' and 'fun'. JCB made a decision to stretch its brand.



DVD projection – Product promotion

Answer the questions:

1. When the consumption of bottled water grow?
2. After whom is “Lisbeth” named?

Vocabulary:

spring water - water taken from a natural spring

niche market - a demand for a very specialized product (anti-hair loss shampoo)

flavoured water

Source: www.collinsdictionary.com



Thank you for your attention!

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