

# CHAPTER 31

## Branding, Packaging, and Labeling

### Chapter Objectives

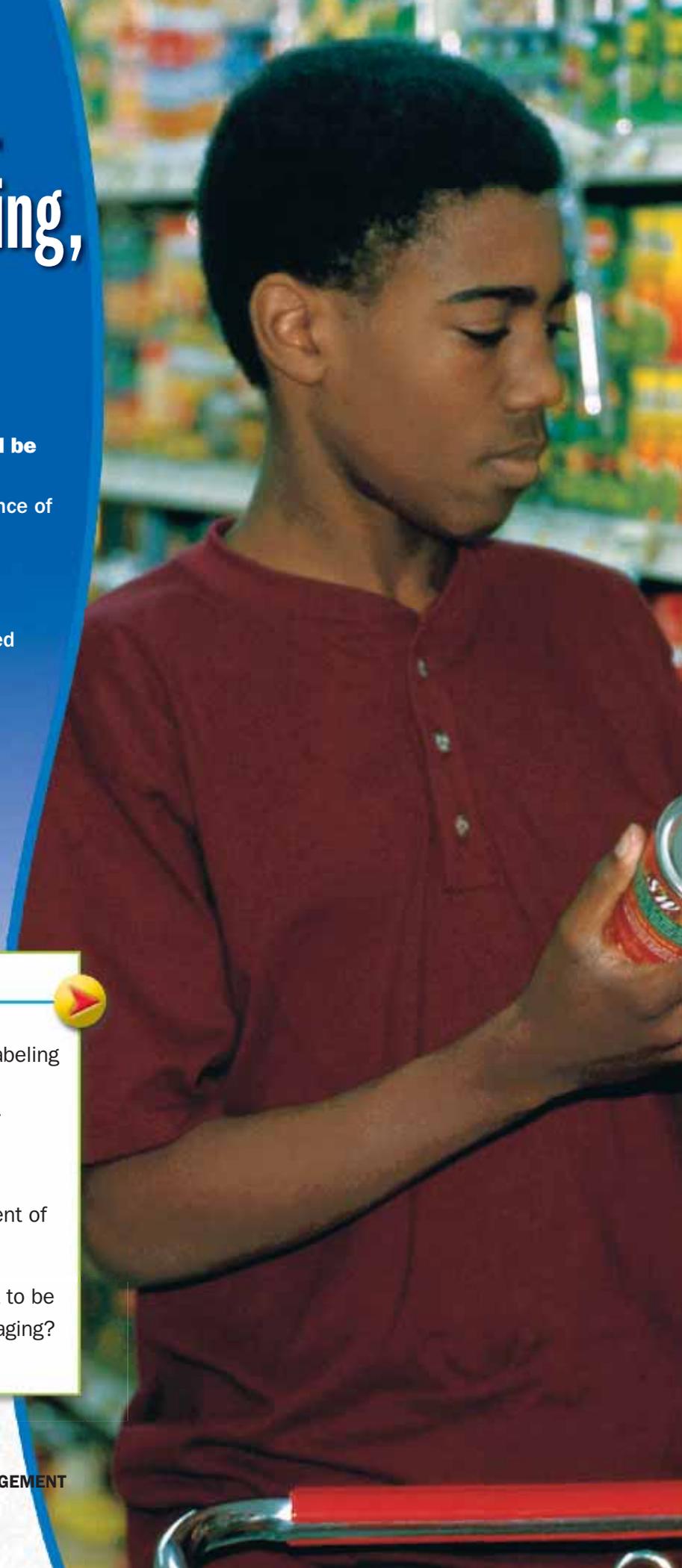
After reading this chapter, you should be able to:

- Discuss the nature, scope, and importance of branding in product planning
- Identify the various branding elements
- List three different types of brands
- Explain how branding strategies are used to meet sales and company goals
- Explain the functions of product packaging
- Identify the functions of labels

### EXPLORE THE PHOTO

**Market Talk** Branding, packaging, and labeling are part of the product planning strategy to create perceived product differences or emphasize real differences. Labels have distinctive lettering and design. Nutrition information is another important component of food product labels such as cereals.

**Quick Think** Is it important for a product to be associated with a specific label and packaging? Why or why not?





**DECA Events** These acronyms represent DECA competitive events that involve concepts in this chapter:

<b>AAM*</b>	<b>EMDM*</b>	<b>MMS</b>	<b>SMDM</b>
<b>ADC</b>	<b>FMAL*</b>	<b>QSRM</b>	<b>TMDM</b>
<b>ASM*</b>	<b>FMML*</b>	<b>RFSM</b>	
<b>BMDM*</b>	<b>HLM</b>	<b>RMS*</b>	
<b>BSM</b>	<b>HMDM</b>	<b>SEM</b>	

**Performance Indicators** The performance indicators represent key skills and knowledge. Relating them to the concepts explained in this chapter is your key to success in DECA competitive events. Keep this in mind as you read, and write notes when you find material that helps you master a key skill. In these DECA competitive events, you should follow these performance indicators:

- Explain the nature of branding
- Describe the uses of grades and standards in marketing

The events with an asterisk also include:

- Explain the use of brand names in selling

Some events include these performance indicators:

<b>AAM</b>	Explain fashion-brand images
<b>EMDM</b>	Use the Internet to build brand equity Optimize business's Web site placement with major search engines and directories
<b>FMML</b>	Discuss product categories and classifications of products in food marketing departments
<b>HLM/HMDM</b>	Explain the nature of product extensions in the hospitality industry
<b>SEM/SMDM</b>	Explain the nature of sport/event brand/branding
<b>TMDM</b>	Explain the nature of product extensions in the travel and tourism industry

### DECA PREP

**ROLE PLAY** Check your understanding of DECA performance indicators with the DECA activity in this chapter's review. For more information and DECA Prep practice, go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).



## SECTION 31.1

# Branding Elements and Strategies

### READING GUIDE

#### BEFORE YOU READ

**Predict** When shopping for a large item, how will you know about it before seeing it?

#### OBJECTIVES

- Discuss the nature, scope, and importance of branding in product planning
- Identify the various branding elements
- List three different types of brands
- Explain how branding strategies are used to meet sales and company goals

#### KEY TERMS

- brand • brand name
- trade name • brand mark
- trade character • trademark
- national brands
- private distributor brands
- generic brands
- brand extension
- brand licensing • mixed brand
- co-branding

#### ACADEMIC VOCABULARY

You will find these words in your reading and on your tests. Make sure you know their meanings.

- component
- distinct

#### THE MAIN IDEA

The name of a company and its products should project a positive image. Selecting, promoting, and protecting that image or brand is an important part of the marketing function.

#### GRAPHIC ORGANIZER

Draw this chart to take notes on the branding process.



Go to the OLC through [glencoe.com](http://glencoe.com) for printable graphic organizers, Academic Vocabulary definitions, and more.

#### ACADEMIC STANDARDS

##### English Language Arts

NCTE 1 Read texts to acquire new information.

##### English Language Arts

NCTE 3 Apply strategies to interpret texts.

#### AS YOU READ

**Analyze** Why are brands so important to the success of a business?

## Branding

Branding is an important **component** of the product planning process. A **brand** is a name, term, design, symbol, or combination of these elements that identifies a product or service and distinguishes it from its competitors. A brand can be used to identify one product, a family of related

products, or all products of a company. Brands connote any number of benefits, features, or qualities. For example, a company may want to cultivate a brand that connotes quality and reliability. Another company may want to cultivate a brand that connotes fun and excitement. Brands are important assets and powerful tools for marketing and selling products.

## Elements of Branding

Brands are developed to target customers' needs and preferences and include elements such as brand names, trade names, brand marks, trade characters, and trademarks. These elements are often combined to form a firm's corporate symbol or name.

Effective brands have tremendous value and frequently become global brands. Global brands appeal to consumers beyond cultural or political boundaries. For example, McDonald's is an effective global brand. The company's brand seeks to project an image of consistent

quality in food and service, but it adapts its menu to meet the needs of consumers in individual countries.



**Explain** Why use more than one strategy to promote a product?

### Brand Name

A **brand name**, also called a product brand, is a word, group of words, letters, or numbers that represent a product or service. An effective brand name should be easily pronounced, **distinctive**, and recognizable. Examples include PT Cruiser, Pepsi, Barbie, Pop-Tarts, and Big Mac.

### Trade Name

A **trade name**, or corporate brand, identifies and promotes a company or a division of a particular corporation. The trade name is the legal name that a company uses when it does business and is used to promote a positive image of the organization such as

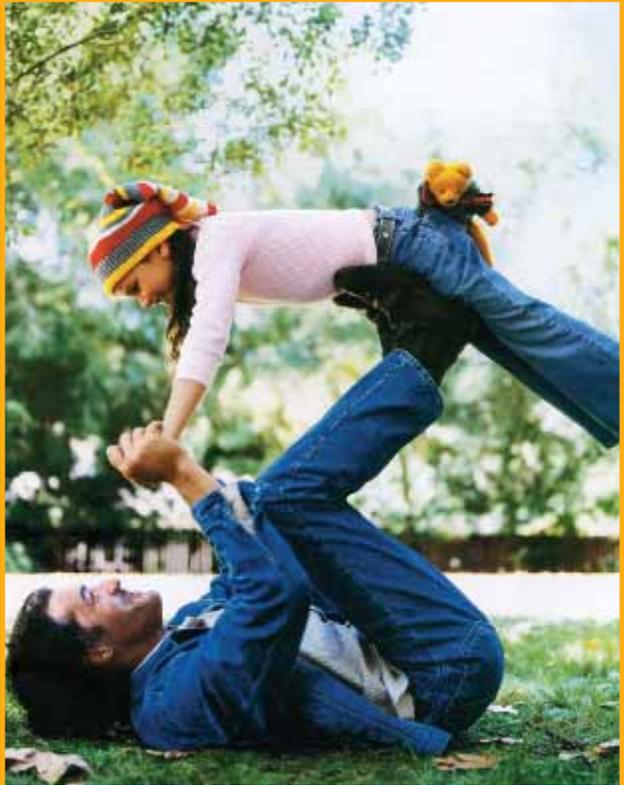
**WHAT'S A SIGNATURE WORTH?**

There was a time when a signature was a pledge. It meant that you stood behind your work and were proud of it. In 1873, when people saw the Levi Strauss name on a pair of jeans, they knew they were looking at quality and durability. For today's families, his signature still guarantees the same thing.



From our family to yours.

Available at Target®  
Visit us online at [LeviStraussSignature.com](http://LeviStraussSignature.com) or call 888-411-LEVI.



- **NAME THOSE JEANS** Levi Strauss Signature is the name of a specific brand of jeans.

*Why is Levi Strauss an appealing brand?*

quality, value, and reliability. Procter & Gamble, Dell, Disney, Kellogg's, Nike, and Yahoo! are all examples of trade names. The trade name supports the company's product brands.

### Brand Mark and Trade Character

Many brands incorporate a unique symbol, coloring, lettering, or other design elements known as a **brand mark**. A brand mark is recognizable visually and does not need to be pronounced. Some examples of brand marks are the U.S. Postal Service's eagle or Apple Computer's apple. On the other hand, a **trade character** is a specific type of brand mark, one with human form or characteristics. Some examples of trade characters include Green Giant's Jolly Green Giant, the Pillsbury Doughboy, and the Keebler Elves.

### Trademark

A **trademark** is a word, name, symbol, device, or a combination of these elements that is given legal protection by the federal government. Trademarks are used to prevent other companies from using a similar element that might be confused with the trademarked one. For example, the image of the golden arches is a trademark of McDonald's. The colorful peacock is a trademark for NBC. No other company can use these symbols. The U.S. Patent and Trademark Office grants trademark rights. Disputes regarding trademarks are settled in federal courts.

Sometimes companies try to extend trademark branding of products and services to include additional elements of sound, color, and smell. Boston Duck Tours, a sightseeing tour company, received a sound trademark for the sound of a human voice making ducklike quacking noises.

Trademarks are followed by a registered trademark symbol (®). When brand names, brand marks, trade characters, and other elements of branding are registered as trademarks, they cannot be used or misused by other companies.

## Importance of Brands in Product Planning

Branding establishes an image for a product or company and projects that image to its customers and the marketplace. The use of brands is important in product planning for several reasons.

- **To build product recognition and customer loyalty** It is important that satisfied customers be able to easily recognize a company's branded products when they return to make repeat purchases.
- **To ensure quality and consistency** Through branding, companies communicate to customers consistent quality and performance, purchase after purchase. Branding connotes consistency. For example, nine out of ten people will pay 25 percent more to buy GE Soft White light bulbs rather than another brand. The GE Soft White brand is perceived to be of higher quality and a better value than lower-priced competitors.
- **To capitalize on brand exposure** Branding helps companies extend their products or services into new target markets. It also helps introduce new product lines or categories. Customers and prospects are more willing to try new products that carry a familiar brand name.

With careful planning, companies can also adjust or reposition a brand to capitalize on changes in the market.

## Generating Brand Names

It is estimated that 75 percent of all companies introduce a new product name every year. The U.S. Patent and Trademark Office registers more than 350,000 trademarks per year. It is understandable, therefore, why some companies find it increasingly difficult to secure desirable corporate or product names—so many names are already taken!

How does a company create a brand name? Some companies turn to computer software programs that specialize in generating brand names. These programs will check to see if

a name is already owned and trademarked by another company. Other companies hire branding agencies, naming consultants, or public relations firms to generate and check the availability of brand names.

Branding is so important to product planning that over 60 percent of all companies conduct market research to test new brand names before they are released. After a name has been generated and researched, companies will then conduct brand-loyalty research to gauge the brand's effectiveness.

Once established, brand names are carefully protected and rarely changed.

## Types of Brands

Wholesalers and retailers also brand their products. As a result, there are three classifications of brands, one for each type of company that brands its products: national brands (manufacturers), private distributor brands (wholesalers and retailers), and generic brands.

### National Brands

**National brands**, also called producer brands, are owned and initiated by national manufacturers or by companies that pro-

vide services. Examples of national brands for consumer goods include Hershey Foods, Colgate-Palmolive, Whirlpool, Sunoco, and Ford. Examples of service companies that generate national brands are Northwest Airlines, Hilton, Avis, Bank One, and AFLAC.

### The Importance of National Brands

National brands generate the majority of sales for most consumer product categories. Approximately 70 percent of all food products, 65 percent of all appliances, 80 percent of all gasoline, and 100 percent of all automobiles are sold under national brands.

Electronic commerce has created a new category of national brand: the Internet brand. There are Internet brands for both consumer products and services. Examples of Internet consumer product brands include Amazon .com and eBay, while examples of service brands include Monster, Google, and Yahoo!.

### Private Distributor Brands

**Private distributor brands**, also called private brands, store brands, dealer brands, or private labels, are developed and owned by wholesalers and retailers. The manufacturer's

**NET MARKETING**

### Free Entertainment

Video games can be expensive, but there is a way to play games for free. Advergaming let Web site visitors play free of charge, as long as the gamers are willing to see advertising while they are playing. Several of Kraft's best known brands have games. At Nabiscoworld.com, visitors can play *Ritz Bits Sumo Wrestling*. Players control either the Creamy Marshmallow or the Chocolatey Fudge cracker. After quite a bit of belly smacking, the result is the S'more-flavored cracker.

### Advergaming Come Under Criticism

Some critics worry that advergaming can be too influential and that children may not realize they are seeing advertising.

### THINK LIKE A MARKETER

Why are many consumer products manufacturers using advergaming?

**@ Online Action!**

Go to the *Marketing Essentials OLC* through [glencoe.com](http://glencoe.com) to find a project on advertising in games.

name does not appear on the product. Some examples of private distributor brands are Radio Shack, Kohl's Villager, and Wal-Mart's George.

Private distributor brands appeal to customers who desire the quality and performance of national brands at a lower price. Many large supermarket and retail chains have private distributor brands. For example, a 2005 ACNielsen report stated that private brands represent 45 percent of the market in Switzerland, 28 percent in Great Britain, 19 percent in Canada, and 16 percent in the United States. At some major department stores, such as JC Penney, private labels make up about 40 percent of total sales; at Target, they account for about 80 percent of apparel sales.

### The Increasing Popularity of Private Brands

Private distributor brands are increasing their market share in most product categories worldwide. In 2003 in the United States, approximately 800 categories of private label goods existed in clothing, paper products, medications, vitamins, and pet foods.

Private brands are popular with retailers because they usually carry higher gross margins and thus are more profitable for the seller than manufacturer brands. Also, because private brands cannot be sold at competitors' stores, they help cultivate customer loyalty.

### Generic Brands

**Generic brands** are products that do not carry a company identity. The packaging for generic products usually features a description of the product, such as "pancake mix" or "paper towels." Generic brands are generally sold in supermarkets and discount stores. These unbranded products are often priced 30 to 50 percent lower than manufacturer brands and 10 to 15 percent lower than private distributor brands. Companies that manufacture and sell generic brands do not heavily advertise or promote these products and, therefore, can pass on savings to customers.

The Jewel supermarket chain in Chicago was the first to introduce generic products in the 1970s. Generic products have expanded

to include more than 300 product categories, including vitamins, auto parts, food staples, and pharmaceuticals. Generic products are now offered in more than 250 retail chains throughout the United States, and more than 75 percent of all U.S. supermarkets carry generic items.

## Branding Strategies

Companies develop and rely on a variety of branding strategies to meet sales and company objectives. Some of these strategies include brand extensions, brand licensing, mixed branding, and co-branding. Effective use of different brand strategies can increase sales of branded products and maximize company profits.

### Brand Extension

**Brand extension** is a branding strategy that uses an existing brand name to promote a new or improved product in a company's product line. For example, Ocean Spray extended its cranberry juice drink product line by adding flavors, including Cran<sup>®</sup>Apple, Cran<sup>®</sup>Cherry, and Cran<sup>®</sup>Grape fruit blends. Launching new products is costly, and the failure rate for new products is high. Sometimes companies can reduce this risk by using an already established brand name.

One risk that companies face when they employ a brand extension strategy is overextending a product line and diluting the brand. When does brand dilution occur? If a brand includes too many products, the original brand and other selections in the product line may lose recognition and appeal with customers.

### Brand Licensing

Some companies allow other organizations to use their brand, brand mark, or trade character through **brand licensing**. This authorization is a legal licensing agreement for which the licensing company receives a fee, such as a royalty, in return for the authorization. The agreement delineates all the terms and conditions under which the brand may be used.

Companies license their brands to increase revenue sources, enhance company image, and sell more of their core products. For example, the National Football League (NFL) has licensing arrangements with Pepsi and Visa. Pepsi and Visa use the NFL name and logo in their promotions to try to attract customers loyal to the NFL.

### Mixed Brands

Some manufacturers and retailers use a **mixed-brand** strategy to sell products. They offer a combination of manufacturer, private distributor, and generic brands. A manufacturer of a national brand will agree to make a product for sale under another company's brand. For example, Michelin manufactures its own brand of tires as well as tires for sale at Sears under the Sears brand name. A mixed-brand strategy enables a business to maintain brand loyalty through its national brand and reach several different target markets

through private brands, thus increasing its overall product mix. It can maximize its profits by selling a private brand product without damaging the reputation and the sales of its national brand product.

### Co-Branding

Have you noticed that Kellogg's Pop-Tarts are made with Smucker's fruit filling? This is an example of a **co-branding** strategy. A co-branding strategy combines one or more brands in the manufacture of a product or in the delivery of a service. This strategy enables companies to capitalize on the popularity of other companies' products and services to reach new customers and, ideally, increase sales for both companies' brands. Co-branding can work with one or many partners.

Co-branding can also work when two or more retailers share the same location. Starbucks Coffee Co. has an agreement with Barnes & Noble to open coffee shops inside their bookstores.

## 31.1 AFTER YOU READ

### Key Terms and Concepts

1. What is the difference between a brand name and a trade name?
2. List the three types of brands.
3. What are the different types of branding strategies?

### Academic Skills

- Math** .....
4. According to a *Forbes* magazine study in 2004, General Electric had a trade name or corporate brand value of \$54.2 billion, compared to Nike's brand value of \$19.7 billion. How many times larger was the brand value of GE than Nike?

### English Language Arts/Writing

5. Kellogg's sells its cereal Frosted Flakes in the United States, but it is called "Frosties" in most European countries and *Zucaritas* in Italy. Write a 150-word paper explaining why consumer product companies, such as Kellogg's, use different names for the same product in various countries.

#### CONCEPT Number and Operations:

**Division** When determining how many times larger a value is compared to another value, the operation to use is division.

- To solve this problem, divide General Electric's brand value of \$54.2 billion by Nike's brand value to determine how many times larger it is.

**Math** For help, go to the Math Appendix located at the back of this book.

**@ Online Action!** Check your answers at the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).

## SECTION 31.2

# Packaging and Labeling

### READING GUIDE

#### BEFORE YOU READ

**Predict** Why do companies go to the expense of packaging and labeling consumer products?

#### OBJECTIVES

- Explain the functions of product packaging
- Identify the functions of labels

#### KEY TERMS

- package
- mixed bundling
- price bundling
- blisterpacks
- aseptic packaging
- cause packaging
- label
- brand label
- descriptive label
- grade label

#### ACADEMIC VOCABULARY

You will find these words in your reading and on your tests. Make sure you know their meanings.

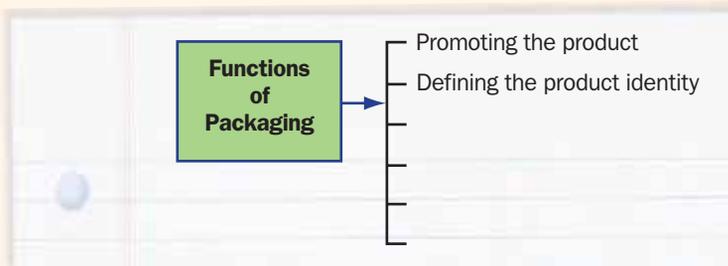
- **integral**
- **period**

#### THE MAIN IDEA

Branding gives a company or product a personality. Packaging and labels put a “face” on the product. Effective packaging and labels help sell the product.

#### GRAPHIC ORGANIZER

Draw this chart to take notes about the functions of packaging.



Go to the OLC through [glencoe.com](http://glencoe.com) for printable graphic organizers, Academic Vocabulary definitions, and more.

#### ACADEMIC STANDARDS

##### English Language Arts

NCTE 1 Read texts to acquire new information.

##### Science

NSTA Content Standard E Understandings about science and technology

#### AS YOU READ

**Connect** Consider how packaging and labeling help you as a consumer.

## Packaging

A **package** is the physical container or wrapping for a product. Developing a product’s package is an **integral** part of product planning and promotion. It is estimated that ten percent of a product’s retail price is spent on developing, designing, and producing just the package.

## Functions of Packaging

A package does much more than hold a product; it is also a selling tool. Companies take great care when designing or redesigning their products' packages.

Packaging fulfills several functions, including promoting and selling the product, defining product identity, providing information, expressing benefits and features, ensuring safe use, and protecting the product, among others (see **Figure 31.1** on page 662).

### Promoting and Selling the Product

Customer reaction to a product's package and its brand name is an important factor in its success or failure in the marketplace. Attractive, colorful, and visually appealing packages have promotional value and can carry important messages about the product's performance, features, and benefits. As more and more stores become self-service, a product's package serves an increasingly important marketing function.

Sometimes marketers package or bundle two or more complementary products or services together in one package. The practice of packaging different products and services together is known as **mixed bundling**. Usually the mixed bundled price is cheaper than purchasing all the products separately. **Price bundling** occurs when two or more similar products are placed on sale for one package price.

A container's design can minimize sales lost to competitors' products. It can even create new sales opportunities. Pump soap containers were designed to be neater, cleaner, and easier to use than bar soaps. These new containers have not replaced bar soaps; instead, they provide a choice for customers. Pump-type dispensers created new sales and started an entire new line of soap products.

### Defining Product Identity

Packages are often used to promote an image such as prestige, convenience, or status.

### Providing Information

A package provides information for the customer. Many packages give directions for

using the product and information about its contents, product guarantees, nutritional value, or potential hazards.

### Expressing Customer Needs

Product packages often come in various sizes to meet the needs of different market segments. Family packs are designed to meet the needs of larger families, while smaller packages are made for individuals. Specific examples include multipacks of beverages such as soda and juice, bulk sizes of paper packages, single-serving cans of soup, and family meals at fast-food outlets.

Both products and package designs must also keep up with changing lifestyles. Lunch kits with sliced meats and snack kits with cookies did not exist 30 years ago. Now, this product category is estimated to be a \$1 billion business.

### Ensuring Safe Use

A package can also improve product safety for the customer. For example, many products formerly packaged in glass now come in plastic containers. To avoid misuse or product tampering, many nonprescription drugs, cosmetics, and food items are now sold in tamper-resistant packages such as blisterpacks and jars and plastic containers with sealed lids. **Blisterpacks** are packages with preformed plastic molds surrounding individual items arranged on a backing.

Countless other products are packaged in childproof containers. These types of containers feature lids that are more difficult to open, thereby reducing the chances of accidental spills and poisonings.

### Protecting the Product

In addition to helping sell the product, a package must also protect a product during shipping, storage, and display. The package design should also prevent or discourage tampering, prevent shoplifting, and protect against breakage and spoilage.

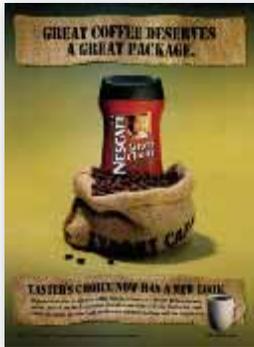
Airtight containers are especially important with perishable food products such as cheese or lunch meat.

# The Functions of Packaging

• **Buy Me!** Packaging serves many purposes, from product protection to attracting customers' attention. It is a selling tool that promotes and sells the product, defines the product's identity, provides information, ensures safe use, and protects the product.

*How can nutritional information on packaging help promote a product, as well?*

## PROMOTING AND SELLING THE PRODUCT



A well-designed package is a powerful point-of-purchase selling device because it can make a product stand out from its competition.

## DEFINING PRODUCT IDENTITY



Packaging can be a crucial part of an overall marketing strategy for a product—particularly its advertising component.

## PROVIDING INFORMATION



Packaging gives customers useful information through labels: directions for use, nutritional information, and instructions for care.

## MEETING CUSTOMERS' NEEDS



When designing packages, product planners analyze customer lifestyles and create packaging that meets customers' needs for size and convenience.

## ENSURING SAFE USE



Proper packaging, such as childproof caps, helps to eliminate potential injuries or misuse of a product.

## PROTECTING THE PRODUCT

Packaging can protect a product from damage or spoilage.



### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a project on packaging.

If product planners do not consider these factors when designing packaging, companies run the risk of losing business as well as eroding their brand images.

## Contemporary Packaging Issues

Product packaging offers companies unique opportunities to incorporate the latest technologies and address lifestyle changes as well as environmental, social, and political concerns.

### Aseptic Packaging

**Aseptic packaging** incorporates a technology that keeps foods fresh without refrigeration for extended **periods**. The process involves separately sterilizing the package and the food product, and filling and sealing the package in a sterile environment. Canning and bottling are aseptic methods of food storage.

### Environmental Packaging

Companies are trying to develop packages that respond to consumer demand for environmentally sensitive designs. Recent public opinion surveys show that most Americans support less wasteful packaging. They are even willing to pay more for products that reduce waste. In response to consumer concern, companies are making more packages that are reusable, recyclable, and safer for the environment.

Many companies that manufacture spray products such as hair products, air freshener, and paint have switched from using aerosol cans to pump dispensers, which do not release ozone-destroying chlorofluorocarbons, or CFCs, into the atmosphere.

### Cause Packaging

Some companies are also using their packages to promote social and political causes.



## GLOBAL MARKET

### They Got Sole

High fashion can have very humble beginnings. Dr. Martens boots, known as *Doc Martens*, are the invention of a German doctor who wanted to create work shoes for people with foot problems. They were an immediate hit among fashion trendsetters, became a British cultural symbol, and are now popular on many continents.

Their popularity is in part due to their broad appeal. In the United States, musicians and rockers of the grunge, alternative, garage band, and ska scenes wore them in the late 1980s and 1990s. But they were also part of the mainstream marketplace.

**Regional Differences** But not everyone likes the same Docs. Europeans wear Doc Martens in bright colors, such as reds, greens, and blues. In Japan, younger women and some men like classic mid-calf-high boots in colors. Americans prefer black, brown, and tan. Americans are more likely to buy hiking boot styles because of a more casual lifestyle.

Aside from the color differences, all Doc Martens have certain design elements in common. According to the company's marketing director, all Docs have a thick, deeply treaded sole that extends beyond the upper and heavy stitching, often in white, along its seams.



### CRITICAL THINKING

How can marketers develop a global brand but still address local needs?

### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a project on global marketing of brands.

• **YOGURT on a MISSION** The Stonyfield Farm yogurt company prints messages on the lids of its containers. Stonyfield Farm donates ten percent of its profits each year to efforts that help protect or restore the Earth. The company also strives to educate consumers on key health and environmental issues.

*What message is the labeling of this product sending?*



This practice is known as **cause packaging**. The issues on the packages may be totally unrelated to the products inside. Ben & Jerry's ice cream cartons promote saving the rain forests and express opposition to the use of bovine growth hormone to stimulate milk production in cows.

Printing messages on packages encourages consumers to participate in or think about issues. In many ways, cause packaging is also a company's attempt to differentiate its products from those of its competitors.

## Labeling

A **label** is an information tag, wrapper, seal, or imprinted message that is attached to a product or its package. The main function of a label is to inform customers about a product's contents and give directions for use. Labels also protect businesses from legal

liability if a consumer is injured during the use of its product. Fear of litigation, consumer pressure, government regulation, and concern for consumer safety are all factors that have compelled manufacturers to place more detailed information on labels.

There are three kinds of labels: brand, descriptive, and grade.

The **brand label** gives the brand name, trademark, or logo. For example, some bananas are stamped with the Chiquita brand label. Although this is an acceptable form of labeling, it does not supply sufficient product information.

A **descriptive label** gives information about the product's use, construction, care, performance, and other features. For example, food labels include product illustrations, weight statements, dating and storage information, ingredients, product guarantees,

and the manufacturer's name and address. Product illustrations must represent what is in the package. Weight statements give the net weight of the entire product minus the package or liquid in which it is packed.

Date and storage information is necessary for food items. Date information includes the "packed on" date (date food was packed), the "sell by" date (last date product should be sold), the "best if used by" date (last date for

use for top quality), and the expiration date (date after which the product should not be used). Storage information tells how the product should be stored to have the least waste and best quality. Descriptive labels do not necessarily always contain all the information that consumers need when making a buying decision.

Nonfood labels usually provide consumers with instructions for the proper use and

## Case Study

### Looking for the Cool Factor

The Wrigley company has not spent a lot of time remaking its products over the years. It has been making its Juicy Fruit and Spearmint flavors for more than 100 years, and its Doublemint brand for more than 90 years. But recently the company wanted to expand its sales and extend its brand. So the company turned to Skippies for advice.

#### Ask the Teens

Skippies, short for School Kids with Income and Purchasing Power, are a target market segment that is getting more attention from market researchers. Teenagers spent \$179 billion on products for themselves or their family households in 2006, up from \$170 billion in 2003 according to a survey conducted by Teenage Research Unlimited.

Once Wrigley consulted with the Skippies, it introduced a new kind of Juicy Fruit in Strapleberry and Grapermelon flavors. Instead of having the normal long, flat shape with shiny foil around each stick, the new gum is candy-coated individual pieces packaged in blisterpacks. The gum package is flatter and wider than the traditional gum package and it has an inner case that slides out. The company also launched a tongue-twister contest on its Web site, offering free gum to winners. The traditional Juicy Fruit sticks are still on the market.



### THINK STRATEGICALLY

Why are companies attempting to make connections with the youth market? Are there any problems with remixing a traditional brand?

#### @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a project on marketing to teens.

care of products. They also give manufacturers a convenient place to communicate warranty information and product use warnings. Notices of electrical hazard, flammability, and poisonous ingredients are required on the labels of certain categories of products. Due to increased international business, labels might contain symbols in addition to words. These symbols give graphic instructions on how to wash, cook, or care for the product.

The manufacturer's name and address is provided so consumers can write for more information or to register a complaint. Many packages include the company's Web address, encouraging consumers to visit for more information. Some labels include a customer service phone number that consumers can contact for questions or problems.

A **grade label** states the quality of the product. For example, eggs are grade-labeled AA, A, and B; corn and wheat are grade-labeled 1 and 2; and canned fruit is often grade-labeled A, B, or C.

## Labeling Laws

In the past, the public has criticized companies for failing to offer complete and truthful information on product labels. Consumers also complained about the lack of uniformity in labeling. As a result of these complaints and concerns, labeling laws were established. Many package labels must now meet local, state, and federal standards. Federal mandates require that the name and address of the manufacturer, packer, or distributor and the quantity of contents appear on labels. These standards prevent manufacturers from misleading consumers with deceptive or incomplete packaging labels.

The Fair Packaging and Labeling Act (FPLA) of 1966 established mandatory labeling requirements and authorized the U.S. Food and Drug Administration (FDA) and the Federal Trade Commission (FTC) to establish packaging regulations. A 1992 amendment to the FPLA called for packages of selected products to include metric measurements. The amendment, which went into effect in 1994,

mandates that product weight be listed in American and metric weights and measures.

In today's global marketplace, companies must also consider the labeling laws of other countries. Some countries require bilingual labels. Others require that every ingredient in a product be listed on the label.

### The Federal Food and Drug Administration

The federal Nutrition Labeling and Education Act passed in 1990 and enacted in 1994 protects consumers from deceptive labeling. This act, which is administered by the FDA, requires that labels give nutritional information on how a food fits into an overall daily diet. Labels must clearly state the amount of calories, fat, carbohydrates, sodium, cholesterol, and protein in each serving, as well as the percentage of a daily intake of 2,000 calories. The act also regulates health claims and defines descriptive terms to make them consistent on all products. These terms and phrases include *light* and *lite*, *free* (as in *fat free*, *salt free*, *cholesterol free*), *low*, *reduced*, and *good source of*.

The FDA also requires that manufacturers of certain products place health warnings on their packages. Beginning in 1989, all alcoholic beverage labels had to carry the following statement: "According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. Consumption of alcoholic beverages impairs the ability to drive a car or operate machinery and may cause health problems." Similar warnings of health risks are required on cigarette package labels.

The FDA also has proposed new regulations on genetically modified foods. The FDA is developing guidelines for voluntary labeling as to whether food products contain genetically modified organisms.

### The Federal Trade Commission

Another federal agency involved with product labeling is the Federal Trade Commission (FTC). The FTC is also responsible for monitoring advertising that is false or misleading.

The Care Labeling Rule, first introduced in 1972, requires that care labels be placed in textile clothing. The care labeling rules ensure that specific information about the care of garments be detailed on labels, including information related to washing, drying, and ironing.

The FTC released guidelines in 1992 for companies to follow when making environmental claims on product labels. Previously, many environmental terms had definitions that were not clear. When using the term *recycled* to describe the content of its products, a company must now show proof that it has retrieved or recovered a designated amount of scraps or materials from the waste stream. The term *recyclable* can be used only if the product or package can be re-used as raw material for a new product or package. The terms *ozone safe* and *ozone friendly* can be used only if the products do not contain any ozone-depleting chemicals. The terms *degradable*, *biodegradable*,

and *photodegradable* can be used only if the product will decompose into elements found in nature within a reasonably short period of time after disposal.

### U.S. Department of Agriculture

The rise of specialty markets for organic foods, which totaled \$13.8 billion in sales in 2005, has compelled the U.S. Department of Agriculture (USDA) to issue legal standards and certification requirements for organic labels. The National Organic Rule dictates that companies must reserve the words *100 percent organic* and *organic* for use with foods that are produced without hormones, antibiotics, herbicides, insecticides, chemicals, genetic modification, or germ-killing radiation. The certified organic label requires both products and producers to be certified.

The Country of Origin Labeling (COOL) Act signed in 2002 took effect in September of 2007. This new law is also administered by the USDA and will require that a country-of-origin label be placed on all fruits, vegetables, peanuts, meats, and fish in the future.

## 31.2 AFTER YOU READ

### Key Terms and Concepts

1. Why is a package important to product planning?
2. What are the main functions of product packaging?
3. What three federal agencies regulate labeling laws?

### Academic Skills

#### Math

4. Robinson & Provost, Inc., a name branding agency, was paid \$15,000 by Happy Wanderers Travel Agency for the research and development of the agency's corporate trade name and trademark. Robinson & Provost's graphic designer was paid \$6,475 for her creative work on this project. Her salary was what percentage of the entire amount?

#### Social Studies/Government

5. Use the Internet or library resources to study one of the federal labeling laws explained in this chapter. Write a one- to two-page report on how the government enforces the law that you investigated.

#### CONCEPT Number and Operations:

**Division** When solving problems that involve percents, it is usually a matter of dividing one value by another.

- To solve this problem, divide the salary of the graphic designer by the total amount paid to the agency to determine what percent the designer's salary was of the total.



For help, go to the Math Appendix located at the back of this book.

### @ Online Action!

Check your answers at the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).



# CAREERS IN MARKETING



**TRACEY MCFALL**  
**OWNER**  
**KINDHEARTED WOMEN,**  
**BABY CARE PRODUCTS**

## ? What do you do at work?

I develop and create formulas and recipes for cosmetic and body care products such as lotions, body butters, hair conditioners, baby care products, and the like. I test, package, label, and advertise my products myself.

I have a partner who makes baby diapers and diapering

supplies. Development of effective formulas requires not only knowledge of raw materials and how they do what they do, but some knowledge of basic chemistry as well.

## ? What skills are most important to you?

The ability to listen to customer feedback. Sometimes I may love a product, but it is not selling. I need to do a little troubleshooting and find out why. Adjustment may be needed in ingredients, marketing, and/or pricing. Sometimes the problem is as simple as a label design flaw or an unappealing bottle or jar—I guess another important skill is the ability to be a bit of a detective.

## ? What is your key to success?

Secure financial backing; research and know your market. Set aside a fair amount for advertising and track what works and what doesn't, be diverse while remembering you can't do it all—you still need a niche. Never sacrifice product quality or your moral values for sales. Most of all, be patient, and remember that most small businesses fail within the first year.

## Aptitudes, Abilities, and Skills

Creativity, research skills, product knowledge, customer service and communication skills

## Academics and Education

**Courses** marketing, communication, general business

**Degrees** High School, BA

## Career Path

This is an entrepreneurial career, which means it can start anywhere. Product development positions at large corporations are high-level positions, though, and require substantial marketing and product design experience.

## Career Outlook

Growth about as fast as average for the next ten years

Source: *Occupational Outlook Handbook*



## THINKING CRITICALLY

How might someone in this entrepreneurial career benefit from a marketing degree?

## @ Online Action!

Go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com) to find a career-related activity.

# CHAPTER 31 REVIEW

## FOCUS on KEY POINTS

### SECTION 31.1

- A brand is a name, term, design, or symbol (or combination of these elements) that identifies a product or service. Brands can include a trade name, brand name, brand mark, trade character, and trademark. Branding strategies include brand extensions, brand licensing, mixed branding, and co-branding. Effective use of brand strategies can increase sales of branded products and maximize company revenues.

### SECTION 31.2

- The functions of packaging include promoting and selling the product, defining product identity, providing information, expressing benefits and features to customers, ensuring safe use, and protecting the product. The main function of a label is to inform customers about a product's contents and give directions for use. Labels also protect businesses from legal liability that may occur if a consumer misuses the product.

## REVIEW VOCABULARY

1. On a sheet of paper, use each of these key terms and academic vocabulary words in a written sentence.

### Key Terms

- brand (p. 654)
- brand name (p. 655)
- trade name (p. 655)
- brand mark (p. 656)
- trade character (p. 656)
- trademark (p. 656)
- national brands (p. 657)
- private distributor brands (p. 657)
- generic brands (p. 658)
- brand extension (p. 658)
- brand licensing (p. 658)
- mixed brand (p. 659)
- co-branding (p. 659)
- package (p. 660)
- mixed bundling (p. 661)
- price bundling (p. 661)
- blisterpacks (p. 661)
- aseptic packaging (p. 663)
- cause packaging (p. 664)
- label (p. 664)
- brand label (p. 664)
- descriptive label (p. 664)
- grade label (p. 666)

### Academic Vocabulary

- component (p. 654)
- distinct (p. 655)
- integral (p. 660)
- period (p. 663)

## REVIEW FACTS and IDEAS

2. What is the difference between brand extension and brand licensing? (31.1)
3. What is a mixed-brand strategy? (31.1)
4. What is a grade label? (31.2)
5. Explain three types of packaging. (31.2)
6. Why is developing a package an important part of the marketing process? (31.2)
7. Name two types of bundling. (31.2)
8. What types of product information might be on a package? (31.2)
9. Describe a brand label. (31.2)
10. What types of information are found on a food label? (31.2)
11. What types of information are found on a nonfood label? (31.2)

# CHAPTER 31 REVIEW

## BUILD REAL-WORLD SKILLS

### 12. Workplace Skills

**Research Skills** Select one line of products that is of interest to you. Identify the various brands sold in that product line. Use the Internet and corporate Web sites to find out specific product information. List the similarities and differences among the products.

### 13. Technology Applications

**The Recycling Process** Research the process used to recycle paper, cardboard, glass, plastic, wood, or other packaging materials. Create a chart that illustrates and describes the type of recycling process for the material selected.

## BUILD ACADEMIC SKILLS

### 14. Math Practice

**Brand Valuation** Perform an Internet search on the mathematical method used by Interbrand to determine brand valuation. Summarize the procedure in a written one-page report.

**CONCEPT** Problem Solving: Brand

**Value** Brand value is the value attributed to a brand in addition to the main product or service. Determining the value of a brand can be complicated because it can include such things as the perceived status that buying a particular brand can bring.



For help, go to the Math Appendix located at the back of this book.

### 15. English Language Arts/Writing

**Packaging** The packaging of a product can affect many things. One of the more important things it can affect is sales. Choose a product that you feel offers unique packaging. Write a paragraph describing the packaging. Include such things as what makes the packaging unique and how the uniqueness helps or hurts the value of the brand.

## DEVELOP CRITICAL THINKING

### 16. For Kids Only

A few brands of yogurt now package their product in soft plastic tubes that can be squeezed. The concept is that it is yogurt “on the go.” This idea might have targeted a broad market segment, but instead, those companies have single-mindedly chosen to target primary and middle-school-aged children and their families.

Why do you think manufacturers chose this market segmentation? How does the packaging relate to the target market?

## APPLY CONCEPTS

### 17. Investigating Brand Licensing

Investigate an existing brand licensing arrangement. Use business publications or online sources such as Brandweek, Adweek, BusinessWeek, Fortune, Forbes, Marketing News, or Creative Magazine.com to find applicable information.

**Activity** In a one-page paper, summarize the companies involved and how the licensing arrangement was established.

## NET SAVVY

### 18. Advergames

Locate an advergame Web site. Some possible choices include the sites of Procter & Gamble, Wrigley, Kellogg's, Kraft, Pepsi, McDonald's, General Mills, or Hershey's. Play one of the sponsored games. Prepare an oral presentation with an accompanying electronic presentation describing the game, how it is played, and what you liked and disliked about the game.

1. 00000  
2. 00000  
3. 00000  
4. 00000  
5. 00000

- Directions** Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

What is the value of 30 percent on a \$27 product?

- A \$9
- B \$19.90
- C \$3.10
- D \$8.10

- Directions** Choose either True or False as the answer. Write the letter for the answer on a separate piece of paper.

Blister packs are considered aseptic packaging.

- T
- F

### Test-Taking Tip

Eat well before taking a test. Have a nutritious meal and avoid junk food. Studies show that you need good nutrition to concentrate and perform your best.

THE



## CONNECTION

### Role Play Toy Store Employee

**Situation** Assume the role of experienced employee of a toy store. You are working with a new employee (judge) to stock the shelves with new merchandise for a holiday selling season. There are a lot of different toys and a lot of toys that are similar but made by different companies. The new employee (judge) asks you why there are so many of the same types of merchandise with different brand names and the same brand name on so many different types of merchandise.

**Activity** You are to explain to the employee (judge) about branding and its importance to companies and customers.

**Evaluation** You will be evaluated on how well you meet the following performance indicators:

- Explain the nature of branding.
- Describe the uses of grades and standards in marketing.
- Explain the use of brand names in selling.
- Describe factors used by marketers to position products/businesses.
- Orient new employees.



### @ Online Action!

For more information and DECA Prep practice, go to the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).