1 Brands and brand management

PREVIEW

More and more companies and other organizations have come to realize that one of their most valuable assets is the brand names associated with their products or services. In an increasingly complex world, individuals and businesses are faced with more and more choices, but seemingly have less and less time to make those choices. The ability of a strong brand to simplify consumer decision-making, reduce risk and set expectations is thus invaluable. Creating strong brands that deliver on that promise, and maintaining and enhancing the strength of those brands over time, has become a management imperative.

The purpose of this text is to assist those who seek a deeper understanding of how to achieve those branding goals. This advanced text addresses the important branding decisions faced by individuals and organizations in their marketing. Its objectives are:

1. to increase understanding of the important issues in planning, implementing and evaluating brand strategies;
2. to provide appropriate concepts, theories, models and other tools to help make better branding decisions.

Emphasis is placed on understanding psychological principles at the individual or organizational level so as to improve managerial decision-making with respect to brands. This book aims to be relevant to any type of organization regardless of size, nature of activity or profit orientation.

With these goals in mind, this first chapter defines what a brand is. It considers the functions of a brand from the perspective of both consumers and firms and why brands are important to both. It considers what can and cannot be branded and identifies some strong brands. The chapter concludes with an introduction to the concept of brand equity and the strategic brand management process.

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WHAT IS A BRAND?

Branding has been around for centuries as a way to distinguish the goods of one producer from those of another. In fact, the word *brand* is derived from the Old Norse word *brandr*, which means 'to burn', as brands were, and still are, the means by which owners of livestock mark their animals to identify them.[1]

According to the American Marketing Association (AMA), a brand is a 'name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition'. Technically speaking, then, whenever a marketer creates a name, logo or symbol for a new product, he or she has created a brand.

It should be recognized that many managers, however, refer to a brand as more than that – defining a brand in terms of having created awareness, reputation, prominence and so on in the marketplace.

The key to creating a brand, according to the AMA definition, is to be able to choose a name, logo, symbol, packaging design, etc., that identifies a product and distinguishes it from others. These components that identify and differentiate a brand can be called *brand elements*. As Chapter 4 shows, brand elements come in many forms.

For example, consider the variety of brand name strategies that exist. In some cases, the company name is used for all products (as with Nokia, Ericsson and Samsung). In other cases, manufacturers assign individual brand names that are unrelated to the company name to new products (as with Procter & Gamble and the Ariel, Pampers, Pringles and Pantene products). Retailers create their own brands based on their shop name or some other means (eg, Tesco has its own Healthy Eating, Organic, Kids and Finest brands).

The names given to products come in many forms.[2] There are brand names based on people (eg, Estée Lauder cosmetics, Porsche cars, Lacoste clothes and Björn Borg underwear); places (eg, Amazon, Cisco (short for San Francisco), Fuji (Japan's highest mountain) and Nokia (a town in Finland); animals or birds (eg, Mustang cars, Reebok (an antelope), Dove soap and Greyhound buses); or other things or objects (eg, Apple computers, Shell petrol and Samsung (means 'three stars' in Korean)).

There are brand names that use words with inherent product meanings (eg, Lean Cuisine and JustJuice) or that suggest important attributes or benefits (eg, Duracell batteries and Wash & Go shampoo). There are brand names that are made up and include prefixes and suffixes that sound scientific, natural or prestigious (eg, Intel microprocessors, Lexus cars and Compaq computers).

Similarly, other brand elements, such as brand logos and symbols, may be based on people, places and things, abstract images and so on in different ways. In sum, in creating a brand, marketers have many choices over the number and nature of the brand elements they choose to identify their products.

Brands versus products

It is important to contrast a brand with a product. A *product* is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want. Thus, a product may be a physical item (eg, a cereal, tennis racquet or

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car), service (eg, an airline, bank or insurance company), a shop (eg, a department store, a specialist shop, or supermarket), person (eg, a political figure, entertainer or professional athlete), organization (eg, a charity, trade organization or arts group), place (eg, a city, state or country) or idea (eg, a political or social cause). This book adopts this broad definition of product. It discusses the role of brands in some of these categories in this chapter and in Chapter 15.

Five levels can be defined for a product.[3]

1. The *core benefit level* is the fundamental need or want that consumers satisfy by consuming the product or service.
2. The *generic product level* is a basic version of the product containing only those attributes or characteristics absolutely necessary for its functioning but with no distinguishing features. This is basically a stripped-down, no-frills version of a product that adequately performs the product function.
3. The *expected product level* is a set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.
4. The *augmented product level* includes additional attributes, benefits or related services that distinguish the product from competitors.
5. The *potential product level* includes all of the augmentations and transformations that a product could ultimately undergo.

Figure 1.1 illustrates these levels in the context of air-conditioners and portable MP3 players. Competition within many markets takes place mainly at the product augmentation level because most firms can build satisfactory products at the expected product level. The academic Ted Levitt has argued (1960): 'The new competition is not between what companies produce in their factories but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing and other things that people value.'[4]

A brand is therefore a product but one that *adds other dimensions that differentiate it in some way from other products designed to satisfy the same need.* These differences may be rational and tangible – related to product performance of the brand – or more symbolic, emotional and intangible – related to what the brand represents. One marketing observer put it this way:

> More specifically, what distinguishes a brand from its unbranded commodity counterpart and gives it equity is the sum total of consumers' perceptions and feelings about the product's attributes and how they perform, about the brand name and what it stands for and about the company associated with the brand.[5]

So, a branded product may be a physical item (eg, Kellogg's Corn Flakes cereal, Prince tennis racquets or BMW cars), a service (eg, Ryanair, ABN Amro Bank or Allianz insurance), a shop (eg, Harrod's department store, The Body Shop specialist shop or Carrefour supermarket), a person (eg, Richard Branson, Julia Roberts or David Beckham), a place (eg, the city of Rome, region of Provence or country of Australia), an organization (eg, the Red Cross, the Automobile Association or The Rolling Stones) or an idea (eg, corporate responsibility, free trade or freedom of speech).

Some brands create competitive advantages with product performance. For example, brands such as Gillette, TetraPak and others have been leaders in their product categories for decades, due, in part, to continual innovation (see Figure 1.2 for a list

Level	Air-conditioner
1. Core benefit	Cooling and comfort.
2. Generic product	Sufficient cooling capacity (Btu per hour), an acceptable energy efficiency rating, adequate air intakes and exhausts and so on.
3. Expected product	*Consumer Reports* magazine (July 2005) states that, for a typical large air-conditioner, buyers should expect: at least two cooling speeds; expandable plastic side panels; adjustable vents; removable air filter; vent for exhausting air; power cord at least 60 inches long; R-22 HCFC refrigerant (less harmful to the Earth's ozone layer than other types); one-year parts-and-labour warranty on the entire unit; and a five-year parts-and-labour warranty on the refrigeration system.[a]
4. Augmented product	Optional features might include: touch-pad controls; a display to show indoor and outdoor temperatures and the thermostat setting; an automatic mode to adjust fan speed based on the thermostat setting and room temperature; a free phone number for customer service.
5. Potential product	Silently running, completely balanced throughout the room and energy self-sufficient.

Level	Portable MP3 player
1. Core benefit	Musical entertainment on the move.
2. Generic product	Ability to play music downloaded from the web or 'ripped' from CD collections.
3. Expected product	*Consumer Reports* states that, for a typical portable MP3 player, consumers should expect a solid-state device with no moving parts (which eliminates skipping) and 64 to 128 megabytes of memory. Most standard-capacity players have expansion slots to add more memory and software to interface with a computer.[b]
4. Augmented product	Optional features might include a colour LCD screen, audio equalizer and the ability to store files other than digital-audio files, including text, image and video files.
5. Potential product	Voice-controlled programming; extended 'infinite life' batteries.

[a] *Consumer Reports*, July 2005.
[b] *Consumer Reports*, Annual Buying Guide, 2004.

Figure 1.1 Examples of product levels

1. Apple	11. Virgin
2. 3M	12. Samsung
3. Microsoft	13. Wal-Mart
4. GE	14. Toyota
5. Sony	15. eBay
6. Dell	16. Intel
7. IBM	17. Amazon
8. Google	18. Ideo
9. Procter & Gamble	19. Starbucks
10. Nokia	20. BMW

Based on poll of 940 senior executives in 68 countries by Boston Consulting Group

Figure 1.2 Twenty innovative companies[6]

Source: Bruce Nussbaum, 'Get creative', *BusinessWeek*, 1 August 2005: 61–8.

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of innovative companies). Steady investments in research and development have produced leading-edge products, and sophisticated mass marketing practices have ensured rapid adoption of new technologies by consumers.

Other brands create competitive advantages through non-product-related means. For example, Coca-Cola, Chanel No 5 and others have been leaders in their product categories for decades by understanding consumers' motivations and desires and creating relevant and appealing images surrounding their products. Often, these intangible image associations may be the only way to distinguish different brands in a product category.

Brands, especially strong ones, have a number of types of associations, and marketers must account for all of them in making marketing decisions. The marketers behind some brands have learned this lesson the hard way. Brand Briefing 1.1 describes the problems the Coca-Cola Company encountered in the introduction of New Coke when it failed to account for all of the aspects of the Coca-Cola brand image. Not only are there many different types of associations to link to the brand, there are many different means of creating them – the entire marketing campaign can contribute to consumers' understanding of the brand and how they value it.

Brand Briefing 1.1

Coca-Cola's branding lesson

One of the classic marketing mistakes occurred in April 1985 when the Coca-Cola Company replaced its flagship cola brand with a new formula. The motivation behind the change was primarily a competitive one. Pepsi-Cola's 'Pepsi Challenge' promotion had posed a strong challenge to Coke's supremacy over the cola market. Starting just in Texas, the promotion involved advertising and in-store sampling with consumer blind taste tests between Coca-Cola and Pepsi-Cola. Invariably, Pepsi won these tests. Fearful that the promotion, if taken nationally, could take a big bite out of Coke's sales, especially among younger drinkers, Coca-Cola felt compelled to act.

Coca-Cola's strategy was to change the formulation of Coke to match more closely the slightly sweeter taste of Pepsi. To arrive at a new formulation, Coke conducted taste tests with 190,000 consumers! The findings from this research clearly indicated that consumers 'overwhelmingly' preferred the taste of the new formulation to the old one. Brimming with confidence, Coca-Cola announced the formulation change with much fanfare. Consumer reaction was swift but, unfortunately for Coca-Cola, negative. In Seattle, retired property investor Gay Mullins founded the 'Old Cola Drinkers of America' and set up a hotline for angry consumers. A Beverly Hills wine merchant bought 500 cases of 'Vintage Coke' and sold them at a premium. Meanwhile, back at Coca-Cola headquarters, roughly 1,500 calls a day and literally truck-loads of letters poured in condemning the

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Brand Briefing 1.1 *continued*

company's actions. Finally, after months of slumping sales, Coca-Cola announced that the old formulation would return as 'Coca-Cola Classic' and join 'New Coke in the marketplace.

The New Coke debacle taught Coca-Cola a very important, albeit painful and public, lesson about its brand. Coke clearly is not just seen as a drink by consumers. Rather, it seems to be viewed as more of an American icon, and much of its appeal lies not only in its ingredients but also in what it represents in terms of Americana, nostalgia and its heritage and relationship with consumers. Coke's brand image certainly has emotional components and consumers have a great deal of strong feelings for the brand. Although Coca-Cola made other mistakes in introducing New Coke (eg, both its advertising and packaging probably failed to differentiate clearly the brand and communicate its sweeter quality), its biggest slip-up was losing sight of what the brand meant to consumers in its totality. The *psychological* response to a brand can be as important as the *physiological* response to the product. At the same time, the US consumer also learned a lesson – just how much Coke really meant to them. As a result of Coke's marketing fiasco, it is doubtful that either side will take the other for granted from now on.

Source: Patricia Winters, 'For New Coke, "what price success?"', *Advertising Age*, 20 March 1989: S1–S2. Reprinted with permission from the March 20, 1989 issue of Advertising Age. Copyright, Crain Communications Inc. 1989.

By creating perceived differences between products through branding and developing a loyal consumer franchise, marketers create value that can translate into financial profits for a firm. The reality is that the most valuable assets that many companies have may not be tangible assets, such as plant, equipment and buildings, but *intangible* assets, such as management skills, marketing, financial and operations expertise, and, most important, the brands themselves. Thus, a brand is a valued intangible asset that needs to be handled carefully. The next section examines some of the reasons why brands are valuable.

WHY DO BRANDS MATTER?

An obvious question is, why are brands important? What functions do they perform that make them so valuable to marketers? We can look at these questions from a couple of perspectives to uncover the value of brands to both customers and their owners. Figure 1.3 provides an overview of the different roles that brands play for these two parties.

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Consumers

- Identification of source of product.
- Assignment of responsibility to product maker.
- Risk reducer.
- Search cost reducer.
- Promise, bond or pact with maker of product.
- Symbolic device.
- Signal of quality.

Manufacturers

- Means of identification to simplify handling or tracing.
- Means of legally protecting unique features.
- Signal of quality level to satisfied customers.
- Means of endowing products with unique associations.
- Source of competitive advantage.
- Source of financial returns.

Figure 1.3 Roles that brands play

Consumers

As with the term product, this book uses the term *consumer* broadly to encompass all types of customers, including individuals and organizations. To consumers, brands provide important functions. Brands identify the source or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor. Most important, a brand takes on a special meaning to consumers. Because of past experiences with the product and its marketing over the years, consumers learn about brands. They find out which brands satisfy their needs and which ones do not. As a result, brands provide a shorthand device or means of simplification for their product decisions.[7]

If consumers recognize a brand and have some knowledge about it, then they do not have to engage in a lot of additional thought or processing of information to make a product decision. Thus, from an economic perspective, brands allow consumers to lower search costs for products both internally (in terms of how much they have to think) and externally (in terms of how much they have to look around). Based on what they know about the brand – its quality, product characteristics and so forth – consumers can make assumptions and form reasonable expectations about what they may *not* know about the brand.

The meaning imbued in brands can be profound. The relationship between a brand and the consumer can be seen as a 'bond' or pact. Consumers offer their trust and loyalty with the implicit understanding that the brand will behave in certain ways and provide them utility through consistent product performance and appropriate pricing, promotion and distribution and actions. To the extent that consumers realize advantages and benefits from purchasing the brand, and as long as they derive satisfaction from product consumption, they are likely to continue to buy it.

These benefits may not be purely functional in nature. Brands can serve as symbolic devices, allowing consumers to project their self-image. Certain brands are

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associated with being used by certain types of people and thus reflect different values or traits. Consuming such products is a means by which consumers can communicate to others – or even to themselves – the type of person they are or would like to be.

Author Daniel Boorstein asserts that, for many people, brands serve the function that fraternal, religious and service organizations used to serve – to help people define who they are and then help people communicate that definition to others. As Susan Fournier notes:

> Relationships with mass [market] brands can soothe the 'empty selves' left behind by society's abandonment of tradition and community and provide stable anchors in an otherwise changing world. The formation and maintenance of brand–product relationships serve many culturally-supported roles within postmodern society.[8]

Brands can also play a significant role in signalling certain product characteristics to consumers. Researchers have classified products and their associated attributes or benefits into three categories: search goods, experience goods and credence goods.[9] With *search goods*, product attributes can be evaluated by visual inspection (eg, the sturdiness, size, colour, style, weight and ingredient composition of a product). With *experience goods*, product attributes – potentially equally important – cannot be assessed so easily by inspection and actual product trial and experience is necessary (eg, as with durability, service quality, safety, ease of handling or use). With *credence goods*, product attributes may be rarely learned (eg, insurance coverage). Because of the difficulty in assessing and interpreting product attributes and benefits with experience and credence goods, brands may be important signals of quality and other characteristics to consumers for these types of products.[10]

Brands can reduce the risks in product decisions.[11] Consumers may perceive many different types of risks in buying and consuming a product.

- *Functional risk:* the product does not perform up to expectations.
- *Physical risk:* the product poses a threat to the physical well-being or health of the user or others.
- *Financial risk:* the product is not worth the price paid.
- *Social risk:* the product results in embarrassment.
- *Psychological risk:* the product affects the mental well-being of the user.
- *Time risk:* the failure of the product results in an opportunity cost of finding another satisfactory product.

Among the many ways in which consumers handle these risks is that of buying well-known brands, especially those with which consumers have had favourable past experiences. This is especially true in business-to-business settings where such risks can have profound implications.

In summary, to consumers, the special meaning that brands take on can change their perceptions and experiences of a product. The identical product may be evaluated differently by an individual or organization depending on the brand identification or attribution it is given. Brands take on unique, personal meanings for consumers that facilitate their day-to-day activities and enrich their lives. As consumers' lives become more complicated, rushed and time-starved, the ability of a brand to simplify decisions and reduce risk is invaluable.

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Companies

Brands also provide a number of valuable functions for firms.[12] Fundamentally, they serve an identification purpose to simplify product handling or tracing. Operationally, brands help to organize inventory and accounting records. A brand also offers the firm legal protection for unique features or aspects of the product. A brand can retain intellectual property rights, giving legal title to the brand owner.[13] The brand name can be protected through registered trademarks; manufacturing processes can be protected through patents; and packaging can be protected through copyrights and designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.

As noted earlier, these investments in the brand can endow a product with unique associations and meanings that differentiate it from other products. Brands can signal a certain level of quality so that satisfied buyers can easily choose the product again.[14] This brand loyalty provides predictability and security of demand for the maker and creates barriers that make it difficult for other firms to enter the market.

Although manufacturing processes and product designs can be duplicated, lasting impressions in the minds of individuals and organizations from years of marketing activity and product experience may not be so easily reproduced. In this sense, branding can be seen as a powerful means of securing a competitive advantage.

In short, to their owners, brands represent enormously valuable pieces of legal property, capable of influencing consumer behaviour, being bought and sold and providing the security of sustained future revenues.[15] For these reasons, large sums have been paid for brands in mergers or acquisitions, starting with the boom years of the mid-1980s. The merger and acquisition frenzy during this time resulted in financiers seeking out undervalued companies from which investment or takeover profits could be made. One of the primary undervalued assets of these firms was their brands, given that they were off-balance sheet items. Implicit in this interest was a belief that strong brands resulted in better earnings and profit performance for firms, which, in turn, created greater value for shareholders.

In many instances, the price premiums paid for companies was often clearly justified on the basis of assumptions of the extra profits that could be extracted and sustained from their brands, as well as the tremendous difficulty and expense of creating similar brands. Much of the recent interest in brands from senior management has been a result of these bottom-line financial considerations. For a typical fast-moving consumer goods (FMCG) company, most of its value is made up by intangible assets and goodwill – net tangible assets may be as little as 10 percent of the total value (see Figure 1.4). Moreover, as much as 70 percent of their intangible assets can be made up by brands.

CAN ANYTHING BE BRANDED?

Brands clearly provide important benefits to both consumers and firms. An obvious question then is, how are brands created? How do you ‘brand’ a product? Although firms provide the impetus to brand creation through marketing and other activities,

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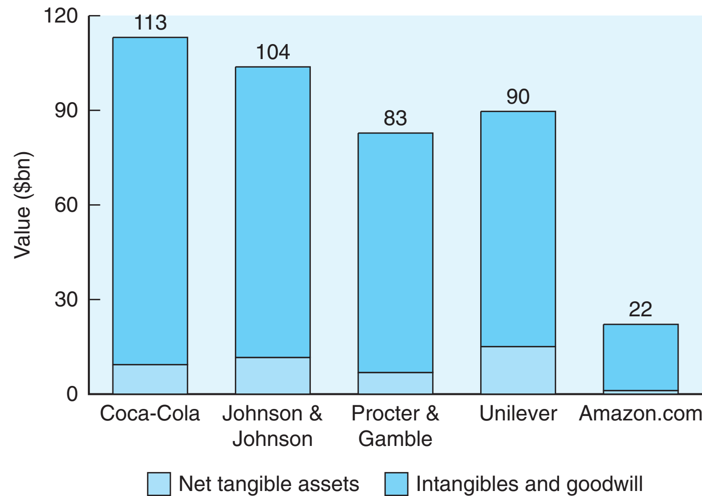

Figure 1.4 Brands on the balance sheet

Source: Interbrand.

ultimately a brand is *something that resides in the minds of consumers*. A brand is a perceptual entity that is rooted in reality but is more than that and reflects the perceptions and perhaps even the idiosyncrasies of consumers.

To brand a product it is necessary to teach consumers 'who' the product is – by giving it a name and using other brand elements to help identify it – as well as what the product does and why consumers should care. In other words, to brand a product or service, it is necessary to give consumers a *label* for the product (ie, 'here's how you can identify the product') and to provide *meaning* for the brand (ie, 'here's what this particular product can do for you and why it is special and different from other brand name products').

Branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision-making and, in the process, provides value to the brand owner. The key to branding is that *consumers perceive differences between brands* in a product category. As noted above, brand differences often are related to attributes or benefits of the product itself. In other cases, however, brand differences may be related to more intangible considerations.

Whenever and wherever consumers are deciding between options, brands can play an important role. Accordingly, *marketers can benefit from branding whenever consumers are making a choice*. Given the myriad of choices consumers make each and every day, it is no surprise how pervasive branding has become.

For example, consider how marketers have been able to brand what were once commodities. A *commodity* is a product so basic that it cannot be differentiated in the minds of consumers. Over the years, products that at one time were seen as commodities have become highly differentiated as strong brands have emerged.[16] Some notable examples (with brand pioneers in parentheses) are: coffee (Maxwell House), bath soap (Lux), beer (Heineken), ketchup (Heinz), porridge (Quaker), bananas (Chiquita), chickens (Perdue), pineapples (Dole), synthetic fabrics (DuPont), MP3-type players (Apple iPod), microprocessors (Intel) and even water (Perrier).

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These commodity products have been branded. The success factor in each case, however, was that consumers became convinced that products in the category were not the same. In some instances, such as with groceries, marketers convinced consumers that a product was *not* a commodity and could vary appreciably in quality. In these cases, the brand was seen as assuring uniformly high quality in the product category, on which consumers could depend. A recent example of this approach is Intel, which has spent vast sums of money on its Intel Inside promotion to brand its computer chips as delivering the highest level of performance (eg, power) and safety (eg, upgradability) possible.

In other cases, because product differences were almost non-existent, brands have been created by image or other non-product-related considerations, as with Perrier bottled mineral water. One of the best examples of branding a commodity in this fashion has been diamonds (see Brand Briefing 1.2).

Brand Briefing 1.2

Diamond industry creates niches to increase sales

De Beers Group added the phrase 'A diamond is forever' as the tagline in its advertising campaign in 1948. The diamond supplier, which was founded in 1888 and sells about 60 percent of the world's rough diamonds, wanted to attach more emotion and symbolic meaning to the purchase of diamond jewellery. 'A diamond is forever' became one of the most recognized slogans in advertising and helped fuel an industry that was worth nearly €17.1 billion a year in the USA alone by 2004.

Nearly all women who get engaged receive an engagement ring. But that ring may be the only diamond ring they ever own. De Beers has faced the challenge of creating more demand for something that the company once urged customers to think of as a once-in-a-lifetime, 'forever' purchase.

In 2001, De Beers used the tagline 'for your past, present and future' to increase sales of three-stone diamond rings. The company promoted three-stone rings as meaningful anniversary gifts. The goal was to turn engagement ring buyers into repeat customers – and the three-stone ring could work just as well for a 3-year anniversary gift as a 25-year gift. Until then, sales of the three-stone pieces had been only modest but US sales of the rings rose 74 percent in 2002.

Next, De Beers wanted customers to start thinking about their right hand as well as their left. The company aimed to change the perception of diamond rings as limited to engagement rings and wedding bands. It spiced up the stagnant right-hand ring category with fashionable, affordable options.

Industry experts said De Beers wasn't only hoping to expand ring sales but also striving to create a market for the smaller diamonds that manufacturers have in abundance, as consumers favour increasingly bigger diamonds for engagement

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Brand Briefing 1.2 *continued*

rings. Aimed at women aged 30 to 54 with household incomes of more than €68,409, the right-hand rings are usually platinum, with several diamonds and open space in the design that is intended to make the rings look bigger without pumping up the cost. Vertical designs distinguish right-hand rings from solitaire engagement rings worn on left hand.

Ads for right-hand rings launched in 2003 included statements capturing the symbolism of right and left hands. One declared: 'Your left hand says "we." Your right hand says "me."' All of the ads ended with the tagline, 'Women of the world, raise your right hand.' The print ads, created by The Diamond Trading Company, De Beers' London-based marketing arm, featured 16 right-hand ring designs.

Sources: Sandra O'Loughlin, 'Sparkler on the other hand', *Brandweek,* 19 April 2004; Blythe Yee, 'Ads remind women they have two hands', *Wall Street Journal*, 14 August 2003; Lauren Weber, 'De Beers to open first US retail store', *Newsday*, 22 June 2005.

The universality of branding can be recognized by looking at some different product applications. Products can be defined broadly to include physical items, services, shops, online businesses, people, organizations, places or ideas. For each of these types of products, basic considerations and illustrative examples are considered below. Some special cases are considered in Chapter 15.

Physical items

Physical items include many of the best-known and most highly regarded consumer products (eg, Coca-Cola, Mercedes-Benz, Nescafé and Sony). As more kinds of products are being sold, or at least promoted directly to consumers, the adoption of marketing practices and branding has spread.

Companies selling industrial products or durable goods to other companies are also recognizing the benefits of having strong brands. Brands have begun to emerge with certain types of physical items that heretofore did not support brands. The remainder of this section considers the role of branding with industrial products as well as technologically intensive or 'high-tech' products.

Business-to-business products

Firms are recognizing the value of having a strong corporate brand in their business dealings with other firms. Business-to-business branding involves creating a positive image and reputation for the company as a whole. Creating such goodwill with business customers is thought to lead to greater selling opportunities and more profitable relationships. A strong brand can provide valuable reassurance to business customers who may be putting their company's fate – and perhaps their own careers – on the line. A strong business-to-business brand can thus provide a strong competitive advantage.

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Business-to-business brands are often corporate brands, so understanding branding from that perspective becomes critical. The complexity of business-to-business branding lies in the many people involved, both on the company side and in terms of the many market segment targets. Such complexity requires adjustments to marketing campaigns and marketing communications. One challenge for many business-to-business brands is how to decommoditize themselves to create product and service differences. Brand Briefing 1.3 describes some particularly important guidelines for business-to-business branding.

Brand Briefing 1.3

Understanding business-to-business branding

1. ***The role and importance of branding should be tied directly to the industrial marketer's business/profit model and value-delivery strategy.*** The starting point for the business model should be the firm's distinctive competence, its target market and customers, its position in the value chain and its strategy for delivering superior value to those chosen customers.
2. ***Understand the role of the brand in the organizational buying process***. Use market research to identify the composition of the buying centre and the decision criteria used by the people with the main roles.
3. ***Be sure the basic value proposition has relevance for all significant players in the decision-making unit and decision-making process.*** There will be many people involved in any buying decision and they all must find the brand promise both relevant and responsive to their needs and concerns.
4. ***Emphasize a corporate branding approach.*** It is important to remember the importance of the buyer–seller relationship and the central role played by the buyer's corporate credibility and reliability.
5. ***Build the corporate brand around intangibles.*** Maximize expertise, trustworthiness, ease of doing business and likeability as a way to establish corporate credibility, reputation and distinctiveness.
6. ***Avoid confusing corporate communication strategy and brand strategy and carefully manage the relationship to avoid conflict.*** The focus of brand strategy should be on the brand as a strategic entity and what it means for the customer, not on the broader issues of corporate citizenship that may or may not be relevant for buyers.
7. ***Apply segmentation analysis within and across industry-defined segments, based on differences in the composition and functioning of buying centres within those segments.*** Brand positioning within those sub-segments must then be tailored to the unique needs of the individuals in those segments but, just as importantly, must build on and be consistent with the overall corporate brand positioning.

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Brand Briefing 1.3 *continued*

8. ***Build brand communications around the interactive effects of media.*** Business-to-business budgets are usually smaller than in consumer marketing and 'mass' media are likely to be limited in terms of reach and availability, so specialized media such as trade shows, educational activities and professional journals may be most effective in reaching specific sub-segments of buyers within customer organizations.
9. ***Adopt a top-down and bottom-up brand management approach.*** *Top-down* brand management involves marketing activities that capture the 'big picture' and recognize the possible synergies between products and markets to brand products accordingly. *Bottom-up* brand management, however, requires that marketing managers primarily direct their marketing activities to maximize brand equity for individual products for particular business units and markets.
10. ***Educate all members of the organization as to the value of branding and their role in delivering brand value.*** Whereas a few individuals may be responsible for developing strategy, the whole organization is responsible for its implementation. Industrial products and brands are likely to have many customer 'touch points', each of which must be managed consistently with the brand image.

Sources: K. Lane Keller and F. E. Webster, Jr 'A roadmap for branding in industrial markets', *Journal of Brand Management*, 11 May 2004: 388–402. P. Mitchell, S. King and S. Reast, 'Brand values related to industrial products', *Industrial Marketing Management*, May 2001, 30 (5): 415–25.

High-tech products

Another example of the increasing realization of the important role that brands play in the marketing equation is with high-tech products (eg, computer-related products). Many technology companies have struggled with branding. Managed by technologists, they often lack any brand strategy and, in the worst case, see branding as simply equal to naming of their products. In many of these product markets, however, financial success is no longer driven by product innovation or by offering the best specifications and features. Marketing skills are playing an increasingly important role in the success of high-tech products.

The rapid nature of the technology product lifecycles causes unique branding challenges. Trust is critical, and companies often buy into companies as much as products. Leaders of technology companies often become a dominant component of the brand (eg, Apple's Steve Jobs and Microsoft's Bill Gates). Marketing budgets may be small, although adoption of packaged goods marketing techniques by companies selling high-tech products has resulted in increased expenditures on mass-market advertising. Brand Briefing 1.4 provides guidelines for marketing managers at high-tech companies.

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Brand Briefing 1.4

Understanding high-tech branding

Marketers operating in technologically intensive markets face unique challenges, eg, an accelerated product lifecycle due to continual R&D advances and innovations. Here are ten guidelines that managers for high-tech companies can use to improve their company's brand strategy

1. ***A brand strategy should provide a roadmap for the future.*** High-tech companies too often rely on the faulty assumption that the best product based on the best technology will sell itself. As the market failure of the Sony Betamax illustrates, the company with the best technology does not always win.
2. ***Understand your brand hierarchy and manage it appropriately over time.*** A strong corporate brand is vital in the technology industry to provide stability and help to establish a presence in financial markets. Since product innovations provide the growth drivers for technology companies, however, brand equity is sometimes built in to the product name to the detriment of corporate brand equity.
3. ***Know your customer and build an appropriate brand strategy.*** Many high-tech companies understand that, when corporate customers purchase business-to-business products or services, they are typically committing to a long-term relationship. For this reason, high-tech companies should establish a strong corporate brand that will endure over time.
4. ***Building brand equity and selling products are two different exercises.*** Too often, the emphasis on developing products leads to an overemphasis on branding them. When a company applies distinct brand names to too many products in rapid succession, the brand portfolio becomes cluttered and consumers may become confused. Rather than branding each innovation separately, a better approach is to plan for innovations by developing an extendible branding strategy.
5. ***Brands are owned by customers, not engineers.*** In high-tech firms, chief executives in many cases work their way up the ladder through the engineering divisions. While engineers have an intimate knowledge of products and technology, they may lack the big-picture brand view. Compounding this potential problem is the fact that high-tech companies typically spend less on consumer research compared with other types of companies. As a result of these factors, tech companies often do not invest in building strong brands.
6. ***Brand strategies need to account for the attributes of the chief executive and adjust accordingly.*** Many of the world's top high-tech companies have highly visible leaders, especially compared with other industries. In many cases, the chief executive's identity and persona are woven into the fabric of the brand.
7. ***Brand building on a small budget necessitates using every possible positive association.*** High-tech companies typically prioritize their marketing mix as follows: industry analyst relations, public relations, trade shows, seminars,

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Brand Briefing 1.4 *continued*

direct mail and advertising. Often, direct mail and advertising are discretionary items and may in fact receive no budget.

8. ***Technology categories are created by customers and external forces, not by companies.*** In their quest for product differentiation, new high-tech companies have a tendency to reinvent the wheel and claim they have created a category. Yet only two groups can create categories: analysts and customers. For this reason, it is important for high-tech companies to manage their relationships with analysts in order to attract consumers.
9. ***Rapid change demands that you stay in tune with your internal and external environment.*** The rapid pace of innovation in the technology sector dictates that marketers closely observe the market conditions in which their brands do business. Trends in brand strategy and marketing change almost as rapidly as the technology.
10. ***Invest the time in understanding the technology and value proposition and do not be afraid to ask questions.*** It is important for technology marketers to ask questions in order to educate themselves and build credibility with the company's engineering staff and with customers. To build trust between engineers and customers, marketers must strive to learn as much as they can about the technology.

Source: P. Tickle, K. Lane Keller and K. Richey, 'Branding in high-technology markets', *Market Leader*, 2003, 22 (Autumn): 21–6.

Services

Although there have long been strong service brands (eg, American Express, British Airways, Hilton Hotels, Merrill Lynch and DHL), the pervasiveness and level of sophistication in their branding has accelerated in the past decade. As Interbrand's John Murphy noted: 'In the last 30 years, some of the greatest branding successes have come in the area of services.' Brand Briefing 1.5 describes the ascent of the Ryanair.

One of the challenges in marketing services is that, relative to products, they are more intangible and more likely to vary in quality depending on the particular person or people involved in providing the service. Consequently, branding can be particularly important to service firms to address potential intangibility and variability problems. Brand symbols may also be especially important because they help to make the abstract nature of services more concrete. Brands can help to identify and provide meaning to different services. For example, branding has become especially important in financial services to help organize and label the myriad of offerings in a manner that consumers can understand.

Branding a service can also signal to consumers that the firm has designed a service offering that is special and deserving of its own name. For example, British Airways

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Brand Briefing 1.5

Flying high with Southwest Airlines

Southwest Airlines, originally called Air Southwest, was founded by Texans Rollin King and Herb Kelleher in 1967. Southwest started as a commuter carrier with flights between Dallas, Houston and San Antonio, but grew to operate in 55 US cities. Southwest trades on its cheap fares and no-frills service. Seats on its planes are all the same class and the in-flight service offers neither films nor meals.

Southwest knew from an early stage that it could not differentiate on price alone, because competitors could easily muscle into the market with cheaper versions. To promote customer loyalty, the airline sought to create a unique flying experience for its customers. Early flights featured Jet Bunnies – flight attendants dressed in hot pants and go-go boots – who served beverages known as 'Love Potions' and snacks called 'Love Bites'. Southwest encouraged its pilots and cabin crew members to entertain the passengers with jokes and snappy patter during in-flight announcements.

One of the company's early recruitment bulletins specified that applicants should have a sense of humour. Even chief executive Herb Kelleher got in on the act. On occasions, Kelleher donned an Elvis Presley costume to meet passengers at the gate and once served drinks and snacks while dressed in a bunny suit on an Easter flight. Another passenger-pleasing feature of Southwest flights is the first-come, first-served open seating, whereby passengers are given numbered cards that reflect the boarding order based on when they arrive at the gate.

Southwest's advertising has always been informative, yet with humour at the same time. For several years, the airline has used as its tagline a clever play on the standard message from a captain telling passengers they are free to move about the plane's cabin. Southwest's version, which emphasizes its national route coverage, declares: 'You are now free to move about the country.' Recent ads highlighted Southwest's low fares with humorous television spots in which a character commits a social blunder, after which a voiceover asks 'Wanna get away?'

Today, Southwest is the fourth-largest US airline, with 3,000 daily flights to 60 cities in 31 states. It holds the distinction of being the only low-fare airline to achieve long-term success. By offering a low-cost, convenient and customer-friendly option, Southwest has attracted passengers in droves and, after its first profitable year in 1969, achieved profits in each of the next 37.

Sources: Jane Woolridge, 'Baby-boom airline is unknown, cheap', *San Diego Union-Tribune*, 30 December 1984; Katrina Brooker, 'The chairman of the board looks back', *Fortune*, 28 May 2001; Wendy Zellner, 'Holding steady', *BusinessWeek*, 3 February 2003: 66–8.

not only branded its premium business class service as 'Club Class' but also branded its economy service as 'World Traveller', a clever way to communicate to these passengers that they are also special in some way and that their patronage is not taken for granted. Branding has clearly become a competitive weapon for services.

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Retailers and distributors

To the retailers or other channel members distributing products, brands provide important functions. Brands can generate consumer interest, patronage and loyalty in a shop, as consumers learn to expect certain brands and products. To the extent 'you are what you sell', brands help to create an image and establish a positioning. Retailers can also create a brand image by attaching unique associations to the quality of a service, their product assortment and merchandising and their pricing and credit policy. Finally, the appeal and attraction of brands can permit higher price margins, increased sales volumes and greater profits. These brand name products may come from manufacturers or other external sources or from the shop itself.

Retailers can introduce their own brands by using their shop name, creating new names or some combination of the two. Thus, many distributors, especially in Europe, have introduced their own brands that they sell in addition to – or sometimes even instead of – manufacturers' brands. These products, referred to as *own label*, *store brands* or *private label* brands, offer another way for retailers to increase customer loyalty and generate higher margins and profits. In Britain, five or six supermarket chains account for roughly half of the country's food and packaged goods sales, led by Tesco and Sainsbury. Another top British retailer, Marks & Spencer, sells only its own brand goods. Other European retailers also emphasize their own brands. Brand Briefing 1.6 describes some of the branding developments at Wal-Mart. Chapter 5 considers own label, store brands and private labels in greater detail.

Online products and services

In Europe in 2006, the number of internet users varied widely from country to country,[17] with the most developed being the Scandinavian countries with 70–75 percent of its population being connected. The EU average is, at the time of writing, 50 percent. The EU candidate countries, Bulgaria, Croatia, Macedonia, Romania and Turkey average 17 percent. But where the penetration is low, growth rates are very high.

In the pioneering internet countries, the end of the twentieth century revealed an unprecedented head-long rush by new and existing businesses to create online brands. Quickly, these businesses learned the complexities and challenges of building a web-based brand. Such brands came in many different forms, with business models based on selling information, products, experiences and so on.

Many online brand marketers during this heady time made serious – and sometimes fatal – mistakes. In general, these marketers seemed to oversimplify the branding process, for example, equating flashy or unusual advertising with building a brand. Although such marketing efforts sometimes caught consumers' attention, more often than not they failed to create awareness of what products or services the brand represented, why those products or services were unique or different and, most important, why consumers should buy the brand.

Online marketers quickly realized the realities of brand-building. First, as with any brand, it is critical to create unique aspects that a important to consumers – such as convenience, price and variety. At the same time, the brand needs to perform satisfactorily in other areas, such as customer service, credibility and personality. Customers

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Brand Briefing 1.6

Branding the Wal-Mart way

Wal-Mart, the US retailer that first opened in Rogers, Arkansas, in 1962, is the world's biggest retailer, with more than 5,700 shops, including some 1,350 discount outlets, nearly 2,000 combination discount and grocery shops (Wal-Mart Supercenters in the USA and Asda in the UK) and 550 warehouse shops (Sam's Club). The founder, Sam Walton, sought to build conveniently located shops that offered wide selection, low prices and quality customer service.

Wal-Mart's low prices have always been a key to pleasing consumers. The chain invented the everyday low pricing strategy. The slogan 'We sell for less. Always' illustrates Wal-Mart's dedication to underselling the competition. Its reputation for friendly service is another way the company creates customer satisfaction. At the entrances to its shops, Wal-Mart stations 'people greeters' who welcome and assist customers. The company employs helpful and knowledgeable staff who are positioned throughout the shop to answer questions and help customers find items. These gestures foster trust. According to a company survey that asked 'What does Wal-Mart mean to you?', more customers responded with 'trust' than 'low prices'.

A less well-known contributor to the company's success is its sophisticated logistics. Sam Walton was a visionary when it came to logistics. He realized, as early as the 1960s, that the company growth he was striving for required advanced information systems to manage the volumes of merchandise. By 1998, Wal-Mart's computer database was second only to the Pentagon's in terms of capacity. One business writer recently proclaimed Wal-Mart to be 'the king of store logistics'.

Wal-Mart today bears little resemblance to the Arkansas shop that started it all. The company is an indelible part of the USA's retail landscape and has expanded into South America and Europe. Wal-Mart's annual sales in 2004 reached €175 billion, earning the company the top spot in the Fortune 500 ranking.

Sources: Wendy Zelner, 'Someday, Lee, this may all be yours', *BusinessWeek*, 15 November 1999; 'Will WalMart.com get it right this time?' *BusinessWeek*, 6 November 2000.

began to demand higher levels of service both during and after their website visits. As a consequence, to be competitive, many firms have had to improve their web service by making customer service agents available in real time; shipping products promptly and providing tracking updates; and adopting liberal return policies.[18] Such improvements have been critical to overcoming the low customer service opinions that some consumers hold towards online businesses. Successful online brands were those that were well positioned and found unique ways to satisfy consumers' unmet needs. A classic example is Google.

Founded in 1998 by two Stanford University doctoral students, search engine Google's name is a play on the word googol – the number represented by

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a 1 followed by 100 zeroes – a reference to the huge amount of data online. Google's stated mission is: 'To organize the world's information and make it universally accessible and useful.' It has become the leader among search engines through its business focus and constant innovation. Google's home page focuses on searches alone and is not cluttered with other services, as is the case with many other portals. By focusing on plain text, avoiding pop-up ads and using sophisticated search algorithms, Google is seen as providing fast and reliable service. By September 2005, Google was the web's most used search engine, with almost half of all searches. Google's revenue was driven by search ads, little text-based boxes that advertiser's only pay for when a user clicks on it.[19]

Online brands also learned the importance of offline activities to draw customers to their websites, and many of the most successful business ventures came from established brands using their strong reputations and marketing muscle online. Web addresses, or URLs, began to appear on all related marketing material. Partnerships became critical as brands developed networks of online partners and links. Online marketers also began to target specific customer groups – often geographically widely dispersed – for which the brand could offer unique value propositions. Website designs have begun to maximize the benefits of interactivity, customization and timeliness and the advantages of being able to inform, persuade and sell at the same time. Brand Briefing 1.7 describes how Amazon.com has built a strong online brand. Chapter 6 examines website and interactive advertising issues.

People and organizations

Brands extend beyond products and services. People and organizations also can be viewed as brands. The naming aspect of the brand is generally straightforward in this case, and people and organizations also often have well-defined images that are understood and liked or disliked by others. This fact becomes particularly true when considering public figures such as politicians, entertainers and professional athletes. Such people compete in some sense for public approval and acceptance and benefit from conveying a strong and desirable image. Take the example of actor Paul Newman.

Paul Newman has turned his likeable, down-to-earth image into a business. Newman's Own was launched after many of his friends and neighbours wanted more of the salad dressings he gave out as gifts. Since then, the brand has extended into pasta sauce, salsa, steak sauce, lemonade and popcorn. As sole owner, Newman donates all profits and royalties after taxes for educational and charity purposes, totalling €103 million since 1982. He founded the Hole in the Wall Gang Camp to allow children with cancer or serious blood diseases to go to summer camps free of charge. With a corporate slogan of 'Shameless exploitation in pursuit of the common good', it's not surprising that Newman would state on his website: 'It started out as a joke and got out of control.'

That is not to say that you only have to be well-known or famous to be thought of as a brand. Anyone trying to build a career can be thought of as trying to create his or her own brand. Certainly, one key to a successful career is that certain people (eg, fellow workers, superiors or even important people outside the company) know who you are

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Brand Briefing 1.7

Building the Amazon.com brand

Jeffrey Bezos left his job on Wall Street as a hedge fund manager in 1994 to return to his home in suburban Seattle and found online retailer Amazon.com, despite the fact that he had no previous retail experience. Bezos did, however, have a vision of making Amazon.com 'the Earth's biggest bookstore'. Within a year, Amazon.com offered a selection of more than one million book titles, which made it the world's largest book broker.

In addition to offering unparalleled selection, Bezos also wanted the website to provide a unique shopping experience and the highest level of customer service. He aimed to be 'the world's most customer-centric company'. To this end, the site was designed so that, when shoppers viewed a book title, a list of related titles that might interest them would appear on the same web page. To customers who submitted information on their favourite authors and subjects, Amazon.com sent periodic recommendations and reviews via e-mail. Another personal touch included the development of personalized front pages that opened whenever registered customers visited the site. Of these customized features, Bezos said: 'We want Amazon.com to be the right store for you as an individual. If we have 4.5 million customers, we should have 4.5 million stores.' To promote goodwill among customers, Amazon.com automatically upgraded many orders to priority shipping at no extra cost. These consumer-focused efforts yielded the desired results: in 1998, over 60 percent of orders were from repeat customers.

Much of Amazon.com's early growth was credited to word-of-mouth sources such as testimonials from satisfied customers and media stories. Before long, Amazon.com had top-of-mind awareness among consumers looking to buy products online. As one industry analyst said in 1998: 'When you think of web shopping, you think of Amazon first.' The company's ad spending was small compared with other dot-coms: in the fourth quarter of 1998, Amazon.com spent €2.5 million, most of which went to radio commercials. The company began advertising more extensively the following year, when it spent €34.2 million on holiday-themed advertisements.

Once the bookselling strategy had proved successful, Amazon.com expanded into CDs, videos and gifts. Between 1998 and 2001, the site added numerous other product categories including baby products, electronics, kitchen and housewares, tools and hardware, toys and even barbecues. During that time, the company established sites in the UK, Germany, France, Japan, Spain and Austria. Bezos declared his company's intention of providing 'the Earth's biggest selection'. With more than 29 million customers and almost €4.8 billion in annual sales by 2004, the Amazon.com brand was stronger than ever.

Sources: www.amazon.com; Alice Z. Cuneo, 'Amazon unleashes $50 million for the holidays', *Advertising Age*, 15 November 1999; Rachel Beck, 'Amazon.com moves beyond books and music with gift shop, video launch', AP Newswire, 17 November 1998; Robert D. Hof, 'Amazon.com, the wild world of e-commerce', *BusinessWeek*, 14 December 1998.

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and what kind of person you are in terms of your skills, talents, attitude and so forth. By building up a name and reputation in a business context, a person is essentially creating his or her own brand.[20] The right awareness and image can be invaluable regarding the manner in which people treat you and interpret your words, actions and deeds.[21]

Similarly, organizations often take on meanings through their activities and products. Charitable organizations such as the Green Peace, the Red Cross, Amnesty International and Unicef have increasingly emphasized marketing. National Geographic was a pioneer in this respect.

> Founded in 1888 by 33 US-based scientists, the National Geographic Society is a non-profit scientific and educational membership organization with a mission related to 'the increase and diffusion of geographic knowledge'.[22] The distinctive yellow borders of the brand is one of the world's most recognizable brand symbols. The society's products include *National Geographic* magazine, books, maps, television shows and gift items. The National Geographic Channel, launched in January 2001, ranks as one of the more desirable networks according to viewer surveys. With a tagline, 'Dare to explore', the channel features science, technology and history in addition to its traditional emphasis on natural history and its explorers, scientists and photographers. Its website has won many awards and serves as a companion to the channel. National Geographic Enterprises includes licensing, a catalogue business, travel expeditions, e-commerce and retail. These units oversee the merchandise related to the National Geographic brand worldwide. All National Geographic's net proceeds from licensing support exploration, conservation, research and education activities.

Sports, arts and entertainment

A special case of marketing people and organizations as brands is in the sports, art and entertainment industry. Sports marketing has become highly sophisticated, employing traditional packaged goods techniques. No longer content to allow results on the field to dictate attendance levels and financial fortunes, many sports teams are being marketed through a combination of advertising, promotions, sponsorship and direct mail. By building awareness, image and loyalty, these sports franchises are able to meet ticket sales targets regardless of what their team's actual performance might turn out to be. Brand symbols and logos in particular have become an important financial contributor to professional sports through licensing agreements. Brand Briefing 1.8 describes how Manchester United built a powerhouse football team – and brand.

Branding plays an especially valuable function in the arts and entertainment industries (eg, with films, television, music and books). These offerings are good examples of experience goods: prospective buyers cannot judge quality by inspection and must use cues such as the particular people involved, the concept or rationale behind the project, word-of-mouth and critical reviews.

A film can be seen as a product where the 'ingredients' are the plots, actors and director.[23] Certain titles such as *Star Wars*, *Batman* and *Harry Potter* have established themselves as brands by combining all these ingredients into a formula that appeals to consumers and allows the studios to release sequels (essentially brand extensions)

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Brand Briefing 1.8

Building a brand winner with Manchester United

Manchester United, the wealthiest football club in the English league (valued at €513 million) and one of the most popular sport organizations in the world, has a history of winning on the field and in the business world. The club was founded in 1878 and won consecutive English League titles in the 1950s. A tragic plane crash in 1958 that killed seven players brought the club international attention. In 1968, a rebuilt team won another European title. It was not until the 1990s, however, that Manchester United grew into its current role as one of the most popular and lucrative sport franchises in the world. In 1999, a year in which the team won a 'treble' – three English and European soccer titles – its stock market value surpassed €1.37 billion.

Television is credited with much of Manchester United's financial success. With the advent of satellite television, fans all over the world could enjoy live coverage of all the best matches. Football was already a global game played on every inhabited continent, but the game's visibility has never been higher as a result of this increased media coverage. One analyst described Manchester United's recent financial fortunes as follows: 'Basically, they got really lucky. The success on the field has coincided with the success of football as pure media content.' As one of the most successful club teams in the 1990s, the 'Red Devils' received a large share of this burgeoning media coverage.

The club's visibility, combined with its accomplishments, has won it legions of foreign fans. In addition to roughly 7.3 million fans in Britain, Manchester United estimates it has 75 million fans worldwide, with growing interest in Asia. Though football is not as popular in the USA as in other countries – the number of people playing football has held steady at 18 million for a decade – US companies have shown an increased interest in Manchester United. In 2001, the club signed a €342 million, 13-year licensing deal with Nike. But when an American, Malcolm Glazer, purchased the team for €1.02 billion in 2005, a storm of protest from local fans ensued. Their loyalties were further tested later that year when the team failed to qualify for the Champions League or even the UEFA qualifiers.

Sources: Bill Glauber, 'Meet Manchester United marketing', *Baltimore Sun*, 19 March 2001; Andy Dworkin, 'Nike Scores Soccer Sponsorship', *Portland Oregonian*, 7 November 2000; 'Red Devil', *The Economist*, 21 May 2005: 70; Laura Cohn, 'Can Glazer put this ball in the net?' *BusinessWeek*, 30 May 2005: 40.

that rely on the initial popularity of the title. For years, some of the most valuable franchises have involved recurring characters or continuing stories, and many of the successful releases have been sequels. Their success comes from the fact that cinema-goers know from the title and the people involved that they can expect certain things – a classic application of branding.

When *Star Wars* was first shown in 1977, the film licensing industry barely existed. But by the time of the final episode in the series, *Star Wars: Episode III – Revenge of the Sith,* merchandising had generated €6.15 billion in retail sales,

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almost triple the worldwide box office of €2.32 billion. The force was also certainly with the final film, as Lucas Licensing had deals with about 400 licensees in more than 30 countries covering thousands of products, with expected proceeds of an additional €1.02 billion. This success changed the toy industry, too, making it more focused on television and film entertainment properties.[24]

The existence of a strong brand name in the entertainment industry is so valuable because of the strong feelings that the names engender as a result of pleasurable past experiences.

Geographic locations

Places, like products and people, can be branded. In this case, the brand name is relatively fixed by the name of the location. The power of branding is making people aware of the location and then linking desirable associations to it. Increased mobility of both people and businesses and growth in the tourism industry has contributed to the rise of place marketing. Cities, counties, regions and countries are now promoted. The goals of these types of campaigns are to create awareness and a favourable image of a location that will entice temporary visits or permanent moves from individuals and businesses alike.

Ideas and causes

Finally, ideas and causes have become branded, especially by non-profit organizations. These ideas and causes may be captured in a phrase or slogan and even be represented by a symbol (eg, Aids ribbons). By making the ideas and causes more visible and concrete, branding can provide much value. As Chapter 11 describes, cause marketing increasingly involves marketing to attempt to inform or persuade consumers about the issues surrounding an issue. Brand Briefing 1.9 describes the activities of the World Wildlife Fund.

WHAT ARE THE STRONGEST BRANDS?

It is clear from the examples above that almost anything can be, and has been, branded. Which brands are the strongest, that is, the most well-known or highly regarded? Figure 1.5 reveals *BusinessWeek* magazine's ranking of the world's 25 most valuable brands in 2006 based on Interbrand's brand valuation methodology (see Chapter 10).

RepTrak Pulse 2006 was the first annual ranking of the reputations of the world's largest companies. The study was created by the Reputation Institute to provide executives with a high-level overview of their companies' reputations among consumers. The study is the result of more than 27,000 online interviews with

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Brand Briefing 1.9

Branding a cause: World Wildlife Fund

The World Wildlife Fund (WWF), founded in 1961, is the world's largest private organization dedicated to nature conservation. The WWF boasts more than 4.7 million supporters in 100 countries. Its familiar logo, which depicts a panda, represents its enduring efforts to protect that species.

In the USA, its annual budget does not allow for lavish spending on marketing, so the WWF relies on direct marketing to bring its message to the public and solicit contributions. One recent mailing offered recipients a chance to win one of several trips, including an African safari and an Alaskan cruise, in a sweepstake.

The WWF also earns revenue through corporate partnerships. It offers four business partnership options.

1. *Conservation partner:* global sponsorship from multinational corporations. Partners include Canon and Ogilvy & Mather.
2. *Corporate supporter:* financial or in-kind support from medium or large corporations. Supporters include INRA and Delverde.
3. *Corporate club:* support from environmentally aware local businesses. Only offered in Hungary, Russia, Poland and United Arab Emirates.
4. *Product licensing:* agreements to use WWF trademarks. Groth manufactures WWF-branded stamps and coins, and IBTT makes toy animals bearing the WWF panda logo.

To help spread its message, the WWF developed a website. The site contains pages for its national divisions, membership information, updates on environmental issues and information on projects. In 2000, the Web Marketing Association named the site the best for any non-profit organization. In addition to its central website, the WWF developed cause-specific sites, such as its Amazon rainforest relief site (www.worldwildlife.org/amazon), a site dedicated to its clean water campaign (www.panda.org/livingwaters) and a site dedicated to protecting the Arctic National Wildlife Refuge from oil drilling (www.worldwildlife.org/arctic-refuge).

The group changed its name to the Worldwide Fund for Nature in 1986, but is still known by the original World Wildlife Fund name in North America. The original name and the accompanying acronym became a source of controversy when the WWF sued the World Wrestling Federation in 2001 over use of the initials WWF. The main point of contention was the similarity between the website addresses for the two organizations, since the World Wildlife URL was www.wwf.org and the World Wrestling Federation used www.wwf.com. The High Court in London decided in favour of the World Wildlife Fund, giving the wildlife group exclusive rights to the WWF initials and ordering the wrestling group to change its website address.

Source: www.wwf.org; 'World Wrestling Federation loses court case over rights to WWF name', *Dow Jones Business News*, 10 August 2001.

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Rank	Brand	Country of origin	Sector	2007 value ($m)	Change in value
1	Coca-Cola	USA	Beverages	65,324	−3%
2	Microsoft	USA	Software	58,709	3%
3	IBM	USA	Computer services	57,091	2%
4	General Electric	USA	Diversified	51,569	5%
5	Nokia	Finland	Telecoms equipment	33,696	12%
6	Toyota	Japan	Automotive	32,070	15%
7	Intel	USA	Computer hardware	30,954	−4%
8	McDonald's	USA	Restaurants	29,398	7%
9	Disney	USA	Media	29,210	5%
10	Mercedes-Benz	Germany	Automotive	23,568	8%
11	Citibank	USA	Financial services	23,443	9%
12	Hewlett-Packard	USA	Computer hardware	22,197	9%
13	BMW	Germany	Automotive	21,612	10%
14	Marlboro	USA	Tobacco	21,283	0%
15	American Express	USA	Financial services	20,827	6%
16	Gillette	USA	Personal care	20,415	4%
17	Louis Vuitton	France	Luxury	20,321	15%
18	Cisco	USA	Computer services	19,099	9%
19	Honda	Japan	Automotive	17,998	6%
20	Google	USA	Internet services	17,837	44%
21	Samsung	Republic of Korea	Consumer electronics	16,853	4%
22	Merrill Lynch	USA	Financial services	14,343	10%
23	HSBC	Britain	Financial services	13,563	17%
24	Nescafé	Switzerland	Beverages	12,950	4%
25	SONY	Japan	Consumer electronics	12,907	10%

Figure 1.5 BusinessWeek/Interbrand ranking of global brands (2007)

Sources: 'Global brands', *BusinessWeek*, 6 August 2007; Interbrand press release 'The *BusinessWeek*/Interbrand annual ranking of the 2006 best global brands', 6 August 2007; www.interbrand.com

consumers in 25 countries on 6 continents measuring the corporate reputations of 700 companies.

There is an industry halo affecting the reputations of companies. Some industries stand out as trustworthy, which benefits individual companies. Other industries struggle to create a positive reputation with the general public and put the companies at risk.

Companies involved in electronics, food production and beverages are trusted and respected for their actions. Companies operating in the telecommunications, utilities, financial services, energy, pharmaceuticals and insurance sectors are all faced with low trust from consumers, a context that makes it harder for individual companies to stand out favourably.

Some of the best-known brands can be found by walking into a supermarket. It is also easy to identify other brands that have been market leaders in their respective categories for decades. According to research by marketing consultant Jack Trout, in 25 popular product categories, 20 of the leading brands in the USA in 1923 can be seen as being still a leading brand today – only five have lost their leadership position (see Figure 1.6).[25]

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	Product category	Leading brands in 1923	Leading brands of today
1	Bacon	Swift	Swift
2	Batteries	Eveready	Duracell
3	Breakfast cereal	Kellogg's Corn Flakes	Cheerios
4	Cameras	Kodak	Kodak
5	Canned fruit	Del Monte	Del Monte
6	Canned milk	Carnation	Carnation
7	Chewing gum	Wrigley's	Wrigley's
8	Chocolate	Hershey's	Hershey's
9	Crackers	Nabisco	Nabisco
10	Flour	Gold Medal	Gold Medal
11	Mint sweets	Life Savers	Life Savers
12	Paint	Sherwin-Williams	Sherwin-Williams
13	Paper	Hammermill	Hammermill
14	Pipe tobacco	Prince Albert	Prince Albert
15	Razors	Gillette	Gillette
16	Sewing machines	Singer	Singer
17	Shirts	Manhattan	Arrow
18	Soap	Ivory	Dove
19	Soft drinks	Coca-Cola	Coca-Cola
20	Soup	Campbell's	Campbell's
21	Shortening	Crisco	Crisco
22	Tea	Lipton	Lipton
23	Tyres	Goodyear	Goodyear
24	Toilet soap	Palmolive	Dial
25	Toothpaste	Colgate	Colgate

Figure 1.6 Brand leaders in the USA: then and now

Source: Proprietary research by Jack Trout, based on industry share data. As summarized in, Jack Trout, 'Branding can't exist without positioning', *Advertising Age*, 14 March 2005: 28. Copyright, Crain Communications Inc. 2005.

Similarly, many brands that were number one in the UK in 1933 also remain strong today: Hovis bread, Stork margarine, Kellogg's Corn Flakes, Cadbury's chocolates, Gillette razors, Schweppes mixers, Brooke Bond tea, Colgate toothpaste and Hoover vacuum cleaners. These brands have evolved. In many cases, they barely resemble how they started.

At the same time, despite these successes, there are brands that have lost market leadership and, in some cases, their very existence. Winston, after years of dominance in the cigarette category, lost its leadership position to Marlboro in 1975 and now trails that brand by a large margin. Other seemingly invincible brands, such as Levi Strauss, General Motors, Sainsbury's, Polaroid and Xerox have run into difficulties and seen their market pre-eminence challenged or eliminated.

In some cases, these failures could be related to factors beyond the control of the firm, such as technological advances or shifting consumer preferences, but sometimes the blame could probably be placed on the actions or inaction of marketers. Some of these marketers failed to account for changing market conditions and continued to operate with a 'business as usual' attitude or, perhaps even worse, recognized that changes were necessary but were inadequate or inappropriate in their response. Brand Briefing 1.10 provides insights into factors affecting market leadership.

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Brand Briefing 1.10

Understanding market leadership

According to a study by Peter Golder, over time, leading brands are more likely to lose their leadership position than retain it. Golder evaluated more than 650 products in 100 categories and compared the category leaders from 1923 with those in 1997. The study found that only 23 of the top brands remained market leaders in 1997. Additionally, 28 percent of the leading brands in 1923 had failed by 1997. The clothing and fashion category experienced the greatest percentage of failures (67 percent) and had no brands that remained leaders in 1997. Leaders in the food and beverage category fared better, with 39 percent of brands maintaining leadership while only 21 percent failed.

One 1923 leader that did not maintain leadership was Underwood typewriters. Underwood's mistake was its lack of innovation. Rather than invest in research and development, Underwood followed a harvesting strategy that sought the highest margin possible for its products. By 1950, several competitors had invested in computer technology, whereas Underwood only acquired a small computer firm in 1952. Subsequent developments in the market damaged Underwood's position. Between 1956 and 1961, lower-priced foreign competitors more than doubled their share of manual typewriter sales. Additionally, sales of electric typewriters, which Underwood did not make, overtook sales of manual typewriters in the early 1960s. Olivetti acquired Underwood in the mid-1960s and the brand name was dropped in the 1980s.

Golder uses Wrigley, which has dominated chewing gum sales for nine decades, as an example of a long-term leader. According to Golder, Wrigley's success is based on three factors: 'Maintaining and building strong brands, focusing on a single product and being in a category that has not changed much.' Wrigley has consistently marketed its brand with high-profile sponsorship and advertising. It also used subsidiaries to extend into categories such as sugarless gum and bubblegum, so as not to dilute the brand. Wrigley's focus on chewing gum enables it to achieve maximum results in what is considered a mature category. During the 1990s, sales of Wrigley's products grew almost 10 percent annually. Finally, the chewing gum market is historically stable and uncomplicated. Still, Wrigley's makes considerable investments in product and packaging to maintain its edge.

Golder and his co-author Gerard Tellis argue that dedication is vital for sustained brand leadership, elucidating five factors for enduring market leadership (see Figure 1.7). They comment:

> The real causes of enduring market leadership are vision and will. Enduring market leaders have a revolutionary and inspiring vision of the mass market, and they exhibit an indomitable will to realize that vision. They persist under adversity, innovate relentlessly, commit financial resources and leverage assets to realize their vision.

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Brand Briefing 1.10 *continued*

Tellis and Golder identify five factors as key to enduring brand leadership.

Vision of the mass market

Companies with a keen eye for mass market tastes are more likely to build a broad and sustainable customer base. Though Pampers was not the market leader in the disposable nappy category during the first few years, it spent significantly on research and development to design an affordable and effective product. Pampers soon became the market leader.

Managerial persistence

The 'breakthrough' technology that can drive market leadership often requires the commitment of company resources over a long time. For example, JVC spent 21 years researching the VHS video recorder before launching it in 1976 and becoming a market leader.

Financial commitment

The cost of maintaining leadership is high because of the demands for research, development and marketing. Companies that aim for short-term profitability rather than long-term leadership, as Rheingold Brewery did when it curtailed support of its Gablinger's lager a year after the 1967 introduction of the product, are unlikely to enjoy enduring leadership.

Relentless innovation

Because of changes in consumer tastes and competition, companies that wish to maintain leadership positions must innovate continually. Gillette, both a long-term leader and historically an innovator, typically has at least 20 shaving products on the drawing board at any time.

Asset leverage

Companies can become leaders in some categories if they hold a leadership position in a related category. For instance, Coca-Cola used its success and experience with cola (Coke) and diet cola (Tab) to introduce Diet Coke in 1982. Within a year of its introduction, Diet Coke became the market leader.

Figure 1.7 Factors determining enduring leadership

Source: G. J. Tellis and P. N. Golder, 'First to market, first to fail? Real causes of enduring market leadership', *MIT Sloan Management Review,* 1 January 1996.

Sources: P. N. Golder, 'Historical method in marketing research with new evidence on long-term market share stability', *Journal of Marketing Research*, May 2000: 156–72. See also P. N. Golder and G. J. Tellis, 'Growing, growing, gone: cascades, diffusion, and turning points in the product life cycle', *Marketing Science*, Spring 2004, 23 (2): 207–18; L. Freeman, 'Study: leading brands aren't always enduring', *Advertising Age,* 28 February 2000; G. J. Tellis and Peter N. Golder, 'First to market, first to fail? Real causes of enduring market leadership', *MIT Sloan Management Review,* 1 January 1996.

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The study methodology employed the following steps. First, a survey of chief marketing officers and consumers in the USA identified brands that were seen as both growing fast and being innovative. Next, the list was pruned to include only brand-owning companies that beat their peers in earnings growth. The 40 brands remaining were valued using a discounted cash flow model that also factored in the percentage of the business being driven by the brand. The brands whose values increased the most within their respective industries during 2001–2005 are shown below.

	Current ($bn)	Four-year change (%)
1. Apple	5.3	38
2. BlackBerry	1.2	36
3. Google	8.7	36
4. Amazon.com	2.7	35
5. Yahoo!	6.8	34
6. eBay	7.4	31
7. Red Bull	1.7	31
8. Starbucks	3.0	25
9. Pixar	2.9	24
10. Coach	3.9	23
11. Whole Foods	0.7	22
12. EA Sports/Games	6.9	22
13. MTV	7.0	22
14. Samsung	14.3	18
15. Victoria's Secret	6.8	17
16. Nike	7.1	16
17. Toyota	25.8	15
18. Formula One	3.2	14
19. ESPN	9.3	14
20. Harley-Davidson	7.6	12

Figure 1.8 Vivaldi Partners study: next generation growth brands in the USA

Source: 'Next Generation Growth Brands', Vivaldi Partners, June 2005; Kurt Badenhausen and Maya Roney, 'Next Generation', *Forbes*, 20 June 2005: 121–2.

The bottom line is that any brand – no matter how strong – is vulnerable to poor brand management. The next section discusses why it is so difficult to manage brands. Figure 1.8 displays an analysis of fast-growing brands by marketing consultant firm Vivaldi Partners.

BRANDING CHALLENGES AND OPPORTUNITIES

Although brands may be as important as ever to consumers, brand management may be more difficult than ever. Although there has been growing recognition of the value of brands, developments have complicated marketing practices and pose challenges for brand managers (see Figure 1.9), as discussed next.[26]

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- Savvy customers.
- More complex brand families and portfolios.
- Maturing markets.
- More sophisticated and increasing competition.
- Difficulty in differentiating.
- Decreasing brand loyalty in many categories.
- Growth of own labels.
- Increasing trade power.
- Fragmenting media coverage.
- Erosion of effectiveness of traditional media.
- Emerging communication options.
- Increasing promotional expenditures.
- Decreasing advertising expenditures.
- Increasing cost of product introduction and support.
- Short-term performance orientation.
- Increasing job turnover.

Figure 1.9 Challenges to brand builders

Savvy customers

Increasingly, consumers and businesses have become experienced with marketing, more knowledgeable about how it works and more demanding. A well-developed media market has resulted in increased attention being paid to the marketing actions and motivations of companies. Consumer information and support exists in the form of consumer guides (eg, *Which?*), websites (eg, pricerunner.com, become.com, zdnet.com), blogs and so on. Consulting firm Brand Keys conducts annual surveys and has found that consumers' expectations are growing two-and-a-half times faster than brands are able to keep up.[27]

In this postmodern marketing world, many believe that it is difficult to persuade consumers with traditional communications.

Other marketers believe that what consumers want from products and services and brands has changed.[28] For example, Kevin Roberts of Saatchi & Saatchi has argued that companies must transcend brands to create 'trustmarks' – a name or symbol that emotionally binds a company with the desires and aspirations of its customers – and ultimately 'lovemarks'.[29] He argues that it is not enough for a brand to be just respected.[28]

> Pretty much everything today can be seen in relation to a love–respect axis. You can plot any relationship – with a person, with a brand – by whether it's based on love or based on respect. It used to be that a high respect rating would win. But these days, a high love rating wins. If I don't love what you're offering me, I'm not even interested.

A passionate believer in the concept, Roberts reinforces the point that trustmarks belong to people and that an emotional connection is critical.

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Brand proliferation

Another important change is the proliferation of brands and products, in part spurred by the rise in line and brand extensions. As a result, a brand name may now be identified with a number of products of varying degrees of similarity. Marketers of brands such as Coke, Nivea, Dove and Virgin have added a host of products under their brand umbrellas. With so many brands having introduced extensions, there are few single (or 'mono') product brands around, complicating the marketing decisions that have to be made.

Media fragmentation

Another important change is the erosion or fragmentation of advertising media and the emergence of interactive and non-traditional media, promotion and other communication channels. For several reasons, marketers have become disenchanted with traditional advertising media, perhaps especially television.[30, 31]

- *Cost:* the price of advertising media has risen dramatically in many countries. EU countries had become used to a growth in advertising revenues of 3–10 percent for more than 15 years, the average being nearly 7 percent a year and almost 10 pecent for television.
- *Clutter:* earlier, 30-second TV commercials were the norm. Now there are variations of spot duration, multi-spots or 'duo-spots', 'preferential' sites, billboards (spots of short duration linked to a sponsorship contract) and 'DRTV' (direct response TV spots including referral to a call number or a website).
- *Fragmentation:* in relation to the size of the economy, Europe spends far less on television advertising than the USA. One reason for this is that geography and culture make it hard to use a mass media approach except in certain regions. The growth of cable and digital TV make it far cheaper to broadcast on television and erode the former 'giant' channels' shares.
- *Technology:* the increase in remote controls, video recorders and hard disc digital TV boxes – and the resulting zipping, zapping, grazing and channel surfing – has further reduced TV advertising's effectiveness.

For these and other reasons, the percentage of the communication budget devoted to advertising has shrunk over the years. In its place, marketers are spending more on new and emerging forms of communication such as interactive, electronic media; sport and event sponsorship; instore advertising; mini-billboards on buses and trains, on parking meters and in other locations; and product placement in films.

Increased competition

One reason marketers have been forced to use so many financial incentives or discounts is that the marketplace has become more competitive. Both demand-side and supply-side factors have contributed to an increase in competitive intensity. On the demand side, consumption for many products and services has flattened and hit the

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maturity stage, or even the decline stage, of the product lifecycle. As a result, sales growth for brands can only be achieved at the expense of competing brands by taking away some of their market share. On the supply side, competitors have emerged due to a number of factors, such as the following.

- *Globalization:* although firms have embraced globalization as a means of opening new markets and potential sources of revenue, it has also resulted in an increase in the number of competitors in existing markets, threatening current revenues.
- *Low-priced competitors:* market penetration of generics, own labels or low-priced 'clones' imitating product leaders has increased. Retailers have gained power and often dictate what happens within the shop. Their chief marketing weapon is price, and they have introduced and pushed their own brands and demanded higher returns from trade promotions to stock and display national brands.
- *Brand extensions:* as noted earlier, many companies have taken their brands and launched products with the same name into new categories. Many of these brands provide formidable competition.
- *Deregulation:* certain industries (eg, telecommunications, financial services, healthcare and transport) have become deregulated, leading to increased competition from outside traditionally defined product–market boundaries.

Increased costs

As competition has increased, the cost of introducing and supporting a product has increased rapidly, making it difficult to match the investment and level of support that brands were used to. By 2000, an estimated 30,000 consumer products were being introduced in the USA each year, however at an estimated failure rate of about 93 per cent. Given the millions of dollars spent on developing and marketing a new product, the total failure cost was conservatively estimated by one group to exceed €13.7 billion.[32]

Greater accountability

Finally, marketers often find themselves responsible for meeting ambitious short-term profit targets because of financial market pressures and senior management imperatives. Stock analysts value strong and consistent earnings reports as an indication of the long-term financial health of a firm. As a result, marketing managers may find themselves having to make decisions with short-term benefits but long-term costs (eg, cutting advertising expenditures). Moreover, many of these same managers have experienced rapid job turnover and promotions and may not anticipate being in their current positions for very long. These organizational pressures may encourage quick-fix solutions with perhaps adverse long-term consequences.

THE BRAND EQUITY CONCEPT

As the above discussion points out, the complexity of both brand offerings and marketing communication options has significantly increased in recent years. A number of competitive challenges now exist for marketers. Some critics feel that the reaction

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by many marketers has been ineffective or, even worse, aggravated the problem. The remaining chapters, present theories, models and frameworks that accommodate and reflect these developments in order to provide useful managerial guidelines and suggest promising directions for thought and research. In particular, a 'common denominator' or unified conceptual framework based on the concept of brand equity is introduced as a tool to interpret the potential effects of brand strategies.

One of the most popular and potentially important marketing concepts to arise in the 1980s was the concept of brand equity. The emergence of brand equity, however, has meant both good news and bad news for marketers. The good news is that it has raised the importance of the brand in marketing strategy, which heretofore had been relatively neglected, and provided focus for managerial interest and research activity. The bad news is that the concept has been defined in several ways for a number of purposes, resulting in confusion and even frustration. Through it all, there hasn't been a common viewpoint that has emerged as to how brand equity should be conceptualized and measured.

> Fundamentally, branding is about endowing products and services with the power of brand equity. Although a number of different views of brand equity may prevail, most observers agree that brand equity should be defined in terms of marketing effects uniquely attributable to a brand. That is, brand equity relates to the fact that different outcomes result from marketing a product or service because of its brand than if that same product or service had not been identified by that brand.

Branding is about creating differences. Most marketing observers also agree with the following principles of branding and brand equity.

- Differences in outcomes arise from the 'added value' endowed to a product as a result of past marketing activity for the brand.
- This value can be created for a brand in many ways.
- Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand.
- There are many ways in which the value of a brand can be manifested or exploited to benefit the firm (ie, in terms of greater proceeds or lower costs or both).

Fundamentally, the brand equity concept stresses the importance of the role of the brand in marketing strategies. The concept of brand equity clearly builds on the principles of brand management. By virtue of the fact that it adapts theory and research advances to address the challenges in brand management created by a changing marketing environment, the concept of brand equity can provide potentially useful insights.

Chapters 2 and 3 provide an important overview of brand equity and a blueprint for the rest of the book. The remainder of the book addresses in much greater depth how to build brand equity (Chapters 4 to 7), measure brand equity (Chapters 8 to 10) and manage brand equity (Chapters 11 to 14). The concluding Chapter 15 provides additional applications and perspectives. The remainder of this chapter provides an overview of the strategic brand management process that helps to pull all of these concepts together.

STRATEGIC BRAND MANAGEMENT PROCESS

Strategic brand management involves the design and implementation of marketing activities to build, measure and manage brand equity. In this text, the *strategic brand management process* is defined as involving four main steps (see Figure 1.10).

1. Identifying and establishing brand positioning.
2. Planning and implementing brand marketing campaigns.
3. Measuring and interpreting brand performance.
4. Growing and sustaining brand equity.

The remainder of this section highlights each of these four steps, which are examined in much more detail in the remainder of the book.[33]

Identifying and establishing brand positioning

The strategic brand management process starts with a clear understanding as to what the brand is to represent and how it should be positioned with respect to competitors (see Chapter 3). Brand positioning can be defined as the 'act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's mind'. The goal is to locate the brand in the minds of consumers such that the potential benefit to the firm is maximized. Competitive brand positioning is about creating brand superiority in the minds of consumers. Fundamentally,

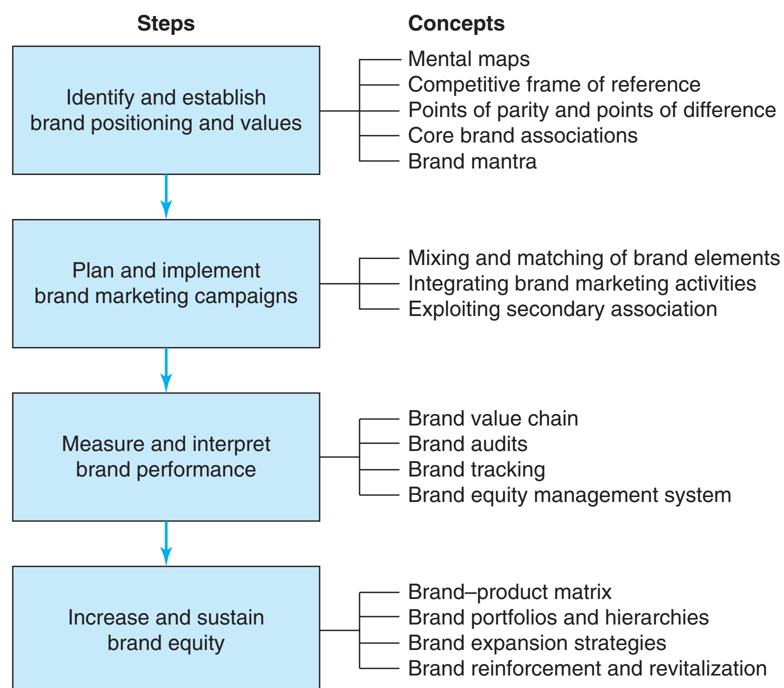

Figure 1.10 Strategic brand management process

Source: © 1996 by Massachusetts Institute of Technology. All rights reserved, Distributed by Tribune Media Services.

positioning involves convincing consumers of the advantages of a brand vis-à-vis competitors (or *points of difference*), while alleviating concerns about any possible disadvantages (establishing *points of parity*).

Positioning also often involves a specification of the appropriate core brand associations and brand mantra. A *mental map* is a visual depiction of the different types of associations that are linked to the brand in the minds of consumers. *Core brand associations* are those sub-sets of associations (attributes and benefits) that best characterize a brand. To focus on what a brand represents, it is often useful to define a brand mantra, also known as a brand essence or core brand promise. A *brand mantra* is a short three- to five-word expression of the most important aspects of a brand and its core brand values. It can be seen as the enduring 'brand DNA' – the most important aspects of the brand to the consumer and the company. Core brand associations, points of parity, points of difference and a brand mantra are thus an articulation of the heart and soul of the brand.

Planning and implementing brand marketing campaigns

As Chapter 2 outlines, building brand equity means creating a brand that consumers are sufficiently aware of and with which they have strong, favourable and unique brand associations. In general, this knowledge-building process will depend on three factors.

1. The initial choices for the brand elements or identities making up the brand and how they are mixed and matched.
2. The marketing activities and supporting marketing campaign and the manner by which the brand is integrated into them.
3. Other associations indirectly transferred to or exploited by the brand as a result of linking it to some other entity (eg, the company, country of origin, channel of distribution or another brand).

Each of the three factors is discussed in turn in Chapters 4–7. Some important considerations are as follows.

Choosing brand elements

A number of options and criteria are relevant for choosing brand elements. As noted above, a brand element is visual or verbal information that serves to identify and differentiate a product. The most common brand elements are names, logos, symbols, characters, packaging and slogans. Brand elements can be chosen to enhance brand awareness or facilitate the formation of strong, favourable and unique brand associations. The best test of the brand-building contribution of brand elements is what consumers would think about the product or service if they only knew about its brand name, associated logo and so forth. Because elements have different advantages, a sub-set or even all of the possible brand elements are often employed. Chapter 4 examines in detail the means by which the choice and design of brand elements can help to build brand equity.

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Integrating the brand into marketing activities

Although the judicious choice of brand elements can make some contribution to building brand equity, the primary input comes from the marketing activities related to the brand. Strong, favourable and unique brand associations can be created in a variety of ways by marketing campaigns. This text only highlights some particularly important marketing campaign considerations for building brand equity. Chapter 5 addresses developments in designing marketing campaigns as well as strategy issues of product, pricing strategy and channels. Chapter 6 addresses issues in communications strategy.

Exploiting secondary associations

The third way to build brand equity is to use secondary associations. Brand associations may themselves be linked to other entities that have their own associations, creating secondary brand associations. In other words, a brand association may be created by linking the brand to a memory that conveys meaning to consumers. For example, the brand may be linked to certain source factors, such as the company (through branding strategies), countries or other geographical regions (through identification of product origin) and channels of distribution (through channel strategy), as well as to other brands (through ingredients or co-branding), characters (through licensing), spokespeople (through endorsements), sporting or cultural events (through sponsorship) or other third-party sources (through awards or reviews).

Because the brand becomes identified with another entity, even though this entity may not directly relate to the product or service performance, consumers may *infer* that the brand shares associations with that entity, so producing indirect or secondary associations. In essence, the marketer is borrowing some other associations for the brand to create some associations of the brand's own and so help to build its brand equity. Chapter 7 describes the means of leveraging such brand equity.

Measuring and interpreting brand performance

Determining or evaluating a brand's positioning often benefits from a brand audit. A *brand audit* is a comprehensive examination of a brand involving activities to assess the health of the brand, uncover its sources of equity and suggest ways to improve and exploit that equity. A brand audit requires understanding sources of brand equity from the perspective of both the firm and the consumer. Chapter 3 describes the conceptual foundations of competitive brand positioning and provides guidelines on how to develop such positioning strategies.

Once the brand positioning strategy has been determined, a marketing campaign to create, strengthen or maintain brand associations can be put into place. To understand the effects of such campaigns, it is important to measure and interpret brand performance. A useful tool in that regard is the *brand value chain.* This is a means of tracing the value-creation process for brands to understand better the financial effect of brand marketing expenditures and investments. Chapter 8 describes this planning tool and Chapter 9 and 10 describe a number of measures to operationalize it.

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The brand value chain helps to direct marketing research efforts. Profitable brand management requires designing and implementing a brand equity measurement system. A *brand equity measurement system* is a set of research procedures designed to provide timely, accurate and actionable information for marketers so that they can make the best possible tactical decisions in the short run and the best strategic decisions in the long run. As described in Chapter 8, implementing such a system involves two main steps – conducting *brand tracking* and implementing a *brand equity management system*.

Growing and sustaining brand equity

Through the design and implementation of marketing campaigns that capitalize on a well-conceived brand positioning, strong brand leadership positions can be obtained. Maintaining and expanding on that brand equity, however, can be challenging. Brand equity management concerns those activities that take a broader and more diverse perspective of the brand's equity – understanding how branding strategies should reflect corporate concerns and be adjusted, if at all, over time or over geographical boundaries or market segments. Managing brand equity involves managing brands within the context of other brands, as well as managing brands over many categories, over time and across market segments.

Defining the branding strategy

The branding strategy of the firm provides guidelines as to which brand elements to apply across the products it offers. Two tools in defining the corporate branding strategy are the brand–product matrix and the brand hierarchy. The *brand–product matrix* is a graphical representation of all the brands and products sold by the firm. The *brand hierarchy* reveals an explicit ordering of brands by displaying the number and nature of common and distinctive brand components across the firm's products. By capturing the potential branding relationships between the products sold by the firm, a brand hierarchy helps to graphically portray a firm's branding strategy. The *brand portfolio* is the set of brands and brand lines that a firm offers for sale to buyers in a particular category. Chapter 11 reviews issues concerning branding strategies and the concepts of the brand–product matrix, brand hierarchy and brand portfolio. Chapter 12 concentrates on the topic of brand extensions in which an existing brand is used to launch a product in an existing category.

Managing brand equity over time

Effective brand management requires taking a long-term view of marketing decisions. Because consumers' responses to marketing activity depend on what they know and remember about a brand, short-term marketing mix actions, by changing brand knowledge, *necessarily* increase or decrease the success of future marketing actions. A long-term perspective on brand management recognizes that any changes in the supporting marketing campaign for a brand may, by changing consumer knowledge, affect the success of future campaigns. Additionally, a long-term view results in proactive strategies designed to maintain and enhance customer-based brand equity over time in the face of external changes in the marketing environment and internal

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changes in a firm's marketing goals and activities. Chapter 13 outlines issues related to managing brand equity over time.

Geographic boundaries, cultures and market segments

An important consideration in managing brand equity is recognizing and accounting for different types of consumers in developing branding and marketing campaigns. International issues and global branding strategies are particularly important in these decisions. Chapter 14 examines issues related to broadening of brand equity across market segments. In expanding a brand in this way, it is critical that equity is built by the specific knowledge and behaviours of those market segments.

CHAPTER REVIEW

This chapter began by defining a brand as a name, term, sign, symbol or design or some combination of these elements, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors. The different components of a brand (ie, name, logo, symbol, packaging design and so forth) are defined as brand elements. Brand elements come in many different forms. A brand is distinguished from a product, which is defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want. A product may be a physical item, service, shop, person, organization, place or idea.

A brand is a product but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible – related to product performance of the brand – or more symbolic, emotional or intangible – related to what the brand represents. Brands themselves are valuable intangible assets that need to be managed carefully. Brands offer benefits to customers and their owners. The key to branding is that consumers perceive differences between brands in a product category. Examples have been provided to show how almost any type of product can be branded by giving the product a name and attaching meaning to it in terms of what the product has to offer and how it differs from competitors. Some branding challenges and opportunities faced by marketing managers were then outlined.

The chapter concluded by introducing the concepts of brand equity and the strategic brand management process and providing an overview of the rest of the book. Brand positioning involves defining and establishing brand vision and positioning. Building brand equity depends on three main factors.

1. The initial choices for the brand elements or identities making up the brand.
2. The way the brand is integrated into the supporting marketing campaign.
3. The associations indirectly transferred to the brand by linking the brand to some other entity (eg, the company, country of origin, channel of distribution, or another brand).

Measuring brand equity requires measuring aspects of the brand value chain and implementing a brand equity measurement system. Managing brand equity concerns those activities that take a broader and more diverse perspective of the brand's equity – understanding how branding strategies should reflect corporate concerns and be adjusted, if at all, over time or over geographical boundaries. Effectively managing

brand equity includes defining the corporate branding strategy – by defining the brand hierarchy and brand–product matrix – and devising policy for brand fortification and leverage over time and over geographical boundaries.

Discussion questions

1. What do brands mean to you? What are your favourite brands and why? Check to see how your perceptions of brands might differ from those of others.
2. Who do you think has the strongest brands? Why? What do you think of the *BusinessWeek* list of the 25 strongest brands in Figure 1.5? Do you agree with the rankings? Why or why not?
3. Can you think of anything that cannot be branded? Pick an example that was not discussed in each of the categories provided (services; retailers and distributors; people and organizations; sport, arts and entertainment) and describe how each is a brand.
4. Can you think of yourself as a brand? What do you do to 'brand' yourself?
5. What do you think of the new branding challenges and opportunities that were listed? Can you think of other issues?

References and notes

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