Chapter 1
Brands & Brand Management

Chapter Objectives

1. Define "brand," state how brand differs from a product, and explain what brand equity is.
2. Summarize why brands are important.
3. Explain how branding applies to virtually everything.
4. Describe the main branding challenges and opportunities.
5. Identify the steps in the strategic brand management process.

Overview

This chapter sets up the rationale for the book. Because brands are so valuable to the firms that manufacture them and the consumers who purchase them, and because the marketplace has become increasingly complex and competitive, brand management is more important and challenging now than it ever has been. Brand managers face a seemingly unlimited number of options and opportunities with respect to product, price, place, and promotion strategies. But they also face increased risk as they strive to deal with sea changes in the marketing environment, including the rise of private labels, media fragmentation, pressure for short-term results, shifting consumer preferences, and technological advancements that level the product feature playing field, to name just a few.

Despite these pressures, many brands continue to grow and flourish, as evidenced by the global successes of such mega-names as Nike, Disney, Mercedes, and others. Moreover, even categories that heretofore had been thought of as consisting of mundane commodity products now contain brands, including Campbell's mushrooms, Blue Rhino propane gas, and Perdue chickens.

Chapter 1 also indicates that by focusing specifically on brands, this book enables students to gain valuable knowledge, broader perspectives, and more strategic insights than in a more general marketing text. The chapter introduces the concept of a brand as an identifiable and differentiated good or service. Brands offer tangible and intangible benefits to the companies who manufacture them, the retailers who sell them, and the consumers who buy them. Examples of strong brands given in the text include not only products and services, but also people, places, and sports, art, and entertainment industries. The chapter describes some of the past and present challenges faced by brands (such as those noted above), and states that the purpose of the book is to set forth principles, models and frameworks that will help guide managers through these challenges as they plan and execute brand strategies.

The chapter details the three main factors that contribute to brand equity: the initial choices for the brand elements or identities making up the brand; the way the brand is integrated into the supporting marketing program; and the associations indirectly transferred to the brand by linking the brand to some other entity (e.g., the company, country of origin, channel of distribution, or another brand). Several strategic imperatives for effective brand equity management are introduced in the chapter.

Visit TestBankDeal.com to get complete for all chapters

In this chapter, the strategic brand management process is described. The strategic brand management process involves four main steps: identifying and establishing brand positioning and values, planning and implementing brand marketing programs, measuring and interpreting brand performance, and growing and sustaining brand equity.

Brand Focus 1.0 discusses the history of branding. It traces the development of brands from marks of identification on stone age pottery to national manufacturer brands in the Industrial Revolution to mass marketed brands.

Science of Branding

THE SCIENCE OF BRANDING 1-1
UNDERSTANDING BUSINESS-TO-BUSINESS BRANDING

Due to the complexity and high risk involved in business-to-business purchase decisions, branding plays an important role in B2B markets. Six specific guidelines are defined for marketers of B2B brands:

- Ensure the entire organization understands and supports branding and brand management—Employees at all levels and in all departments must have a complete, up-to-date understanding of the vision for the brand and their role in supporting it. A particularly crucial area is the sales force, where personal selling is often the profit driver of a business-to-business organization.
- Adopt a corporate branding strategy if possible and create a well-defined brand hierarchy—Because of the breadth and complexity of the product or service mix, companies selling business-to-business are more likely to emphasize corporate brands. Ideally, they will also create straightforward sub-brands that combine the corporate brand name with descriptive product modifiers.
- Frame value perceptions—Framing occurs when customers are given a perspective or point of view that allows the brand to "put its best foot forward." Framing can be as simple as making sure customers realize all the benefits or cost savings offered by the brand, or becoming more active in shaping how customers view the economics of purchasing, owning, using and disposing of the brand in a different way. Framing requires understanding how customers currently think of brands and choose among products and services, and then determining how they should ideally think and choose.
- Link relevant non-product-related brand associations—Brand imagery might relate to the size or type of firm is considered relevant. Imagery may also be a function of the other organizations to which the firm sells.
- Find relevant emotional associations for the brand—Emotional associations related to a sense of security, social or peer approval, and self-respect can also be linked to the brand and serve as key sources of brand equity.
- Segment customers carefully both within and across companies—In a business-to-business setting, different customer segments may exist both within and across organizations. Within organizations, different people may assume the various roles in the purchase decision process: Initiator, user, influencer, decider, approver, buyer and gatekeeper. Across organizations, businesses can vary according to industry and

company size, technologies used and other capabilities, purchasing policies, and even risk and loyalty profiles. Brand building must take these different segmentation perspectives in mind in building tailored marketing programs.

THE SCIENCE OF BRANDING 1-2
UNDERSTANDING HIGH-TECH BRANDING

Marketers operating in technologically intensive markets face a number of unique challenges. Ten guidelines that managers for high-tech companies can use to improve their company's brand strategy:

- It is important to have a brand strategy that provides a roadmap for the future—Technology companies too often rely on the faulty assumption that the best product based on the best technology will sell itself.
- 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 establish a presence. Since product innovations provide the growth drivers for technology companies, however, brand equity is sometimes built in the product name to the detriment of corporate brand equity.
- Know who your customer is and build an appropriate brand strategy—Many technology 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, it is advisable for technology companies to establish a strong corporate brand that will endure over time.
- Realize that building brand equity and selling products are two different exercises—Too often, the emphasis on developing products leads to an overemphasis on branding them. Rather than branding each new innovation separately, a better approach is to plan for future innovations by developing an extendable branding strategy.
- Brands are owned by customers, not engineers—Technology 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.
- Brand strategies need to account for the attributes of the CEO and adjust accordingly—Many of the world's top technology companies have highly visible CEOs, especially compared with other industries. In most cases, the CEO's identity and persona are inextricably woven into the fabric of the brand.
- Brand building on a small budget necessitates leveraging every possible positive association—Technology companies typically prioritize their marketing mix as: industry analyst relations, public relations, trade shows, seminars, direct mail, and advertising.
- Technology categories are created by customers and external forces, not by companies themselves—Only two groups can truly create categories: analysts and customers. For this reason, it is important for technology companies to manage their relationships with analysts in order to attract consumers.
- The rapidly changing environment 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 change almost as rapidly as the technology.

- Invest the time to understand the technology and value proposition and do not be afraid to ask questions—To build trust among engineers and customers, marketers must strive to learn as much as they can about the technology.

THE SCIENCE OF BRANDING 1-3
UNDERSTANDING MARKET LEADERSHIP

According to a study by Dartmouth's Tuck School of Business Professor Peter Golder, leading brands are more likely to lose their leadership position over time than retain it. One 1923 leader that did not maintain leadership was Underwood typewriters. Underwood's primary mistake was lack of innovation. According to Golder, Wrigley's success as a long-term leader 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."

Golder and his co-author Gerard Tellis argue that dedication to the brand is vital for sustained brand leadership, elucidating five factors for enduring market 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.
- Managerial Persistence—The "breakthrough" technology that can drive market leadership often requires the commitment of company resources over long periods of time.
- Financial Commitment—The cost of maintaining leadership is high because of the demands for research and development and marketing. Companies that aim for short-term profitability rather than long-term leadership are unlikely to enjoy enduring leadership.
- Relentless Innovation—Due to changes in consumer tastes and competition from other firms, companies that wish to maintain leadership positions must continually innovate.
- Asset Leverage—Companies can become leaders in some categories if they hold a leadership position in a related category.

THE SCIENCE OF BRANDING 1-4
MARKETING BRANDS IN A RECESSION

There are tactics that can help marketers survive—or even thrive—in a recession, both in the short run and over the long haul:

- Explore the Upside of Actually Increasing Investment—Firms willing to capitalize on a marketing opportunity by investing during a recession have, on average, improved their fortunes compared with firms that chose to cut back.
- Now, More Than Ever, Get Closer to Your Consumer—A downturn is an opportunity for marketers to learn even more about what consumers are thinking, feeling, and doing, especially the loyal customer base that is the source of so much of a brand's profitability. Any changes must be identified and characterized as temporary adjustments versus permanent shifts.
- Rethink How You Spend Your Money—A recession provides an opportunity for marketers to closely review how much and in what ways they are spending their

money. Budget reallocations can allow marketers to try new, promising options and eliminate sacred-cow approaches that no longer provide sufficient revenue benefits.

- Put Forth the Most Compelling Value Proposition—Rather than overly focusing on price reductions and discounts, marketers should focus on increasing—and clearly communicating—the value their brands offer consumers, making sure consumers appreciate all the financial, logistical, and psychological benefits compared with the competition.
- Fine-Tune Your Brand and Product Offerings—Because certain brands or sub-brands appeal to different economic segments, those that target the lower end of the socioeconomic spectrum may be particularly important during a recession. Bad times also are an opportunity to prune brands or products that have diminished prospects.

Branding Briefs

BRANDING BRIEF 1-1
COCA-COLA'S BRANDING LESSON

One of the classic marketing mistakes occurred in April 1985 when Coca-Cola replaced its flagship cola brand with a new formula. Pepsi-Cola's "Pepsi Challenge" promotion involved advertising and in-store sampling showcasing consumer blind taste tests between Coca-Cola and Pepsi-Cola. Invariably, Pepsi won these tests. Fearful that the promotion, if expanded nationally, could take a big bite out of Coca-Cola's sales, Coca-Cola felt compelled to act.

Coca-Cola's strategy was to change the formulation of Coke to more closely match the slightly sweeter taste of Pepsi. To arrive at a new formulation, Coke conducted taste tests with 190,000 consumers. The findings indicated that consumers preferred the taste of the new formulation to the old one and thus, Coca-Cola announced the formulation change. Consumer reaction was swift but, unfortunately for Coca-Cola, negative. After several 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's brand image certainly has emotional components, and consumers have a great deal of strong feelings for the brand. Coca-Cola's biggest slip 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.

BRANDING BRIEF 1-2
BRANDING COMMODITIES

A commodity is a product so basic that it cannot be physically differentiated from competitors in the minds of consumers. Over the years, a number of products that at one time were seen as essentially commodities have become highly differentiated as strong brands have emerged in the category. These products became branded in various ways. Consumers became convinced that all the product offerings in the category were not the same and that meaningful differences existed.

Some notable examples are coffee (Maxwell House), bath soap (Ivory), flour (Gold Medal), beer (Budweiser), salt (Morton), oatmeal (Quaker), pickles (Vlasic), bananas (Chiquita), chickens (Perdue), pineapples (Dole), and even water (Perrier).

BRANDING BRIEF 1-3
PLACE BRANDING

Branding is not limited to vacation destinations. Countries, states, and cities large and small are beginning to brand their respective images as they try to draw visitors or encourage relocation. Some notable early examples of place branding include "Virginia Is for Lovers" and "Shrimp on the Barbie" (Australia). Branding countries to increase appeal to tourists is also a growing phenomenon. Some recent success stories include Spain's use of a logo designed by Spanish artist Joan Miró, the "Incredible India" campaign, and New Zealand's marketing of itself in relation to the Lord of the Rings movie franchise.

Brand Focus

BRAND FOCUS 1.0
HISTORY OF BRANDING

The development of branding and brand management has been divided into six distinct phases:

- Early Origins: Before 1860
  The original motivation for branding was for craftsmen and others to identify the fruits of their labors so that customers could easily recognize them. Branding, or at least trademarks, can be traced back to ancient pottery and stonemason's marks, which were applied to handcrafted goods to identify their source. Marks were used to attract buyers loyal to particular makers, but also to police infringers of the guild monopolies and to single out the makers of inferior goods.

  An English law passed in 1266 required bakers to put their mark on every loaf of bread sold, "to the end that if any bread bu faultie in weight, it may bee then knowne in whom the fault is." Goldsmiths and silversmiths were also required to mark their goods, both with their signature or personal symbol and with a sign of the quality of the metal. When Europeans began to settle in North America, they brought the convention and practice of branding with them. The makers of patent medicines and tobacco manufacturers were early U.S. branding pioneers.

  Attractive-looking packages were seen as important, and picture labels, decorations, and symbols were designed as a result. This was applied even by the tobacco manufacturers.

- Emergence of National Manufacturer Brands: 1860 to 1914
  In the United States after the American Civil War, a number of forces combined to make widely distributed, manufacturer-branded products a profitable venture

through improvements in transportation, production processes, and packaging. Advertising became perceived as a more credible option and retail institutions served as effective middlemen. Increasing industrialization and urbanization raised the standard of living.

Mass-produced merchandise in packages largely replaced locally produced merchandise sold from bulk containers, which brought about the widespread use of trademarks. The development and management of brands was largely driven by the owners of the firm and their top-level management.

National manufacturers employed sustained "push" and "pull" efforts to keep both consumers and retailers happy and accepting of national brands. Consumers were attracted through the use of sampling, premiums, product education brochures, and heavy advertising. Retailers were lured by in-store sampling and promotional programs and shelf maintenance assistance.

As the practice of imitation and counterfeiting spread, firms sought protection by sending their trademarks and labels to district courts for registration. By 1890, most countries had trademark acts, establishing brand names, labels, and designs as legally protectable assets.

- Dominance of Mass Marketed Brands: 1915 to 1929
  By 1915, manufacturer brands had become well established in the United States on both a regional and national basis. The next 15 years saw increasing acceptance and even admiration of manufacturer brands by consumers. The marketing of brands became more specialized under the guidance of functional experts in charge of production, promotion, personal selling, and other areas, which led to more advanced marketing techniques.

  Although functional management of brands had these virtues, it also presented problems. Because responsibility for any one brand was divided among two or more functional managers—as well as advertising specialists—poor coordination was always a potential problem.

- Challenges to Manufacturer Brands: 1930 to 1945
  The onset of the Great Depression in 1929 posed new challenges to manufacturer brands. Greater price sensitivity led retailers to push their own brands and dropped nonperforming manufacturer brands. Advertising came under fire as manipulative, deceptive, and tasteless and was increasingly being ignored by certain segments of the population. In 1938, the Wheeler Amendment gave power to the Federal Trade Commission (FTC) to regulate advertising practices.

  Procter & Gamble put the first brand management system into place, whereby each of their brands had a manager assigned only to that brand who was responsible for its financial success. Other firms were slow to follow. During World War II, manufacturer brands became relatively scarce as resources were diverted to the war effort. The Lanham Act of 1946 permitted federal registration of service marks and collective marks.

- Establishment of Brand Management Standards: 1946 to 1985
  After World War II, the pent-up demand for high-quality brands led to an explosion of sales. Personal income grew as the economy took off, and market demand intensified as the rate of population growth exploded. Demand for national brands soared, fueled by a burst of new products and a receptive and growing middle class. Firm after firm during this time period adopted the brand management system.

- Branding Becomes More Pervasive: 1986 to Now
  The merger and acquisitions boom of the mid-1980s raised the interest of top executives and other board members as to the financial value of brands. This appreciated the importance of managing brands as valuable intangible assets. The last 25 years have seen an explosion in the interest and application of branding as more firms have embraced the concept.

Discussion questions

1. *What do brands mean to you? What are your favorite brands and why? Check to see how your perceptions of brands might differ from those of others.*

   Answers will vary widely. Discussions could revolve around reasons for such differences.

   Page: 6
   Learning Objective: Define "brand," state how brand differs from a product, and explain what brand equity is.
   AACSB: Analytic Skills

2. *Who do you think has the strongest brands? Why? What do you think of the Interbrand list of the 25 strongest brands in Figure 1-5? Do you agree with the rankings? Why or why not?*

   These two questions can be used to illustrate the similarities and differences between "favorite" brands and "strong" brands. The discussion could include evaluation of the criteria for inclusion on the *Interbrand* list.

   Page: 8
   Learning Objective: Explain how branding applies to virtually everything.
   AACSB: Reflective Thinking

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 & organizations; sports, arts, & entertainment) and describe how each is a brand.*

   Discussion might involve why anything can become a brand. (Because of the way perception functions, the differential effect of when a brand is present vs. the commodity product can always be achieved.) Students will come up with many different examples of branded products, and the discussion can be used to examine what makes a brand.

Page: 8
Learning Objective: Explain how branding applies to virtually everything.
AACSB: Reflective Thinking

4. *Can you think of yourself as a brand? What do you do to "brand" yourself?*

   People resemble brands themselves in many ways – with their name, their mode of dress, their pattern of speech, their interests and activities, etc. – because each aspect of a person contributes to the differentiation of that person from other people.

   Page: 17
   Learning Objective: Identify the steps in the strategic brand management process.
   AACSB: Reflective Thinking

5. *What do you think of the new branding challenges and opportunities that were listed in the chapter? Can you think of any other issues?*

   Brand builders have faced forms of some of these challenges in the past, including increased competition and media fragmentation. Though the new challenges certainly make it more difficult to build a strong brand, by no means to they make it impossible. Other issues include brand backlash, which illustrates a different type of accountability. As the repeated targeting during anti-globalization protests of retail locations of multinational companies such as McDonald's, Gap & Starbucks illustrates, a recognizable brand can also become a lightning rod for criticism & protest.

   Page: 24
   Learning Objective: Describe the main branding challenges and opportunities.
   AACSB: Reflective Thinking

<u>Exercises and assignments</u>

1. Ask students to poll 10 or so consumers about their brand loyalty in various product categories (e.g., toothpaste, dishwashing soap, shampoo, deodorant, toilet tissue, soda, salsa, ice cream, cereal, potato chips, jeans, running shoes, and socks). Are there brands or categories for which consumer loyalty is relatively high? How do consumers explain their loyalty or lack thereof? How are marketing strategies affected by consumer attitude and behavior patterns (or, alternatively, how should they be affected)? (Can be related to Branding Brief 1-1: Coca-Cola's Branding Lesson.)

   Page: 5
   Learning Objective: Define "brand," state how brand differs from a product, and explain what brand equity is.
   AACSB: Analytic Skills
   Question type: Individual/Group

Time to complete the exercise: 15 minutes
This activity may be carried out at the beginning of the class.

2. Have students identify three brands that are on the endangered species list and: 1) analyze reasons for the problems, and 2) suggest prescriptive marketing measures. Appropriate brands might include Wise potato chips, Oldsmobile cars, Tang drink, LifeSavers roll candy, J.C. Penney.

   Page: 20
   Learning Objective: Describe the main branding challenges and opportunities.
   AACSB: Analytic Skills
   Question type: Individual/Group
   Time to complete the exercise: 12-15 minutes
   This activity may be carried out right after the class has been introduced to the concept of the strongest brands.

3. Tell students to survey consumers about their buying behavior with respect to private label or store brands. In which product categories do such products pose the largest competitive threat to premium brands? Which retail stores have the strongest private labels?

   Page: 20
   Learning Objective: Describe the main branding challenges and opportunities.
   AACSB: Analytic Skills
   Question type: Individual
   Time to complete the exercise: 10 minutes
   This activity may be carried out before the class is introduced to the concept of the strongest brands.

4. Give a prize to the student who comes up with the best list (as voted upon by other students) of "weird" brands – products that don't seem to lend themselves to branding but yet are very successful in the marketplace. Candidates might include Blue Rhino propane gas, Banker's Box boxes, Rent-A-Husband home handyman service, Campbell's mushrooms, and Merry Maids housecleaning service.

   Page: 20-21
   Learning Objective: Explain how branding applies to virtually everything.
   AACSB: Analytic Skills
   Question type: Individual
   Time to complete the exercise: 8-10 minutes
   This activity may be carried out before the class is introduced to the concept of the strongest brands.

Key take-away points

1. 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."
2. Brand elements can be based on people, places, things, and abstract images.
3. A product is anything that is offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want.
4. A brand can have dimensions that differentiate it in some way from other products designed to satisfy the same need.
5. By creating perceived differences among products through branding and by developing a loyal consumer franchise, marketers create value that can translate to financial profits for the firm.
6. 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 programs and actions.
7. Firms see branding as a powerful means to secure a competitive advantage.
8. Retailers can introduce their own brands by using their store name, creating new names, or some combination of the two.
9. Successful online brands have been well positioned and have found unique ways to satisfy consumers' unmet needs.
10. A company's management of a brand is typically the determining factor in the ultimate success or failure of the brand.
11. Brands have differentiating features that distinguish them from competitors and add value for consumers.
12. Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity.
13. Consumers often don't buy products; they buy the images associated with products.

Visit TestBankDeal.com to get complete for all chapters