Chapter 1

Brands and Brand Management

Learning 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 defines what a brand is and considers the functions of a brand, both from the perspective of the consumer and the firm. Because the marketplace has become increasingly complex and competitive, brand management is more important and challenging now than it ever has been. A strong brand can simplify decision making, reduce risk, and set expectations for consumers.

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, sports, art, and entertainment industries. This chapter describes some of the past and present challenges faced by brands 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.

This chapter details the three main factors that contribute to brand equity and several strategic imperatives for effective brand equity management. The strategic brand management process is also 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 digitally native vertical brands (DNVBs), or brands that originate on the Web and primarily interact with customers via digital channels. This book will help you develop an appreciation of and aptitude for using appropriate branding concepts.

Chapter Outline

I. Preview

  A. The brand names associated with products and services are valuable assets.

B. The chapter objectives are to explore important issues in planning, implementing, and evaluating brand strategies and to provide appropriate concepts, theories, models, and other tools to make better branding conditions.

C. The information is designed to be relevant to all organizations, regardless of size, nature of the business, or profit orientation.

II. What Is a Brand?

<<Use *LO1. Define "brand," state how brand differs from a product, and explain what brand equity is.* Here.>>

*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 to differentiate them from those of competition."*

A. Brand Elements

1. The different components of a brand that identify and differentiate it are **brand elements**.

2. Brand names, brand logos, and brand symbols come in different forms.

<<Use Exercise 1 Here.>>

B. Brands versus Products

1. A **product** is anything we can offer to a market for attention, acquisition, use, or consumption that might satisfy a need or want.

2. There are five levels of meaning for a product:

   a. The core benefit level

   b. The generic product level

   c. The expected product level

   d. The augmented product level

   e. The potential product level

<<Use Figure 1-1 Here.>>

3. Steady investments in research and development have led to rapid innovations and market response.

<<Use Figure 1-2 Here.>>

4. Brands carry a number of different types of associations. Marketers must account for them when making decisions.

5. The most valuable assets may be intangible.

<<Use Branding Brief 1-1 Here.>>

<<Use Discussion Question 1 Here.>>

III. Why Do Brands Matter?

<<Use *LO2. Summarize why brands are important.* Here>>

A. Consumers

1. The term **consumer** broadly encompasses all types of customers, including organizations and individuals.

2. Brands provide a shorthand for—or simplification of—product decisions.

3. Brands help consumers identify the product's source, assign responsibility to the product's maker, reduce risk, reduce search costs, act as a promise or pact, are symbolic devices, and are quality signals.

   a. Products can be classified into: search goods, experience goods, and credence goods.

   b. Buyers' risks include: functional risk, physical risk, financial risk, social risk, psychological risk, and time risk.

<<Use Exercise 2 Here.>>

B. Firms

1. Brands can help firms identify its products, protect unique features, signal quality, endow products with associations, serve as a source of competitive advantage, and serve as a source of financial returns.

2. Huge sums have been paid for brands in mergers and acquisitions.

<<Use Figure 1-4 Here.>>

IV. Can Anything Be Branded?

A brand is something that resides in the minds of consumers. Marketers must give consumers a label and a meaning that helps consumers perceive differences among brands.

<<Use *LO3. Explain how branding applies to virtually everything.* Here>>

<<Use Branding Brief 1-2 Here>>

A. Physical Goods: traditionally associated with brands

<<Use The Science of Branding 1-1 Here.>>

1. Business-to-Business (B2B) Products

    a. A strong B2B brand can provide a clear competitive advantage.

    b. Even though purchasers are well-informed, B2B marketers recognize the importance of the brand and execution.

<<Use The Science of Branding 1-2 Here.>>

2. High-Tech Products: the speed and brevity of the technology life cycle makes high-tech products a unique challenge.

<<Use Branding Brief 1-3 Here.>>

B. Services

1. Role of Branding with Services: services are less tangible. Branding can be a competitive weapon.

2. Professional Services

    a. Corporate credibility is key in terms of expertise, trustworthiness, and likability.

    b. Variability is a challenge because the service is hard to standardize.

    c. Referrals and testimonials are important when the service is highly intangible and subjective.

C. Retailers and Distributors

1. Brands serve important functions for retailers and other channel members.

    a. Brands help retailers establish an image and a position

    b. Brands can yield higher price margins

    c. Store brands or private label brands can increase loyalty and profit margins

2. Retailers have recently adopted a bricks and clicks model with responsive service.

D. Digital Brands: successful digital brands have been well positioned and satisfy unmet needs in unique ways.

<<Use Brand Focus 1.0 Here.>>

1. Hulu, Pandora, and Wikipedia offer unique features and services.

2. Airbnb used storytelling to convey its message about space sharing.

<<Use Exercise 3 Here.>>

E. People and Organizations

1. Lady Gaga's personal brand offers lessons for marketers.

2. Lady Gaga uses storytelling and updates her looks and performances.

3. UNICEF is an example of an organization that has initiated a number of marketing activities to satisfy its organizational goals and mission.

F. Sports, Arts, and Entertainment

1. Brand symbols and logos contribute financially to professional sports.

2. Branding is valuable in the arts and entertainment industries.

3. Harry Potter is an example of an entertainment brand that went from books to blockbuster movies.

G. Geographic Locations: Cities, states, regions, and countries are actively promoted.

<<Use Branding Brief 1-4 Here.>>

H. Ideas and Causes: Brands can help make ideas and causes seem more concrete.

<<Use Discussion Question 3 Here.>>

V. What Are the Strongest Brands?

1. Interbrand's ranking of the most valuable brands is based on a methodology that will be discussed in Chapter 10.

   <<Use Figure 1-5 Here.>>

2. As much as 50% of a firm's value can be attributed to intangible assets.

   <<Use The Science of Branding 1-3 Here.>>

3. Any brand is vulnerable and susceptible to poor brand management.

   <<Use Discussion Question 2 Here.>>

VI. Branding Challenges and Opportunities

<<Use *LO4. Describe the main branding challenges and opportunities.* Here.>>

Brand management is more difficult than ever.

A. Unparalleled Access to Information and New Technologies: Technology provides access to vast amounts of information and can be used to design better brand experiences.

B. Downward Pressure on Prices: search costs are lower, which makes it easier for consumers to compare prices.

C. Ubiquitous Connectivity and the Consumer Backlash: as connectivity increases, it makes consumers less attentive and perhaps more protective of their time.

D. Sharing Information and Goods: new technology enables consumers to share information (social media) and goods (files and goods).

<<Use Figure 1-6 Here.>>

E. Unexpected Sources of Competition: new competitors can crop up online because there are fewer barriers to entry.

F. Disintermediation and Reintermediation: disintermediation takes away intermediaries; reintermediation adds intermediaries.

<<Use Exercise 4 Here.>>

<<Use Figure 1-7 Here.>>

G. Alternative Sources of Information about Product Quality: It is easier for consumers to learn about product quality with the vast amounts of information available on the Internet. Consumers can quickly learn about actual quality.

H. Winner-Takes-All Markets: Consumers are more quality sensitive and market leaders are likely to be chosen at an even greater rate.

<<Use Figure 1-8 Here.>>

I. Media Transformation: An important change in the marketing environment is traditional media fragmentation. LaCroix is an example of a brand that uses social media and influencers, instead of traditional media, to build brand awareness and engagement.

J. The Importance of Customer Centricity: Brands have shifted their emphasis to be more focused on customer issues and concerns.

<<Use Discussion Question 5 Here.>>

VII. The Brand Equity Concept

A. Brand equity has elevated the importance of the brand in marketing strategy.

<<Use Figure 1-9 Here.>>

B. Brand equity is the marketing effects uniquely attributable to a brand.

<<Use Exercise 5 Here.>>

C. Branding is all about creating differences.

1. Differences in outcomes arise from "added value" endowed to a product as a result of past marketing activity for the brand
2. Value can be created in different ways
3. Brand equity is a common denominator for interpreting marketing strategies and assessing brand value
4. There are different ways in which the brand can be manifested or exploited to benefit the firm.

VIII. Strategic Brand Management Process

<<Use *LO5. Identify the steps in the strategic brand management process.* Here.>>

<<Use Figure 1-10 Here.>>

A. Identifying and Developing Brand Plans: brand planning uses three interlocking models.

1. The brand positioning model
2. The brand resonance model
3. The brand value chain

<<Use Discussion Question 5 Here.>>

B. Designing and Implementing Brand Marketing Programs: designing and implementing brand involves properly positioning the brand in the minds of customers and achieving as much brand resonance as possible. Depends on three factors:

1. Choosing Brand Elements
2. Integrating the Brand into Marketing Activities and the Supporting Marketing Program
3. Leveraging Secondary Associations

<<Use Discussion Question 6 Here.>>

C. Measuring and Interpreting Brand Performance: measuring and interpreting brand involves a ***brand equity measurement system***, or a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm.

D. Growing and Sustaining Brand Equity: it is about understanding how branding strategies should reflect corporate concerns and be adjusted. It involves:

1. Defining Brand Architecture
2. Managing Brand Equity over Time
3. Managing Brand Equity over Geographic Boundaries, Cultures, and Market Segments

<u>The Science of Branding</u>

THE SCIENCE OF BRANDING 1-1

History of Branding

- Branding has been around for centuries, with trademarks on ancient pottery and bakers' marks on bread as early examples.
- Makers of patent medicines and tobacco manufacturers were early U.S. branding pioneers.
- The Great Depression hurts brands, but sales of high-quality brands exploded from 1940 to 1980.
- In the mid-1980s, brands were viewed more as intangible assets.
- The twenty-first century brought data-driven marketing approaches and digital communications and channels for brands.

THE SCIENCE OF BRANDING 1-2

Understanding Business-to-Business Branding

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 particular 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 nonproduct-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 1-3

On Brand Relevance and Brand Differentiation

- Brand relevance could make a difference on whether a firm acquires and retains customers. Differentiation is at the heart of brand success.

- Aaker defined brand relevance as a factor that combines category choice and brand choice. Brand preference can affect brand relevance.

- Sharp argued that acquisition was more important than retention and noted that the differentiation of brands has not resulted in distinctive consumer profiles.

- Marketers should decide whether a mass marketing or a niche marketing strategy is most appropriate for a given category using questions like:

    - Is there a compelling value proposition that can appeal to a specific segment of the population?

- Is this target segment willing to pay a price premium over an undifferentiated product?
- Is it cost-effective to engage with niche markets rather than offer an undifferentiated product to a larger audience?
- What are the competitive advantages to a mass marketing strategy versus a niche strategy? Are there incumbents in the market that are using one or the other approach? Does the company's resources and culture support a mass marketing or a niche marketing approach?

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 essential 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). DeBeers Group successfully branded diamonds by conveying powerful emotions and symbolic value.

BRANDING BRIEF 1-3

Adobe

Adobe is a worldwide leader in multimedia and creativity software. It is well-known for Adobe Reader and Adobe Photoshop, as well as for the Adobe Creative Suite and Creative Cloud. It had a brand valuation of $9 billion in 2017, which was a 19% increase in brand value from 2016. Its innovative products are customer-friendly and its ads connect with consumers on an emotional level. It has a strong, well-executed brand strategy.

BRANDING BRIEF 1-4

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. In 2017, the top five country brands were Switzerland, Canada, Japan, Sweden, and New Zealand.

Brand Focus

BRAND FOCUS 1.0

Unlocking the Secrets of Digital Native Brands

Digitally native vertical brands (DNVBs) are brands that originate on the Web and interact with customers using (mostly) digital channels. Successful DNVBs include Warby Parker, Dollar Shave Club, and Bonobos. They disrupted their industries. Their growth may be less surprising given the growth of ecommerce. Direct-to-consumer retail is on pace to reach retail sales of $16 billion by 2022.

DNVBs are characterized by: 1) a relentless focus on customer acquisition, 2) direct sourcing of raw materials, 3) enhanced customer experiences, 4) building strong ties with customers, and 5) direct distribution to consumers.

Going direct allows firms to 1) gain affinity and gather feedback, 2) rely less on channel partners, 3) control the customer experience and retain agility, 4) develop an authentic, consumer-focused brand. Sometimes these digital-native brands extend into bricks-and-mortar stores to strengthen customer engagement.

Warby Parker manufactures eyeglasses, sunglasses, and gift cards. The concept is simple: customers order glasses online and get them delivered to their homes. The average price for a pair of glasses is $95, and the firm donates a pair of glasses for every pair that is purchased.

Warby Parker took on offline giant Luxottica, which owned (or licensed) many brands and retail outlets. Warby Parker positioned itself as a lifestyle brand with unique product offerings, a low price point, and exceptional customer service. The company allows customers to try on glasses at home, and leverages social media influencers and models, as well as a well-trained, customer-centric team of employees.

<u>Discussion Questions and Answers</u>

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.

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   Learning Objective 1: 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.

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   Learning Objective 3: 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 and organizations; sports, arts, and 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 versus 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.

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Learning Objective 3: 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.

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   Learning Objective 5: 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 and Starbucks illustrates, a recognizable brand can also become a lightning rod for criticism and protest.

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   Learning Objective 4: Describe the main branding challenges and opportunities.

   AACSB: Reflective Thinking

Exercises and Assignments

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 marketing strategies are 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.)

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   Learning Objective 1: 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 where branding is introduced.

2. Ask students to imagine they have been hired as a marketing manager for a firm that sells a commodity. Instruct the student to identify the specific commodity, then to write a memo to his or her boss that suggests a brand strategy to differentiate the commodity from other products. In the memo, she/he should describe why brands matter for consumers and for the firm.

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   Learning Objective 2: Summarize why brands are important.

   AACSB: Analytic Skills

   Question type: Individual

   Time to complete the exercise: 30 minutes

   This activity may be carried out for homework and discussed during the review of the chapter.

3. 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, and Merry Maids housecleaning service.

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   Learning Objective 3: 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.

4. Ask students to visit an information intermediary that has an impact on a brand's equity. Ask them to report back on a positive review and a negative review about one brand and the implications of each for the brand's equity. What would they suggest the brand do in response to the reviews? Then, ask them to compare their research with at least two

other students from the class. What did the positive reviews have in common? What did the negative views have in common? What would they share with marketing managers based on the exercise?

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Learning Objective 4: Describe the main branding challenges and opportunities.

AACSB: Analytic Skills

Question type: Individual/Group

Time to complete the exercise: 20 minutes

This activity may be carried out before the class is introduced to the concept of challenges and opportunities.

5. Ask students to choose one of the notable recent auction sales listed in Figure 1-9. Instruct them to look up the auction item and describe the "added value" that resulted in the high competition, and the resulting high sale price, for the auction item. Ask them why they believe the specific celebrity association created a difference? Then, ask them to imagine they inherited the object they chose. Ask them to describe what they would do with it and why? Discuss the results as a class.

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   Learning Objective 4: 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 right after the class has been introduced to the concept of the strongest brands.

6. Ask students to choose one brand that leverages secondary associations (e.g., source, brands, spokespeople, sports, or events) to build brand equity. Describe the characteristics that a customer may infer the brand shares the identity it is associated with.

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   Learning Objective 5: Identify the steps in the strategic brand management process.

   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 strategic brand management process.

Key Take-Away Points

1. A brand is a "name, term, sign, symbol, or design, or a 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 competition."

2. Brand elements come in various forms.

3. A brand is different from a product, which is "anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want."

4. A brand adds dimensions that differentiate it from other products designed to satisfy the same need.

5. By creating rational and tangible and/or symbolic, emotional, and intangible perceived differences among products through branding, marketers create valuable, intangible assets.

6. Customers perceive differences among brands, which helps them make choices.

7. A number of branding challenges and opportunities—including changes in customer attitudes and behavior, competitive forces, marketing efficiency and effectiveness, and internal company dynamics—face today's marketing managers.

8. Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity.