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Build the Brand



Chapter Questions

- What is a brand and how does branding work?
- What is brand equity?
- How is brand equity built, measured, and managed?
- What are the important decisions in developing a branding strategy?



Brand

A name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

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Steps in Strategic Brand Management

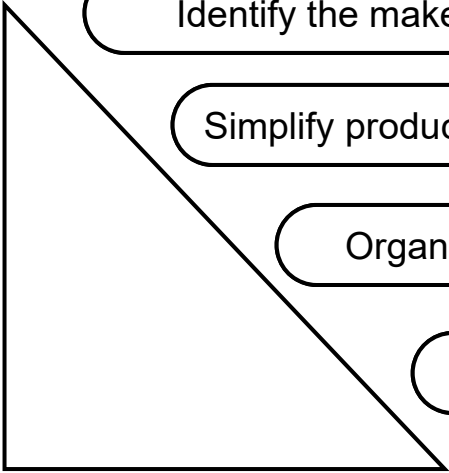
- Identifying and establishing brand positioning
- Planning and implementing brand marketing
- Measuring and interpreting brand performance
- Growing and sustaining brand value

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The Role of Brands



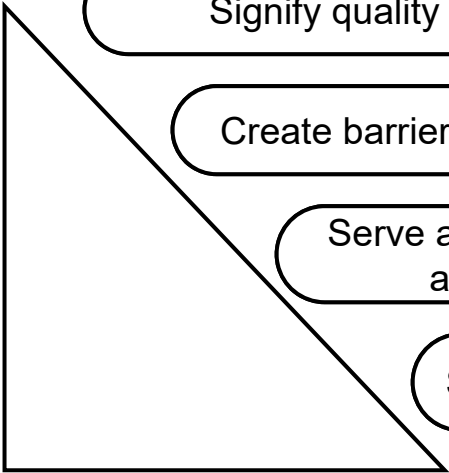
- Identify the maker
- Simplify product handling
- Organize accounting
- Offer legal protection

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The Role of Brands (cont'd)



- Signify quality
- Create barriers to entry
- Serve as a competitive advantage
- Secure price premium

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Branding

Endowing products and services
with the power of a brand.

Brand Equity

- The differential effect that brand knowledge has on consumer response to the marketing of that brand.
 - Customer-based brand equity is thus the differential effect brand knowledge has on consumer response to the marketing of that brand.
 - A brand has positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified, than when it is not identified.
 - A brand has negative customer-based brand equity if consumers react less favorably to marketing activity for the brand under the same circumstances.

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Advantages of Strong Brands

- | | |
|---|---|
| <ul style="list-style-type: none"> • Improved perceptions of product performance • Greater loyalty • Less vulnerability to competitive marketing actions • Less vulnerability to crises | <ul style="list-style-type: none"> • Larger margins • More inelastic consumer response • Greater trade cooperation • Increased marketing communications effectiveness • Possible licensing opportunities |
|---|---|

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Virgin Atlantic's Brand Promise



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After flying for only a few years, Virgin America became an award-winning airline that passengers adore and that makes money. It is not unusual for the company to receive e-mails from customers saying they actually wished their flights lasted longer! Virgin America set out to reinvent the entire travel experience, starting with an easy-to-use and friendly Web site and check-in. In flight, passengers revel in Wi-Fi, spacious leather seats, mood lighting, and in-seat food and beverage ordering through touch-screen panels.

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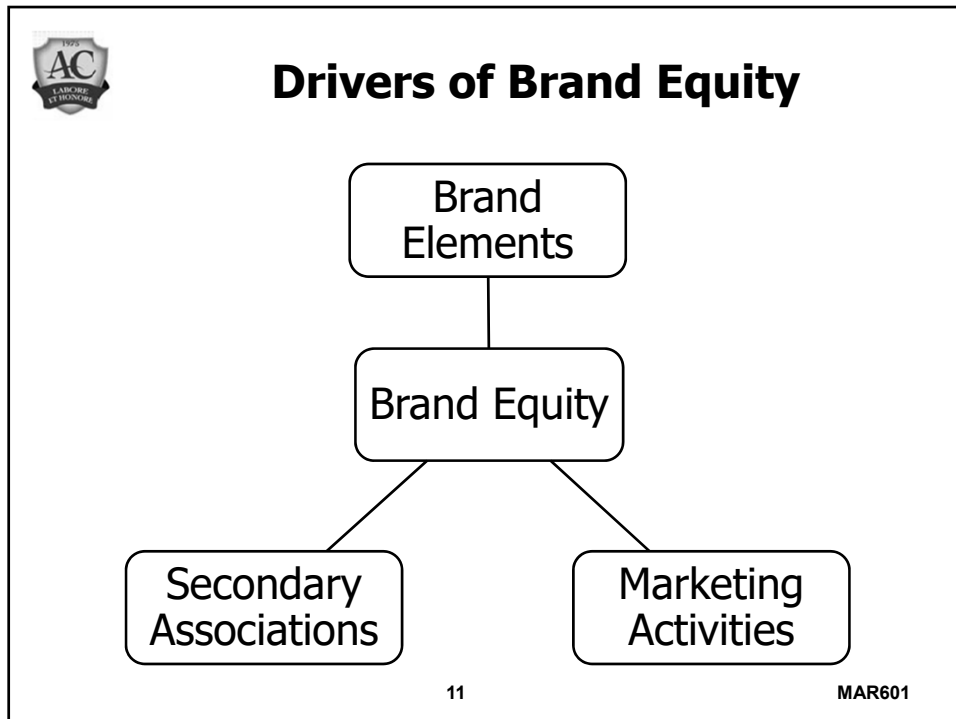


Brand Promise

The marketer's vision of what the brand must be and do for Consumers.

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Brand Elements

Brand names, URLs, Logos, Symbols, Characters, Slogans

- **Brand elements** are devices, which can be trademarked, that identify and differentiate the brand. Most strong brands employ multiple brand elements.
- *Nike* has the distinctive “swoosh” logo, the empowering “Just Do It” slogan, and the “Nike” name from the Greek winged goddess of victory.
- Marketers should choose brand elements to build as much brand equity as possible. The test is what consumers would think or feel about the product if the brand element were all they knew.
- Based on its name alone, for instance, a consumer might expect **SnackWell’s** products to be healthful snack foods and **Panasonic Toughbook** laptop computers to be durable and reliable.

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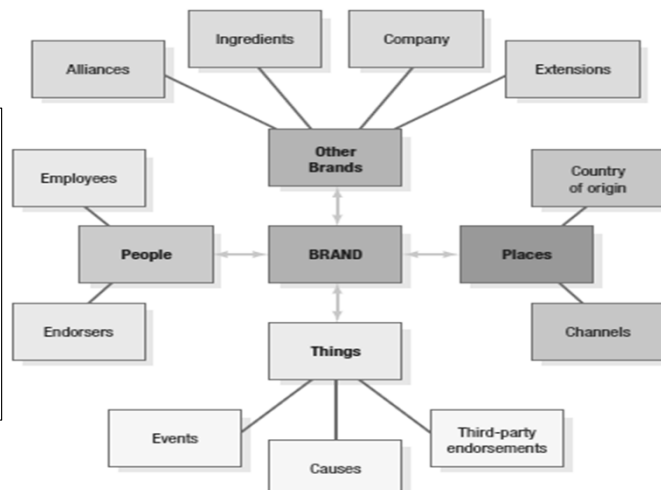
Brand Element Choice Criteria

- There are six criteria for choosing brand elements. The first three memorable, meaningful, and likable—are “**brand building**.” The latter three—transferable, adaptable, and protectable—are “**defensive**” and help leverage and preserve brand equity against challenges.
- *Memorable* - How easily do consumers recall and recognize the brand element, and when—at both purchase and consumption?
- *Meaningful* - Is the brand element credible? Does it suggest the corresponding category and a product ingredient or the type of person who might use the brand?
- *Likeability* - How aesthetically appealing is the brand element?
- *Transferable* - Can the brand element introduce new products in the same or different categories?
- *Adaptable* - How adaptable and updatable is the brand element?
- *Protectable* - How legally protectable is the brand element? How competitively protectable?



Secondary Sources of Brand Knowledge

Another way to build brand equity is, in effect, to “borrow” it. That is, create brand equity by linking the brand to other information in memory that conveys meaning to consumers as shown in the Figure.





Slogans

- Like a good neighbor, State Farm is there
- Just do it
- Nothing runs like a Deere
- Help is just around the corner
- Save 15% or more in 15 minutes or less
- We try harder
- We'll pick you up
- Nextel – Done
- Zoom Zoom
- I'm lovin' it
- Innovation at work
- This Bud's for you
- Always low prices

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Internal Branding

- Marketers must now “walk the walk” to deliver the brand promise. They must adopt an internal perspective to be sure employees and marketing partners appreciate and understand basic branding notions and how they can help—or hurt—brand equity. Internal branding consists of activities and processes that help inform and inspire employees. Brand bonding occurs when customers experience the company as delivering on its brand promise. All the customers' contacts with company employees and communications must be positive. The brand promise will not be delivered unless everyone in the company lives the brand.
 1. Choose the right moment. Turning points are ideal opportunities to capture employees' attention and imagination.
 2. Link internal and external marketing. Internal and external messages must match. use of Internet technology.
 3. Bring the brand alive for employees. Internal communications should be informative and energizing.

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Measuring Brand Equity

- A **brand audit** is a consumer-focused series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. Marketers should conduct a brand audit when setting up marketing plans and when considering shifts in strategic direction.
 - Conducting brand audits on a regular basis, such as annually, allows marketers to keep their fingers on the pulse of their brands so they can manage them more proactively and responsively.
- **Brand-tracking** studies collect quantitative data from consumers over time to provide consistent, baseline information about how brands and marketing programs are performing.
 - Tracking studies help us understand where, how much, and in what ways brand value is being created, to facilitate day-to-day decision making.
- **Brand valuation**, is the job of estimating the total financial value of the brand (it is different than brand equity)

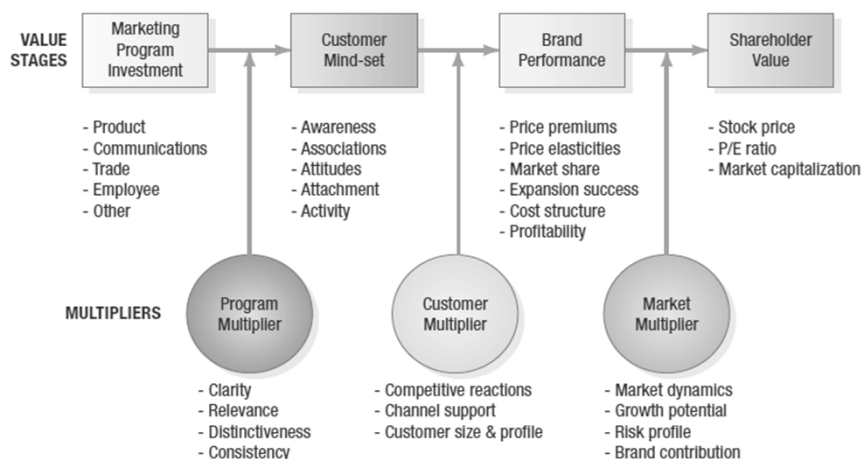
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Brand Value Chain

*The **brand value chain** is a structured approach to assessing the sources and outcomes of brand equity and the way marketing activities create brand value*



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Table 1
The 10 Most Valuable Brands

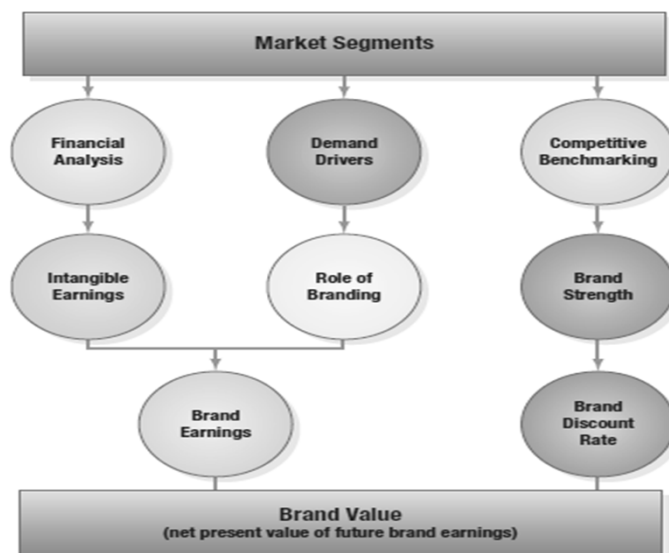
Rank	Brand	2009 Brand Value (Billions)
1	Coca-Cola	\$68.7
2	IBM	\$60.2
3	Microsoft	\$56.6
4	GE	\$47.8
5	Nokia	\$34.9
6	McDonald's	\$32.3
7	Google	\$32.0
8	Toyota	\$31.3
9	Intel	\$30.6
10	Disney	\$28.4

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Fig 1: Interbrand Brand Valuation Method



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Interbrand Brand Valuation Method

- Top brand-management firm Interbrand has developed a model to formally estimate the dollar value of a brand. It defines *brand value* as the net present value of the future earnings that can be attributed to the brand alone. The firm believes marketing and financial analyses are equally important in determining the value of a brand. Its process follows five steps as shown in Figure 1.
 1. **Market Segmentation**—The first step is to divide the market(s) in which the brand is sold into mutually exclusive segments that help determine variances in the brand's economic value.
 2. **Financial Analysis**—Interbrand assesses purchase price, volume, and frequency to help calculate accurate forecasts of future brand sales and revenues.
 3. **Branding**—Interbrand next attributes a proportion of Intangible Earnings to the brand in each market segment, by first identifying the various drivers of demand, then determining the degree to which the brand directly influences each.
 4. **Brand Strength**—Interbrand then assesses the brand's strength profile to determine the likelihood that the brand will realize forecasted Brand Earnings.
 5. Lastly we have the **Brand Value Calculation**—Brand Value is the net present value (NPV) of the forecasted Brand Earnings, discounted by the Brand Discount Rate.

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Managing Brand Equity

- **Brand reinforcement**
 - Marketers can reinforce brand equity by consistently conveying the brand's meaning in terms of: (1) What products it represents, what core benefits it supplies, and what needs it satisfies, and (2) how the brand makes products superior, and which strong, favorable, and unique brand associations should exist in consumers' minds.
- **Brand revitalization**
 - Often, the first thing to do in **revitalizing** a brand is to understand what the sources of brand equity were to begin with. Are positive associations losing their strength or uniqueness? Have negative associations become linked to the brand? Then decide whether to retain the same positioning or create a new one, and if so, which new one.

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Devising a Branding Strategy

- A firm's branding strategy—often called the brand architecture—reflects the number and nature of both common and distinctive brand elements. Deciding how to brand new products is especially critical. A firm has three main choices:
 - Develop new brand elements
 - Apply existing brand elements
 - Use a combination of old and new

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Branding Terms

- *Brand line* consists of all products—original as well as line and category extensions—sold under a particular brand
- *Brand mix* (or brand assortment) is the set of all brand lines that a particular seller makes
- *Brand extension*: Using a successful brand name to launch a new or modified product in a new category. (i.e. Barbie Doll to Barbie home furnishings, Barbie cosmetics, Barbie electronics, etc.)
- *Sub-brand*: When marketers combine a new brand with an existing brand, the brand extension can also be called a sub-brand, such as Adobe Acrobat software and American Express Blue cards
- *Parent brand* is the existing brand that gives birth to a brand extension or sub-brand
- *Family brand* (or Master brand) : the parent brand already associated with multiple products through brand extensions

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Branding Terms (cont'd)

- Line extension: Using a successful brand name to introduce additional items in a given product category under the same brand name, such as new flavors, forms, colors, or package sizes. (e.g. fat-free yogurt, yogurt flavors)
- Category extension: marketers use the parent brand to enter a different product category, such as Swiss Army watches
- Branded variants: specific brand lines supplied to specific retailers or distribution channels
- Licensed product is one whose brand name has been licensed to other manufacturers that actually make the product

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Brand Extensions




*Many firms have decided to leverage their most valuable asset by introducing a host of new products under their strongest brand names. Most new products are in fact **line extensions**—typically 80% to 90% in any one year. Moreover, many of the most successful new products, as rated by various sources, are extensions. Two main advantages of brand extensions are that they can facilitate new-product acceptance and provide positive feedback to the parent brand and company.*

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Brand Portfolio - Sony




The image shows a collection of Sony products: a laptop, a camera, a television, a portable music player, a DVD player, and a PlayStation controller. Above the products is the AC logo with the text '1979' and 'L'ABRIQUE ET L'HONNEUR'.

Computer	Cameras	Televisions Theatre	Portable Electronics	Sony Pictures	Games
VAIO -notebook -desktop Digital Home Disc Burner Location Free mylo Software	Cyber-shot Alpha SLR HandyCam Printers Digital picture frames Photo services	Televisions Home theatre systems Blu-ray Disc DVD players Home audio components	Walkman Video MP3 Rolly Reader Digital Book Sony Cell Phone GPS	Movies -Theatre -DVD -Blue-ray Television -Comedy -Drama -Daytime -Cartoons Music	PlayStation -PS3 -PS2 -Portable

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Reasons for Brand Portfolios



The image shows the AC logo with the text '1979' and 'L'ABRIQUE ET L'HONNEUR'.

- A brand can only be stretched so far, and all the segments the firm would like to target may not view the same brand equally favorably.
 - Marketers often need multiple brands in order to pursue these multiple segments.
 - increasing shelf presence and retailer dependence in the store,
 - attracting consumers seeking variety,
 - increasing internal competition within the firm, and
 - yielding economies of scale in advertising, sales, merchandising, and distribution.

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Brand Roles in a Brand Portfolio

- ❖ **Flanker or "fighter"** brands are positioned with respect to competitors' brands so that more important (and more profitable) *flagship brands can retain their desired positioning.*
- ❖ **Cash Cows:** Some brands may be kept around despite dwindling sales because they manage to maintain their profitability with virtually no marketing support. Companies can effectively "milk" these "cash cow" brands by capitalizing on their reservoir of brand equity.
- ❖ **Low-end; entry level:** The role of a relatively low-priced brand in the portfolio often may be to attract customers to the brand franchise. Retailers like to feature these "traffic builders" because they are able to "trade up" customers to a higher-priced brand.
- ❖ **High-end prestige:** The role of a relatively high-priced brand often is to add prestige and credibility to the entire portfolio.

Review Question

- Briefly discuss the brand element choice criteria.