STRATEGIC BRAND MANAGEMENT

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BRAND MANAGEMENT

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BRAND MANAGEMENT

PART 1: BASICS OF BRAND MANAGEMENT

PART 1 : BASICS OF BRAND MANAGEMENT

Introduction

The study of brand can never be underestimated .The study of brand should always be given priority as this will help us in improving the product and will build a better brand image of the product in the market.

In this part the whole content has been divided into three chapters/Lessons. Chapter 1 discusses about the market and brand basics, Chapter 2 discusses about brand evolution and value of brands whereas Chapter 3 discusses about the brand and the consumer. In Chapter 1 the topics covered are various competitive forces in market, the competitive strategies for Market Leaders, Basics of Branding, Definitions of Brands, the characteristics of a Brand, Brands and Products, Establishing a Brand, Benefits of a Strong Brand, The 3 Cs of Branding, Important factors about Branding. In Chapter 2 the sub topics covered are understanding of brand evolution, understanding of the branding process, Value of Brands, The Importance of Brand Planning, Issues Influencing Brand Potential, Eight Dimensions of Brands. In Unit 3 the sub topics covered are, Why it is Important to create Powerful Brands, The Nature of Relationships with Customers, The Organization's Marketing Assets, The Importance of a Brand, The Brand – Customer Relationship, The Consumer Mindset.

This part is going to be of great help for the readers of management who wish to build their career in this field and want to be an entrepreneur of future.

Objective

After learning this part, you will be able to understand:

- Market Environment
- Competitive Forces Prevailing in the market.
- Competitive Strategies for leaders in market.
- Brands, its importance and characterstics.
- Difference between brand and product.
- Benefits of a Brand.

- 3 Cs of Branding
- Process and planning of branding.

Structure

LESSON 1: The Market and Brand Basics

LESSON 2: Brand Evolution and Value of

LESSON 3: The Brand & the Consumer

LESSON 1: THE MARKET AND BRAND BASICS

Structure

1.0 Learning Objectives

After learning this Chapter **you will be able to understand:**

- The Meaning and Importance of Market Environment
- How important are Competitive Forces in the Market?
- What are the Competitive Strategies for Market Leaders?

- What are the basics of Brands?
- What are the definitions of Brands?
- Introduction to Brands
- Importance and Characteristics of Brands
- What are Brands and Products?
- How to Establish a Brand?
- What are the Benefits of a Brand?
- What are the 3 Cs of Branding?
- Important factors about Branding

1.1 Introduction

It has never been clearer that in this shrinking world, countries and regions and cities have to compete with each other – for tourism, for inward investment, for aid, for membership of the supranational groups, for buyers of their products and services, for talent. So there‘s hardly a place left that isn‘t thinking hard about its brand image, and most are in need of clear, realistic strategies for communicating and promoting themselves, their culture, their exports, their acts of policy and their contribution to the global community.

Which consultants or agencies will ultimately lead the field in managing and promoting these hugely complex and often contradictory mega brands. Is promoting a country more about policy, management consultancy, public relations, marketing, CRM, advertising or brand strategy? Or is it a combination of everything that working with companies has taught us in the last fifty years?

A strong brand is the most valuable asset of many successful companies. Brands are assets because, when properly managed, they provide a secure stream of income for the business. But what about your own brand, is it delivering its full value?

As you work to unlock the potential of your own brand you are facing a wide range of brand management issues. You are probably asking questions such as:

- What are we trying to achieve?
- Who should be involved?

- How do we manage this?
- What are the tools and techniques to use?

Here you can read about successful brand management and what worked for other brands in different situations. You can learn the principles and practices of successful brand management – and you can unlock the potential of your brand and apply proven tools and techniques. Here you are provided with proven tools and techniques - and a complete brand management process - to help you unlock the value of your brand.

1.2 Competitive Forces in the Market

Effective marketing requires a keen understanding of the macro and microenvironment, customers and competitors. Competition is becoming intense with every passing year. Companies need to balance their customer and competitor orientation in order to be successful in the fast changing environment.

Levi Strauss saw its US sales drop from a peak of $7.1 billion in 1996 to around $4 billion in 2003 largely due to fierce competition. Its jeans brands, exemplified by the classic 501, were being hit from all sides: above from trendy, high-end designer lines such as Calvin Klein, Tommy Hilfiger and GAP; below from popular, lower-priced private labels such as J C Penny‘s Arizona, and Sears‘ Canyon River Blues; from one side by traditional, entrenched brands such as Wranglers and urban Lee‘s; and from the other side by hip, youthful lines such as American Eagle, Bugle Boy, JNCO, Lucky and Diesel. To better compete, Levi‘s introduced the Signature line to be sold at discount stores such as Wal-Mart and the more expensive Premium Red Tab line to be sold at upscale department stores such as Nordstorm and Neiman Marcus. Many marketing experts wondered, however, if it was too little too late and if the brand would ever reclaim its lofty position. In India, however, the brand Levi‘s is on the upswing, having reached its number one position as the most admired jeanwear brand at the Lycra Images fashion Awards in 2006.

To effectively devise and implement the best possible brand positioning strategies, companies must pay keen attention to their competitors. Markets have become too competitive to just focus on customer alone.

Competitive Forces

Michael Porter has identified 5 forces that determine the intrinsic log-run attractiveness of a market or market segment:

- **Threat of intense segment rivalry:** A segment is unattractive if it already contains numerous, strong or aggressive competitors. It is even more unattractive if it is stable or declining, if plant capacity additions are done in large increments, if fixed costs are high, if exit barriers are high, or if competitors have high stakes in staying in the segment. These conditions will lead to frequent price wars, advertising battles and new- product introductions and will make it expensive to compete. The cellular phone market has seen fierce competition due to segment rivalry.
- **Threat of new entrants:** A segment‘s attractiveness varies with the height of its entry and exit barriers. The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry and poor performing firm‘s can easily exit. When both entry and exit barriers are high, profit potential is high but firm‘s face more risk because poorer-performing firms stay in and fight it out. When both entry and exit barriers are low, firms easily enter and exit the industry, and the returns are stable and low. The worst case is when entry barriers are low and exit barriers are high: here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all. The airline industry has low entry barriers but high exit barriers, leaving all the companies struggling during economic downturns.
- **Threat of substitute products:** A segment is unattractive if there are actual or potential substitutes for the product. Substitutes place a limit on prices and on profits. The company has to monitor price trends closely. If technology advances or competition increases in these substitute industries, prices and profits in this segment are likely to fall. The arrival and growth of budget airlines in India has already seen a revision in railway fares and amenities.
- **Threat of buyers’ growing bargaining power:** A segment is unattractive if buyers possess strong or growing purchasing power. The rise of retail giants such as Wal-Mart, Food World has lead some analysts that potential profitability of packaged–goods companies will become curtailed. Buyers‘ bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers‘ costs, when the product is undifferentiated, when the buyers‘ switching costs are low, when buyers are price-sensitive because of low profits or when buyers can integrate upstream. To protect themselves, sellers might select buyers who

have the least power to negotiate or switch suppliers. A better defense consists of developing superior offers that strong buyers cannot refuse.

- **Threat of suppliers' growing bargaining power:** A segment is unattractive if the company's suppliers are able to raise prices or reduce quantity supplied. Oil Companies such as ExxonMobil, Shell, BP, Indian Oil, Bharat Petroleum and Chevron-Texaco are at the mercy of the amount of oil reserves and the actions of oil supplying cartels like OPEC. Suppliers tend to be powerful when they are concentrated or organized, when there are few substitutes, when the supplied product is an important input, when the costs of switching suppliers are high, and when the suppliers can integrate downstream. The best defenses are to build win-win relations with suppliers or use multiple supply sources.

Identifying Competitors

A simplistic way of identifying competition is that Unilever competes with Procter & Gamble, Sony in India with LG, Onida, BPL and so on. However the range of a company's actual and potential competitors in reality is much broader. A soft drink company competes with other liquids and thirst-drink quenchers for customers' throat-share; a TV company competes with ideas like vacation for the family or other gifts for loved ones for a share of customers' discretionary income. Also a company is more likely to be hurt by emerging competitors' or new technologies than by current competitors.

- **Industry Concept of Competition**

What exactly is an industry? An industry is a group of firm's that offer a product or class of products that are close substitutes for one another. Industries are classified according to the number of sellers; degree of product differentiation; presence or absence of entry, mobility and exit barriers; cost structure; degree of vertical integration and degree of globalization.

- **Market Concept of Competition**

Competitor's are companies that satisfy the same customer need. For instance, a customer who buys a word-processing package really wants –writing ability‖ – a need that can also be satisfied by pens, pencils, or typewriters. Marketers must overcome –marketing myopia‖ and stop defining competition in traditional category terms. Coca-Cola focused on its soft-drink business, missed seeing the market for coffee bars and fresh juice-bars that eventually impinged on its soft-drink business.

The market concept of competition reveals a broader set of actual and potential competitors.

- **Analyzing Competitors**

Once accompany identifies its primary competitors, it must ascertain their strategies, objectives, strengths and weaknesses.

Check your progress 1

1. _________saw its US sales drop from a peak of $7.1 billion in 1996 to around $4 billion in 2003 largely due to fierce competition.

   a. Pepe

   b. Levi Strauss

2. A_______is unattractive if it already contains numerous, strong or aggressive competitors.

   a. segment

   b. fragment

1.3 Competitive Strategies for Market Leaders

We can gain insight by classifying firms by the roles they play in the target market: leader, challenger, follower or nicher. Forty percent of the market is in the hands of a market leader; another 30 percent is in the hands of a market challenger; another 20 percent is in the hands of a market follower; a firm that is willing to maintain its market share and not rock the boat. The remaining 10 percent is in the hands of market nichers, firm‘s that serve small market segments not being served by larger firms.

Many industries contain one firm that is the acknowledged market leader, that has the largest market share in the relevant product market, and usually leads the firms in price changes, new-product introductions, distribution coverage and promotional intensity. Some well-known market leaders are Microsoft (computer software), Intel (microprocessors), Gillette (razor blades), LG (consumer electronics in India) and Visa (credit cards).

- **Expanding the total market**

The dominant firm gains the most when the total market expands. For expanding the total market, the market leader should look for new users, uses and usage of its products.

- **Defending the market share**

While trying to expand the size of the market, the dominant firm must continuously defend its current business. In the Indian context, with the opening up of the economy, the challenge comes from both the domestic and foreign competitors.

What can the market leader do to defend its terrain? The most constructive response is continuous innovation. The leader leads the industry in developing new product and customer services, distribution effectiveness, and cost cutting. It keeps increasing its competitive strength and value to customers. Consider how caterpillar has become dominant in the construction-equipment industry despite charging a premium price and being challenged by a number of able competitors including John Deere, J I Case, Komatsu and Hitachi. Sony, on the other hand, exemplifies creative marketing, having introduced many successful new products that customers never asked for or even thought were possible: Walkmans, VCRs, video cameras, CDs. Sony is market-driving firm, not just a market-driven firm.

- **Expanding the market share**

Market leaders can improve their profitability by increasing their market share. This lead to marketing warfare.

- **Other competitive Strategies**

Other competitive strategies could be Market-Challenger Strategies, Market-follower Strategies, and Market-Nicher Strategies.

- **Balancing Customer and Competitor Orientations**

So far you have seen a stress on the importance of a company‘s positioning itself competitively as a market leader, challenger, follower or niche. Yet accompany must not spend all its time focusing on competitors.

The customer-centric companies are in a better position to identify new opportunities and seta new course that promises to deliver long-run profits. By monitoring customer needs, it can decide which customer groups and emerging needs are most important to serve, given its resources and objectives.

Jeff Bezos, founder of Amazon.com, strongly favors a customer-centeredorientation: ―Amazon.com‘s mantra has been that we are going to obsess over our customers and not our competitors. We watch our competitors, learn from them, see the things that they (were doing for customers) and copy those things as much as we can. But we are never going to obsess over them‖.

Check your progress 2

1. Many industries contain one firm that is the acknowledged market ____________
   a. leader
   b. bankrupt
2. What can the market leader do to defend its terrain? The most constructive response is continuous ______
   a. Efforts
   b. innovation

1.4 Basics of Branding

Why has branding gained so much importance in the past few years? Why are companies spending lavishly on branding their product?

Tracing the History of Branding

The word ―brand‖, when used as a noun, can refer to a company name, a product name, or a unique identifier such as a logo or trademark. In a time before fences were used in ranching to keep one‘s cattle separate from other people‘s cattle, ranch owner‘s branded, or marked, their cattle so they could later identify their herd as their own.

The concept of branding also developed through the practices of craftsmen who wanted to place a mark or identifier on their work without detracting from the beauty of the piece. These craftsmen used their initials, a symbol, or another unique mark to identify their work and they usually put these marks in a low visibility place on the product.

Today‘s modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company. So we can say that branding today is used to create emotional attachment to products and companies. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol.

So what exactly is the definition of ―brand‖? Why do we, as consumers, feel loyal to such brands that the mere sight of their logo has us reaching into our pockets to buy their products? Why do companies such as Coca-Cola, Microsoft, IBM and Disney seem to achieve global marketing success so easily? Why does it seem such an effort for others? Why do we, as consumers, feel loyal to such brands that the mere sight of their logo has us reaching into our pockets to buy their products?

The meaning of brands

Brands are a means of differentiating a company‘s products and services from those of its competitors. There is plenty of evidence to prove that customers will pay a substantial price premium for a good brand and remain loyal to that brand. It is important, therefore, to understand what brands are and why they are important. Businesses that invest in and sustain leading brands prosper whereas those that fail are left to fight for the lower profits available in commodity markets.

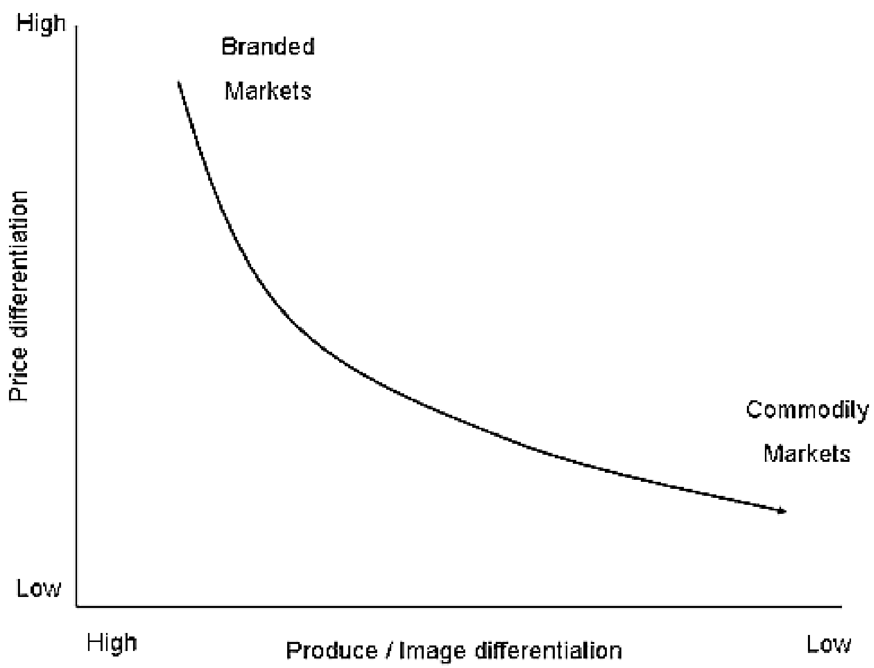

Fig 1.1 Produce / Image differentialion

Check your progress 3

1. We can say that__________today is used to create emotional attachment to products and companies.

   a. Competition

   b. Branding

2. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of___________qualities that surround the brand name, mark, or symbol.

   a. intangible

   b. tangible

1.5 Definitions of Brands

What is a brand?

- ―A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique added values which match their needs most closely. Further more -its success results from being able to sustain these added values in the face of competition.‖
- ―A name, term, sign, symbol or design, or a combination of these, that is intended to identify the goods and services of one business or group of businesses and to differentiate them from those of competitors‖.
- ―A mixture of tangible and intangible attributes symbolized in a trademark, which, if properly managed, creates influence and generates value‖. – (Interbrand - a leading branding consultancy)
- A product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need.

-Rational and tangible

-Symbolic, emotional and intangible.

The psychological response to a brand cans be as important as the physiological response.

- –A name, term, sign, symbol or design, or a combination of these, that is intended to identify the goods and services of one business or group of businesses and to differentiate them from those of competitors‖.

In short, a Brand is a name, term, sign, symbol, design, or some combination that identifies the products of a firm.

The Meaning of Brands

Brands are a means of differentiating a company‘s products and services from those of its competitors.

There is plenty of evidence to prove that customers will pay a substantial price premium for a good brand and remain loyal to that brand. It is important, therefore, to understand what brands are and why they are important. McDonald sums this up nicely in the following quote emphasizing the importance of brands:

–…it is not factories that make profits, but relationships with customers, and it is company and brand names which secure those relationships‖

Businesses that invest in and sustain leading brands prosper whereas those that fail are left to fight for the lower profits available in commodity markets.

Three other important terms relating to brands should be defined at this

stage:

It is very important to be clear about the difference between –Brands‖ and –products‖.

Brands are rarely developed in isolation. They normally fall within a business‘ product line or product group.

A product line is a group of brands that are closely related in terms of their functions and the benefits they provide. A good example would be the range of desktop and laptop computers manufactured by Dell.

A product mix relates to the total set of brands marketed by a business. A product mix could, therefore, contain several or many product lines. The width of the product mix can be measured by the number of product lines that a business offers.

Managing brands is a key part of the product strategy of any business, particularly those operating in highly competitive consumer markets.

In its simplest form, a brand is nothing more and nothing less than the promises of value you or your product make. These promises can be implied or explicitly stated, but none-the-less, value of some type is promised.

Brand image is defined as consumers' perceptions as reflected by the associations they hold in their minds when they think of your brand.

Brand awareness is when people recognize your brand as yours.

This does not necessarily mean they prefer your brand (brand preference), attach a high value to, or associate any superior attributes to your brand, it just means they recognize your brand and can identify it under different conditions.

Brand awareness consists of both brand recognition, which is the ability of consumers to confirm that they have previously been exposed to your brand, and brand recall, which reflects the ability of consumers to name your brand when given the product category, category need, or some other similar cue. Aided awareness occurs when you show or read a list of brands and the person expresses familiarity with your brand only after they hear or see it. Top-of-mind awareness occurs when you ask a person to name brands within a product category and your brand pops up first on the list.

When you think about fast foods and Luxury cars, Mc Donald's and Mercedes Benz come to mind? These brands enjoy strong top-of-mind awareness in their respective categories.

Check your progress 4

1. _______are a means of differentiating a company's products and services from those of its competitors.
   a. Brands
   b. Products
2. Brands are rarely developed in_________.
   a. Factory
   b. Isolation.

1.6 What is Branding?

Branding is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of your key stakeholders, especially current and prospective such as:

- Employees

- Customers
- Stock/Share Holders
- Suppliers
- Intermediaries
- Opinion Leaders
- Local Communities
- Purchasers And Licensees

Experts argue as to which stakeholders should be the main focus of the branding process, but this is probably the wrong question as their experiences are all inter-related:

- **Employees** - the more your employees value your brands and understand what to do to build them, the more your customers, suppliers, local communities and opinion leaders will value them. The more attractive your brands are to potential employees, the more they are likely to want to work for you.
- **Customers** - the more your customers value your brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them and make the lives of your employees easier. This, in turn, will enhance the value of your brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation.
- **Stock/share holders**- strong brands multiply the asset value of your company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that your company has a profitable future. They also allow you to afford to give competitive dividends to your current stock/share holders.
- **Suppliers** - suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better service at a lower total acquisition cost.
- **Intermediaries** - retailers, distributors and wholesalers value strong brands as they improve their own profit margins. They are likely to give you more ―air time‖ and shelf space, thus enhancing further the value of your brands in the eyes of your current and prospective customers.

- **Opinion leaders** - the media, politicians and non-government organizations are more respectful of strong brands.
- **Local communities** - supportive local authorities can make your life easier in many ways, and offer you better deals, if you have prestigious brands. Your local communities provide you with your work force and can be highly disruptive if they perceive you as damaging their environment.
- **Purchasers and licensees** - the question prospective purchasers and licensees ask is –how much more profit can I get for my products and services sold under this brand than under any brand I might build?‖ Strong brands can be spectacularly valuable.

Check your progress 5

1. _______is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it.
   a. Branding
   b. Quality
2. The________your customers value your brand, the more they will buy your products and services.
   a. more
   b. less

1.7 Characteristics of a Brand

Our definition of a brand adheres to a model which shows the extent to which a product or service can be augmented to provide added value to increasing levels of sophistication. This model, views a brand as consisting of fourlevels:

- Generic
- Expected
- Augmented
- Potential

The generic level is the commodity form that meets the buyer, or user‘s basic needs, for example the car satisfying transportation need. This is the easiest aspect for competitors to copy and consequently successful brands have added values over and above this at the expected level.

Within the expected level, the commodity is value engineered to satisfy a specific target‘s minimum purchase conditions, such as functional capabilities, availability, pricing, etc. As more buyers enter the market and as repeat buying occurs, the brand would evolve through a better matching of resources to meet customers‘ needs (e.g; enhanced‘ customer service).

With increased experience, buyers and users become more sophisticated, so the brand would need to be augmented in more refined ways, with added values satisfying non-functional (e.g. emotional) as well as functional needs. For example, promotions might be directed to the user‘s peer group to reinforce his or her social standing through ownership of the brand.

With even more experience of the brand, and therefore with a greater tendency to be more critical, it is only creativity that limits the extent to which the brand can mature to the potential level. For example, grocery retail buyers once regarded the Nestle confectionery brands as having reached the zenith of the augmented stage. To counter the threat of their brands slipping back to the expected brand, level, and therefore‘ having to fight on price, Nestle shifted their brands to the potential level by developing software for retailers to manage confectionery shelf space to maximize profitability.

Experienced consumers recognize that competing items are often similar in terms of product formulation and that brand owners are no longer focusing only on rational functional issues, but are addressing the potential level of brands.

We can define Brands according to the following dimensions:

1. Its central organizing thought - defining it for internal & stakeholder use in one sentence
2. Its slogan - defining it for use with customers in one sentence
3. Its personality - what would it be like if it were a human being?
4. Its values - what does it stand for/against?
5. Its tastes/appearance - what does it look like? What does it sound like? What does it like and dislike?
6. Its heritage - what are the stories you tell about how it all came about/what sort of brand it is?
7. Its emotional benefits – how it avoids/reduces pain or increases pleasure

8. Its hard benefits - the –pencil sell‖

Brands need to provide customers with a consistent, compelling experience in order not to confuse them, as confusion leads to doubt. Everyone associated with the brand must understand its key dimensions in order to deliver this consistent experience, and it helps if customers can be given a short slogan, which encapsulates the essence of the brand.

1. The Essence of the Brand

How are you going to describe the essence of the brand to your colleagues and business partners in one short, memorable, and motivating sentence? What makes it special?

This is the last and hardest stage of the brand definition process. Try to create images of what the brand does, and preferably link it to an eternal value such as friendship, status, belonging, realizing your true self (Maslow's Hierarchy of Needs could be useful here).

The central organizing thought is not the same as the slogan.

The central organizing thought addresses a core customer value whose articulation may make customers uncomfortable or even resentful. The slogan refers to this core customer value but in terms the customer is happy to acknowledge and discuss.

2. Slogan

How are you going to describe the essence of the brand to your customers in one short, memorable, and motivating sentence?

This should hint at the central organizing thought, without necessarily stating it.

As an example, the central organizing thought of the BMW brand is –competitive achievement‖, but the slogan is ―the ultimate driving machine‖.

3. The Personality of the Brand

If the brand were indeed human, what sort of person would it is - jovial, serious, sporty, aristocratic, or cunning? (eg Lalitaji of Surf or the Liril Girl)

4. The Values of the Brand

What does the brand stand for? What does it believe in? What would it make a stand on?

5. Tastes/Appearance

What does the brand like? What does it look like? What does it wear? How does it speak?

This will include the iconography of the brand - the icons, the symbols, the trade dress, the typeface, and the look and feel.

6. Heritage

All great brands have stories about them. Some are favorable, some are less favorable, but all of them work to explain what the brand is all about. Telling stories about the brand is one of the strongest ways of communicating the essence of your brand.

7. Emotional Benefits

What does the brand do for its customers?

These can usually be classified into:

- Avoids pain
- Reduces pain
- Gives pleasure

8. Hard Benefits

What does the brand offer its customers in tangible, quantifiable terms?

These are the benefits as in ―Features, Advantages and Benefits‖.

Brand Awareness is Vitally Important

Brand awareness is vitally important for all brands but high brand awareness without an understanding of what sets you apart from the competition does you virtually no good. Many marketers experience confusion on this point.

Strategic awareness occurs when not only does the person recognize your brand, but they also understand the distinctive qualities that make it better than the competition. Strategic awareness occurs when you have differentiated your brand in the mind of your market. This distinction as to why your brand is unique in your category is also referred to as your Unique Selling Proposition or USP. Your USP tells your target market what you do and stand for that is different from all of your competitors.

Brand preference occurs when consumers prefer your brand to competing brands. Brand preference might be considered ―the holy grail‖ of branding because it is the result of consumers knowing your brand, understanding what is unique about your brand, connecting emotionally with your brand, making a decision that your brand is superior to others for some reason or combination of reasons, and choosing it over competing brands.

You cannot build a strong brand solely through advertising.

Branding is also more than a logo, a color scheme, and a catchy tag line. While these all are important components in branding, they are simply tactical tools that help establish and build the brand.

Three other important terms relating to brands should be defined at this stage:

- **Brand equity**

–Brand equity‖ refers to the value of a brand. Brand equity is based on the extent to which the brand has high brand loyalty, name awareness, perceived quality and strong product associations. Brand equity also includes other –intangible‖ assets such as patents, trademarks and channel relationships.

Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset.

Brand equity can include: the monetary value or the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product; the intangible value associated with the product that can not be accounted for by price or features; and the perceived quality attributed to the product independent of its physical features.

A brand is nearly worthless unless it enjoys some equity in the marketplace. Without brand equity, you simply have a commodity product.

- **Brand image**

–Brand image‖ refers to the set of beliefs that customers hold about a particular brand. These are important to develop well since a negative brand image cans be very difficult to shake off.

- **Brand extension**

–Brand extension‖ refers to the use of a successful brand name to launch anew or modified product in a new market. Virgin is perhaps the best example of how brand extension can be applied into quite diverse and distinct markets.

Check your progress 6

1. With increased experience, buyers and users become more____________.
   a. Sophisticated
   b. Confusing
2. _________need to provide customers with a consistent, compelling experience in order not to confuse them, as confusion leads to doubt.
   a. Brands
   b. Products

1.8 Brands and Products

Brands are rarely developed in isolation. They normally fall within a business‘ product line or product group.

A product line is a group of brands that are closely related in terms of their functions and the benefits they provide. A good example would be the range of desktop and laptop computers manufactured by Dell.

A product mix relates to the total set of brands marketed by a business. A product mix could, therefore, contain several or many product lines. The width of the product mix can be measured by the number of product lines that a business offers.

For a good example, visit the web site of Hewlett-Packard (―HP‖). HP has a broad product mix that covers many segments of the personal and business computing market. How many separate product lines can you spot from their web site?

Managing brands is a key part of the product strategy of any business, particularly those operating in highly competitive consumer markets.

Check your progress 7

1. Brands are_________developed in isolation
   a. Rarely
   b. Oftenly

1.9 Establishing a Brand

Public relations are the way a strong brand is truly established and advertising is how the brand is maintained. If a brand is successful in making a connection with people and communicating its distinct advantage, people will want to tell others about it and word-of-mouth advertising will develop naturally- not to mention writers in the press will want to write about the brand. Once that type of differentiation is established in the market‘s mind, advertising can help maintain and shape the brand.

What you need to do in branding is to communicate what the brand distinctively stands for using as few words or images as possible.

So, branding is all about creating singular distinction, strategic awareness, and differentiation in the mind of the target market-not just awareness. When you have been successful, you will start building equity for your brand.

Building a brand

What factors are important in building brand value?

Professor David Jobber identifies seven main factors in building successful brands, as illustrated in the diagram below:

Fig 1.2 Brand Building

Points of Parity

Discussion of strategic awareness, points of singular distinction, and brand equity would not be complete without discussion of brand points of parity. Points of parity are those associations that are often shared by competing brands. Consumers view these associations as being necessary to be considered a legitimate product offering within a given category. Points of parity are necessary for your brand but are not sufficient conditions for brand choice.

For example, Maruti might produce a wonderful new automobile that uses advanced global positioning and sensor technologies that render a driver obsolete by automatically routing the car, adjusting speed for traffic conditions, recognizing and complying with all traffic laws, and delivering passengers and cargo to the proper destination without the need for operator intervention. They have invented the first car with functional autopilot. This is a strong position and unique selling proposition.

However, unless they have fully considered their brand‘s points of parity with other products in the category, they probably will not meet with success. Consumers might expect that at minimum Maruti‘s automobile have four wheels with rubber, inflatable tires, be street legal, run on a widely-available fuel source, be able to operate during both night and day in most weather conditions, seat at least two people comfortably with luggage, be able to operate on existing roads and highways, and provide a fair level of personal safely to occupants. If their automobile does not possess these points of parity with competing brands, then it might be too different and might not be seen as a viable choice or a strong brand.

The lesson here is that differentiation and singular distinction are necessary for strong brands, but they do not solely make for a strong brand. Your brand must also measure up well against the competition on expected criteria so as to neutralize those attributes.

Once you have met the points of parity requirement and then you provide a unique selling proposition and hold a strong, defensible position, then you have the makings of a very strong brand.

Something More About Brands

As mentioned earlier, a brand is more than just a word or symbol used to identify products and companies. A brand also stands for the immediate image, emotions, or perceptions people experience when they think of a company or product. A brand represents all the tangible and intangible qualities and aspects of a product or service. A brand represents a collection of feelings and perceptions about quality, image, lifestyle, and status. It is precisely because brands represent intangible qualities that the term is often hard to define.

Intangible qualities, perceptions, and feelings are often hard to grasp and clearly describe. Brands create a perception in the mind of the customer that there is no other product or service on the market that is quite like yours. A brand promises to deliver value upon which consumers and prospective purchasers can rely to be consistent over long periods of time.

You as a Brand

First of all, you must understand that you are a brand. Your name and who you are is your personal brand. The brand called ―you‖. The issue then is not whether you have a brand; the issue is how well your brand is managed.

Brand Management

If a brand is not effectively managed then a perception can be created in the mind of your market that you do not necessarily desire. Branding is all about perception. Brand management recognizes that your market‘s perceptions may be different from what you desire while it attempts to shape those perceptions and adjust the branding strategy to ensure the market‘s perceptions are exactly what you intend.

So, you may now have a better understanding of what a brand is and why awareness about your brand does not necessarily mean your brand enjoys high brand equity in the marketplace. Brand management is all about shaping and managing perceptions.

Check your progress 8

1. _____relations are the way a strong brand is truly established and advertising is how the brand is maintained.

   a. Corporate

   b. Public

2. Professor David Jobber identifies_________main factors in building successful brands.

   a. Seven

   b. Six

1.10 Benefits of a Strong Brand

Here are just a few benefits you will enjoy when you create a strong brand:

- A strong brand influences the buying decision and shapes the ownership experience.
- Branding creates trust and an emotional attachment to your product or company. This attachment then causes your market to make decisions based, at least in part, upon emotion- not necessarily just for logical or intellectual reasons.
- A strong brand can command a premium price and maximize the number of units that can be sold at that premium.
- Branding helps make purchasing decisions easier. In this way, branding delivers a very important benefit. In a commodity market where features and benefits are virtually indistinguishable, a strong brand will help your customers trust you and create a set of expectations about your products without even knowing the specifics of product features.
- Branding will help you ‒fence off‖ your customers from the competition and protect your market share while building mind share. Once you have mind share, your customers will automatically think of you first when they think of your product category.
- A brand is something that nobody can take away from you.

Competitors may be able to copy your products, your patents will someday expire, trade secrets will leak to the competition, your proprietary manufacturing plant will eventually become obsolete, but your brand will live on and continue to be uniquely yours. In fact, a strong brand name may be your most valuable asset. Brands help people connect with one another.

- Have you ever witnessed the obvious bond between people using the same brand of product? If a person wearing a Benetton T-shirt finds another person wearing a Benetton product, she will have instant rapport with her and immediately begin talking about their experiences with the brand. How is it that we can feel such a connection with complete strangers? The answer lies in the psychological connection people have with a particular brand.
- A strong brand can make actual product features virtually insignificant. A solid branding strategy communicates a strong, consistent message about the

value of your company. A strong brand helps you sell value and the intangibles that surround your products.

- A strong brand signals that you want to build customer loyalty, not just sell product. A strong branding campaign will also signal that you are serious about marketing and that you intend to be around for a while. A brand impresses your firm‘s identity upon potential customers, not necessarily to capture an immediate sale but rather to build a lasting impression of you and your products.
- Branding builds name recognition for your company or product.
- A brand will help you articulate your company‘s values and explain why you are competing in your market.

People do not purchase based upon features and benefits

People do not make rational decisions. They attach to a brand the same way they attach to each other: first emotionally and then logically. Similarly, purchase decisions are made the same way – first instinctively and impulsively and then those decisions are rationalized.

Check your progress 9

1. A____________brand influences the buying decision and shapes the ownership experience.
   a. Strong
   b. Weak

1.11 The 3 Cs of Branding

The benefits of having a strong brand are tremendous. Strong brands charge premium pricing; they thrive during economic downturns; they attract great employees, partners and customers; and they can extend into new business areas with ease. In addition to being able to boast these enviable benefits, strong brands have something else in common. They all exhibit the ―three Cs‖ of branding.

The three Cs are: clarity, consistency, and constancy.

- **Clarity**

Strong brands are clear about what they are and what they are not. They understand their unique promise of value. And this promise of value sets them apart from their competitors.

It differentiates them and allows them to attract and build loyalty among a desirable set of consumers. Volvo, for example, is clear about their commitment to safety and security. They are not about speedy sports cars, or about small economy cars, or about luxury cars.

They build cars for families. Cars those are safe. And they clearly focus their communication activities on this differentiation.

Nordstrom‘s clarity is around unmatched customer service. And it is clear from the moment you step into the store. Nordstrom has been able to separate itself from other retailers through this unwavering commitment to customer service and satisfaction.

There are several retailers who will sell you a black Armani suit; but only Nordstrom will turn it into an experience you will talk about with friends and colleagues.

This clarity guides Nordstrom as they build on their current business. When they developed their on-line store, they did so in a way to ensure that customers would experience the same level of service they have come to expect from the Nordstrom brand.

- **Consistency**

In addition to being clear about who they are, strong brands are also consistent. They are always what they say they are.

For Volvo, they are always about safety. They don‘t change their focus from model to model. When new editions come out each year, they are safe too. And Volvo consistently communicates that.

Or look at Madonna. Madonna is the chameleon brand of entertainment. She reinvents herself with each CD that she produces. She didn‘t change for her first five CDs and then stay the same for the next two. She consistently changes. And the one thing we can be sure of with regard to her upcoming CD is that it will be nothing like any of the others she has done before. Madonna‘s ability to change consistently throughout her career separates her from other entertainers, thereby strengthening her brand.

- **Constancy**

It is not enough to be clear and consistent if you are not always visible to your target audience. Strong brands are constant; they are always there for their customers and prospects. They don‘t go into hiding.

For Coke, the world is the target market. That is why you can‘t make it through a day without being exposed to their bright red color or familiar script logo. Vending machines, people carrying a coke as they walk down the street, restaurant menus, product placement in TV shows and movies, billboards and print and TV advertisements all scream COKE. Coke is a constant in our lives. And Coke is the world‘s strongest brand. In building and nurturing a strong brand, you have a lot more to think about than these three C‘s.

But no brand is truly a strong brand if it doesn‘t pass the Three C Test.

Check your progress 10

1. Nordstrom‘s clarity is around________customer service.
   a. Unmatched
   b. Low
2. For__________, they are always about safety. They don‘t change their focus from model to model.
   a. Suzuki
   b. Volvo

1.12 Important Factors about Branding

- **Quality**

Quality is a vital ingredient of a good brand. Remember the ―core benefits‖ – the things consumers expect. These must be delivered well, consistently. The branded washing machine that leaks, or the training shoe that often falls apart when wet will never develop brand equity.

Research confirms that, statistically, higher quality brands achieve a higher market share and higher profitability that their inferior competitors.

- **Positioning**

Positioning is about the position a brand occupies in a market in the minds of consumers. Strong brands have a clear, often unique position in the target market.

Positioning can be achieved through several means, including brand name, image, service standards, product guarantees, packaging and the way in which it is delivered. In fact, successful positioning usually requires a combination of these things.

- **Repositioning**

Repositioning occurs when a brand tries to change its market position to reflect a change in consumer‘s tastes. This is often required when a brand has become tired, perhaps because its original market has matured or has gone into decline.

The repositioning of the Lucozade brand from a sweet drink for children to a leading sports drink is one example. Take Liril as another example.

- **Communications**

Communications also play a key role in building a successful brand. We suggested that brand positioning is essentially about customer perceptions – with the objective to build a clearly defined position in the minds of the target audience.

All elements of the promotional mix need to be used to develop and sustain customer perceptions. Initially, the challenge is to build awareness, then to develop the brand personality and reinforce the perception.

- **First-mover advantage**

Business strategists often talk about first-mover advantage. In terms of brand development, by ―first-mover‖ they mean that it is possible for the first successful brand in a market to create a clear positioning in the minds of target customers before the competition enters the market. There is plenty of evidence to support this.

Think of some leading consumer product brands like Gillette, Coca Cola and Sellotape that, in many ways, defined the markets they operate in and continue to lead. However, being first into a market does not necessarily guarantee long-term success. Competitors – drawn to the high growth and profit potential demonstrated by the ―market-mover‖ – will enter the market and copy the best elements of the leader‘s brand (a good example is the way that Body Shop developed the –ethical‖ personal care market but were soon facing stiff competition from the major high street cosmetics retailers.

- **Long-term perspective**

This leads onto another important factor in brand-building: the need to invest in the brand over the long-term. Building customer awareness, communicating the brand‘s message and creating customer loyalty takes time. This means that management must –invest‖ in a brand, perhaps at the expense of short-term profitability.

- **Internal marketing**

Finally, management should ensure that the brand is marketed –internally‖ as well as externally. By this we mean that the whole business should understand the brand values and positioning. This is particularly important in service businesses where a critical part of the brand value is the type and quality of service that a customer receives.

Think of the brands that you value in the restaurant, hotel and retail sectors. It is likely that your favorite brands invest heavily in staff training so that the face-to-face contact that you have with the brand helps secure your loyalty.

- **Brand extension and stretching**

Marketers have long recognized that strong brand names that deliver higher sales and profits (i.e. those that have brand equity) have the potential to work their magic on other products.

The two options for doing this are usually called –brand extension‖ and –brand stretching‖.

- **Brand extension**

Brand extension refers to the use of a successful brand name to launch a new or modified product in a same broad market.

A successful brand helps a company enter new product categories more easily.

For example, Fairy (owned by Unilever) was extended from a washing up liquid brand to become a washing powder brand too.

The Lucozade brand has undergone a very successful brand extension from children‘s health drink to an energy drink and sports drink.

- **Brand stretching**

Brand stretching refers to the use of an established brand name for products in unrelated markets.

For example the move by Yamaha (originally a Japanese manufacturer of motorbikes) into branded hi-fi equipment, pianos and sports equipment.

When done successfully, brand extension can have several advantages:

- Distributors may perceive there is less risk with a new product if it carries a familiar brand name. If a new food product carries the Heinz brand, it is likely that customers will buy it.
- Customers will associate the quality of the established brand name with the new product. They will be more likely to trust the new product.
- The new product will attract quicker customer awareness and willingness to trial or sample the product.
- Promotional launch costs (particularly advertising) are likely to be substantially lower.

- **Brand positioning**

As we have argued in our other revision notes on branding, it is the ―added value‖ or augmented elements that determine a brand‗s positioning in the market place.

Positioning can be defined as follows:

Positioning is how a product appears in relation to other products in the market Brands can be positioned against competing brands on a perceptual map.

A perceptual map defines the market in terms of the way buyers perceive key characteristics of competing products.

The basic perceptual map that buyers use maps products in terms of their price and quality, as illustrated below:

Fig: 1.3 Brand positioning

Types of brand

There are two main types of brand – manufacturer brands and own-label brands.

Manufacturer brands

Manufacturer brands are created by producers and bear their chosen brand name. The producer is responsible for marketing the brand. The brand is owned by the producer.

By building their brand names, manufacturers can gain widespread distribution (for example by retailers who want to sell the brand) and build customer loyalty (think about the manufacturer brands that you feel ―loyal‖ to).

Own label brands

Own-label brands are created and owned by businesses that operate in the distribution channel – often referred to as ―distributors‖. Often these distributors are retailers, but not exclusively. Sometimes the retailer‘s entire product ranges will be own-label. However, more often, the distributor will mix own-label and manufacturers brands. The major supermarkets (e.g. Tesco, Asda, and Sainsbury‘s) are excellent examples of this. Own-label branding – if well carried out – can often offer the consumer excellent value for money and provide the distributor with additional bargaining power when it comes to negotiating prices and terms with manufacturer brands.

Check your progress 11

1. ________is about the position a brand occupies in a market in the minds of consumers.
   a. Positioning
   b. Repositioning
2. ____________occurs when a brand tries to change its market position to reflect a change in consumer‘s tastes.
   a. Repositioning
   b. positioning

1.13 Let Us Sum Up

In this part we have studied about the meaning and importance of market environment. Here we look at the latest thinking and best practice in the domain of marketing and takes a fresh look at the real nature of an organization‘s assets, such as market share and supplier and customer relationships, all of which are represented by the brand. Effective marketing requires a keen understanding of the macro and microenvironment, customers and competitors. Competition is becoming intense with every passing year. Companies need to balance their customer and competitor orientation in order to be successful in the fast changing environment. We have even discussed the importance of Michael porter 5 forces that determine the intrinsic log-run attractiveness of a market or market segment. We have discussed the brand which means, when used as a noun, can refer to a company name, a product name, or a unique identifier such as a logo or trademark. Its origin is in ranch ownersbranded, or marked, their cattle so they could later identify their herd as their own. The concept of branding also developed through the practices of craftsmen who wanted to place a mark or identifier on their work without detracting from the beauty of the piece. These craftsmen used their initials, a symbol, or another unique mark to identify their work and they usually put these marks in a low visibility place on the product.

Today‘s modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company. So branding today is used to create emotional attachment to products and companies. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol.

So in this part we have discussed in very detail about branding hoping it is going to be of great help for the students.

1.14 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-a)

Check your progress 2

Answers: (1-a), (2-b)

Check your progress 3

Answers: (1-b), (2-a)

Check your progress 4

Answers: (1-a), (2-b)

Check your progress 5

Answers: (1-a), (2-a)

Check your progress 6

Answers: (1-a), (2-a)

Check your progress 7

Answers: (1-a)

Check your progress 8

Answers: (1-b), (2-a)

Check your progress 9

Answers: (1-a)

Check your progress 10

Answers: (1-a), (2-b)

Check your progress 11

Answers: (1-a), (2-a)

1.15 Glossary

1. **Image -** overall consumer perceptions or end user feelings toward a company along with its products and services.
2. **Corporate logo -** the symbol used to identify a company and its brands, helping to convey the overall corporate image.
3. **Stimulus codability -** items that easily evoke consensually held meanings within a culture or subculture.

1.16 Assignment

1. What are the difference between a product and a brand? Give examples.
2. What are the competitive forces that are at work in the market?

1.17 Activities

1. Why are brands important? What relationship does a brand share with a consumer?
2. List five brands and the emotional benefits they give.

1.18 Case Study

1. List five brands and the perceived benefits they provide.
2. Look around you and describe clearly personality profiles of five brands.
3. Trace the history of ONE old brand and ONE modern brand. Point out the differences.

1.19 Further Readings

1. Marketing Management (Twelfth Edition) – Philip Kotler.
2. The Brand Mindset – Duanne E Knapp. Tata McGraw Hill edition.
3. The 22 Immutable Laws of Branding – Al Ries and Laura Ries.
4. Positioning: The Battle for Your Mind - Al Ries and Laura Ries.
5. Marketing Warfare - Al Ries and Laura Ries.
6. Competitive Strategy – Michael E Porter.

LESSON 2: BRAND EVOLUTION AND VALUE OF BRANDS

Structure

2.0 Learning Objectives

After learning this Chapter**, you will be able to understand:**

- Brand Evolution
- The Branding Process
- What is the Value of Brands?
- What is the Issues Influencing Brand Potential?
- The relevance of Brand Planning
- What are Eight Dimensions of Brands?

2.1 Introduction

Now at this point, it is worth appreciating how brands evolved.

This historical review shows how different types of brands evolved. There were examples of brands being used in Greek and Roman times. With a high level of illiteracy, shops indicating the types of goods they sold. Symbols were developed to provide an indication for the retailer‘s specialty and thus the brand logo as a short hand device signaling the brand‘s capability was born. Use is still made of this aspect of branding, as in the case, for example, of the poised jaguar indicating the power developed by the Jaguar brand.

The next landmark in the evolution of brands was associated with the growth of cattle farming in the New World of North America. Cattle Owners wanted to make it clear to other potentially interested parties which animals they owned. By using a red hot iron, with a they left a clear imprint on the skin of each of each of their animals. This process appears to have been taken by many as the basis for the meaning of the term brand, defined by the Oxford English dictionary as _to mark indelibly as proof of ownership, as a sign of quality, or for any other purpose‘. This view of the purpose of brands as being identifying (differentiating) devices has remained with us until today. What is surprising is that in an enlightened era aware of the much broader strategic interpretation of brands, many of today‘s leading marketing textbooks still adhere to the brand solely as a differentiating device, for example, _a name, term, sign, symbol, or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of the competitors‘. Towards the end of the nineteenth such a view was justified, as the next few paragraphs clarify.

A consequence of this was that manufacturers‘ production increased, but with their increasing separation from consumers, they came to rely more on wholesalers. Likewise, retailers‘ dependence on wholesalers increased, from whom they expected greater services. Until the end of the nineteenth century, the situation was one of dominance. Manufacturers produced according to wholes- alers‘ stipulations, who, in turn, were able to dictate terms and strongly influence the product range of the retailer. As an indication of the importance of wholesalers, it is estimated that by 1900, wholesalers were the main suppliers of the independent retailers, who accounted for 87-90 per cent of all retail sales.

During this stage, most manufacturers were:

- Selling unbranded goods;

- Having to meet wholesalers‘ demands for low prices;
- Spending minimal amounts on advertising;
- Selling direct to wholesalers, while having little contact with retailers;

In this situation, the manufacturer‘s profit depended mostly on sheer production efficiency. It was virtually commodity marketing, with little scope for increasing margins by developing and launching new products.

2.2 Understanding of Branding Evolution

To appreciate how further tiers of brands evolved, one must again consider the changing nature of the retailing environment. Around the 1870s, multiple retailers (i.e. those owning ten or more outlets) emerged, each developing their own range of brands, for which they controlled the production and packaging. These distributor brands (usually referred to as own labels or private labels) became common in emergent chains such as Home & Colonial, Lipton and International Stores. The early versions of distributor brands tended to be basic grocery items. Not only did the chains undertake their own production, but they also managed the wholesaling function, with branding being almost an incidental part of the total process.

The reason for the advent of distributor brands was that, due to resale price maintenance, retailers were unable to compete with each other on the price of manufacturers‘ brands and relied upon service as the main competitive edge to increase store traffic. The multiples circumvented this problem by developing their own distributor brands (own label). The degree of retailer production was limited by the complexity of the items and the significant costs of production facilities. Thus, it became increasingly common for multiple retailersto commission established manufacturers to produce their distributor brands which were packaged to the retailer‘s specifications. Before World War II, distributor brands accounted for 10-15 per cent of multiples‘ total sales, but with multiple retailers accounting for only 17 per cent of food sales the overall importance of distributor brands was far exceeded by manufacturer brands. During World War II, distributor brands were withdrawn due to shortages and were not reintroduced until the 1950s.

One of the consequences of the increasing growth of the multiples was the decline of independent retailers (i.e. those owning no more than nine shops). As a means of protecting themselves, some independent retailers joined together during the 1950s and collaborated with specific wholesalers in symbol/voluntary groups (e.g. Mace-Wavey Line, Spar). With a significant element of their purchasing channeled through a central wholesaler, they were able to achieve more favorable terms from manufacturers. A further consequence of this allegiance was the introduction of symbol/voluntary brands, designed to compete against the multiple brands. It should also be recognized that the once powerful retailing force of the Co-op, with its not-insignificant farming and processing plants, also has a long history of marketing its Co-op brands (albeit with a variety of brand names). Unfortunately, due to the Co-op‘s inability to adapt to the changing retailing environment, this sector‘s.importance has fallen. With only an II per cent share of the packaged grocery sector in 1988 the overall importance of the Co-op brands has declined.

Whilst distributor brands have their origin in the grocery sector, however, where in 1988 they accounted for 28 per cent of packaged grocery sales, it should not be thought that this is their sole domain.

For example, it is estimated that in 1989, over 50 per cent of footwear sales and almost half of all men swear sales are accounted for by distributor brands. In the DIY goods sector, approximately a quarter of sales are from distributor brands and a fifth of furniture and floor covering sales are distributor brands. In the retail banking sector, where the service _manufacturer‘ is also the distributor, distributor brands are common (e.g. Midland‘s Meridian Multi service Account). In the industrial sector, it is less common to see distributor brands. Due to the considerable investment in production, the need to appreciate the technology and the greater reliance upon direct delivery, with less reliance on distributors.

In the packaged grocery sector, where the first alternative tier to manufacturer brands appeared, innovative marketing in the late 1970s also led to a further alternative - generics. In fact, the term _generics‘ may be a misnomer since it implies a return to the days when retailers sold commodities rather than brands. This trend was originally started by CARREFOUR in 1976, when they launched fifty _produitslibres‘ in France, promoted as brand-free products. Some UK grocery retailers noted the initial success of these lines and thought the time was right to follow in the UK. At the time there was growing consumer skepticism about the price premium being paid for branding and with consumer‘s becoming more confident about selecting what in many cases were better quality distributor brands. It was thought that in a harsh economic environment, generics would be a popular alternative to manufacturer brands, further increasing distributors‘ control of their product mix.

The trust behind generics were that of cutting out any superfluous frills surrounding the product. They were distinguishable by their plain packaging, with the marketing emphasis placed on the content, rather than on the promotional or pack features. On average, generics were priced 40 per cent lower than the brand leader and approximately 20 per cent lower that the equivalent distributor brands. Whilst the quality level varied by retailer, they were none the less generally inferior to manufacturer‘s brands.

Retailers in the UK who stocked a generic range developed a policy regarding the product, pricing, packaging and merchandizing that only too clearly enabled consumers to associate a particular generic range with a specific store. One retailer went as far as branding their generic range (BASICS). But the withdrawal of generics was not surprising, since consumers perceived generics as similar to distributor brands. They were not perceived as a unique tier and the weakened the image, hence the sales. Of the distributor brands of those retailers stocking generics. Furthermore, as they were perceived to be similar to distributor brands, more switching occurred with these. Rather than with the less profitable manufacturers‘ brands.

However, it is worth emphasizing that any organization operating in consumer, services or industrial markets, never has a commodity and is always able to differentiate their offering, Research has shown that marketing a product or service predominantly on the basis of the functional performance of the core product (as was the case with generic groceries), accounts for about 80 per cent of the costs, yet only 20 percent of the impact. The marketing of generics trims some of the marginal costs away. But leaves the organization having to compete on product dimensions that can be easily copied and which have little impact compared with other attributes (e.g. service, availability. imagery etc.). Any industrial manufacturers who believe they are marketing a generic product, and therefore have to offer the lowest prices are deluding themselves, For example, purchasers are not just buying tanker loads of commonly available chemical for their production process. They are also buying a reliable delivery service, a well administered reordering process, advice from the supplier about the operating characteristics of the chemical, etc. By just considering issues such as these, it is easier to appreciate the fallacy of marketing generics.

Branding in the 1990s: brand categorization

An advertising perspective

This brief historical review has shown how brands evolved and has also briefly introduced the idea of the different types of brands. One of the weaknesses with the current views on branding is that the term is used to encompass a very broad range of issues encouraging the possibility of confusion.

Two well-known researchers recently pointed out that the problem with branding is the surprising number of creative directors, planners, account handlers and clients who have kindergarten knowledge of branding processes and mechanisms. They are rightly critical of those who regard branding merely as a process to ensure that the name on a product or service is highly visible. Based on a consideration of advertisements, they classified brands into nine categories representing a role in advertising, varying from simple through to complex branding For example, at the simple end of the scale there are those brands which operate through straightforward association with the advertising slogan (e.g. the classic Schweppes). By contrast, at the most complex end of the spectrum, they identify structural branding, in which for example, objects (scissors, hedge trimmers, etc.). The figure below shows these researchers‘ (Langmaid and Gordon) interpretation of brand types.

Simple

- Simple association (verbal) e.g. Schweppes.
- Simple association (aural) e.g. Martini Melody.
- Simple association (visual) e.g. Old Spice
- Branding devices e.g. Horlicks .
- Branding symbols e.g. Dulux dog
- Branding analogies e.g. famous personalities
- Branding metaphors e.g. 'Australianess'
- Branding tone of voice e.g. TSB
- Structural branding e.g. B&H

Complex

Fig 2.1 Langmaid and Gordon’s (1988) brand Typology

However, whilst their typology is of value to advertisers, its overt advertising bias restricts its value as an aid in evaluating how to employ the other elements of the marketing mix.

Check your progress 1

1. _____________brands have their origin in the grocery sector.

   a. retailer

   b. Distributor

2. One of the consequences of the______________growth of the multiples was the decline of independent retailers.

   a. increasing

   b. decreasing

2.3 Understanding the Branding Process

When BMW drivers proudly turn the ignition keys for the first time in ‗the ultimate driving machine', they are not only benefiting from a highly engineered car with an excellent performance, but are also taking ownership of a symbol that signifies the core values of exclusivity, performance, quality and technical innovation.

Purchasers of a prudential insurance policy are not just buying the security of knowing that damage to their home through unforeseen events can rapidly and inexpensively be rectified. They are also buying the ‗corporate symbol' of the face of Prudence reminding them of the added values of heritage, size and public awareness, inspiring confidence and sustained credibility.

Likewise buying an IBM computer is not just buying a device that rapidly computes data into a format that is more managerially useful, but is also buying the security of a back-up facility and commitment to customer satisfaction signified by the three letters of IBM.

While these purchasers in the consumer, service and industrial markets have bought solutions to their individual problems, they have also paid a price premium for the added value provided by buying brands. In addition to satisfy their core purchase requirements, they have bought an augmented solution to their problem, for which they perceive sufficient added value to warrant paying a premium over other alternatives that have satisfied their buying needs.

The added values that they sought, however, were not just those provided through the presence of a brand name as a differentiating device, or through the presence of brand names to recall powerful advert. Instead, they perceived a total entity, the brand which is the result of a coherent marketing approach which uses all elements of the marketing-mix. A man does not give a woman a box of branded chocolates because she is hungry. Instead, he selects a brand that communicates something about his relationship with her. This, he hopes, will be recognized through - the pack-design,"her recall" of a relevant advertising message, the quality of the contents, her chiding of him for the price he paid and her appreciation of the effort he took to find a retailer specializing in stocking such an exclusive brand. The same goes for a woman buying a man a special box of cigars.

These examples show that thinking of branding as being ‗to do with naming products‘, or ‗about getting the right promotion with the name prominently displayed‘ of getting the design right ‗, is too myopic. In the mid 19805, we came across Scottowels when we were doing some work in the kitchen towels market. Managers in the company thought that this was a branded kitchen towel, but consumers perceived this as little more than another kitchen towel with a name added - one stage removed from being a commodity. It had a brand name, but because the rest of the marketing mix was neglected, it had to fight for shelf space on the basis of price and was ultimately doomed because of the vicious circle driven by minimum value leading to low price.

There are hundreds of examples of well-known brand names that have failed commercially. There are even some which are reviled by the public. Such unsuccessful brands are examples of failure to integrate all the elements of marketing in a coherent way. Thus, branding is a powerful marketing concept that does not just focus on one element of the marketing mix but represents the result of a carefully conceived array of marketing across the spectrum of marketing mix, directed towards making the buyer recognize relevant added values that are unique when compared with competing products and services and which are difficult for competitors to emulate. The purpose of branding is to facilitate the organization‘s task of getting and maintaining a loyal customer base in a cost effective manner to achieve the highest possible return on investment. In other words, branding should not be regarded as a tactical tool directed towards one element of the marketing mix; but rather should be seen as the result of strategic thinking, integrating a marketing programmed across the complete marketing mix.

Neither is this a concept that should be regarded as more appropriate for consumer markets. Indeed, the concept of branding is increasingly being applied to people and places, such as politicians, pop stars, holiday resorts and the like, whilst it has always been equally relevant to the marketing of products and services. Were this not so, organizations such as IBM would be unable to charge significantly higher prices for their computers, which compete so successfully with technically more advanced machines selling at lower prices.

Strategic branding is concerned with evaluating how to achieve the highest return on investment from brands, through analyzing, formulating and implementing a strategy that best satisfies users, distributors and brand manufacturers.

It is only recently that a strategic perspective on branding has emerged, with firm‘s beginning to recognize that they are sitting on valuable assets that need careful attention.

Successful Brands

Successful brands, that is, those which are the focus of a coherent blending of marketing resources, represent valuable marketing assets. During the 1980s the value of brands was ironically brought to the attention of marketers by the financial community: For example, in 1985 Reckitt and Colman acquired Airwick Industries and put on itsbalance sheet £ 127 million as the financial value resulting from the intangible benefits of goodwill, heritage and loyalty conveyed by the newly acquired brand names. While this may have been one of the opening shots to make organizations aware of the financial value of brands, it was Rank Hovis McDougal who really brought the brand debate to life. They announced in 1988 that they had put £678 million on their balance sheet as the valuation of their brand names. In the same year Jacobs Suchard and Nestle fought for the ownership of Rowntree. At the time of the takeover battle it was estimated that Rowntree‘s tangible net assets were worth around £300 m, yet Nestle won control by paying £2.5 bn. This difference of £2.2 bn represented the value that Nestle saw in the potential earnings of strong brands such as Kit Kat, Polo, Quality Street and After Eight Mints, etc.

Thus, because consumers recognize and appreciate the added values of successful brands, they are able to sustain a higher price premium over equivalent commodity items and generally generate healthy profits.

The ultimate assessor of the real value of a brand, however, is not the manufacturer or the distributor, but the buyer or the user. Marketers are able to develop strategies to convey added values to purchasers, but because of what is called the _perceptual process‘ the target audience may well focus on only a part of the available information and _twist‘ some of the messages to make them congruent with their prior beliefs. For example-should a wallpaper paste manufacturer show an apparently incompetent DIY householder mixing paste in a television commercial in an attempt to communicate the smoothness and ease of application of their brand of wallpaper paste, they run the risk of some consumers interpreting the brand as being _suitable for idiots‘. This is one example of the perceptual process.

It is imperative to recognize that while marketers instigate the branding process (i.e. branding as an input), it is the buyer or the user who forms a mental vision of the brand (i.e. branding as an output), which may be different from the intended marketing thrust. While the marketers talk about the branding effort they are undertaking, they should never lose sight of the fact that the final from of the brand is the mental evaluation held by the purchasers or users. Branding, then, needs to be appreciated in terms of both the input and the out put process.

Brands are successful when developed with a clear statement of intent about the products or services purpose, the specific group of customers the brand is targeted at and a commitment to equipping the brand with the right types of resources to achieve the stated purpose.

For example, Coca-Cola‘s success is partly attributable to a clear positioning as a refreshing, fun-type drink, targeted at teenagers and backed by a tradition of quality and continual consumer communication.

Brands deliver a variety of benefits, which for ease can be classified as satisfying buyer‘s rational and emotional needs. Successful brands are those which have the correct balance in terms of their ability to satisfy these two needs for example, cigarette smokers have a variety of rational needs such as seeking the best value, or best taste, or best quality. Or a certain aroma or achieving relaxation, etc. The extent to which different brands satisfy particular rational needs will be assessed by the consumer trying different brands, examining the packaging, looking at the shape of the cigarette, considering its price etc. Besides these rational needs they will also be seeking to satisfy emotional needs, such as prestige, or distinctiveness, or style, or social reassurance, etc. The extent to which different brands satisfy these emotional needs will be evaluated by consumers recalling promotions, or assessing who smokes different brands, or considering what situations different brands are consumed in, etc. To succeed, the marketer must understand the extent to which their brand satisfies rational and emotional needs and then develop marketing programs accordingly.

Some may question whether the rational dimension dominates industrial branding and therefore whether there is any need to consider emotional aspects at all. Our work has shown that emotion plays and important role in the industrial brand selection process. For example, some office services managers do not just consider the rational aspects of office furniture brands they are about to buy, but also seek emotional reassurance that the correct brand decision might reaffirm their continual career development or that they have not lost credibility amongst colleagues through the wrong brand choice.

Check your progress 2

1. ______should not be regarded as a tactical tool directed towards one element of the marketing mix.
   a. Branding
   b. Packaging
2. ___________is concerned with evaluating how to achieve the highest return on investment from brands.
   a. Strategic branding
   b. branding

2.4 Value of Brands

Recalling the discussion in the previous section about brand names; acting as a means of short circuiting the search for information, consumers appreciate manufacturers‘ brands since they make shopping a less time-consuming experience.

As already noted, manufacturers‘ brands are recognized as providing a consistent guide to quality, and consistency. They reduce perceived risk and make consumers more confident and in some product fields (e.g. clothing, cars)‘ they also satisfy strong status needs.

Why, then, do so many manufacturers also supply distributors‘ brands? First, it is important to understand why distributors are so keen on introducing their own brands. Research has shown that they are particularly keen on distributor brands because they enable them to have more control over their product mix. With a strong distributor brand range, retailers have rationalized their product range to take advantage of the resulting cost savings and much stock a manufacturer‘s brand leader, their own distributor‘s brand and possibly a second manufacturer‘s brand. Trade interviews have also shown that distributor brands offered better margins than the equivalent manufacturer‘s brand, with estimates indicating the extra profit margin to be about 5 percent more than the equivalent manufacturer‘s brand.

Some of the reasons why manufacturers become suppliers of distributors‘ brands are:

- Economies of scale through raw material purchasing, distribution and production;
- Any excess capacity can be utilized;
- It can provide a base for expansion;
- Substantial sales may accrue with minimal promotional or selling costs;
- It may be the only way of dealing with some important distributors (e.g. marks & spencer);
- If an organization does not supply distributor brands, their competitors will, possibly strengthening the competitors‘ cost structure and trade goodwill.

Consumers benefit from distributors‘ brands through the lower prices being charged. But it is interesting to note that our own research found that consumers are becoming increasingly confident about distributors‘ brands and no longer perceive them as _cheap and nasty‘ weak alternatives to manufacturers‘ brands, but rather as realistic alterative.

Check your progress 3

1. _________brands are recognized as providing a consistent guide to quality, and consistency.

   a. manufacturers‘

   b. marketers

2. ____________benefit from distributors‘ brands through the lower prices being charged.

   a. Sellers

   b. Consumers

2.5 The Importance of Brand Planning

As the previous sections of this chapter have shown, brands play a variety of roles and for a number of reasons satisfies many different needs. They are the end result of much effort and by implication represents a considerable investment by the organization. With the recent interest in the balance sheet value of brands companies are beginning to question whether their financially valuable assets in the form of brands are being effectively used to achieve high returns on investment.

To gain the best return from their brands, firms must adopt a broad vision about their brands and not just focus in isolation on tactical issues of design and promotion. Instead, they need to audit the capabilities of their firm to evaluate the external issues influencing their brand.

Brand planning is an important but time-consuming activity, which if undertaken in a thorough manner involving company-wide discussion, will result in a clear vision about how resources can be employed to sustain the brand‘s differential advantage. Unfortunately, it is only a minority of organizations who undertake thorough brand planning. Without well-structured brand plans there is the danger of what we call brand ‗vandalism‘.

Junior brand managers are given ‗training‘ by making them responsible for specific brands. Their planning horizons tend to be in terms of a couple of years (i.e. the period before they move on) and their focus tends to be on the tactical issues of advertising. Pack design and tailor-made brand promotions for the trade. At best, these results in ‗fire fighting‘ and a defensive rather than offensive brand plan. The core values of the brand are in danger of being diluted through excessive brand extensions. For example, one of the key core values of the Ribena brand is vitamin C yet by extending the brand into other fruits (e.g. Strawberry) this is weakening the brand‘s proposition and potentially weakening the brand‘s strength.

Internally, organizations may be oblivious to the fact that they are hindering brand development. Clearly, by not preparing well documented strategic brand plans firms are creating their own obstacles to success. Some of the characteristics that internally hinder any chance of brand success are:

- Brand planning is based on little more than extrapolations from the previous few years.

- When it doesn‘t look as if the annual budget is going to be reached quarter 4 sees brand investment being cut (i.e. advertising. Market research, etc.)
- The marketing manager is unable to delegate responsibility and is too involved in tactical issues.
- Brand managers see their current positions as good training grounds for no more than two years.
- Strategic thinking consists of a retreat once a year, with the advertising agency and sales managers, to a one-day meeting concerned with next year‘s brand plans.
- A profitability analysis for each major customer is rarely under taken.
- New product activity consists of different pack sizes and rapidly developing _me- too‘ offers.
- The promotions budget is strongly biased towards below-the-line promotional activity. supplemented only occasionally with advertising
- Marketing documentation is available to the advertising agency on a need to know basis only.

Brand strategy development must involve all levels of marketing management and stands a better chance of success when all the other relevant internal departments and external agencies are actively involved. It must progress on the basis of all parties being kept aware of progress.

British Airways exemplify the notion of brand development as an integrating process, having used this to achieve a greater customer focus.

For example, the simple operation of taking a few seats out of an aircraft can be done with confidence, as engineering are consulted about safety implications, finance work out the long-term revenue implication, scheduling explore capacity implications and the cabin crew adjust their in-flight service routines.

Check your progress 4

1. To gain the best return from their brands, firms must adopt a_________about their brands and not just focus in isolation on tactical issues of design and promotion.
   a. broad vision
   b. broad mission
2. Without well-structured brand_______there is the danger of what we call brand _vandalism‘.
   a. Strategy
   b. Plans

2.6 Issues influencing Brand Potential

When auditing the factors affecting the future of brands, it is useful to consider these in terms of the five forces shown in Figure below. The brand strategist can evaluate the intensity and impact of the following brand-impeding issues.

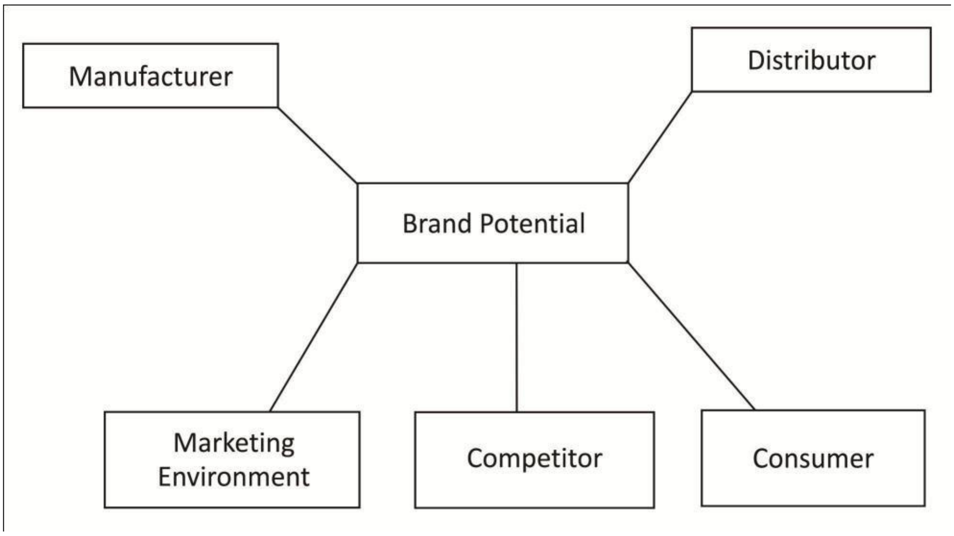

Fig: 2.2 Forces Influencing Brand Potential

- **The manufacturer**

It is not unusual for an organization to be underutilizing its brand assets through an inability to recognize what is occurring inside the organization? Have realistic, quantified. Objectives been set for each of the brands, and have they been widely disseminated? Aims such as ‗to be the brand leader' give some indication of the threshold target, but do little in terms of stretching the use of resources to achieve their full potential. Further more, they show every sign of the executive shying away from accepting brand responsibility. Brand leadership may result before the end of the planning horizon, but this may be because of factors that the organization did not incorporate into their marketing audit. But luck also has a habit of working against the player as much as working for the player.

Has the organization made full use of its internal auditing to identify what its distinctive brand competences are, and to what extent these match the factors that are critical for brand success? For example, Swatch recognized that amongst fashion-conscious watch owners, its distinctive competences of design and production could satisfy changing consumer demands for novelty watches.

Is the organization plagued by a continual desire to cut costs, without fully appreciating why it is following this route? Has the market reached the maturity stage, with the organization's brand having to compete against competitors' brands on the basis of matching performance, but at a reduced price? If this is so, all aspects of the organization's value chain should be geared towards cost minimization (e.g. eliminating production inefficiencies, avoiding marginal customer accounts, having a narrow product mix, working with long production runs, etc.). Alternatively, is the firm's brand unique in some way that competitors find difficult to emulate and for which the firm can charge a price premium (e.g. unique source of high quality raw materials, innovative production, process, unparalleled customer service training. acclaimed advertising, etc.). Where consumers demand a brand which has clear benefits, the manufacturer should ensure all departments work towards maintaining these benefits and signal this to' the market (e.g. by the cleanliness of the lorries, the politeness of the telephonists, the promptness of answering a customer enquiry, etc.) In some instances, particularly in services, the brand planning document can overlook a link in the value chain. Resulting in some inherent added value being diminished (e.g. an insurance broker selling reputable quality insurance from a shabby office).

- **Distributors**

The brand strategy of the manufacturer cannot be formulated without regard for the distributor. Both parties rely on each other for their success and even in an era of increasing retailer concentration, notwithstanding all the trade press hype, there is still a recognition amongst manufacturers and distributors that long-term brand profitability evolves through mutual support.

Manufacturers need to identify retailer‘s objectives and align their brands with those retailers whose aims most closely match their own. With the opening of European markets in 1992, some of the major multiple grocery retailers have already set their sights on growth through market development. Involving discussions about pan European alliances with other retailers. Brand manufacturers who have not fully considered the implications of distributors‘ longer-term objective are deluding themselves about the long-term viability of their own brands.

In the UK, there are numerous instances of growing retailer power, with a few major operators controlling a significant proportion of retail sales (e.g. groceries, DIY, jewellery, footwear). The danger of increasing retailer power is that weaker brand manufacturers acquiesce to demands for better discounts, without fully appreciating that the long term well-being of their brands is being undermined. It is crucial for brand manufacturers to analyze regularly what proportion of their brand sales go through each distributor and then for each individual distributor to assess how important a particular manufacturer‘s brand is to them.

If this hypothetical example were for a HLL brand, it is clear that the particular HLL brand is more reliant upon Foodworld than Foodworld is on the particular HLL brand. Such an analysis better enables manufacturers to appreciate which retailers are more able to exert pressure on their brand. It indicates that, if the brand manufacturer wants to escape from a position of retailer power, they need to consider ways of growing business for their brands in those sectors other than Foodworld at a faster rate than is envisaged within this distributor.

When working with a distributor the brand manufacturer should take into account whether the distributor is striving to offer a good value proposition to the consumer (e.g. Kwik, Save, Aldi) or a value-added proposition (e.g. high quality names at Harrods). In view of the loss of control once the manufacturer‘s brand is in the distributor‘s domain, the brand manufacturer must annually evaluate the degree of synergy through each particular route and be prepared to consider changes.

Does the manufacturer have an offensive distribution strategy, or is it by default that its brands go through certain channels?

What are the ideal characteristics for distributors of its brands and how well do the actual distributors used match these criteria?

How do distributors plan to use brands to meet their objectives?

The brand manufacturer must have a clear idea of the importance of specific distributors for each brand.

Finally manufacturers must recognize that when developing new brands, distributors have a finite shelf space and market research must not solely address consumer issues, but must also take into account the reaction of the trade. One company found that a pyramid pack design researched well amongst consumers, but on trying to sell this into the trade it failed - due to what the trade saw as ineffective use of shelf space.

- **Consumers**

To consumers buying is a process of problem solving. They become aware of a problem (e.g. not yet arranged summer holidays), seek information (e.g. go to travel agent and skim brochures), evaluate the information and then make a decision (e.g. select three possible holidays, then try to book one through the travel agent). The extent of this buying process varies according to purchasers' characteristics, experience and the products being bought. None the less, clearly consumers have to ‗work' to make a brand selection.

Brands offer consumers a means of minimizing information search and evaluation. Through seeing a brand name which has been supported by continual marketing activity, consumers can use this as a rapid means of interrogating memory and if sufficient relevant information can be recalled, only minimal effort is needed to make a purchase decision. As a consequence of this, brand strategists should question whether they are presenting consumers with a few high quality pieces of information, or whether they are bombarding consumers with large quantities of information and ironically causing confusion. Likewise in business to business markets, it is important to consider how firms make brand selections.

Not only should strategists look at the stages consumers go through in the process of choosing brands but they also need to consider the role that brands actually play in this process. For example, a businessperson going to an important business presentation may feel social risk in the type of clothes he/she wears and select a respected brand mainly as a risk-reducer. By contrast, in a different situation, they may decide to wear a Gucci watch, because of a need to use the brand as a device to communicate a message (e.g. success, lifestyle) to their peer group. Likewise, one purchasing manager may buy a particular brand, since experience has taught him that delivery is reliable, even though there is a price premium to pay. By contrast, another purchasing manager may be more concerned about rapid career advancement and may choose to order a different brand on the basis that he is rewarded for minimizing unnecessary expenditure on raw materials. Success depends on understanding the way purchasers interact with brands and employing company resources to match these needs.

- **Competitors**

Research has shown that return on investment (ROI) is related to a product‘s share of the market. In other words products with a bigger market share yield better returns than those with a smaller market share. Organizations with strong brands fare better in gaining market share than those without strong brands. Thus, firms who are brand leaders will become particularly aggressive if they see their position being eroded by other brands. Furthermore, as larger firms are likely to have a range of brands, backed by large resources, it is always possible for them to use one of their brands as a loss leader to under price the smaller competitor, and once the smaller brand falls out of the market, the brand leader can then increase prices. Several years ago, Laker took on the major airlines when he launched his Sky train on the lucrative trans-Atlantic route. The major players recognized the potential danger from this _no-frills‘ operation and because they had a wide range of products, they were able to compete at equally low prices, while using their other routes to subsidize this. Without a range of brands, Laker was unable to compete and his brand died. Comapare ―no-frills‖ Airlines Air Deccan and the market competition when it launched.

Brand strategists need to have given some thought to anticipating likely competitor response. Filofax appear to have been taken by surprise by competitive activity. When their time organizer became established in the market, they did not appear to have any short-term retaliatory plans when faced with an increasing number of, me-too competitors.

- **The marketing environment**

Brand strategists need to scan their marketing environment continually to identify future opportunities and threats. For example, will the opening of European markets after 1992 result in very powerful grocery retailing chains presenting a considerable threat to weaker brands? Will a shift in the developed countries to a knowledge-based society lead to _armchair shopping‘ facilitated by networked personal computers? To draw an analogy with military thinking, good surveillance helps achieve success.

Check your progress 5

1 .The__________of the manufacturer cannot be formulated without regard for the distributor.

a. brand strategy

b. brand development

2. __________need to identify retailer‗s objectives and align their brands with those retailers whose aims most closely match their own.

a. Manufacturers

b. Marketers

2.7 Eight Dimensions of Brands

An eight category of brands

1. Brand as a sign of ownership

An early theme, given much prominence in marketing circles, was the distinction between brands on the basis of whether the brand was a manufacturer‗s brand or a distributors brand (own label, private label). Branding was seen as being a basis of showing who instigated the marketing for that particular offering and whether the primary activity of the instigator was production (i.e. manufacturer‗s brand) or distribution (distributors band). However, this drew a rather artificial distinction; since nowadays consumers place a far greater reliance on distributor brands - particularly when brands such as Benetton and Marks & Spencer are perceived as superior-brands in their own right. In fact, some would argue that with the much greater marketing role played by major retailers and their concentrated buying power, the concept of USP (Unique Selling Proposition) should now be interpreted as ‗Universal Supermarket Patronage, with the much greater marketing activity undertaken by distributors, this typology does little more than clarify who instigated the marketing.

2. Brand as a differentiating device

The historical review earlier in this chapter indicated that, at the turn of the century, a much stronger emphasis was placed on brands purely as differentiating devices between similar products. This perspective is still frequently seen today in many different markets. Yet with more sophisticated marketing and more experienced consumers, brands succeed not only by conveying differentiation, but also by being associated with added values. For example, the brand Cadbury‘s Dairy Milk not only differentiates this from other confectionery lines, but is a successful brand since it has been backed by a coherent use of resources that deliver the added value of high quality offering with a well defined image. By contrast the one man operation, ‗Tom‘s-taxi Service‘, is based upon branding as a differentiating device, with little thought to communicating added values.

Small firms seem to be particularly prone to the belief that putting a name on their product or service is all that is needed to set them apart from competitors. They erroneously believe that branding is about having a prominent name, more often than not based around the owner‘s name.Yet there is ample evidence that brands fail if organizations concentrate primarily on developing a symbol or a name as a differentiating device.

Brands will succeed if they offer unique benefits, satisfying real consumer needs. Where an organization has reason to believe that their competitors are marketing brands primarily as differentiating devices, there is an opportunity to develop a strategy which gets buyers to associate relevant added values with their brand name and hence gain a competitive advantage.

Balancing the "functional" and "emotional" elements in branding

3. Brand as a functional device

Another category of brands is that used by marketers to communicate functional capability. This stemmed from the early days of manufacturers‘ brands when firms wished to protect-their large production investments by using their brands to guarantee consistent quality to consumers.

As consumers began to take for granted the fact that brands represented consistent quality, marketers strove to establish their brands as being associated with specific unique functional benefits.

A brief scan of advertisements today shows the different functional attributes marketers, are trying to associate with their brand, for example: VAX, emphasizing the –carpet -cleaning features or-its less-than-aesthetic vacuum cleaner; SEAT, striving to convey a good value-for-money proposition; Polycell, seeking the association of DIY simplicity; and Castrol GTX, representing ‗high technology‘ engine protection. Firms adopting the view that they are employing brands as functional communicators; have the virtue of being customer driven, (rational) element of the customer choice, as all products and services also have some degree of emotional content in the buying process. For e.g. A Post Office campaign run in 1990 for a predominantly functional brand, advertised the emotional dimension using the slogan ‗If you don‘t want your burning passion to arrive lukewarm, send it in a Swiftpack‘.

4. Brand as a symbolic device

In certain product fields. (e.g. perfume and clothing) buyers perceive significant badge value in the brands; since it enables them to communicate something about themselves (e.g. emotion, status, etc.). In other words, brands are used as symbolic devices, with marketers believing that brands are bought and used primarily because of their ability to help users express something about themselves to their peer groups, with users taking for granted functional capabilities.

Where consumers perceive the brand‘s value to lie more in terms of the- non verbal communication facility (through the logo or name).they, spend time and effort choosing brands, almost with the same care as if choosing a friend .It is now accepted that consumers personify brands and when looking at the symbol values of brands, they seek brands which have very clear personalities and select brands s that best match their actual or desired self concept.

For example, in the beer market, there are only marginal product differences between brands.

Comparative consumer trials of competing beer brands without brand names present showed no significant preferences or differences. Yet, when consumers repeated the test with brand names present, significant brand preferences emerged. On the first comparative trial, consumers focused on functional (rational) aspects of the beers and were unable to notice much difference. On repeating the trials with brand names present, consumers were able to use the brand names to recall distinct brand personalities and the symbolic (emotional) aspect of the brands influenced preference.

Through being a member of social groups, people learn the symbolic meaning of brands. As they interpret the actions of their peer group, they then respond. using brands as non-verbal communication devices (e.g. feelings, status). To capitalize on symbolic brands, therefore, marketers must use promotional activity to communicate the brand‘s personality and signal how consumers can use it in their daily relationships with others. None the less, whilst there are many product fields where this perspective of brands is useful. It must also be realized that consumers rarely consider just the symbolic aspect of brands. Research across a wide variety of product fields ranging from chipboard to watches, showed that consumers often evaluated brands in terms of both a symbolic (emotional) and a functional (rational) dimension. Marketers should, therefore, be wary of subscribing to the belief that a brand acts solely as a symbolic device.

5. Brand as a risk reducer

Many marketers believe that buying should be regarded as a process whereby buyers attempt to reduce the risk of a purchase decision. When a person is faced with competing brands in a new product field, they feel risk. For eg.uncertainty about whether the brand will work, whether they will be wanting money, whether their peer group will disagree with their choice, whether they will feel comfortable with the purchase, etc. Successful brand marketing should therefore be concerned with understanding buyers perception of risk followed by developing and presenting the brand in such away that buyers feel minimal risk. An e.g of industry appreciating perceived risk is the pharmaceutical industry. One company has developed a series of questions which its sales representatives use to evaluate the risk aversion of doctors. When launching a new drug, the company focuses sales presentations initially on doctors with a low risk aversion profile. To make buying more acceptable, buyers seek methods of reducing risk by, for example, always buying the same brand, searching for more information, only buying the smallest size, etc. Research has shown that one of the more popular methods employed by buyers to reduce risk is reliance upon reputable brands. Some marketers, particularly those selling to organizations rather than to final consumers, succeed with their brands because they find out what dimensions of risk the buyer is most concerned about and then develop a solution through their brand presentation which emphasizes the brand‘s capabilities along the risk dimension considered most important by the buyer. This interpretation of branding has the virtue of being output driven. Marketers, however, must not loose sight of the need to segment customer‘s by similar risk perception and achieve sufficient numbers of buyers to make risk reduction branding viable.

6. Brand as a shorthand device

Glancing through advertisements today, one becomes aware of brands whose promotional platform appears to be based on bombarding consumers with" considerable quantities of information (eg. Guardian Royal Exchange‘s Choices pension plan). These brands are used as shorthand devices by consumers to recall from memory sufficient brand information at a later purchasing time. There is merit in this approach, as people generally have limited memory capabilities. To overcome this, they bundle small bits of information into larger chunks in their memory, and use brand names as handles to recall these larger information chunks. By continuing to increase the size of these few chunks in memory, buyers in consumer, industrial and service sectors can process information more effectively. At the point of purchase, they are able to recall numerous attributes by interrogating their memory.

There is, none the less, the danger of concentrating too heavily on the quantity, rather than the quality of information directed at purchasers. It also ignores the perceptual process which is used by buyers to twist information until it becomes consistent with their prior beliefs - an error fatally overlooked by the short-lived Strand cigarette brand.

7. Brand as a legal device

With the appearance of manufacturers‘ brands at the turn of this century, consumers began to appreciate: their value and started to ask for them by name. Producers of inferior goods realized that to survive they would have to change. A minority, however, changed by illegally packaging their inferior products in packs that were virtually identical to the original brand. To protect themselves against counterfeiting, firms turned to trademark registration as a legal protection. Some firms began to regard the prime benefit of brands as being that of legal protection, with the result that a new category of branding appeared. Within this group of brands, marketers direct their efforts towards effective trademark registration along with consumer education programs about the danger of buying poor grade brand copies. For example, the pack details on Matchbox products boldly state that ‗Matchbox is the trademark of the Matchbox group of companies and is the subject of extensive trademark registrations‘, while Kodak packs all carry the advice ‗It‘s only Kodak film if it says Kodak‘.

Yet again, however, whilst clearly there is a need to protect brands, brand owners also need to adopt a more strategic approach to developing ways of erecting defensive barriers, besides being reliant only on legal redress.

8. Brand as a strategic device

Finally, more enlightened marketers are adopting the: view to which we subscribe, which is that brands should be treated as strategic devices. The assets constituting the brand need to be audited, the forces affecting the future of the brand evaluated and by appreciating how the brand achieved its added value a positioning for the brand needs to be identified such that the brand can be successfully protected and achieve the desired return on investment. To take full advantage of brands as strategic devices, a considerable amount of marketing analysis and brand planning is required, yet many firms are too embroiled in tactical issues and so do not gain the best possible returns from their brands. All the strategic issues associated with capitalizing on strategic branding are covered.

A good example of successful branding through majoring upon a differential advantage and ensuring the: sustainability of such an advantage was seen in a color supplement advertisement by Sharp in 1990. This organization evaluated the forces that could impede their electronic organizer and developed a unique position for their brand that is difficult for competitors to copy. The technology of the IC card gave the brand a competitive edge. In a true strategic style, the firm had developed a brand which it had differentiated from its competitors and had used its corporate strengths to satisfy customer need better than competitors.

Check your progress 6

1. Brands will__________if they offer unique benefits, satisfying real consumer needs.
   a. Succeed
   b. Fail
2. Many________believe that buying should be regarded as a process whereby buyers attempt to reduce the risk of a purchase decision.
   a. Consumers
   b. Marketers

2.8 Let Us Sum Up

In this Chapter we have focussed much on the branding .Here in this Chapter we discussed the process of branding in very detail.

We have studied that brands succeed when marketers regard them as the end result of a well-integrated marketing process. To view branding as naming, design or advertising, is too myopic and such a perspective will shorten the brand's life expectancy. Branding is about the communication of relevant added values for which buyers are prepared to pay a price premium and which competitors find difficult to emulate. We even studied about the value of brands in which we discussed the historical evolution of brands has shown that brands initially served the roles of differentiating between competing items, representing consistency of quality and providing legal protection from copying. With the advent of distributors' brands, more experienced buyers and increasingly sophisticated marketing techniques, eight different types of brands were identified: a sign of ownership of the branding process; a differentiating device; a communicator of functional capability; a device which enables buyers to express something about themselves; a risk-reducing device; a shorthand communication device; a legal device; and a strategic device. To capitalize upon the asset represented by their brand, firms need to adopt strategic brand planning as a way of life. The model shows the five main factors that influence brand potential was reviewed. We even discussed about the brand planning and we have know that brand planning is an important but time- consuming activity, which, if undertaken in a thorough manner involving company-wide discussion, will result in a clear vision about how resources can be employed to sustain the brand's differential advantage. Unfortunately, it is only a minority of organizations who undertake thorough brand planning. Without well-structured brand plans there is the danger of what we call brand 'vandalism'.There are different categories of brands and has also highlighted the inherent weaknesses of each type of brand it also talks about the typology of brands and the importance of brands in the present day context.

So after going through this detailed discussion the readers would have got a detailed insight of branding which is going to be of great help for them not only for them curriculum but also in their career.

2.9 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-a)

Check your progress 2

Answers: (1-a), (2-a)

Check your progress 3

Answers: (1-a), (2-b)

Check your progress 4

Answers: (1-a), (2-b)

Check your progress 5

Answers: (1-a), (2-a)

Check your progress 6

Answers: (1-a), (2-b)

2.10 Glossary

1. **Brands -** names generally assigned to a product or service or a group of complementary products.
2. **Salient -** when consumers are aware of the brand, have it in their consideration sets (things they consider when making purchases), regard the product and brand as a good value, buy it or use it on a regular basis, and recommend it to other consumers.
3. **Family brand -** when a company offers a series or group of products under one brand name.
4. **Brand equity -** a set of brand assets that add to the value assigned to a product.
5. **Market penetration -** the number of households within an area that purchased a product as a percentage of total households that bought in that product's category.
6. **Brand metrics -** measures of returns on brand investments.
7. **Brand extension -** the use of an established brand name on products or services not related to the core brand.
8. **Flanker brand -** the development of a new brand by a company in a product or service category it currently has a brand offering.
9. **Co-branding -** offering two or more brands in a single marketing effort.
10. **Ingredient branding -** a form of co-branding in which the name of one brand is placed within another brand.
11. **Cooperative branding -** a form of co-branding in which two firms create a joint venture of two or more brands into a new product or service.

2.11 Assignment

1. How did the concept of branding evolve? Answer this referring to the international scenario and India too.
2. What are the different types of brands? Discuss with reference to examples.
3. What are the issues influencing the brand potential?

2.12 Activities

1. What is the importance of brands from a distributor and consumer perspective?
2. Discuss the eight dimensions of brands.
3. Taking an Indian brand into consideration how many of the typologies does the brand fit?

2.13 Case Study

Trace the planning that you can perceive that went into the making of any prominent brand.

2.14 Further Readings

1. Marketing Management (Twelfth Edition) – Philip Kotler.
2. The Brand Mindset – Duanne E Knapp. Tata McGraw Hill edition.
3. The 22 Immutable Laws of Branding – Al Ries and Laura Ries.
4. Positioning: The Battle for Your Mind - Al Ries and Laura Ries.
5. Marketing Warfare - Al Ries and Laura Ries.
6. Competitive Strategy – Michael E Porter .

LESSON 3: THE BRAND AND THE CONSUMER

Structure

3.0 Learning Objectives

After learning this Chapter**, you will be able to understand:**

- Why should businesses build their Brands?
- Why it is important to Create Powerful Brands?
- What is the nature of Relationships with Customers?
- What are the Organization‘s Marketing Assets?
- The importance of a brand
- The Brand-Customer Relationship
- The Consumer Mindset

3.1 Introduction

The relationship between a customer and a brand is an exchange relationship.

Consumers enter into a relationship on the basis of expected equity and the desire to increase the predictability of exchange outcomes (Peterson, 1995).

The length and strength of the customer relationship is a result of the relative value the customer perceives in the brand; in other words, the implied utility associated with the product features, the tangible value of these features, and the intangible value the consumer assigns to the brand name. The utility is a function of the capacity of the brand to consistently deliver an experience in alignment with the customer‘s expected equity.

Consequently, it reflects the convergences of the customer‘s perceptions and expectations.

3.2 Why should Businesses try to Build their Brands?

While businesses try and build their brands, there is a definite strategy involved that will benefit their brands. There are many advantages to businesses that build successful brands. These include:

- Higher prices
- Higher profit margins
- Better distribution
- Customer loyalty

Businesses that operate successful brands are also much more likely to enjoy higher profits.

A brand is created by augmenting a core product with distinctive values that distinguish it from the competition. This is the process of creating brand value.

All products have a series of ―core benefits‖ – benefits that are delivered to all consumers. For example:

- Watches tell the time
- CD-players play CD‘s
- Toothpaste helps prevent tooth decay, or whitens or freshens

- Garages dispense petrol

Consumers are rarely prepared to pay a premium for products or services that simply deliver core benefits – they are the expected elements of that justify a core price. Successful brands are those that deliver added value in addition to the core benefits. These added values enable the brand to differentiate itself from the competition. When done well, the customer recognizes the added value in an augmented product and chooses that brand in preference.

For example, a consumer may be looking for reassurance or a guarantee of quality in a situation where he or she is unsure about what to buy. A brand like Mercedes, Sony or Microsoft can offer this reassurance or guarantee.

Alternatively, the consumer may be looking for the brand to add meaning to his or her life in terms of lifestyle or personal image. Brands such as Nike, Porsche or Timberland do this.

Nike Just Do it logo (as shown below)

Fig 3.1 Nike logo

A brand can usefully be represented in the classic –fried-egg‖ format shown below, where the brand is shown to have core features that are surrounded (or –augmented‖) by less tangible features.

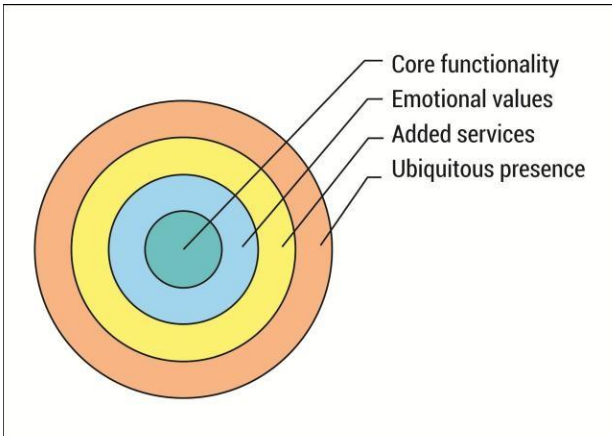

Fig 3.2 fried-egg

Brand Representation: The "Fried Egg" Format showing Core Brand Features

Check your progress 1

1. Businesses that operate successful brands are also much more likely to enjoy ________profits.
   a. Higher
   b. Lower
2. A___________is created by augmenting a core product with distinctive values that distinguish it from the competition.
   a. Brand
   b. Product

3.3 Why is it Important to Create Powerful Brands?

A brand represents the sum of people's perception of a company's customer service, reputation, advertising, and logo. When all of these parts of the business are working well, the overall brand tends to be healthy. On the flip side, we all probably know a company that offers excellent products or services, but has a tarnished brand due to poor customer service.

Let's take a look at the important ways a strong brand impacts your business:

1. Branding Improves Recognition

One of major components of your brand is your logo. Think of how we instantly recognize the golden arches of McDonalds or the simple, but powerful eagle of the USPS. As the –face‖ of a company, logo design is critical because that simple graphic will be on every piece of correspondence and advertising. A professional logo design is simple enough to be memorable, but powerful enough to give the desired impression of your company.

2. Branding Creates Trust

A professional appearance builds credibility and trust. People are more likely to purchase from a business that appears polished and legitimate. Emotional reactions are hardwired into our brains, and those reactions are very real influencers.

3. Branding Supports Advertising

Advertising is another component of your brand. Both the medium chosen and demographic targeted for advertisements builds a brand. Too narrow an advertising focus, and a company risks being –pigeon holed‖ and losing their ability to expand into new markets. Too broad a focus and the company fail to create a definable impression of the company in the minds of would be customers.

4. Branding Builds Financial Value

Companies who publicly trade on a stock exchange are valued at many times the actual hard assets of the company. Much of this value is due to the branding of the company. A strong brand usually guarantees future business. Whether a company is in the position to borrow funds for expansion or rolling out to an IPO, being perceived as more valuable will make the process advantageous for the owner of the company. The greater a company‘s devotion to build its brand value, the better the financial return from its efforts.

5. Branding Inspires Employees

Many employees need more than just work— they need something to work toward. When employees understand your mission and reason for being, they are more likely to feel that same pride and work in the same direction to achieve the goals you have set. Having a strong brand is like turning the company logo into a flag the rest of the company can rally around.

6. Branding Generates New Customers

Branding enables your company to get referral business. Would it be possible for you to tell a friend about the new shoes you love if you couldn‘t remember the brand? A large reason _brand‘ is the word used for this concept is that the goal is an indelible impression. As the most profitable advertising source, word of mouth referrals are only possible in a situation where your company has delivered a memorable experience with your customer.

Check your progress 2

1. A brand___________the sum of people‘s perception of a company‘s customer service, reputation, advertising, and logo.
   a. Is not equall to
   b. Represents
2. One of__________components of your brand is your logo.
   a. Minor
   b. Major

3.4 The Nature of Relationship with Customers

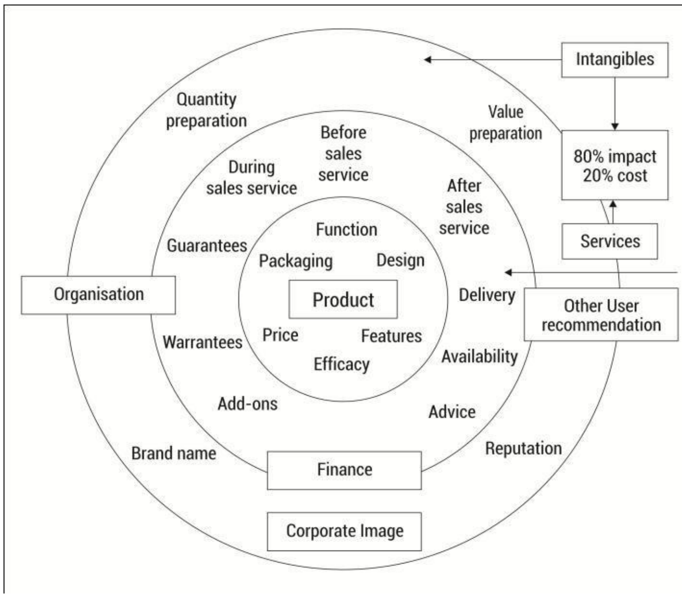

Fig 3.3 Nature of Relationship with Customers

The nature of relationships with customers

The above figure also begins to throw light on the nature of the, confusion surrounding the relationships that organizations enjoys with their customers. It is a sad reflection on the state of marketing the product, in spite of fifty years of marketing education, ignorance still abounds concerning what marketing is. The following are the major areas of confusion:

1. Confusion with the product management. The belief that all, a company has to do to succeed is to produce a good product still abounds and neither Concorde, the EMI Scanner, nor the many thousands of brilliant products that have seen their owners or inventors go bankrupt during the past twenty years will convince such people otherwise.

2. Confusion with advertising this is another popular misconception and the annals of business are replete with examples such as Dunlop, Woolworths and British Airways who, before they got professional management in, won awards with their brilliant advertising campaigns, while failing to deliver the goods. Throwing advertising expenditure at the problem is still a very popular way of tackling deep-rooted marketing problems.

3. Confusion with customer service The ‗Have a nice day' syndrome is currently having its hey-day in many countries of the world, popularized by Peters and Waterman in ―In Search of Excellence‖. The banks are amongst those who have spent millions training their staff to be charming to

customers while still getting the basic offer fundamentally wrong - for example. Many banks are still closed when the public most needs them open! Likewise, in many railway companies around the world, while it helps to be treated nicely. It is actually much more important to get there on time.

Likewise, selling is just one aspect of communication with customers, and to say that it is the importance of product management, pricing, distribution and other forms of communication in achieving profitable sales. Selling is just one part of this process, in which the transaction is actually clinched. It is the culmination of the marketing process, and success will only be possible if all the other elements of the marketing mix have been proper1y managed.

The more attention that is paid to finding out what customers want, to developing products to satisfy these wants, to pricing at a level consistent with the benefits offered, to gaining distribution, and to communicating effectively with our target market, the more likely we are to be able to exchange contracts through the personal selling process.

Check your progress 3

1. _________is just one aspect of communication with customers.
   a. Selling
   b. marketing
2. ______is just one part of this process, in which the transaction is actually clinched.
   a. Branding
   b. Selling

3.5 The Organization's Marketing Assets

The organization's marketing assets

Textbook definitions of marketing have emphasized the satisfaction of identified customer needs as a fundamental article of faith. Various interpretations exist, but the concept of _putting the customer at the center of the business' summarizes these viewpoints.

Philosophically, there is little to argue with in this notion. However, it must be recognized that the ability of the business to produce offerings that meet real needs will generally be limited to very specific areas. More particularly, what we find is that an organization‘s skills and resources are the limiting factor determining its ability to meet the market place needs. The example of a slide rule manufacture being unable to compete in the age of electronic calculators underlines this point. The strengths and skills of such a company, whatever they may have been, were quite definitely not in the manufacture of electronic calculators, whereas they may well have had a strength in marketing and distribution in specialized markets - thus possibly providing an opportunity to distribute other manufacturers‘ products aimed at those markets.

What we are in effect saying is that marketing should really be seen as the process of achieving the most effective deployment of the firm‘s assets to achieve overall corporate objectives. By assets in this context, we refer specifically to those assets that might best be described as _marketing assets‘.

What are marketing assets? Typically when we talk about assets, we think first of financial assets, or more precisely those assets that are recognized in the balance sheet of the business. So, fixed assets, such as plant and machinery, and current assets, such as inventory or cash, would be typical of this view of assets.

In fact, the marketing assets of the business are of far greater importance to the long-run health of the business and yet paradoxically rarely appear in the balance sheet. Ultimately, the only assets that have values, those are that contribute directly or indirectly to profitable sales, now or in the future. Included in our categorization of marketing assets would be such things as:

Market _franchise‘. Are there certain parts of the market that we can call our own? The loyalty of customers and distributors will be a factor here.

Distribution network: Do we have established channels of distribution which enable us to bring products or services to the market in a cost-effective way?

Market share the _experience effect‘ and economics of scale mean that for many companies there are substantial advantages to being big. For example, costs will be lower and visibility in the market place will be higher.

Supplier relationships: The ability to have success to raw materials, low-cost components, and so on, can be of substantial advantage. Additionally, close cooperation with suppliers can frequently lead to innovative product developments.

Customer reactions: _Close to the customer‘ has become the motto of the 1990s, and many organizations can testify to the advantage of strong bonds between the company and its customers.

Technology base: Does the company have any unique skills, processes or know-how strengths that can provide a basis for product/market exploitation?

It is only through the effective use of these and any other marketing assets that the company can build successful marketing strategies. There still, of course, remains the crucial task of seeking market-place opportunities for the exploitation of this asset base; however, this is an issue which needs to be dealt with in a very different light.

Nevertheless, if we are to be serious about marketing assets, perhaps managerially we should treat them as we do _financial' assets. In which case questions such as these arise:

How do we value market assets?

How do we protect them?

How do we grow them?

The question of the valuation of marketing assets is complex and controversial. Traditionally, the only time that an attempt is made to put a financial value on these intangible assets is when a company is bought or sold. It will often be the case that one company, in acquiring. Another will pay more than the _book value' of the acquired company as represented that is, in the balance sheet. The accountants' answer to this is to treat the difference between the purchase price and the' book value as _goodwill' and then to write it off against reserves or amortize it through the profit-and-Loss account over a number of years.

Check your progress 4

1. The___________assets of the business are of far greater importance to the long-run health of the business and yet paradoxically rarely appear in the balance sheet.
   a. Fixed
   b. Marketing
2. The question of the valuation of marketing assets is__________and controversial.
   a. Complex
   b. simple

3.6 The Importance of a Brand

The importance of the brand

Perceptive readers will already have observed that, so far, we have deliberately chosen not to make any reference to brands as assets. It will also be clear by now that depicts brands not just a physical product, but a relationship with the customer. This relationship is personified either by the organization‘s name, or by the brand name on the product itself. ICI; IBM, BMW, Kodak and Cadburys are excellent examples of company brand names. Persil, Nescafe, Fosters, Dulux and Castrol GTX are excellent examples of product brand names.

The Cadbury brand

Fig 3.4 Cadbury brand

First, when we refer to the term _brand‘, we use it to encompass not only consumer products, but a whole host of offerings, which include people (such as politicians and pop stars), places (such as Bangkok), ships (such as the Queen Elizabeth II), companies, industrial products, service products, and so on.

Second, a distinction should be drawn between a _brand‘ and a _commodity‘. Commodity markets typically are characterized by the lack of perceived differentiation by customer‘s between competing offerings. In other words, one product offering in a particular category is much like another. Products like milk or potatoes come to mind or tin and iron ore. Whilst there may be quality differences the suggestion is that, within a given specification, this bottle of milk is just the same as that bottle of milk.

In situations such as these, one finds that purchase decisions tend to be taken on the basis of price or availability, and not on the basis of the brand or the manufacturer‘s name. Thus one could argue that the purchase of petrol falls into the commodity category, and whilst the petrol companies do try and promote _image‘, they inevitably end up relying upon‘ promotions such as wine glasses and games to try to generate purchase.

There are examples, however of taking a commodity in making a brand. Take, for example - Penier Water: the contents are naturally occurring spring water which, whilst it has certain distinct characteristics at the end of the day, is still spring water. Yet through packaging and, more particularly, promotion, an international brand has been created with high brand loyalty and consequently it sells for a price well in excess of the costs of the ingredients.

Conversely, one can also find examples of once-strong brands which have been allowed to decay and in effect become commodities. This process is often brought about because the marketing asset base has been allowed to erode - perhaps through price cutting or through a lack of attention to product improvement in the face of competition. One market where this has happened in the UK is in the fruit-squash drink market. Fifteen or twenty years ago, there were a number of very strong brands – Sun crush, Kiaora, Jaffa Juice, to name a few. In this market, the quality of the brand had traditionally been stressed, but a switch in promotional emphasis occurred towards promotional offers of one sort or another. Price cutting became prevalent and resources were switched out of advertising which promoted the values of the brand and into so-called _below the line‘ promotional activities. The main effect of this, twenty years later, has been to reduce the bottle of orange squash to the level of a commodity to such an extent that the major brands now retailers‘ own label products:

The figure below depicts the process of decay from brand to commodity as, over time, the distinctive values of the brand become less clear and thus the opportunity to demand a premium price reduces. So, today, we find a bottle of Perrier Water selling at a premium over a bottle of orange squash!

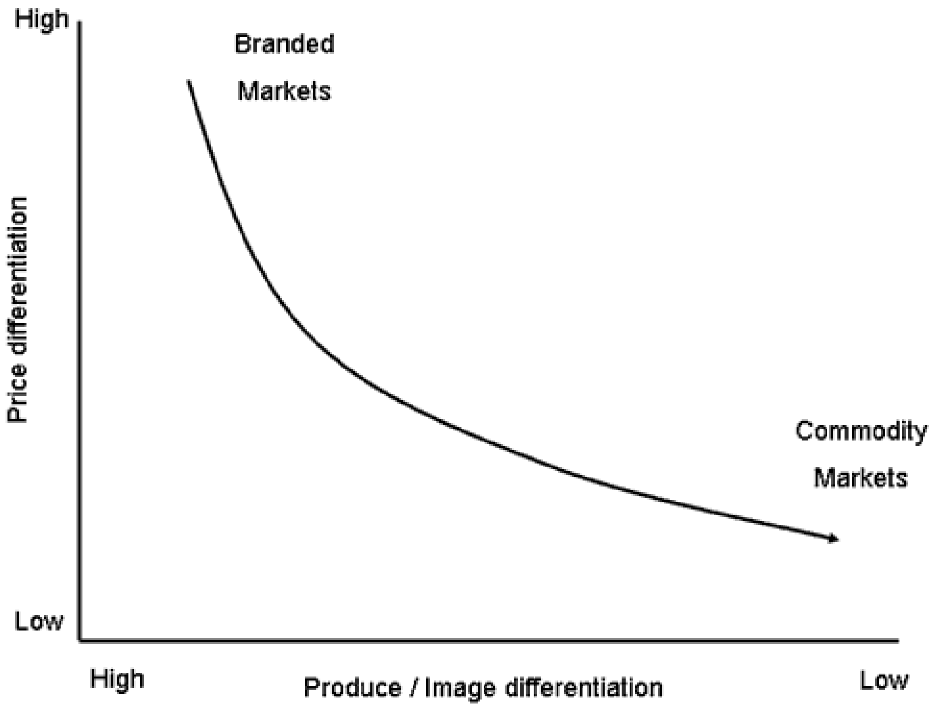

Fig 3.5 Produce/Image Differentiation

The difference between a brand and a commodity can be summed up in the phrase _added values‘. A brand is more than just the sum of its component parts, It embodies, for the purchaser or user, additional attributes which, whilst they might be considered by some to be _intangible‘, are still very real. To illustrate the power of these added values consider the results of a blind test (ie. where the brand identity is concealed) in which Diet Pepsi was compared against Diet Coke by a panel of consumers:

Prefer Pepsi	51 per cent
Prefer Coke	44 per cent
Equal/can‘t say	5 per cent

When the same two drinks were given to a matched sample in an open test (the true identity of the brands was revealed), the following results were produced:

Prefer Pepsi	23 per cent
Prefer Coke	65 per cent
Equal/can‘t say	12 per cent

How can this be explained if not in terms of the added values that are aroused in the minds of consumers when they see the familiar Coke logo and pack?

Basic features

20%impact, 80%cost

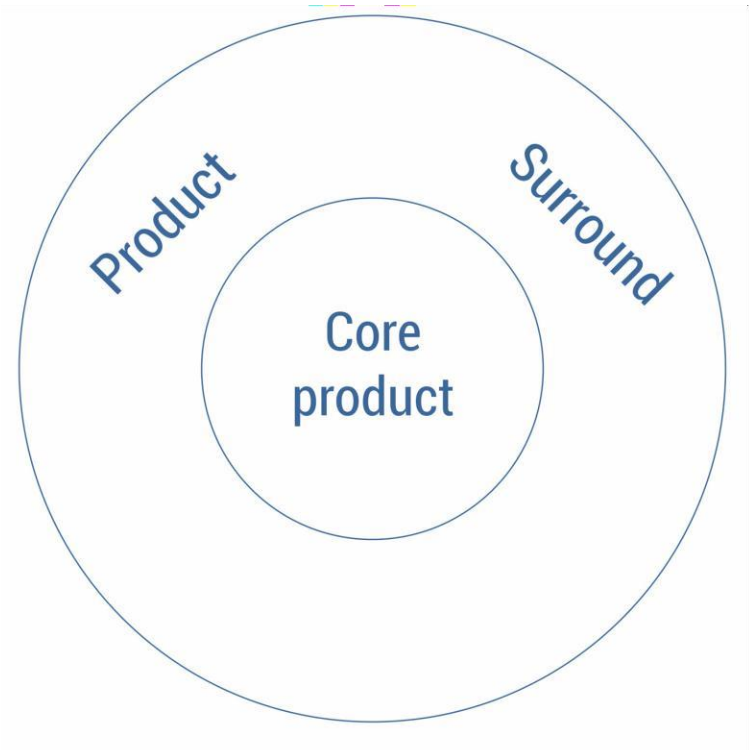

Fig 3.6 Core Product

Added Value

Image, service, styling, support

(80% of the impact but only 20% of the cost.)

The importance of added value

The same phenomenon is also encountered in industrial marketing. In a commodity market such as fertilizers, the initials ICI printed-on a plastic sack have the effect of communicating to the purchaser a statement about quality and reliability, giving ICI a considerable advantage over lesser-known brands.

Often, these added values are emotional values which customers might find difficult to articulate. These values are given to a product quite simply through the marketing mix of product, packaging, promotion, price and distribution. All of these elements of the mix can be used to develop a distinctive position in the customers' mental map of the market. The more distinctive a brand position, however, the less likelihood that a customer will accept a substitute. In commodity markets, competing products, because they are undifferentiated, are seen by the customer as occupying virtually identical positions and thus to all intents and purposes are substitutable.

It is thus the case that the most effective dimensions of competition are the relative added values of competing brands. The core product is purely the tangible features of the offering usually easy to imitate. The added values that augment the product and where distinctive differences can be created are to be found in the product surround, summarized in the figure above. The larger the _surround‘ in relation to the core product, the more likely it is that the offering will be strongly differentiated from the competition.

The Coca-Cola example is one of the best indications of the value of what we have called the _product surround‘. That it is a major determinant of commercial success, there can be little doubt. When one company buys another, as in the case of Nestle and Rowntrees, it is abundantly clear that the purpose of the acquisition is not to buy the tangible assets that appear on the balance sheet, such as factories, plants, vehicles and so on but the brand name owned by the company to be acquired. This is because it is not that factories that make the profit but relationship with customers and it is the brand that secures that relationship.

It might be argued, therefore, that if it is possible to value a company for sale. Then surely it should be possible to do so on an on-going basis and specifically‘ to recognize the worth of marketing assets as represented by brands.

The question of asset protection and development is in a sense what marketing is all about. The stewardship of marketing assets is a key responsibility which is recognized in many companies by, for example, the organizational concept of brand management. Here, an executive is given the responsibility for a brand or brands competing internally for resources and externally for market position. It is but a short step from this organizational concept to a system of _brand accounting‘ which would seek to identify the net present value of a brand based upon the prospect of future cash inflows compared with outgoings.

One advantage of such an approach is that it forces the manager to acknowledge that money spent on developing of a brand is in fact an investment which is required to generate future benefits. There is a strong argument for suggesting that, for internal decision making and on questions of resource allocation, a _shadow‘ set of management accounts be‘ used, not the traditional approach whereby marketing costs are expensed in the period in which they are incurred, but an approach which recognizes such expenditure as investments.

Buying a major brand nowadays often makes more sense to organizations than launching a new brand with all the uncertainty that this entails. This is just one of the reasons why brand valuation has emerged as a major issue in recent times and why brands are increasingly sought after as assets.

Some of the more spectacular examples f the value of brands as assets can be seen in acquisitions in which colossal premiums were paid above the balance sheet asset value. AT&T paid a massive premium for the NCR brand. RHM, taking its cue from this trend, more than triple its asset value when it voluntarily valued its own brands and incorporated them on the balance sheet.

Check your progress 5

1. The__________between a brand and a commodity can be summed up in the phrase _added values‘
   a. Difference
   b. Similarity
2. The_________example is one of the best indications of the value of what we have called the _product surround‘
   a. Coca-Cola
   b. limca

3.7 The Brand-Customer Relationship

If you had to name a brand of each of the following categories: Soft Drink, Mobile phone, Detergent powder and Automobile. Answer this before you read ahead. Now check whether anyone of it matches with the names given here - Pepsi, Nokia, Surf, and Honda. These are not preferences of consumers. They just indicate the probability level of brand consciousness in the respective product category.

With global brands around in most product categories, there is an interesting _battle of brands‘ in the marketing area. Battle of not just brands but a battle based on how effectively they have _penetrated‘ into the psyche of consumers.

The Indian scenario provides challenges of all kinds to brand managers who have to conceptually figure out how they _can place and sustain‘ their brands in the minds of consumers. It is simply not warfare between mega-brands. For established brands, it is a question of enhancing their equity. For others it is a matter of building up the brand image and these will have to be done in a country which is replete with regional, social, cultural and linguistic variations where the governing marketing parameters for a given product/market situation cannot always be predicted.

As is seen in the Consumer Buying Behavior (with regard to any product or service, especially in consumer products) the consumer is influenced by the ‗brand-pull'. This may be because of several reasons and could vary across product categories (from footwear to mobile phones) but certain generalization could be drawn for the kind of behavior. They may be:

- Historical presence of the product category
- Type of product category
- Social signalling value associated with the product
- Efforts put in by specific brands to build an equity
- Past experience with a brand.

Time Frame

Each of the above factors is not mutually exclusive from this viewpoint of the ‗brand-pull'. There are traditional product categories like toothpastes, footwear, audio products, balms, cigarettes and scooters, which have been in the Indian market (as compared to products like pagers, personal computers and shampoo in a sachet, electric shavers and credit cards).

Now just think of five very old brands in any of the segment like FMCG or Electronics.

There have been brands which have carefully built up their brand equity for a number of years – Colgate, Bata, Vicks, Philips, Bajaj and these brands are likely to enjoy a higher consciousness in the consumer's mind in the respective product categories. This has a ‗rub-off' effect on their relatively recent brand extensions. There may be a number of brands, which have not built up their equity despite of their long presence in the market. These brands have gone out of the ‗mind-set' of consumers.

Again think of five such old brands that exist since last 20-30 years but have not been able to create impression in consumers mind?

What follows are the various aspects of nature of relationship of brand with customers:

a. Product Category

In a new product or service categories, which could be associated with liberalization, global brands may create a higher level of brand consciousness among consumers? This may be because of ‗perceived premium‘ associated traditionally with foreign brand names.

Examples could be Motorola in cellular phones, McDonald‘s in food chains and Citibank in credit cards or you can name many more in the list.

b. Social Value

In product categories which are relatively old like ready-made garments (this category has been in existence for a long time but has exploded in the recent years), an audio products and household appliances, global brand names may make a greater impact on the customers. In this context, the social signalling value of products (the visibility a product ahs in the eye of the other customers- consumer durables are placed generally in the room where visitors are received at homes and cars which are bought for personal use have more of signalling value than the geyser, water purifier or contact lens) provides the symbolic association which consumers look for in attempting to give a spur to their ego. Even in the case of non-durables (like cigarettes and pens), consumers look for brands which reflect their lifestyles to the society in general (examples could be 555 cigarettes, Parker pens, Arrow shirts and Pepsi. Brand building is extremely important in product categories where the signalling value is high. These are products, which are in the premiums/ super –premium category and hence the personality of these brands makes a significant impact on the brand consciousness of the respective segment of customers.

A good example of the application of mega-marketing (advocated by Philip Kotler) in the Indian context is the case of Japanese brands. Mega-marketing helps a brand to overcome marketing barriers when they attempt to enter international markets. Sony, Sharp, Akai and National brands started advertising in India and built their brands even before the liberalization process was formulated .As a result initially, they enjoy a better level of consciousness than brands like Goldstar, Samsung and Electrolux which are also international brands. Today it‘s the Samsung, LG, and so on, which are prominent.

Apart from the quality, brand building ensures the emotional linkage and this plays an important part in consumer decision-making. India, with its markets fragmented in most product categories, has offered enough scope for brand building in the respective segments if marketers have had the inclination to build brands.

Vicks very carefully built up it brand from the fifties and carved a niche for itself as a cold remedy in a balm market where segmentation was totally absent. This enabled the brand extension over a period of time (to adults and headaches). Bajaj strongly built a _value for money‘ image and this could be very stressful for the brand if it starts scanning the lower –end of its passenger car market which has been left untapped. (Maruti was successful and now it is building up-market brands).

Philips has an interesting brand development history in India and it has been around for sixty-five years and in a closed economy (not much of specific brand personality was required). During recent times, its brand development has been in tune with its product development introduction of a spate of TV models for the upmarket and entering into household appliances and pagers, to reinforce the technological prowess that the brand has in global markets in the minds of consumers. This is a brand which is already on the _top of the mind‘ consciousness level and its trying to create a position even at this level as there are a number of competitive brands which have an equally good equity.

In the non-durables category, brand consciousness has to be viewed differently. Colgate, Horlicks, Lifebuoy, Sunlight, Ponds, Lux, Farex are all global brands but they have been very much a part of the consumer psyche because of their time frame association.

Any brand cannot be successful without consumers support. The success of any brand depends on brand loyalty showed by consumers. Just think how many brands of Bath soap or toothpaste you have changed during last 5 years.

Concept of Involvement and Branding

In this era of brand personality, brand extensions and brand equity, marketers are attempting to raise the emotional level of consumers not only with regard to brands but also with regard to product categories which were tilled recently perceived as commodities. Imagery, positioning styles and a host of behavioral concepts are being attempted. The conflux of branded products in the market overwhelms the consumers and makes the buying choice difficult.

Each brand is trying to outdo the other by attempting to create different images for it.

- Yesterday‘s consumer went to the shop and asked for a new tyre for replacement purposes. Today, the same consumer is faced with a ‗long playing radicals, anti – skids and wider ones as choices, thanks to the elevated levels of association with the product category of tyres.
- The routine change of oil as Lubricants for two and fourwheelers has become an area of consumer‘s decision – making with consumers asking for specific brands.
- Bathrooms have become glamour rooms; pepper and salts are ‗Catching‘ up with customers; ‗Thirty plus‘ citizens are becoming fitness-conscious!

Consumers' Involvement

It is involvement everywhere with anything from morning tea to air-conditioners. The concept of involvement assumes significance against the current marketing scenario. With the battle of brands and minds in any product category, the consumer spends more time and effort in the purchase of product category, products, which have been inspiring to him all these years.

The concept of involvement characterizes the difference in the intensity of interest with which consumers make buying decisions. This has an important impact on:

- The attention given to marketing communication (especially advertisements).
- The evaluation of information processed by the consumers
- The behavior of consumers in low-involvement buying situations to levels of higher involvement. While cars, cigarettes, watches, designer wear and consumer durables (like TV, refrigerator, etc) have been traditionally associated with high involvement categories, certain commodity items have got themselves into high – involvement category.

Some Examples

1. Catch introduced branded salt and pepper and followed it by communication to create involvement.
2. In a country where traditional herbs and pastes have been consumed for ages, Kotmatsu has targeted its herbal products to the ‗back –to-nature‘ urban segments.

3. Apollo packaged its tyres and tubes in reusable tamper proof packs apart from creating Black Cat, Anti Skid brands – an effort to raise the involvement level of consumers.

   MRF‘s Tyredromes and Dunlop‘s spectra wide have also raised the involvement required for the brand differentiation plane.

4. McDowell has deepened the spirit of involvement by its Minis range of whisky, rum, gin and vodka brand (in 60 ml sizes).

5. Involvement was created in the glass category by the introduction of Modi Float Glass (Sheet glass was the only variety available to the consumers till recently). The company went on a concept –selling advertising campaign by using a celebrity.

6. Ruchi created involvement in the traditional homemade, low-involvement category of pickles.

Consumer Involvement and its Market Implications

As you have seen the Consumers involvement, just look at its Market Implications.

High- Involvement Situations

One important influence, which the concept of involvement has had on the consumers, is the manner in which consumer‘s process information to determine the meaning. When a consumer is in the process of buying a TV or a two-wheeler, he could be in the high involvement situation. He may be interested in knowing the difference in the brands; he may like to objectively assess the claims made by a brand in its advertisements. Critical evaluation by the consumer gets combined with the predisposition of the consumer‘s mind (attitude). A consumer who has received a _word-of‘ mouth‘ reference about a brand from his friends will tend to use it at this stage. The _store‘ image as perceived by the consumer may also matter once he has finalized the brand. Information, which is consistent with the beliefs of the consumer, will make him positively oriented towards a brand.

Finally, after the formation of attitude, behavior takes place in the form of buying the brand.

With all brands offering an acceptable level of quality, marketers can ensure that consumers perceive the differentiation on the service count. It is not only important to have good service but also important to communicate the service arrangements through a variety of ways. Apart from using the popular media, the point-of-purchase material at he dealers‘ showrooms will raise the level of involvement of consumer. Service can also assume other dimensions like the dealer‘s sales personnel ascertaining the proper needs of the consumer and proposing a match which will suit the consumer.

Videocon TV has a number of models and the consumer has to be involved in the _awareness‘ phase before he moves on to the next stage in the decision making process. With several companies following the brand-extension path, it can be ascertained if a prospective consumer (in a show-room) has been a user of a brand earlier in some other product category.

A consumer wanting to buy a gift for his son (a TV) may also be user of the brand in which he is showing interest. The involvement here may shape the attitude of the consumer towards the brand. He feels happy the brand /store is interested in finding out how he feels about his association with the respective brand. Even if the consumer has been having a negative belief about a brand, he may try to give a _second chance‘ for the brand because of the involvement created. If he has been having any wrong perceptions about the brand, they can be corrected.

Low –Involvement Situations

In these situations, (typically surrounding consumables) the consumer may have little interest in going through the information regarding brands. It is in this context, marketers are attempting to create interest in their respective brands. Low involvement situations could also be present in some product categories (durables) where competition is not very tense. An example is the sewing machines category. For a long time there have been only a few major players (Usha, Singer) though there are a number of regional companies. Singer raised the level of involvement by introducing the Fashion maker, an upmarket version and following it up with a campaign. Homelite matchstick is another example which created involvement with value addition.

In the low-involvement category, marketing communication has been used to bring in a renewed perception about the products with brands image being the focus of the communication exercise. Taking advantage of the excise structure, ITC launched Hero cigarettes to target beedi smokers and get them involved in cigarettes. It used the _tinsel‘ imagery.

The consumer, after the awareness stage, tries the product. Unlike the previous category, attitude about the brand is formed after the product trial (consumables). If the consumer is satisfied, he buys it again and this pattern could trigger off brand loyalty.

(Whenever a need is felt – whenever tea is required, a particular brand of packaged tea may be bought). Even in case of durables, marketers may attempt to raise the low-involvement product to the high-involvement plane.

Marketers are also making use of the _self-concept‘ principle to generate involvement. A consumer‘s aspirational values and the manner in which he perceives himself influence the degree of personal influence, which he ascribes to product. In the ball pen category, Reynolds generated considerable amount of involvement by waving a _romantic spell‘ as a positioning strategy for a product which has been well accepted for its functional utility.

The black box of the consumer‘s mind has several dimensions, which can be explored by marketers by a judicious mix of concepts and down to earth marketing practices.

The Challenge - How consumers adopt new products

Consumers witness so many new products being launched in quick succession. How consumers adopt new products is a challenging question marketer‘s face today. The time taken for consumers to adopt a new product is vital as there is a number of brands, which may enter a product category once the viability for a new product, are established in the market. There have been products which never caught on (or took decades to catch on) despite of the consumers being exposed to new product concepts for a sustained period of time.

- **Frozen Vegetables**: In the sixties, a leading multinational launched a brand of packaged green peas, which failed. Today Safal, a brand from the makers of Amul butter, is attempting to create awareness about frozen vegetables.
- **Liquid detergents**: Ezee has been in the market for a decade but hasn‘t taken off as have other detergent forms.
- **Electric cars** which never really caught on in advanced markets (during the last 25 years) have just been launched in India – Rewa being the first.
- **Cornflakes** which have been in the market for the last three decades, could never really penetrate Indian Homes. But with the entry of Kellogg‘s some awareness seems to have been created.
- Pharmaceutical major Boots introduced Paltab, a soft-drink tablet in orange and pineapple flavours it the mid-sixties. Till date, no other manufacturer has attempted to make the product.

For the new products to make an impact on the consumer‘s mind, you have to keep in mind the following factors:

- Does the innovation (or the new product) bring in discontinuity in the habits of the consumer?
- Is the timing right of a specific type of marketing communication?
- Do cultural factors play a major role in the marketing of the concept?

What kind of enhanced value does the product offer to upgrade the consumer if functional utility is the unique selling proposing?

Check your progress 6

1. With____________brands around in most product categories, there is an interesting _battle of brands‘ in the marketing area.
   a. Global
   b. Local
2. As is seen in the Consumer Buying Behavior the consumer is influenced by the_________
   a. brand push
   b. brand-pull‘

3.8 The Consumer Mindset

Consumer Mindset

Acceptance of New Products

Discontinuity in Habits

As habits are strongly associated with behavior, there are two dimensions to them physical and psychological.

The growth of the two-wheeler category is an interesting example. Till the mid-eighties, the category grew at a slow pace. One reason was that consumers were comfortable with cycles or whatever mode of transport they were used to. Hence the people were neither motivated nor readily amenable to the idea of using an engine-based two-wheeler for personal transport. Getting used to the two- wheeler would have meant getting used to the acceleration, the controls and of course periodical maintenance and running expenses.

However, consumers exhibit a mindset to accept discontinuity of their learned habits (physical dimensions).

When life-styles change, there is increased pressure on time and consumers become mentally prepared to accept new product concepts though it may involve a change in habits. The assumption is that the new product is not prohibitively expensive.

The psychological dimension of habits is associated with certain non-functional, non-physical aspects like taste and preparation, which may be involvement before the consumption of the product. The penetration of coffee makers even in the urban markets (South) is an example. Coffee being a _hedonistic‘ drink, consumers used to the _filter-taste‘ may be wary of changing the method of preparation by using a machine. The success of rice –grinder Elgi – Ultra Grind in southern markets is a good example of how a company overcame this barrier.

This product is a sleek version of the traditional stone grinder. The working of the machine is such that it convinces the consumer of a standardized taste (applies to traditional food items of South India).

While changes in the environment and life style could bring changes in the physical dimension, changes in psychological dimensions are relatively more difficult to achieve. Instant coffee (pure and chicory mixed) has been in the market for a long time but hasn‘t penetrated phenomenally inspite of being convenient to use. Marketing communication can build in lifestyle aspects (apart from highlighting product attribute - taste it the case of instant coffee) to create an impact in the minds of consumers. Bru, after hammering down the stereotype of South Indian coffee, is currently associating itself with contemporary life style.

Acceptance of Marketing Communication

Acceptance of a product category could be associated with the timing of marketing communication. Consumers have different frames of reference for different situations.

Westernization has opened up several creative dimensions in marketing communication. Once a communication is accepted, it is a matter of time before the product is accepted by consumers who might have been reluctant to try out the product initially. Herbal brands like Raaga (though the newness in the category is limited to the branding and packaging) made use of the _back to nature‘ syndrome, which is sweeping across the west.

The concept of get toothpaste is another example. The communication based on the ‗smile for me…. Close-Up smile‘ ad film did not seem to have any impact on the teenage young adults segment it the mid-seventies when the brand was launched. However the variation of the same theme is widely accepted today and gel as a category makes up for more than 20 percent of the toothpaste category.

Soya based foods and milk drinks is a new category. Brands have vigorously attempted to ‗push‘ these products in recent time‘s but without much success. The reason is the lack of awareness about the ‗soya protein - good health‘ assocition (though awareness about health in general has improved.

Cultural Factors

These factors can also be associated with the psychological aspects of discontinuity. Food habits are strongly entrenched in the culture and hence are extremely difficult to change. Except for Maggi (noodles have a Chinese origin), there does not seem to be any other food brand, which has succeeded in a similar manner. Microwave ovens, which have been around for many years now, have a dismal penetration level. Even you may be apprehensive about using the product for Indian foods.

Stigma barriers can prevent consumer acceptability of new product like cigarettes for women (Ms, a cigarette brand which was launched a few years back was targeted at women professionals).

The personal care products and cosmetics category for women have taken several years before emerging as a solid market. For such products, marketers need to aim at a specific ‗niche‘ rather than at huge markets. It is easier for companies with a strong financial muscle to launch such products, as these will have to be sustained over a period of time before they start appealing to profitable segments.

Functional Value

New product categories will have a better chance of getting accepted if they offer a better functional value, which can upgrade existing consumers rather than create consumers.

When the target segment (upper strata) employs a number of staff for domestic help at home, what could be the functional value addition from a dishwasher? Additionally, there is also need to train people hired for domestic help. Pressure cookers, gas stove, fully automatic washing machines and mixies have provided functional utility with disrupting the domestic routine much.

Trialability

Cielo opened up a new dimension with its promotional strategy of offering the car for a test ride for 18 months (for 200 customers). These prospective customers had the option of returning the car after the test drive period. This promotional method is suitable from product categories like durables .The modalities of offering this kind of trialability depends on the product, type of prospective customers and the launch budget of the company. In certain product categories where a niche is targeted, this may be more effective than advertising. This method not only builds credibility of the new product but also helps in word-of –mouth publicity.

As more and more products appear in the Indian market, breaking the barriers in the consumer mindset will be as important as the product offering.

The Concept of Perception

Sony – the brand name could usher in images of quality and innovation in the mind of a person who has never used any product of the brand. Raymond is the fabric for ‗the complete man' and Allen Solley is the designer wear for corporate executives who prefer an aura of casualness in their corporate setting. Pepsi could be associated with the ‗fun and frolic moments' of the younger generation who's ―dil mange more‖ or feels ―yehpyaashaibadi‖. If one wonders about the logic and reality associated with the various kinds of marketing communication in today's context, the principles of perception could be used to reason out the development of brand images attempted by marketers.

Principles of Perception

In simple terms, perception is an important psychological process in which you can add meaning to what has been sensed by your sensory organ. This is precisely the reason why two individuals have different kinds of perception about products, brands ideas, places and people. In the marketing context the conditioning of the consumer's psyche over a period of time because of the individual ‗s exposure to products, brands trends, etc gets associated with the incoming marketing stimuli, which could be a brand, advertising message, product or a company's name, to complete the process of perception. The conditioning aspect is the relevant information which is already stored in the memory of the individual.

Mechanism of Perceptions

You have to keep in mind that the mechanism of perception, adding meaning to whatever has been sensed, is not just restricted to the marketing context alone. Individuals perceive information in a perceptual manner. Perception is not just limited to visual aspects such as seeing the product or the brand in a retail outlet. It could get extended to any of the inputs to sensory organs.

For example, just the audio part without the visual of Titan‘s TV commercial (the background music used in the brand‘s commercial) could trigger of visual images of the brand‘s commercial in a consumer who has viewed the commercials many times over a period of several years. This act of completion, which takes place in a consumer‘s mind, is called ‗completion‘ and this is one of the very useful principles of perception. A brand of soap, which has been advertising widely in television and cinema halls for years, attempted this principle a few years back. In certain markets, it used only the radio medium, and advertised the brand with the popular jingle (background music tune with the brand name). The brand registered a high recall rate, and consumers were able to recall the visual images associated with the popular commercial.

Principles of Proximity

The principle of proximity could be used as a part of a brand image development. This involves associating visuals which are appropriate to the positioning of the brand with the brand name. ITC‘s Classic brand of cigarette, a brand positioned to the upper strata of smoker, is associated with the game polo, which has an upmarket image. The logic is to associate a visual, which could elicit perception that will be favorable to the development of the brand image. Peter England, the value for money brand, has used the proximity principle in its retailing decisions. It has not followed the exclusive showroom arrangement. In tune with its value proposition, it has entered into small retail showrooms where the brand is displayed along with a number of other brands. This enables a consumer to compare the value aspect of the brand with other brands. It is interesting to note that this usage of the proximity principle has taken into consideration the other aspects of the value proposition ‗the honest shirt‘ and a wide range of colors offered.

Recently, there has been a proliferation of shampoo brands in sachets. Shampoo was a category exclusively associated with upper middle/ upper class consumers. It was sold in 200ml bottles at selective shops and advertised in selective media vehicles. The product form (sachets) and the display of these sachets in millions of small outlets (including rural areas) have radically altered the perception of consumers of the product category. It is well within the reach of millions of middle –class consumers, and about sixty five per cent of the shampoo volume is realized through sachets. The proximity in this context is simply the association of the product/brands with small retail outlets. Currently even premium brands are launched in sachets, probably to upgrade consumers from value brands. The compact detergent sub-category (Ariel, Surf Excel) presents another example where the visuals have used the principle of proximity. Ever since the launch of this category, both brands have projected the ‗common man' visuals, using the candid camera technique in which middle-class housewives are interviewed at common place retail outlets.

Figure and Ground

The ‗figure and ground' principle is yet another principle of perception which could be used for formulating advertisement copy. The distinguishing feature of this principle is that it emphasizes the point that creativity in marketing communication should not eclipse the message associated with the brand. The ultimate objective of using creativity in marketing is to develop memorability and a high degree of brand recall, apart from conveying the proposition of the brand. The message, which involves the proposition and brand name, should always be the ‗figure' in any advertisement.

Creativity through jingles, humor, or graphics takes the role of ‗ground' in the advertisement.

The Brand - Customer Relationship

You as a Customer must have experienced how the promise of the brand is delivered through the call center, distribution channels, billing and service departments - in short, the ―Brand- Customer Relationship.‖ Therefore, advertising may get the initial sale, but only marketing can keep and retain customers by making sure the promise is delivered, and from every contact point possible. It is critical to be consistent across the entire company and conveys the same brand message and experience.

This is crucial to the development of the Brand-Customer Relationship.

The Brand-Customer Relationship becomes - if properly done - part of the goodwill and core competency that a brand can leverage in gaining and maintaining customer trust and business. This relationship can lead to stronger brand equity, thereby creating a differentiating factor between your brand and the competition. Strong brand equity allows us to retain customer's better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Disregarding the edge that the Brand-Customer Relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates will surely lead to failure in the long run.

Customer service, and the relationship a company has with a customer, is indeed part of the brand, and it is imperative that it is recognized as such. The relationship is in many ways the strongest part of the brand. Competitors can copy packaging, product, ads, etc., but they have a much harder time copying your customer relationships, and more importantly your customers‘ loyalty. People aren‘t just buying a product or service from a strong brand; they are buying an idea, a perception, even a wish. In fact, many customers will pay more time and time again if they are getting what they perceive as fulfillment of the promise, and a great experience.

The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer‘s experiences with the brand itself, and all its messages, interactions, and so on. In light of this, customer service and the entire marketing effort has a great deal to do with the strength of a brand. The fundamental strength and success of a brand lies in its ability - via marketing - to create and cultivate a strong and lasting relationship with its customers.

Brand-Customer Relationship: The Face of Your Business Strategy

Are brands dead? Well, some are. Brand building, on the other hand, is very much alive and more critical to a company‘s success. Unfortunately, many companies fail to understand how to create and manage strong brands. The days of brand building defined simply by awareness and driven by marketing alone are over. Visionary companies recognize that responsibility for brand management belongs with the organization as a whole.

There’s No Escaping Your Brand

A brand is the collective experience of your key constituencies - customers, suppliers, investors, and employees-and is defined more by deeds than by words. It‘s what your company stands for and how it behaves with each of these groups. Which is why developing a brand-customer relationship is so important either you make the customer experience or it gets made without you.

To create a successful brand-customer relationship, you must develop a compelling brand identity and customer value proposition, rely on customer perspective, and have the ability to listen and respond appropriately to evolve your company‘s offerings to meet customers‘ needs and desires.

A strategy is not enough either. The organization must be aligned in ways that anticipate and fulfill customers‘ emotional expectations at every touch point to create meaningful relationships and lasting competitive advantage.

Brand Identity-the Touchstone

A brand identity is the centering idea of an organization. It captures that which you‘d like to become, giving the organization something to aspire to. A common pitfall for many companies is not taking the time to think about who they are or what kinds of companies they want to become. While it may be easy to articulate revenue goals, developing a brand identity requires a different thinking process.

A brand identity should be focused on customer benefits, differentiated from competitors. Once defined, the brand identity becomes the organization‘s centering set of associations that it continually strives to create or maintain.

Customer Value Proposition-the Marching Orders

A successful customer value proposition clearly communicates the brand‘s functional, emotional, and self-expressive benefits. It is delivered in a way that is superior or unique when compared to competitors. While a brand identity is a big-picture vision, the value proposition provides the strategy for reaching that vision, linking the brand to the customer experience.

Here is another place where companies go astray. Organizational structures often prevent creation of a relevant, holistic customer experience. For example, departmental goals can too often take precedence and end up disconnected from the brand. A value proposition must be integrated across the organization so that every functional area contributes to the overall customer experience.

Customer Perspective-the Continuous Thread

Customer experience is shaped by a series of interactions with an organization. What products or services are offered? Does the package arrive on time? Does the help desk answer the phone promptly? If you don‘t take a customer perspective when creating the customer experience, you‘ll make it much easier for a competitor to copy your product or service and steal market share.

You should always base the brand-customer relationship on an outside-in perspective, creating a customer-centric experience.

Listen, Understand, Respond-the Way to Grow

The final ingredient that binds a customer to your brand in a lasting relationship is dialogue. Your company‘s brand isn‘t a monolithic, hermetic face that the organization presents to the world. Rather, it‘s an ongoing exchange where you listen carefully to your customers, understand what they say, and respond by modifying your value proposition and extending your businesses appropriately to fulfill customers‘ desires.

A Brand That Works

Hard work? Yes. The payoff however can be counted in high customer satisfaction, sales, and revenue. For example, before launching an online store, Williams-Sonoma wanted to ensure that the customer‘s online experience was consistent with the catalog and retail brand experience it had carefully crafted. The company defined new business processes so that every functional area supported the new channel. This meant working with merchandising, inventory management, call center, distribution center, database marketing, and financial reporting areas to make sure that the mail order systems, retail systems, and web site worked together. Distribution center and retail employees were trained to ensure that customers had virtually the same experience with the Williams- Sonoma site as they did in a physical store. The firm exceeded its revenue goals and has been able to significantly grow its business in this specific channel.

A brand-customer relationship is the bedrock on which great companies rise, or mismanaged, it‘s the chalk on which mediocre companies fail. Great brands that aspire to perfect touch points create the coherent experience to which customers respond.

Check your progress 7

1. The products and cosmetics category for women have taken several years before emerging as a___________.

   a. solid market

   b. liquid market

3.9 Let Us Sum Up

In this part we have studied much in detail about how to build the brands. The lessons discussed that relationship between a customer and a brand is an exchange relationship.

Businesses that operate successful brands are also much more likely to enjoy higher profits. A brand is created by augmenting a core product with distinctive values that distinguish it from the competition. This is the process of creating brand value.The important point is that a company which fails to think of its business in terms of customer benefits rather than in terms physical products is in danger of losing its competitive position in the market. When a customer buys a product, even if he is an industrial buyer purchasing a piece of equipment for his company, he is still buying a particular bundle of benefits which he perceives as satisfying his own particular needs and wants. When we refer to the term 'brand', we use it to encompass not only consumer products, but a whole host of offerings, which include people (such as politicians and pop stars), places (such as Bangkok), ships (such as the Queen Elizabeth), companies, industrial products, service products, and so on.

So after such a long and detailed discussion we have come to know much about the importance of brand and why should one build brand of his product.

3.10 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-b), (2-b)

Check your progress 3

Answers: (1-a), (2-b)

Check your progress 4

Answers: (1-b), (2-a)

Check your progress 5

Answers: (1-a), (2-a)

Check your progress 6

Answers: (1-a), (2-b)

Check your progress 7

Answers: (1-a)

3.11 Glossary

1. **Complementary Branding -** a form of co-branding in which the marketing of two brands together encourages co-consumption or co-purchases.
2. **Private Brands -** (also known as private labels) proprietary brands marketed by an organization and normally distributed exclusively within the organization's outlets.
3. **Recession -** a phase in which the gross national product (GNP) declines for two consecutive quarters.
4. **Positioning -** the process of creating a perception in the consumer's mind about the nature of a company and its products relative to the competition. It is created by the quality of products, prices charged, methods of distribution, image, and other factors.

3.12 Assignment

1. What is difference between a commodity and product?
2. Give examples of brand transformation relevant to the Indian market.
3. Describe the ―Fried Egg‖ format for brand representation

3.13 Activities

1. Define : i) core values and ii) added value
2. ―Considering various kinds of marketing communication in today‘s context, the principles of perception could be used to reason out the development of brand images attempted by marketers‖. Discuss with examples.
3. Define: i) Brand Perception (ii) Brand Identity

3.14 Case Study

List out 10 brands, which are known for good customer care service, and 10 Brands for bad service. Collect all their advertising and comment on their relationship with their customers. What are the perceived benefits the customer is getting?

3.15 Further Readings

1. Marketing Management (Twelfth Edition) – Philip Kotler.
2. The Brand Mindset – Duanne E Knapp. Tata McGraw Hill edition.
3. The 22 Immutable Laws of Branding – Al Ries and Laura Ries.
4. Positioning: The Battle for Your Mind - Al Ries and Laura Ries.
5. Marketing Warfare - Al Ries and Laura Ries.
6. Competitive Strategy – Michael E Porter.

Summary

Almost every aspect about brand was made very clear to us. In this part the whole content was divided in three Lessons/Chapters. Chapter 1 discusses about the market and brand basics, Chapter 2 discusses about brand evolution and value of brands whereas Chapter 3 discusses about the brand and the consumer.

This lesson was totally focused on brand and that was the only reason why it has been able to discuss the brand in such a detailed manner. In lesson 1 we learnt about the market and about the very basics of brand. The second lesson discusses about how this brand came into existence i.e. there is a detailed discussion on brand and its evolution. Where as the 3rd and final topic discusses about the brand and its consumer.

This topic is really going to be very helpful for the students and readers of this subject.

Assignment

Short Answer Questions

1. Explain brand.
2. What is brand potential?
3. High involvement and low involvement brands.

Long Answer Questions

1. Give one definition of a brand.
2. Describe the 3Cs of branding.
3. Elaborate on the two basic types of brands given here.
4. State the positioning of five brands in the market place.
5. List out core values of five brands.
6. What are the five forces influencing brand potential?
7. Discuss the concept of ―Customer Involvement‖ with brands.
8. List the major areas of ‗confusion' that appear in the brand's relationship with the consumer.
9. List five brands of different product categories and list down their i) core values and ii) functional values.
10. List five ―low involvement‖ brands and five ―high involvement‖ brands.