

# Product management

## Product and brand portfolio Lecture 6

## Major Branding Decisions

### **Brand Name**

**Selection**  
**Protection**

### **Brand Sponsor**

**Manufacturer's brand**  
**Private brand**  
**Licensing – licensed brand**  
**Co-branding**

### **Brand Strategy**

**New brands**  
**Multibrands**  
**Line extensions**  
**Brand extensions**

## Brand Sponsor

- **Manufacturer Brands – National Brands:**
  - Initiated and owned by the producer. Requires the producer to be involved in distribution, advertising, sales promotion, and to some extent, pricing.
  - Brand loyalty is encouraged by perceived quality, promotion and guarantees. Producer tries to stimulate demand, encouraging distributors to make the product available

## Brand Sponsor

- **Private Distributor Brands:**
  - Initiated and owned by the retailers.
  - Manufacturers are not identified with the product. Helps retailers develop more efficient promotion, generate higher margins and increase store image.
  - The competition between manufacturers brands and private brands is intensifying.



## Brand Sponsor

- Licensed brands – fees & royalties to owner of name
  - Company permits agreement to use its trademark on other products by means of licencing
  - The licensee is responsible for production, selling and advertising
  - Very profitable in short-term, but risks
  - Extra revenues, cost-free publicity
    - Celebrities, cartoon characters, designers
    - Corporate brand licensing
- Co-Branding – joint venture or licensing
  - Benefit of broadened consumer appeal
  - Partnership risks
  - Risks to brand equity

## Brand types – Branding policies

- **Individual Brands:** Brand name used for a single product within a product line. Naming each product differently facilitates market segmentation – if company wants to enter many segments of the same market and have no overlap. Company reputation is not linked to the brand – no negative images when introducing a product that fails.
- **Product Line Brands:** Brand name is applied to several products within one product line.
- **Family Brands:** More lines are branded with the same name, or part of a name, Renault, Nivea. Promotion of one item also promotes other items. Suitable for products with low differentiation. Combined with symbols or generic description or subbrands.
- **Corporate Brands:** associate the name of a corporation with all products, usually to ensure that new product introduction will be readily accepted. Company name is used as the only brand for all company products

## What is a Brand?

- Name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or groups of sellers and to differentiate them from those of competition.” – AMA
- Not all products are branded.

## Brand Roles

- Identify product
- Reduce risk
- Reduce consumer search cost
- Signal quality
- Legal protection
- Create product associations
- Differentiate product

# Brand

- **Brand name** is that part that can be spoken, including letters, words and #s, i.e. 7UP. Brand names simplify shopping, guarantee a certain level of quality and allow for self expression.
- **Brand mark-element** of the brand that cannot not be spoken, ie symbol J
- **Trade mark-legal** designation that the owner has exclusive rights to the brand or part of a brand.
- **Tradename**-The full legal name of the organization. not the name for a specific product.
- **Trade Character** Ronald McDonald, Pillsbury Doughboy

## Brand and Brand Name

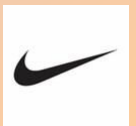
- Brand may consist of:
- **Brand name:** single and multiple words Bic, Renault Laguna, or a combination of letters and numbers Mazda 7, BMW 5
  - words, Initials, numbers, combinations
  - words of no meaning to avoid negative connotation, Kodak, Zentiva
  - names
  - geographical or country origin
  - quality association
  - lifestyle association
- sign, picture – arrow with wings, star
- sound – T-Mobile, Nokia jingle
- three-dimensional symbol – Jaguar, Coca-Cola bottle, ESSO tiger
- design, shape, color, smell

## Choosing a Brand Name, Mark, or Character

- A good brand name must:
  - have a positive connotation & be memorable,
  - help maintain relationships with customers,
  - help position a product in consumer's minds.
- How does a firm select a good brand name? It must be:
  - easy to say, easy to spell, easy to read, and easy to remember.

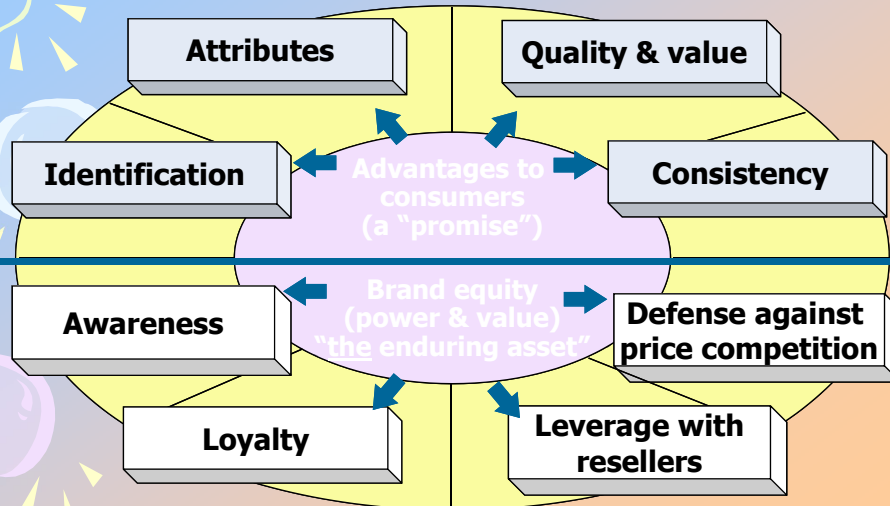
## Good Brand Name provides following qualities:

- **Suggest product benefits and qualities**  
Mr. Clean    Business Week    Energizer
- **Easy to pronounce, recognize, remember**  
Tide    Crest    Nike
- **Distinctive – not too similar to competitors' names**  
Kodak    Xerox    Pepsi    (not Goodrich, Hyundai)
- **Translates to other languages**  
Nova → Caribe
- **Capable of trademark protection**  
not too generic
- **IMPORTANT: Protect from becoming generic**  
(aspirin, xerox, escalator, jeep)
- Used and recognized in all types of media



# Branding

**Brand** = name, term, sign, symbol, design that identifies the maker or seller of a product  
**Branding** = most distinctive skill of marketers



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## Brand Strategies

Product Category:

Existing

New

Existing

Name:

New

### Line Extension

Most “new” products  
(new flavors, forms, colors,  
ingredients, package sizes)

### Brand Extension

(Bic pens → Bic razors)

### Multibrands

(P & G, General Foods)

### New Brands

- **New Brands & Multibrands:** + unique positioning, brand equity
- **Extensions** – widely used but most fail ! Many risks
  - + instant awareness, faster acceptance, less \$ to introduce
  - failure of new product reflects on original
  - name may be inappropriate
  - line extensions cannibalize original (little, or even negative, sales increase)
  - **dilutes positioning - loses specific meaning & brand equity**

## Benefits of Branding to buyer, to customer:

- Help buyers identify the product that they like/dislike.
- Identify marketer
- Helps reduce the time needed for purchase.
- Helps buyers evaluate quality of products especially if unable to judge a products characteristics.
- Helps reduce buyers perceived risk of purchase.
- Buyer may derive a psychological reward from owning the brand, IE Rolex or Mercedes.



## Benefits of Branding to seller :

- Differentiate product offering from competitors
- Helps segment market by creating tailored images,
- Brand identifies the companies products making repeat purchases easier for customers.
- Reduce price comparisons
- Brand helps company to introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower designs, advertising and promotional costs.
- Easier cooperation with intermediaries with well known brands
- Facilitates promotional efforts.
- Helps foster brand loyalty helping to stabilize market share.
- Firms *may* be able to charge a premium for the brand.

## Brand Identity

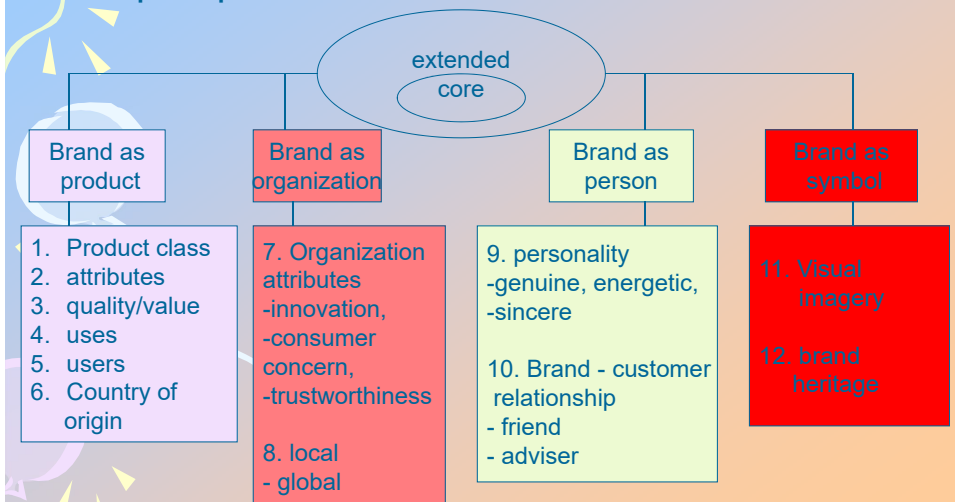
- **Brand image**
  - Passive, looks in the past, tends to be tactical
  - Picture how the brand is perceived by customers NOW
- **Brand identity**
  - Should be strategic, aspirational,
  - How strategists want the brand to be perceived by customers
  - Should reflect brands enduring qualities, basic characteristics, that will PERSIST OVER TIME
- **Brand position**
  - The part of the brand identity and value proposition that should be actively communicated to target audience and that demonstrates an ADVANTAGE over competing brands
  - Brand position guides communication programs and is distinct from more general brand identity.

## What is brand identity?

- **Brand identity is:**
  - Unique set of brand associations that the brand strategist aspires to create and maintain
  - These associations represent what the brand stands for
  - And imply a promise to customers from the organization members
- **Brand identity consists of 12 dimensions organized in 4 perspectives**
  - Brand as product
  - Brand as organization – Body Shop
  - Brand as person – Harley Davidson
  - Brand as symbol

## Brand Identity System (Aaker)

- 4 perspectives in 12 dimensions



## Brand as product

- The product class link – trust to given brand linked to product category
  - credit cards – visa
  - cars – Audi
  - computers – compaq
  - The goal is to gain recall when product category is mentioned
  - The key issue arises when the scope of a product class is expanded
- Product related attributes - Directly linked to purchase or use of product can provide functional or emotional benefits
  - McDonalds – product consistency
  - Milky way
  - Magnum
  - Weisser Riese
  - bio stores

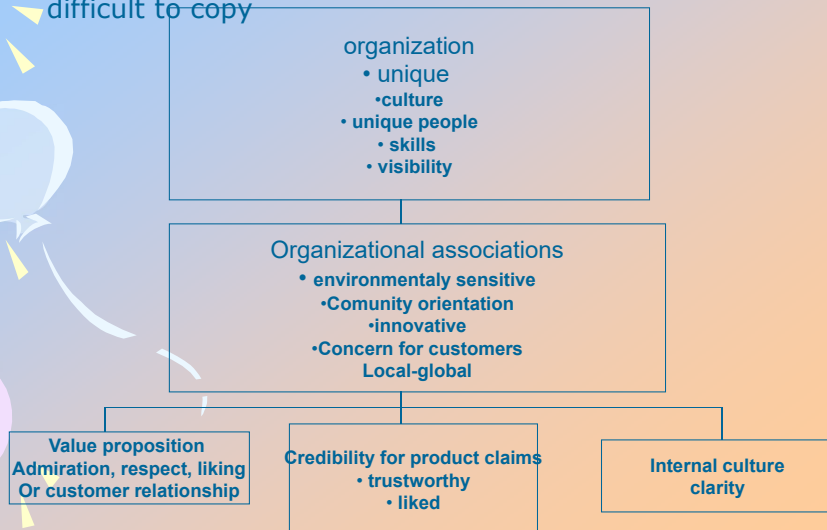
## Brand as product

- **Quality/value element - Core identity element**
  - Gillette: Best man can get
  - Whirlpool: Brings quality to life
  - Goldstar, Kornstar
- **Associations with use**
  - Clorox bleach – whitening the clothing – can be used for cleaning and disinfecting
  - Wash and go
- **Associations with user**
  - Friskies for active cats
  - adidas woman
  - kinder surprise
- **Link to country of origin**
  - Implies that the brand will provide higher quality because the country has a heritage
    - Champagne – means France
    - Swatch watches are Swiss
    - Stolichnaya vodka is Russian
    - Mercedes – Benz German craftsmanship, prestige
    - French fashion more revered than French electronic goods
    - Japanese electronics rated high

## Brand as organization



- More enduring and resistant attributes, difficult to copy



## Brand as person

- Brand as person perspective suggests rich and interesting brand personality
- As well as human, brand can also be perceived as upscale, competent, impressive, fun, active, humorous, casual, formal. Youthful, intellectual
  - Apple – young, IBM serious
  - T – Mobile simple, inspiring, credible
- It can help create self-expressive benefit
  - Apple user – casual, anti-corporate, creative
- Brand personality can form the relationship between customer and the brand
  - Dell computer – professional who helps with tough job
  - Levi Strauss – a rugged outdoor companion
- Brand personality can communicate product attribute – contribution to functional benefit
  - Michelin man – strong, energetic personality suggests that the tires are also strong and energetic
- Brand personality can be measured
  - Study - Brand personality scale

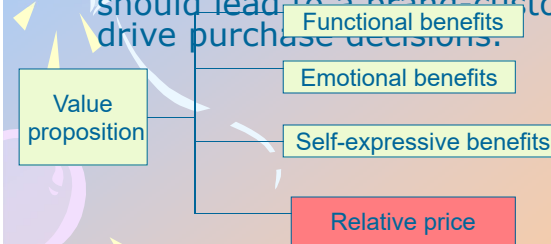
## Brand as symbol

- Strong symbol provides structure to an identity can help to gain awareness
- Strong symbols are elevated to the status of being part of the identity – that reflects their potential power
  - Ronald McDonald
  - Powerful imagery of Nike swoosh
  - McDonalds golden arches
  - Kodak yellow
  - Coke classic bottle
  - Mercedes-Benz emblem
- Symbols are more meaningful if they involve metaphor or their characteristics represent a benefit
  - Energizer bunny – for battery long life
  - Azurit rabbits, fairies for softness



## Providing a value proposition

- Unless the role of the brand is simply to support other brands or subbrands by **providing credibility**, the brand identity needs to provide a value proposition to the customer
- A brand's value proposition is a statement of the functional, emotional, and self-expressive benefits delivered by the brand that provide value to the customer. An effective value proposition should lead to a brand-customer relationship and drive purchase decisions.



## Functional benefits

- The most visible and common basis for value proposition is a functional benefit
  - Benefit based on product attribute that provides functional utility to the user
  - It relates directly to the functions performed by the product or service for the customer
- Volvo is safe durable car, because of its weight and design
- BMW car handles well, even on ice
- Coke provides refreshment and taste
- Pampers delivered comfort and fit, so leaks are reduced
  - Functional benefits based on product attributes have direct link to use experiences
  - If a brand has key functional benefit – it can dominate category: Crest – cavity reducing claim
  - Limitations: fail to differentiate, easy to copy, assume rational decision-making

## Emotional benefits

- When a purchase of a particular brand gives customer a positive feeling, the brand is providing emotional benefit
  - Strongest brand identities often include emotional benefits
  - Emotional benefits add richness and depth to the experience of owning and using brand
- Safe in Volvo
- Excited in BMW or while watching MTV
- Energetic and vibrant when drinking Coke
- Evian – mineral water with uninteresting functional benefits, but uses emotional benefit – Another day, another change to feel healthy – associates itself with working out – common occasion for use- and FEELING SATISFIED – that comes from a workout
  - To discover WHAT emotional benefits could be associated with brand, research should focus on feelings: How do customers feel, when they are buying the brand. What feelings they have linked with achieved functional benefit?

## Self-expressive benefits

- Brands and products can become symbols of a person's self-concept
  - Each person has multiple roles – woman can be a wife, mother, writer, tennis player, music fan, hiker
  - For each role the person will have associated self-concept
  - A person may define himself or herself as:
- Adventurous and daring Burton snowboarder
- Hip by buying fashions from Gap
- Sophisticated by using Ralf Lauren perfume
- Expressing rugged part of your personality by wearing Levi's
- Nike slogan Just do it - Nike user expresses himself by performing to his capability
- Adidas – impossible is nothing
  - Self-expressive benefits focus more on expressing SELF rather than feelings

## Role of price

- Brand price is related to the benefits
- Too high price related to benefits – undercuts product or service value proposition
  - Brand seen as overpriced by customers will not be rewarded even if there were clear meaningful benefits
  - Price is a complex construct – it can define competitive set
  - The brand is
    - upscale
    - Middle market
    - Or downscale
- High relative price signals higher quality or premium position

## Identity Implementation

- 3-step system of identity implementation
  - 1. Define brand position
  - 2. Execute communication program
  - 3. Tracking – monitoring
- **Brand position** is the part of brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands.
  - 4 characteristics of a brand position from the definition:
    - » Part of identity/value proposition: benefits that drive relationship brand-customer
    - » Target audience: primary and secondary
    - » Active communication: specify communication objectives, change or strengthen the brand image or brand customer relationship
    - » Demonstrate an advantage

## What is brand equity?

- “Brand equity is the added value endowed by the brand to the product” (Farquar 1989)
- Increase the value of existing products
- Increase the value of new products
- Facilitate introduction of new products



## Brand equity and major asset categories

- Brand equity is a set of assets linked to a brand's name and symbol that increase the value provided by product or service to a firm and to customers. (David Aaker)
- The major brand asset categories are:
  - Brand loyalty
  - Brand awareness
  - Perceived quality
  - Brand associations
  - Other proprietary brand assets e.g. patents, distribution channels

## How brand equity generates value

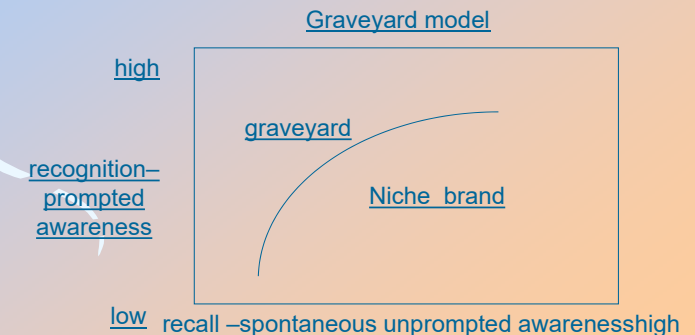
- Provides value to customer by enhancing :
  - Better interpretation and processing of information
  - Increase confidence in the purchase decision
  - Increase satisfaction in usage
- Provides value to firm by:
  - Higher efficiency of marketing programs
  - Brand loyalty
  - Higher prices or margins
  - Brand extensions
  - Better distribution ways – trade leverage
  - Competitive advantage

## Brand asset category: brand awareness

- Brand awareness:
  - Strenth of brand's presence in the consumer's mind
  - Awareness is measured according to different ways in which consumers remember a brand:
    - recall – spontaneous brand awareness - unprompted
      - What brands of this product class do you know?
    - recognition – prompted brand awareness – aided brand awareness
      - Have you heard of THIS brand before?
    - Top of mind – First brand mentioned
    - dominant – the ONLY brand known

## Brand asset category: brand awareness

- Brand recall – graveyard model
  - Developed by Young&Rubicam
  - Brands in a product class are plotted on a recognition versus recall curve.
  - The chart represents relative power of recall – will the brand get to the shopping list?



## How to create brand awareness?

- Consumers are bombarded every day by more and more marketing messages - the challenge of establishing brand awareness is considerable
- Two factors are important
  - Given the resources required to create healthy awareness levels, broad sales base is enormous asset
  - In the coming decades, the firms that become skilled in operating outside normal media channels - event promotions, sponsorships, publicity, sampling will be successful
- Getting consumers to recognize your brand is not enough - the strongest brands are managed not for general awareness but for strategic awareness- to be remembered for the right reasons and avoid to be remembered for the wrong ones.

## Brand asset category: perceived quality

- Perceived quality is the brand association that is elevated to the status of brand asset
  - It drives financial performance
  - It is major strategic trust of a business - end of TQM process, considered to be one of primary company values
  - It is driver of brand perception - measure of brand goodness
- How to achieve perceptions of quality?
  - It is impossible without real substance
  - Generating high quality means understanding what quality means to customer
  - Perceived quality may differ from actual quality if consumers are influenced by previous image of poor quality or bad experience
  - Company may be achieving quality on a dimension that consumers do not consider important - resulting in low perceived quality
  - Consumers do not have all the information necessary to make rational and objective choice - understand the little things that consumers use as basis for deciding on quality - kick car's tires

## Brand asset category: brand loyalty

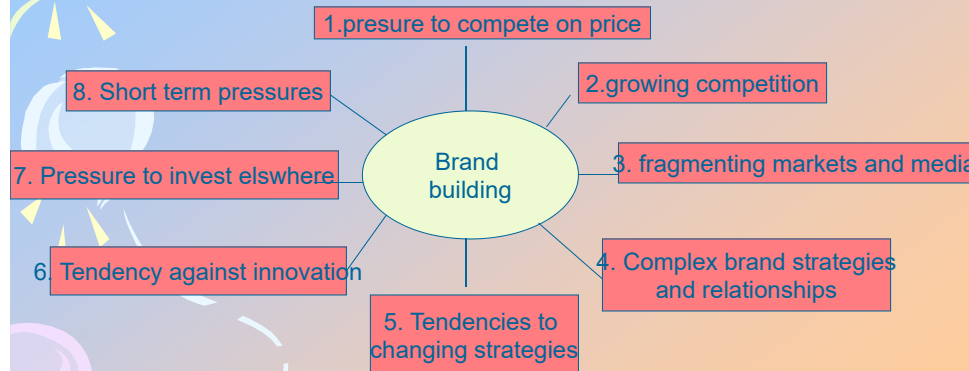
- Is the key consideration when placing a value on a brand that is to be bought or sold
  - Highly loyal customer base can generate predictable sales and profit stream
  - Substantial impact of loyalty to marketing cost - much less costly to retain customers than to attract new ones
  - Loyalty of customers - entry barrier to competitors
- Loyalty segmentation - provides strategic and tactical insights that will assist in building strong brands
  - noncustomers
  - Price switchers
  - Passively loyal - buy from habit
  - Fence sitters - indifferent
  - committed
- Enhancing loyalty
  - Strengthen their relationship with the brand - frequent buyers programs, customer clubs, database marketing

## Brand asset category: brand associations

- Brand equity is supported in great part by associations that consumers make with a brand
  - Product attributes
  - A celebrity spokesperson
  - Particular symbol
- Brand associations are driven by brand identity:
  - what the organization wants the brand to stand for in the consumer's mind
  - A common pitfall is to focus only on product attributes and tangible functional benefits only
  - Strategists should expand their concept of brand identity considering:
    - also emotional and self-expressive benefits
    - Employing 4 brand identity perspectives:
      - brand as a product, brand as an organization brand as a person and brand as a symbol

## Why it is hard to build brands?

- 8 factors that make it difficult to build brands
  - They form external and internal barriers to brand building



- Key is to make the right brand identity and manage the pressures

## Measuring brand equity

- The most ambitious effort to measure brand equity across products named Brand Asset Evaluator from Young and Rubicam
  - 8 000 brands were measured to set of brand personality scale and 4 sets of measures:
    - differentiation** – measures how distinctive brand is in the marketplace
    - relevance** – measures, whether the brand has personal relevance for the respondent, is it meaningful to him/her, is it personally appropriate?
    - esteem** – measures whether a brand is held in high regard and considered best in class. Closely related to perceived quality and popularity
    - knowledge** – measure of understanding as to what a brand stands for

## INTERBRAND'S Top Brands

- Interbrand – UK branding consulting company used very different approach to identify the strongest brands in the world
- Worked out set of business-oriented criteria
  - Included business prospects of the brand,
  - Brand market environment
  - Consumer perception
- 1. Leadership – stability of leading brand vs. second, third, economies of scale in distribution and communication
- 2. Stability – long-lived brands, brand identity part of the market, the culture – are powerful and valuable
- 3. Market – growing or stable, price structure - profitability
- 4. International – economies of scale, broader market scope of the brand – more valuable it is
- 5. Trend – overall longterm trend in terms of sales, healthy, growing brand indicates that it stays relevant for consumers
- 6. Support – brands that have received consistent investment
- 7. Protection – The strength and breath of a brand's legal trademark protection is critical to the brand's strength

## INTERBRAND'S Top Brands

- pros – business oriented view of Interbrand criteria helps to put financial value on the brand
- Cons – subjectivity of the criteria
  - Small niche brands can be more profitable than leadership brands,
  - Older brands may lose their strength
  - Protecting margins is difficult
  - Local brand can have advantages in connecting with customers

| RANK<br>2007 / 2006 |    | 2007<br>BRAND<br>VALUE<br>\$MILLIONS | 2006<br>BRAND<br>VALUE<br>\$MILLIONS | PERCENT<br>CHANGE |     |
|---------------------|----|--------------------------------------|--------------------------------------|-------------------|-----|
| 1                   | 1  | COCA-COLA                            | 65,324                               | 67,000            | -3% |
| 2                   | 2  | MICROSOFT                            | 58,709                               | 56,926            | 3%  |
| 3                   | 3  | IBM                                  | 57,091                               | 56,201            | 2%  |
| 4                   | 4  | GE                                   | 51,569                               | 48,907            | 5%  |
| 5                   | 6  | NOKIA                                | 33,696                               | 30,131            | 12% |
| 6                   | 7  | TOYOTA                               | 32,070                               | 27,941            | 15% |
| 7                   | 5  | INTEL                                | 30,954                               | 32,319            | -4% |
| 8                   | 9  | MCDONALD'S                           | 29,398                               | 27,501            | 7%  |
| 9                   | 8  | DISNEY                               | 29,210                               | 27,848            | 5%  |
| 10                  | 10 | MERCEDES-BENZ                        | 23,568                               | 21,795            | 8%  |



# Why Brand Equity?

- Positive brand equity leads to:
  - Loyalty
  - Larger Margins
  - Greater Trade Support
  - More efficient communications / marketing
  - Licensing Opportunities
  - Brand Extension Opportunities
  - Reduced vulnerability to competition
- Coke name worth \$65BB, Nokia \$33BB (Brand Valuation Reading)