# BRAND MANAGEMENT

ALEXANDER CHERNEV

SECOND EDITION

## STRATEGIC BRAND MANAGEMENT

**ALEXANDER CHERNEV** 

Kellogg School of Management Northwestern University

**SECOND EDITION** 

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#### TABLE OF CONTENTS

#### **PREFACE**

#### PART ONE THE BIG PICTURE

Chapter 1 Marketing Strategy and Tactics

Chapter 2 Brands as a Means of Creating Market Value

#### PART TWO BUILDING STRONG BRANDS

Chapter 3 Developing a Brand Strategy

Chapter 4 Designing Brand Tactics

#### PART THREE MANAGING THE BRAND

Chapter 5 Managing Brand Portfolios

Chapter 6 Managing Brand Dynamics

Chapter 7 Protecting the Brand

Chapter 8 Brand Analysis and Planning

#### PART FOUR MEASURING BRAND IMPACT

Chapter 9 Brand Equity and Brand Power

Chapter 10 Brand Research

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Alexander Chernev is a professor of marketing at the Kellogg School of Management, Northwestern University. He holds a PhD in psychology and a second PhD in business administration from Duke University.

Dr. Chernev has written numerous articles focused on business strategy, brand management, consumer behavior, and market planning. His research has been published in the leading marketing journals and has been frequently quoted in the business and popular press, including *The Wall Street Journal*, *Financial Times*, *The New York Times*, *The Washington Post*, *Harvard Business Review*, *Scientific American*, *Associated Press*, *Forbes*, and *Business Week*. He was ranked among the top ten most prolific scholars in the leading marketing journals by the *Journal of Marketing* and among the top five marketing faculty in the area of consumer behavior by a global survey of marketing faculty published by the *Journal of Marketing Education*.

Dr. Chernev's books—Strategic Marketing Management, Strategic Brand Management, The Marketing Plan Handbook, and The Business Model: How to Develop New Products, Create Market Value, and Make the Competition Irrelevant—have been translated into multiple languages and are used in top business schools and by marketing executives around the world. He serves as an area editor for the Journal of Marketing and is on the editorial boards of leading research journals, including the Journal of Marketing Research, Journal of Consumer Research, Journal of Consumer Psychology, Journal of the Academy of Marketing Science, and Journal of Marketing Behavior.

Dr. Chernev teaches marketing strategy, brand management, and behavioral decision theory in MBA, PhD, and executive education programs at the Kellogg School of Management. He has also taught in executive programs at INSEAD in France and Singapore, at the Institute for Management Development (IMD) in Switzerland, and at Hong Kong University of Science and Technology. He has received numerous teaching awards, including the Chairs' Core Course Teaching Award, Kellogg Faculty Impact Award, and the Top Professor Award from the Kellogg Executive MBA Program, which he has received nine times.

In addition to research and teaching, Dr. Chernev is an Academic Trustee of the *Marketing Science Institute* and advises companies around the world on issues of marketing strategy, brand management, consumer behavior, pricing, strategic planning, and new product development. He has worked with Fortune 500 companies on ways to reinvent their business models, develop new products, and gain competitive advantage. He is an early-stage investor and has helped multiple startups to uncover market opportunities, craft their business models, and implement their market strategies.

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#### **PREFACE**

**B**rands are one of a company's most valuable assets. Apple, Coca-Cola, Disney, McDonald's, and Nike brands are each estimated to be worth tens of billions of dollars. The combined value of the top 100 brands is estimated to be in excess of a trillion dollars. For many of these companies, the value of the brand is greater than the value of their tangible assets. Brands have become the new wealth creators.

The increased importance of brands stems from several factors. The unprecedented wave of outsourcing in the past decades has accelerated the rate of product commoditization, with the same manufacturer making similar products for competing companies. Commoditization is not the only challenge facing companies. Technological innovation has resulted in dramatic improvements in product quality, enabling most competitors to create products that meet the essential needs of their customers. The challenge is that once products reach a certain level of performance and become "good enough," customers view competing products as functionally similar. For example, when display technology has improved to the degree that its resolution exceeds that of the human eye, customers tend to care much less about further differences among competing displays. The decline in a company's ability to differentiate its offerings based on functional performance naturally shifts the focus to brand-based differentiation. In the world of rapidly commoditizing products and services, brands have become the new frontier of competitive differentiation.

To succeed, a brand must create market value. A brand's value-creation model has two key components: strategy and tactics. The strategic component of brand management involves identifying the target markets in which the brand will compete and defining the value the brand will create in this market. Brand tactics, on the other hand, encompass the specific activities involved in designing the brand and communicating its value to the relevant market entities. A brand's success is, therefore, defined by the viability of its strategy and the effectiveness of its tactics in creating market value.

The complexity of the branding decisions involved in creating market value necessitates that a company's brand-building activities be guided by a

framework that offers a systematic approach to brand management. Such a brand management framework is advanced in this book. This framework stems from the more general framework for marketing management that, in addition to managing the brand, focuses on managing the other aspects of the offering—product, service, price, incentives, communication, and distribution. In this context, brand management, working in concert with other marketing tactics, aims to create market value by forming a meaningful image of a company's offering in the minds of its customers, collaborators, and stakeholders.

The strategic brand management theory outlined in this book is organized as follows. Chapter 1 presents a general framework for marketing management, of which brand management is an integral component. Chapter 2 delineates the unique role of brands as a means of creating market value and outlines an overarching framework for brand management. Chapter 3 outlines the key aspects of developing brand strategy: Defining the target market and articulating the brand's value proposition for target customers, the company, and its collaborators. Chapter 4 defines the key aspects of brand tactics as a means of designing and communicating market value. Chapter 5 addresses the key issues in managing brand portfolios and designing cobranding strategies. Chapter 6 examines managing brands over time, focusing on the issues of brand repositioning and brand extensions. Chapter 7 focuses on legal issues in protecting the brand and outlines the key legal concepts in brand management. Chapter 8 outlines the key aspects of developing an actionable brand management plan. Chapter 9 then addresses the issue of brand valuation, delineating the concepts of brand equity and brand power. Finally, Chapter 10 outlines some of the most common brand research methods.

#### PART ONE

### THE BIG PICTURE

#### **INTRODUCTION**

It is possible to fail in many ways, while to succeed is possible only in one way.

—Aristotle, Greek philosopher

Because brand management represents one aspect of the overarching process of marketing management, both brand and marketing management share the same general principles and frameworks. Accordingly, the first part of this book offers an overview of marketing management as a systematic and logical process of creating market value. It further delineates the role of brands as business tools designed to create value for customers, the company, and its collaborators. The first part of this book comprises two chapters:

**Chapter 1** outlines a framework for marketing management, focusing on the two key components of the company's business model: strategy and tactics. Marketing strategy defines the target market in which the company operates and outlines the offering's value proposition for the relevant market entities. Tactics define the specific activities that implement the company's strategy by designing, communicating, and delivering the offering that will ultimately create market value.

**Chapter 2** builds on the view of marketing as a value-creation process by delineating the unique role of brands in creating market value. This chapter further defines brand strategy and brand tactics as key components of a brand's value-creation model. The key aspects of brand management are summarized in a general framework for brand management that outlines the way brands create value for customers, the company, and its collaborators.

These two chapters form the foundation for the more detailed discussion of brand management laid out in the remainder of this book.

#### CHAPTER ONE

# MARKETING STRATEGY AND TACTICS

Strategy without tactics is the slowest route to victory.

Tactics without strategy is the noise before defeat.

—Sun Tzu, Chinese military strategist

Because brand management represents one aspect of the overarching process of marketing management, it is informed by understanding the general principles and frameworks guiding marketing management. Only when considered in the broader context of the company's overarching goals and when aligned with the company's other marketing actions can brand management succeed in building strong brands. Accordingly, the goal of this chapter is to introduce the key marketing concepts and frameworks that are pertinent to brand management.<sup>1</sup>

#### **Marketing as a Value-Creation Process**

Marketing is a business discipline focused on understanding, creating, and managing markets. Because market success stems from a company's ability to create value for the relevant market participants, marketing is first and foremost about creating market value. Creating market value is the key principle that guides managerial decision making and serves as the foundation for all marketing activities.

The way in which a company creates market value is reflected in its business model, which defines the entities, factors, and processes involved in delivering and capturing value in the marketplace. Because the business model defines the essence of the value-creation process, designing a viable

and sustainable business model is the key to market success.

A company's business model involves two key components: *strategy* and *tactics*. Strategy identifies the target market in which the company operates and outlines the offering's value proposition for the relevant participants in the market exchange. Tactics, on the other hand, describe a set of activities—commonly referred to as the marketing mix—that execute a given strategy by designing, communicating, and delivering specific market offerings. Whereas strategy focuses on defining the target market and the value exchange among the relevant market entities, tactics describe the particular aspects of the offering that will ultimately create market value.

The marketing strategy and tactics do not exist in a vacuum: They are integral components of a company's *marketing plan*, which delineates the company's ultimate goal and the ways in which it aims to achieve this goal. The backbone of the marketing plan is the action plan, which defines the company's goal and a course of action to reach this goal. The development of an action plan is guided by five key activities: setting a *goal*, developing a *strategy*, designing the *tactics*, defining an *implementation* plan, and identifying a set of *control* metrics to measure the success of the proposed action.

The two components of a company's business model—strategy and tactics—and the development of an action plan to make the business model a reality are discussed in more detail in the following sections.

#### **Marketing Strategy**

Marketing strategy is the blueprint defining the ways in which the company will create market value. It involves two key components: the *target market* and the *value proposition*.

#### **Identifying the Target Market**

The market in which a company's offering competes is defined by five key factors: *customers* whose needs the company's offering aims to fulfill; the *company* managing the offering; *collaborators* working with the company on this offering; *competitors* with offerings that target the same customers; and the relevant economic, technological, sociocultural, regulatory, and physical *context* in which the company operates. These five factors are commonly referred to as the *Five Cs*, and the resulting framework is referred to as the *5*-

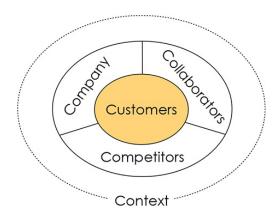
#### C Framework:

- Target **customers** are the potential buyers, typically defined by the *needs* the company aims to fulfill with its offering(s). Target customers can be consumers (in the case of business-to-consumer markets) and/or businesses (in the case of business-to-business markets).
- **Company** is the organization managing the offering. In the case of organizations with a diverse portfolio of offerings, the term *company* refers to the particular business unit of the organization, often called the *strategic business unit*, managing the offering. A company's ability to successfully compete in a given market is defined by its resources—core competencies and strategic assets—that enable the company to fulfill the needs of target customers.
- Collaborators are entities that work with the company to create value for target customers. Common collaborators include suppliers, manufacturers, distributors (dealers, wholesalers, and retailers), researchand-development entities, service providers, external sales force, advertising agencies, and marketing research companies.
- **Competitors** are entities with offerings that target the same customers and aim to fulfill the same customer need. Competition is not limited to the industry in which the company operates. It also includes all entities that aim to fulfill the same customer need, regardless of whether they are in the same industry. Accordingly, a company's offering competes not only with offerings from entities operating in the same industry but also with offerings (often referred to as substitutes) operating in different industries that aim to fulfill the same customer need.
- **Context** involves the relevant aspects of the environment in which the company operates. Five context factors are particularly relevant for the value-creation process: *economic* (economic growth, money supply, inflation, and interest rates); *technological* (the diffusion of existing technologies and the development of new ones); *sociocultural* (demographic trends, value systems, and market-specific beliefs and behavior); *regulatory* (import/export tariffs, taxes, product specifications, pricing and advertising policies, and patent and trademark protection); and *physical* (natural resources, climate, and health conditions).

The choice of target customers is fundamental to defining the other aspects of the target market: It determines the scope of the competition, the range of potential collaborators, the core competencies and assets of the company that are necessary to fulfill the needs of target customers, and the

specific context factors pertinent to the chosen target segment. This is because different customer segments tend to be served by different competitors, require a different set of collaborators (different suppliers and distribution channels), are managed by different business units of the company, and operate in a different context. The fundamental role of target customers in defining the market is reflected in its central position in Figure 1.

Figure 1. Identifying the Market: The 5-C Framework



The pivotal role of target customers implies that a change in target customers is likely to lead to changes in the other factors defining the market in which the company creates value. For example, a company's decision to target a new upscale customer segment might involve collaboration with upscale retailers catering to these customers, require specialized core competencies and strategic assets that will enable the company to successfully serve these customers, face competition from a different set of competitors traditionally serving these customers, and be influenced in different ways by the context in which the company operates.

#### **Developing a Value Proposition**

To succeed, an offering must create superior value for all relevant entities involved in the market exchange—target customers, collaborators, and the company. Accordingly, when developing market offerings, a company needs to consider all three types of value: *customer value*, *collaborator value*, and *company value*.

• **Customer value** is the worth of an offering to its customers; it is customers' assessment of the degree to which an offering fulfills their needs. The value an offering creates for its customers is determined by three main factors: (1) the *needs* of these customers, (2) the benefits and costs of the company's offering, and (3) the benefits and costs of the alternative means (competitive offerings) that target customers can use to

fulfill their needs. Simply put, the customer value proposition answers the question: Why would target customers choose the company's offering instead of the available alternatives?

- **Collaborator value** is the worth of an offering to the company's collaborators; it is the sum of all benefits and costs that an offering creates for collaborators. The collaborator value proposition reflects an offering's ability to help collaborators achieve their goals better than the alternative offerings. Simply put, the collaborator value proposition answers the question: Why would collaborators choose the company's offering instead of the competitive alternatives?
- **Company value** is the worth of the offering to the company; it is the sum of all benefits and costs associated with an offering. The value of an offering is defined relative to the company's goal and the value of other opportunities that are available to the company, such as the value of other offerings that could be launched by the company. The company value proposition answers the question: Why would the company choose this offering instead of the alternative options?

Creating value for target customers, collaborators, and the company is the overarching principle that guides all company actions; it is the *market value principle* that encapsulates the company's value proposition:

The offering must create superior value for its target customers and collaborators in a way that enables the company to achieve its goals.

Because the market value principle underscores the importance of creating value for the three key entities—target customers, the company, and collaborators—it is also referred to as the 3-V principle. The market value principle means that the viability of a business model is defined by the answers to three sets of questions:

What value does the offering create for its target customers? Why would target customers choose this offering? What makes this offering better than the alternative options?

What value does the offering create for the company's collaborators? Why would the entities identified as collaborators (suppliers, distributors, and co-developers) partner with the company?

What value does the offering create for the company? Why should the company invest resources in this offering rather than in an

#### alternative offering?

The need to manage value for three different entities raises the question of whose value to prioritize. Surprisingly, many companies find it difficult to reach a consensus. Marketing departments are typically focused on creating customer value; finance departments and senior management are focused on creating company (shareholder) value; and the sales force is focused on creating value for collaborators, such as dealers, wholesalers, and retailers.

The "right" answer is that the company needs to balance the value among its stakeholders, customers, and collaborators to create an optimal value proposition. Here, the term *optimal value* means that the value of the offering is balanced across the three entities, such that it creates value for target customers and collaborators in a way that enables the company to achieve its strategic goals. Optimizing customer, company, and collaborator value is the market value principle, which is the cornerstone of market success (Figure 2). Failure to create superior value for any of these entities inevitably leads to an unsustainable business model and failure of the business venture.

Company value The Optimal Value Proposition

Collaborator

Customer

Figure 2. The 3-V Market Value Principle

To illustrate, consider the ways in which Starbucks creates market value. *Customers* receive the functional benefit of a variety of coffee beverages as well as the psychological benefit of expressing certain aspects of their personality through the choice of a customized beverage, for which they deliver monetary compensation. Starbucks *collaborators* (coffee growers) receive monetary payments for the coffee beans they provide and the strategic benefit of having a consistent demand for their product, in return for which they invest resources in growing coffee beans that conform to Starbucks' standards. By investing resources in developing and offering its products and services to consumers, the company (Starbucks) derives monetary benefit (revenues and profits) as well as the strategic benefit of building a consumer brand and enhancing its market footprint and portfolio of offerings.

The value proposition reflects the company's expectation of the value that the offering will create for the three key market entities. The value proposition does not physically exist in the market. Rather, value is created by specific offering(s) the company and its collaborators design, communicate, and

deliver to target customers. The key aspects of developing offering(s) that create market value are discussed in the following section.

#### **Marketing Tactics: Designing the Market Offering**

The market offering is the actual good that the company deploys in order to fulfill a particular customer need. Unlike the target market and the value proposition, which reflect the company's strategy, the market offering reflects the company's tactics—the specific way in which the company will create value in the market in which it competes.

#### The Seven Attributes Defining the Market Offering

A company's offering is defined by seven attributes: product, service, brand, price, incentives, communication, and distribution. These seven attributes are also referred to as the *marketing mix*—the combination of specific activities employed to execute the offering's strategy. These seven tactics defining the offering are the tools that managers have at their disposal to create market value (Figure 3).

Company value Customer Collaborator value value Strategy **Tactics** - Market Offering Product ) Service Brand Price Incentives Communication Distribution

Figure 3. The Seven Attributes Defining the Market Offering

The seven attributes defining the market offering are defined as follows:

- The **product** is a good that aims to create value for target customers. Products can be both tangible (e.g., food, apparel, and automobiles) and intangible (e.g., software, music, and video). Products entitle customers to the rights to the acquired good. For example, a customer purchasing a car or a computer takes ownership of the acquired product.
- The **service** is a good that aims to create value for its customers without

entitling them to ownership of this good (e.g., movie rental, appliance repairs, medical procedures, and tax preparation). The same offering might be positioned as a product or a service. For example, a software program can be offered as a product, with customers purchasing the rights to a copy of the program, or as a service, with customers renting the program to temporarily receive its benefits.

- The **brand** aims to identify the company's products and services, differentiate them from those of the competition, and create unique value beyond the product and service aspects of the offering. For example, the Harley-Davidson brand identifies its motorcycles; differentiates these motorcycles from those made by Honda, Suzuki, Kawasaki, and Yamaha; and elicits a distinct emotional reaction from its customers, who use the Harley-Davidson brand to express their individuality.
- The **price** is the amount of money the company charges its customers and collaborators for the benefits provided by the offering.
- **Incentives** are tools that enhance the value of the offering by reducing its costs and/or by increasing its benefits. Common incentives include volume discounts, price reductions, coupons, rebates, premiums, bonus offerings, contests, and rewards. Incentives can be offered to individual customers as well as to the company's collaborators (e.g., incentives given to channel partners).
- **Communication** informs the relevant market entities—target customers, collaborators, and the company—about the specifics of the offering.
- **Distribution** involves the channel(s) used to deliver the offering to its target customers and the company's collaborators.

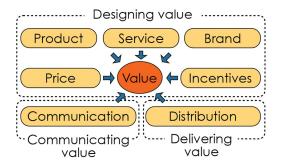
To illustrate, consider the attributes of Starbucks' market offering. The *product* is the variety of coffee and other beverages as well as food items available. The *service* is the assistance offered to customers prior to, during, and after purchase. The *brand* is Starbucks' name, logo, and the associations it evokes in customers' minds. The *price* is the monetary amount that Starbucks charges customers for its offerings. *Incentives* are the promotional tools—loyalty programs, coupons, and temporary price reductions—that provide additional benefits for customers. *Communication* is the information disseminated via different media channels—advertising, social media, and public relations—informing the public about Starbucks. *Distribution* involves the channels through which Starbucks' offerings are delivered to its customers: Starbucks-owned stores and retail outlets licensed to carry Starbucks' products.

#### Marketing Tactics as a Process of Designing, Communicating, and Delivering Value

The seven marketing tactics—product, service, brand, price, incentives, communication, and distribution—can be viewed as a *process of designing*, *communicating*, *and delivering* customer value. Product, service, brand, price, and incentives are the value-design aspect of the offering; communication is the process of communicating value; and distribution is the value-delivery aspect of the offering (Figure 4). Customer value is created across all three dimensions, with different attributes playing distinct roles in the value-creation process.

Figure 4. Marketing Tactics as a Process of Designing, Communicating, and Delivering

Customer Value



Because they define the key benefits and costs, the product, service, brand, price, and incentives are the *key value drivers* of the offering. Communication and distribution are the channels through which the benefits created by the first five attributes are communicated and delivered to target customers. Thus, communication informs customers about the functionality of a product or service, builds the image of its brand, publicizes its price, apprises buyers of sales promotions, and advises them about the availability of the offering. Likewise, distribution delivers a company's products and services, delivers customer payments to the company, and delivers the offering's promotional incentives to customers and collaborators.

The value-creation process can be examined from both the company and customer perspectives. From a company's perspective, value creation is a process of *designing*, *communicating*, and *delivering* value. From a customer's perspective, however, the value-creation process can be viewed in terms of the *attractiveness*, *awareness*, and *availability* of the offering. Thus, an offering's ability to create customer value is determined by the answers to the following three questions:

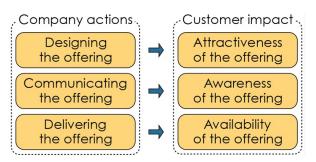
What makes the offering attractive to target customers?

How will target customers become aware of the offering?

#### How will target customers acquire the offering?

The answer to the first question outlines the customer benefits and costs associated with the product, service, brand, price, and incentives aspects of the offering. The answer to the second question outlines the way in which the company will communicate the specifics of the offering to its target customers. The answer to the third question outlines the way in which the company will make the offering available to its target customers. In this context, the customer-centric approach to managing the *attractiveness*, *awareness*, and *availability* of an offering complements the company-centric approach of managing the process of *designing*, *communicating*, and *delivering* value to target customers (Figure 5).

**Figure 5. Marketing Tactics: Company Actions and Customer Impact** 



To illustrate, consider the process of designing, communicating, and delivering value in the case of Starbucks. The *product* aspect of Starbucks' offerings involves designing its portfolio of products—espressos, lattes, macchiatos, and frappuccinos—informing and educating customers about these drinks, and then physically delivering them to customers. The service aspect of the offering involves defining the level of service that Starbucks wants to offer customers, communicating its service policies (such as the promise that a customer's drink will be perfect every time), and ultimately delivering the service to its customers. Building the Starbucks *brand* involves selecting the brand name, designing the logo, defining what the Starbucks brand should mean to its customers (Starbucks' goal is to become the "third place" in people's daily lives, after home and work), and then communicating and delivering this meaning to target customers. With respect to price, Starbucks has to set prices for all possible combinations of its various drinks and sizes, communicate these prices to consumers (e.g., by displaying them in its stores), and collect consumer payments. Finally, Starbucks has to decide what, when, and how many incentives to offer (such as discounts on certain drinks, 2-for-1 promotions, and loyalty programs), create awareness of these incentives by communicating them to customers, and then deliver them to target customers using appropriate channels (e.g., newspaper inserts, online banner advertisements, and proximity-based mobile promotions).

#### The G-STIC Framework for Marketing Management

A systematic approach to developing a viable marketing plan is given by the G-STIC framework, which identifies five key activities: setting a *goal*, developing a *strategy*, designing the *tactics*, defining an *implementation* plan, and identifying a set of *control* metrics to measure the success of the proposed action. The G-STIC (Goal-Strategy-Tactics-Implementation-Control) framework delineates the logic of strategic analysis and planning by advancing a comprehensive yet streamlined approach for developing actionable marketing plans.

The individual components of the G-STIC framework are outlined in more detail below.

- The **goal** identifies the ultimate criterion for success; it is the end result that the company aims to achieve. The goal has two components: the *focus*, which defines the ultimate criteria for success, and the quantitative and temporal performance *benchmarks* to be accomplished. The goal focus, the quantitative benchmark, and the temporal benchmark answer three questions: *what* is to be achieved (focus), *how much* should be achieved (quantitative benchmark), and *when* should it be achieved (temporal benchmark). To illustrate, a company might set the goal of generating net income (focus) of \$10M (quantitative benchmark) in two years (temporal benchmark).
- The **strategy** delineates the value created by the company in a particular market, and is defined by two factors: the target market and the value proposition. The *target market* defines the market in which the company aims to create value. It involves five factors (the Five Cs): customers whose needs the company aims to fulfill, competitors that aim to fulfill the same needs of the same target customers, collaborators that work with the company to fulfill the needs of customers, the company managing the offering, and the context in which the company operates. The *value proposition* defines the value that the company aims to create in the target market. The value proposition has three components—customer value, collaborator value, and company value—which reflect the value created by the company for the corresponding market entities.
- **Tactics** define the actual offering that the company introduces in a given market. The tactics logically follow from the company's strategy and reflect the way the company will make this strategy actionable. The tactics delineate the seven attributes that define the company's market offering: *product*, *service*, *brand*, *price*, *incentives*, *communication*, and

*distribution*. These seven tactics are the tools that a company uses to create value in the chosen market.

- **Implementation** defines the activities that aim to make the company's strategy and tactics a reality. Implementation involves *developing* the offering and *deploying* the offering in the target market. Developing the offering involves securing the assets necessary to implement the company's strategy and tactics and creating the actual good to be communicated and delivered to the company's target customers. *Commercial deployment* logically follows the process of developing an offering by delineating the process of bringing the offering to the market.
- **Control** informs the company whether to proceed with its current course of action, whether to reevaluate and realign its current action plan, or whether to abandon its current course of action and develop a different offering that better reflects the current market realities. Control involves two components: evaluating the company's performance and monitoring the market environment. *Evaluating performance* involves tracking the company's progress toward its goal, as defined by its focus and benchmarks. *Monitoring the environment* aims to identify changes in the market in which the company operates in order to enable the company to take advantage of new opportunities such as favorable government regulations, a decrease in competition, or an increase in consumer demand, as well as to counteract potential threats such as unfavorable government regulations, an increase in competition, or a decline in customer demand.

The key components of the action plan and the main decisions underlying the individual components are summarized in Figure 6.

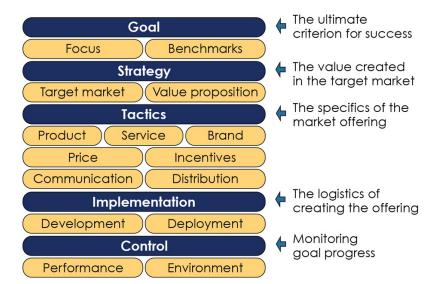


Figure 6. The G-STIC Framework for Marketing Management

The G-STIC framework offers an intuitive approach to streamlining a company's activities into a logical sequence that can produce the desired market outcome. Accordingly, market planning follows the G-STIC format, whereby its distinct components—goal, strategy, tactics, implementation, and control—are presented sequentially, building on one another to delineate the company's goal and the specific course of action to achieve that goal.

Because it delineates a set of activities designed to achieve a set goal, the G-STIC framework also serves as the backbone of a company's marketing plan. Thus, the typical marketing plan comprises four main components: an *executive summary*, which presents a streamlined and succinct overview of the company's goal and the proposed course of action; a *situation overview*, which outlines the key aspects of the market in which the company operates; an *action plan* defined by the G-STIC framework; and a set of *exhibits* detailing specific aspects of the proposed action plan. The G-STIC action plan is the core of the marketing plan, whereas the other components of the business plan—the executive summary, situation analysis, and exhibits—aim to facilitate an understanding of the logic underlying the plan.

#### **SUMMARY**

A company's success is defined by its ability to create value in the chosen market. To create value, a company must clearly identify the target market in which it will compete; develop a meaningful value proposition that benefits its target customers, collaborators, and the company stakeholders; and design an offering that will deliver the company's value proposition to the target market. These key activities form the two building blocks of a company's business model: *strategy* and *tactics*.

*Strategy* identifies the market in which the company competes and the value it intends to create in this market. Marketing strategy involves two components: the target market and the value proposition.

The *target market* is determined by five factors that define the 5-C framework: customers whose needs the company aims to fulfill, competitors that aim to fulfill the same needs of the same target customers, collaborators that work with the company to fulfill customers' needs, the company managing the offering, and the context in which the company operates. The choice of target customers determines all other aspects of the market: the scope of the competition, potential collaborators, company resources necessary to fulfill customer needs, and the context in which the company will create market value.

The *value proposition* defines the value that an offering aims to create for target customers, collaborators, and the company. An offering's value proposition must provide a clear answer to three questions: Why would target customers choose the company's offering instead of the available alternatives? Why would collaborators choose the company's offering instead of the competitive alternatives? Why would the company choose this offering instead of the alternative options? Creating value for target customers, the company, and its collaborators is the overarching principle that guides all company actions; it is the *market value principle* that underlies the company's value proposition: The company must create superior value for its target customers and collaborators in a way that enables it to achieve its goals.

Tactics are the specific activities employed to execute the offering's strategy; they are the means that managers have at their disposal to create market value. Tactics outline the seven key attributes of the offering that the company deploys in the target market: product, service, brand, price, incentives, communication, and distribution. Tactics can also be viewed as a process of designing, communicating, and delivering value, where product, service, brand, price, and incentives compose the value-design aspect of the offering that defines the attractiveness of the offering to its customers; communication captures the value-communication aspect that aims to create awareness of the offering among target customers; and distribution reflects the value-delivery aspect of the offering that ensures the availability of the offering to target customers.

Marketing planning is a process defined by five main steps: setting a *goal*, developing the *strategy*, designing the *tactics*, defining the *implementation* plan, and identifying the *control* metrics to measure progress toward the set goal. These five steps comprise the G-STIC framework, which is the backbone of a successful marketing plan.

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#### CHAPTER TWO

# BRANDS AS A MEANS OF CREATING MARKET VALUE

Products are made in the factory, but brands are created in the mind.

—Walter Landor, brand design pioneer

**B**its collaborators. The role brands play in creating market value underscores the necessity of understanding the essence of brands and developing a systematic approach to brand management. This chapter articulates the role of brands as a means of creating market value and outlines a general framework for building strong brands.

#### The Essence of a Brand

Brands are ubiquitous. The use of brands as a marketing tool is not limited to physical goods such as food products, cars, cosmetics, and pharmaceuticals. Brands are used to identify services (American Express, Netflix, Expedia, and Uber), companies (Procter & Gamble, Walmart, and Starbucks), nonprofit organizations (UNESCO, FIFA, WHO, and American Red Cross), events (Olympic Games, Wimbledon, World Cup Soccer, Super Bowl, and The Masters), individuals (Lady Gaga, Madonna, and Michael Jordan), groups (music groups, sport teams, and social clubs), administrative units (countries, states, and cities), geographic locations (Champagne, Cognac, Roquefort, Gorgonzola, Asiago, and Camembert), and ideas and causes (education, social justice, and health).

Reliance on brands as a means of creating market value is not limited to

consumer markets; brands can play an important role in business markets as well. Indeed, because brands aim to evoke meaningful associations in people's minds, they can create value for both consumers and managers. Business-to-business enterprises have built strong brands that span industries, including consulting (McKinsey & Company, Boston Consulting Group, Accenture, and BearingPoint), commercial equipment manufacturing (Boeing, DuPont, Caterpillar, and Applied Materials), and software solution services (SAP, Oracle, Akamai, and Rakuten).

The term *brand* is used in different contexts to refer to different marketing phenomena. The three most common views define the brand as a *marketing* tool, a *mental image*, and a *set of products and services with the same identity*.

- **Brand as a marketing tool.** The term *brand* is commonly used to mean a marketing tool that managers use to create a meaningful image of the company and/or its offering(s) in people's minds. Thus, the brand is one of the seven attributes of the company's offering (along with the product, service, price, incentives, communication, and distribution), and, hence, a marketing tactic that managers use to create market value.
- **Brand as a mental image.** The term *brand* is also used to describe the mental image associated with the company and/or its offering(s). Thus, the brand reflects people's perception of the identity of the company and/or its offerings.
- **Brand as a set of products and services associated with the same identity.** The term *brand* is also used in reference to the company's products and services carrying the same brand name. Thus, the brand identifies the actual products and services offered by a particular company.

In this book, the term *brand* is used in its first meaning, as a marketing tool designed to create unique market value above and beyond that created by the other marketing tactics (product, service, price, incentives, communication, and distribution). Thus, the brand is a tool that managers use to create the desired image in people's minds. This view of brands builds on the marketing framework outlined in the first chapter, which defines the brand as one of the seven marketing tactics delineating the company's offering.

The brand is a marketing tool used to identify an offering, differentiate it from similar market offerings, and create distinct market value above and beyond that created by the other marketing tactics

To refer to the mental image of the company and its offerings, we use the

term *brand image*. Thus, brand image refers to the network of brand-specific associations that exist in people's minds. In this context, *brand* and *brand image* can be viewed as a cause and effect, whereby a company's branding activities influence the mental image that exists in people's minds.

The different views of the essence of brands have also led to different views of the essence of brand management. Accordingly, the term *brand management* is used in different contexts to refer to different types of managerial activities, including *managing the company's brand assets*, *managing the brand image*, and *managing the offerings associated with a given brand*.

- Brand management as a process of managing the company's brand assets. In this context, brand management is focused on managing the brand-relevant aspects of a company's offering such as the brand name, logo, motto, character, product design, and packaging.
- **Brand management as a process of managing the brand image.** Here, brand management is viewed as a process of creating and sustaining the desired image of the brand in people's minds.
- Brand management as a process of managing offerings associated with a given brand. According to this view, brand management is the process of managing all aspects of an offering in order to achieve the company's ultimate marketing goals. This broader view of brand management extends beyond managing the brand-specific aspects of the offering and the brand image that exists in people's minds to include managing all aspects of an offering's strategy and tactics, including its product, service, price, incentives, communication, and distribution attributes.

In this book, the term *brand management* is used in its first two meaning—to refer to the process of managing the brand-specific aspects of the offering in order to create a distinct brand image in people's minds—rather than managing all aspects of the market offerings associated with a particular brand name. Indeed, managing all aspects of an offering falls in the broader domain of marketing management (rather than brand management). In this context, brand management can be defined as follows:

Brand management is a process of designing and sustaining a mental image in people's minds that enables the company to identify its offering(s), differentiate its offering(s) from those of the competition, and create distinct market value

The role of brands as a tool for creating market value is discussed in more

#### The Brand as a Tool for Creating Market Value

The primary purpose of a brand is to create value for three market entities: target customers, the company, and its collaborators. A brand creates customer value by identifying the company's products and services and by developing unique brand associations that extend beyond the product and service characteristics of the offering to create a meaning that resonates with target customers. A brand creates value for company collaborators—including suppliers, distributors, and marketing partners—by enhancing the benefits of the offering and growing customer demand. Finally, a brand creates value for the company by generating incremental revenues and profits, while at the same time increasing the valuation of the company and creating a separable company asset. Therefore, to succeed, a brand must follow the 3-V principle: It must be designed and managed in such a way that it optimizes the value for all relevant market entities. Working in concert with the other marketing tactics—product, service, price, incentives, communication, and distribution —the brand must create value for target customers in a way that benefits the company and its collaborators (Figure 1).

Customer value

Customer value

Collaborator value

Market Offering

Product Service Brand

Price Incentives

Communication Distribution

Figure 1. The 3-V Principle of Brand Management

Because the brand is one of the tools that a company can use to create market value, its role as a means of value creation can be better understood by contrasting it with the other marketing tactics defining the company's offering. Thus, unlike communication and distribution, which focus on communicating and delivering the value of the offering, the brand is one of the tactics that *define* the value of the offering. Furthermore, unlike price and incentives, which typically are related to the offering's costs, the brand

defines the offering's benefits. Finally, unlike products and services, which objectively exist in the market, brands reside in customers' minds. In this context, the primary function of a brand is to create benefits above and beyond the benefits created by the product and service aspects of the offering.

The ways in which a brand can create market value can be illustrated with the following example. Consider a consumer looking for a headache medicine. This consumer relies on the brand to identify the desired product, say Johnson & Johnson's Tylenol, and differentiate it from similar products by other companies. The Tylenol brand also creates additional benefits such as giving consumers peace of mind that this product will alleviate their headache with minimal side effects. As a result, consumers are willing to pay extra for products carrying the Tylenol brand, thus creating value for Johnson & Johnson.

The role of brands as a marketing tactic is often confused with that of products. This is, in part, due to the fact that many managers confound product and brand management decisions in their daily activities. Yet, product management and brand management are two distinct activities that are unified by the common goal of creating market value. The difference between product/service management and brand management can be illustrated with the following example.

Consider a cereal company introducing a new offering. The development of the offering involves two types of decisions: strategic and tactical. The strategic decision involves identifying the target market and the value proposition for the relevant market entities: target customers, the company, and company collaborators. Let's say the company decides to target health-conscious families with young children with the value proposition of a tasty, healthy cereal that both parents and their children can enjoy. Once this strategy is in place, the next step involves creating the actual cereal that will be offered in the market, which is defined by the seven tactical decisions: product, service, brand, price, incentives, communication, and distribution. Here, the product and brand decisions are two distinct attributes of the offering that follow the same overarching strategy.

When designing the product, a manager must develop an appropriate product strategy by identifying the key benefits that the product will create for target customers. In the cereal example, product benefits might involve factors such as taste and nutrition. To deliver these benefits, a manager makes a series of tactical product-based decisions that involve specific aspects of the cereal, such as its nutritional value (calories, sugar, fiber, sodium, protein, and vitamins) and taste (flavor, texture, crunchiness, and crispiness).

In addition to deciding on the properties of the cereal, a manager must decide how to brand the product. To this end, a manager must create a unique identity that is associated with the company's product to inform potential buyers that this particular product was created by a particular company rather than by one of its competitors. In addition, the manager might want to create an identity that not only differentiates its product from the competition but also adds value to customers' experience with the product.

In the cereal example, the brand might aim to create the psychological benefit of building a relationship with customers so that it becomes an integral part of their breakfast ritual. To this end, the manager might create a character that will capture the personality of the brand, thus helping consumers to easily recognize the company's cereal and at the same time connect with the brand on an emotional level. For example, Kellogg's Frosted Flakes uses Tony the Tiger as a brand character to uniquely identify this cereal in the grocery store and foster an emotional connection with the brand. Thus, the brand creates value that the product cannot. Indeed, the actual cereal produced by different companies might look and taste alike. Furthermore, while enjoying the taste of the cereal, customers are unlikely to form an emotional bond with the product unless it is associated with an image that carries relevant meaning for these customers.

When comparing the product and the brand as two distinct marketing tactics, it is important to note that the product and brand decisions require different types of expertise. In the cereal example, product-focused decisions call for knowledge pertaining to human nutrition, food manufacturing technologies and processes, as well as consumer food preferences. In contrast, brand-focused decisions require in-depth understanding of the customer, including higher level customer needs such as the need for self-expression, relationships, and belonging. The different competencies involved in product and brand management often lead to separating these two activities into discrete product and brand management functions and assigning these functions to different managers, who work together to develop successful market offerings.

#### The Framework for Brand Management

The core purpose of a brand is to create market value by identifying the company's offering, differentiating it from the competition, and creating unique value above and beyond the value created by the products and services associated with the brand. To ensure a brand's ability to create market value, a

company must clearly articulate the way in which the brand will create value for the relevant market entities: target customers, the company, and its collaborators. The process by which brands create market value is captured in the framework for brand management, which is illustrated in Figure 2 and discussed in more detail below.

**Brand Strategy** Taraet market Value proposition Brand valuecreation model **Brand Tactics** Brand design Communication **Customer Value** Customer impact (Functional)(Psychological)(Monetary) Company & Collaborator Value Company & collaborator Strategic value Monetary value

Figure 2. The Framework for Brand Management

The brand's *value-creation model* delineates the brand's strategy and tactics. The *brand strategy* defines the value created by the brand in a given market and comprises two factors: the brand's target market and its value proposition in this market. The *target market* is defined by the Five Cs: target customers for whom the brand aims to create value; collaborators that work with the company to create value for these customers; competitors whose brands aim to create value for the same customers; the company managing the brand; and the economic, technological, sociocultural, regulatory, and physical context in which the brand operates. The brand's *value proposition* is defined by the value the brand aims to create for the relevant market entities: target customers, the company, and its collaborators.

The *brand tactics* articulate the ways in which the company executes its brand strategy and comprise two factors: brand design and brand communication. *Brand design* delineates the identifying characteristics of the brand such as the brand name, logo, motto, and character, as well as all meaningful associations linked to the brand. *Brand communication*, on the other hand, delineates the way in which brand elements are related to target customers in order to create a meaningful brand image in their minds.

A company's brand-related activities create *customer value* by delivering benefits above and beyond those created by the products and services associated with the brand. Specifically, a brand can create customer value in three distinct domains: *functional value*, by enhancing the functional

performance of the branded offering; *psychological value*, by enhancing the way customers experience the offering; and *monetary value*, by enhancing the monetary benefits of the offering. By creating customer value, brands influence customers' behavior in several ways. First, brands influence customers' purchase behavior, such that strong brands increase the likelihood that customers will purchase the company's products and services. Brands also influence the way consumers interact with the offering, such that strong brands promote more frequent usage of the branded products and services. Finally, brands influence customers' willingness to share their brand experience, with strong brands increasing the likelihood that customers will share positive experiences with products and services, will advocate for the company's offerings, and will become brand evangelists.

By creating customer value, brands also create *value for the company* and its *collaborators*. Specifically, brands can create two types of company and collaborator value: strategic and monetary. The *strategic value* reflects the nonmonetary ways in which the brand enhances the ability of the company and its collaborators to capture market value. For example, a brand might create company value by increasing customer demand for its offerings, by increasing the effectiveness of a company's communication activities, by giving the company leverage in negotiating with its collaborators, by enabling a company to attract and retain skilled employees, and by enhancing overall productivity and the corporate culture. The *monetary value* created by the brand reflects the financial benefits that can be directly attributed to the brand, such as the greater marginal revenues resulting from the higher prices that a company can charge for branded products and services as well as the lower marginal costs due to the greater effectiveness of promoting established brands and more favorable distribution arrangements.

To illustrate, in the earlier cereal example, Frosted Flakes' brand strategy aims to offer families a way to identify the company's Frosted Flakes cereal, assure them of the product quality, and associate a sense of fun and excitement with the brand. This strategy is reflected in the different aspects of the brand design: the name, *Kellogg's Frosted Flakes*; the motto, *The Great Taste the Whole Family Will Love*; the brand character, *Tony the Tiger*; as well as the associations reflected in the image of the Frosted Flakes brand. These aspects of the brand design are then communicated to customers using different media, including television, print, and radio advertisements; public relations; social media; in-store communication; as well as through the product packaging.

These brand-building activities facilitate the formation of an image of the

Kellogg's Frosted Flakes brand in customers' minds that can create functional, psychological, and monetary value for these customers. The value customers derive from the branded offering, in turn, motivates their behavior: the decision to purchase Kellogg's Frosted Flakes instead of another cereal brand, the speed with which the cereal is consumed, and the brand-related communication customers engage in with other customers, including inperson conversations and social media posts.

Customers' behavior creates value for the company by generating revenues and profits from customers' own purchases as well as from their endorsements. Customer demand for Kellogg's Frosted Flakes cereal can also create strategic advantages for the Kellogg Company by bolstering its power to negotiate distribution agreements. Customer acceptance of Kellogg's Frosted Flakes can also benefit the company by enabling it to offer different product varieties under the same Kellogg brand umbrella, thus increasing the visibility of the brand and generating additional streams of revenue.

The different aspects of the process of managing a brand are discussed in the following two chapters. Specifically, the two aspects of brand strategy—target market and value proposition—are discussed in Chapter 3, and the two tactical aspects of brand management—brand design and brand communication—are discussed in Chapter 4.

#### **SUMMARY**

The brand is a marketing tool used to identify an offering, differentiate it from similar market offerings, and create distinct market value beyond the value created by the other marketing tools. Brand management is a process of designing and sustaining a mental image in people's minds that enables the company to identify its offering(s), differentiate its offering(s) from those of the competition, and create distinct market value. To ensure a brand's ability to create market value, a manager must clearly delineate the way in which the brand will create value for its target customers, collaborators, and the company stakeholders.

The brand's *value-creation model* delineates the brand's strategy and tactics. The *brand strategy* defines the value created by the brand in a given market and comprises two factors: the brand's target market and its value proposition in this market. The *brand strategy* identifies the brand's *target market*—its customers, collaborators, competitors, company resources, and context—and the brand's *value proposition* for the relevant market entities: target customers, the company, and its collaborators. The *brand tactics* translate the

brand strategy into a set of actionable decisions—*brand design* and *brand communication*—that define the brand. Brand strategy is discussed in detail in Chapter 3, and brand tactics are discussed in Chapter 4.

A company's brand-related activities create *customer value* by delivering benefits above and beyond those created by the products and services associated with the brand. Specifically, a brand can create customer value in three distinct domains: functional, psychological, and monetary. By creating customer value, brands influence customers' behavior by influencing the likelihood that customers will purchase, use, and advocate the branded offering. Customer behavior, in turn, creates value for the company and its collaborators by generating both monetary and strategic benefits.

## Branding Brief: Branding a Commodity—Café de Colombia

The rapid drop of the price of Colombian coffee in the late 1950s gave birth to a new differentiation strategy by the Colombian Coffee Growers Federation (*Federación Nacional de Cafeteros de Colombia* or FNC) aimed at branding the Colombian origin of the coffee. To this end, in 1959 FNC decided to create a symbol that would define Colombian coffee in the world market. It further decided that this symbol would be a coffee grower from the Colombian mountains. Thus, a fictional character named Juan Valdez was born to represent the archetypal Colombian coffee grower. The character was deliberately authentic, showcasing his mastery of the trade and the conditions that make Colombian coffee a superior product. The television commercials and print ads depicting Juan Valdez with his mule, Conchita, carrying sacks of harvested coffee beans were followed by a stylized version of the image, which became the brand logo.



The *Café de Colombia* brand and the logo featuring Juan Valdez became a successful brand certifying the origin of the coffee. Accordingly, FNC began to license the mark to roasters for use on their own branded products that contained 100% Colombian coffee. The success of the *Café de Colombia* brand was evident not only in the resulting high brand awareness but also in the higher prices Colombian coffee growers were able to command in

international markets compared to coffee from competing countries. To capitalize on the strength of its brand and expand its presence, in 2002 FNC launched Juan Valdez Café, a multinational coffeehouse chain specializing in retail coffee. By successfully differentiating a commoditized product, *Café de Colombia* has gained a worldwide reputation and has become one of Colombia's most valuable brands.<sup>2</sup>

# Branding Brief: The Brand as a Means of Differentiation—Nestlé

Until the end of the nineteenth century, high child mortality in Europe was an unsolved problem, with one in five children dying before their first birthday. Henri Nestlé—a pharmacist who experienced this firsthand when five of his thirteen siblings died in childhood—decided to solve this problem and in 1867 brought an infant formula to market in the small Swiss town of Vevey.



Henri Nestlé was one of the first Swiss manufacturers to brand products using a distinct trademark. The Nestlé logo, introduced in 1868, paid homage to his family name, which in his German dialect means "little nest." The original logo featured three young birds being fed by a mother bird, promoting the idea of nurturing and creating an association between the company name and its infant cereal products.

Nestlé's name and logo appeared in all advertisements and on all labels for his infant cereal, always in association with the name of the product: *Nestlé's Bread and Milk Flour* (Britain), *Lactous Farina Nestlé* (United States), *Harina Lacteada Nestlé* (Spain), *Nestlé's Kindermehl* (Germany), and *Farine alimentaire Nestlé* (France). Henry Nestlé understood the importance of having a consistent and unique brand image across countries. When his agent suggested that the nest could be replaced by the white cross of the Swiss flag, Nestlé replied:

I cannot agree to let you change my nest for a Swiss cross. The cross looks very good on the lid, but I absolutely insist that my labels must be identical everywhere; the external appearance must be the same, only the text being translated into the language of the country. People must be able to identify my product at first glance. The nest is not only my trademark but also my coat of arms ...

anyone can make use of a cross, but no-one else may use my coat of arms.<sup>3</sup>

## BRANDING BRIEF: THE BRAND AS A SIGN OF VALUE—HERMÈS BIRKIN BAG

Hermès was founded in 1837 in Paris as a horse harness workshop serving the noblemen of Europe. Known for its highest quality craftsmanship, the company over the years expanded beyond its equestrian roots to include luxury fashion accessories: handbags, silk scarves, ties, jewelry, and fragrances. Hermès philosophy of "creative craftsmanship" propelled it to become one of the most powerful luxury brands in the world. Among the most iconic Hermès products, in addition to its silk scarves, are the handbags. The most coveted Hermès handbag, and perhaps the most coveted handbag available today, is the Birkin bag.<sup>4</sup>



The story of the Birkin bag goes back to 1983, when the passenger sitting next to the British actress Jane Birkin noticed that everything fell out of her travel bag and suggested that she should have one with pockets. Jane Birkin's response that the day Hermès made one with pockets she would have it resonated with the passenger, who happened to be the chief executive of Hermès and the great-grandson of the company's founder. By the end of the flight, the preliminary sketch of the design for the Birkin bag was in place—a spacious, sturdy, and stable bag with a flat bottom, which was just as elegant whether open or closed. Birkin accepted a free bag in exchange for lending her surname to christen the design.<sup>5</sup>

The Birkin bag is not just a fashion statement; it is an investment that appreciates in value with time. A top-of-the-line Himalaya Birkin, handmade in 2008 from Niloticus crocodile, sold at a 2017 Christie's auction in Hong Kong for \$380,000, making it the most expensive handbag ever sold at auction. The full name of the bag refers to its distinctive color, which fades from gray to white like the Himalayan mountain range. Hermès reportedly makes only one or two Himalaya bags each year due to the lengthy dyeing process: White is the hardest color to achieve with crocodile skin, requiring the removal of all its natural pigment.<sup>6</sup> All Hermès bags are typically constructed by a single artisan, and it can take a week to make a single Birkin

# Branding Brief: Building a Lifestyle Brand—Lacoste

Lacoste was founded in 1933 by René Lacoste, a well-known French tennis champion who earned the nickname "The Crocodile" for his tenacity on the tennis court. In 1927, unhappy with the traditional long-sleeved, starched, woven fabric shirts worn by tennis players, he created a shirt for his own use that revolutionized men's sportswear. The first Lacoste shirt was white, slightly shorter than the traditional shirt, was made from a light knitted fabric, and featured a ribbed collar and short sleeves with ribbed bands.



Because his design was inspired by the shirts worn by Argentine polo players (although the Argentine shirt was in a different fabric and had no collar), René Lacoste referred to it as a "polo shirt," the name by which this type of shirt is universally known today. After many of his tennis partners and friends asked him where they could get a similar shirt, he decided to commercialize his design, and in 1933 he set up a company to manufacture the shirt.

To further differentiate the newly designed shirt, René decided to embroider his signature mark—a crocodile—on the upper left part of the shirt. This marked one of the first instances in which a brand name appeared on the outside of a piece of clothing. Since René Lacoste was married to a golf champion, Simone Thion de la Chaume, the first Lacoste advertising campaign promoted the shirt to golfers.

Over the years, Lacoste has evolved from a single-product company into a global lifestyle brand with an extensive product line that includes apparel, shoes, fragrances, bags and leather goods, eyewear, watches, and home textiles. Notably, Lacoste does not manufacture the products that bear its name: It manages the intellectual property rights, including the Lacoste trademark, and licenses these rights to manufacturers with established expertise in a given product category, such as Devanlay (apparel and accessories), Pentland (footwear), Samsonite (bags and leather goods), and Coty (fragrances). Most of the licensees have an exclusive worldwide license that gives them the responsibility for product design, manufacturing, and

distribution. Lacoste closely works with licensees to ensure that the products, pricing, sales promotions, communication, and distribution are consistent with its brand image.

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## Part Two

## **BUILDING STRONG BRANDS**

#### **INTRODUCTION**

If you are not a brand, you are a commodity.—Philip Kotler, founder of modern marketing theory

The way in which brands create value is defined by two factors: strategy and tactics. The brand strategy outlines the logic of the value-creation process and is determined by the brand's target market and its value proposition. Brand tactics, on the other hand, translate the brand strategy into a set of specific decisions that create a distinct brand image in the minds of its target customers, collaborators, and stakeholders. Brand strategy reflects managers' choice of a target market and the way the company brand will create value in this market. Brand tactics aim to turn the company's desire to create market value into reality by developing the actual brand that creates market value. The development of the brand strategy and tactics as integral aspects of the value-creation process is discussed in more detail in the two chapters that make up the second part of this book.

**Chapter 3** delineates the two key components of brand strategy: the target market and the value proposition. Specifically, this chapter outlines the different dimensions of market value and examines how brands create value for target customers, the company, and its collaborators. The discussion of brand strategy is further complemented by a discussion of brand positioning, brand mantra, and brand image as key components of brand strategy.

**Chapter 4** discusses brand tactics, focusing on their two components: brand design and brand communication. Specifically, this chapter articulates the elements that define the brand's essence, including brand identifiers such as the brand name, logo, and motto, as well as brand referents that evoke meaningful brand-related associations. This chapter also addresses the key issues involved in communicating the key brand elements to target customers in order to build a meaningful brand image in their minds.

These two chapters articulate the core of the brand management

framework outlined in the first part of this book.

## CHAPTER THREE

## **DEVELOPING A BRAND STRATEGY**

People buy things not only for what they can do, but also for what they mean.

—Sydney Levy, the pioneer of the concept of brand image

The brand strategy delineates the target market in which the brand operates and the value it creates for the relevant market participants: target customers, the company, and its collaborators. The two aspects of brand strategy—the target market and value proposition—are the focus of this chapter.

#### **Defining the Target Market**

Because brand strategy is one aspect of the company's overall marketing strategy, a brand's target market is defined by the same five factors (the Five Cs) as the target market for a company's offering. Specifically, a brand's target market is defined by target *customers* for whom the brand aims to create value, *collaborators* that work with the company to create value for target customers, *competitors* whose brands aim to fulfill the same need of the same target customers, the *company* in charge of the brand, and the relevant *context* in which the company operates. These five factors are discussed in more detail below.

#### **Customers**

Brands vary in the breadth of customers they are trying to reach. Some brands like Coca-Cola target a fairly broad range of customers, whereas brands like

Harley-Davidson are more focused and target a much narrower customer segment. The breadth of the brand's appeal typically comes at the expense of its depth: The broader the brand's appeal, the less specific the meaning of the brand. This loss of specificity of brand meaning stems from the varying customer needs and preferences, with larger customer segments exhibiting greater diversity.

The heterogeneity of larger customer segments makes it difficult for brands to develop a unique value proposition that is tailored to the needs of each and every one of its target customers. A company's inability to fully meet customer needs, in turn, leaves the door open for competitors with more focused offerings that target smaller customer segments with more homogeneous preferences. Therefore, the key to identifying a brand's target customers is choosing the right balance between the breadth of coverage and the depth of the brand's relationship with its target customers.

The choice of a brand's target customers is guided by the same two principles—attractiveness and compatibility—as the choice of the company's target customers. Attractiveness means that target customers should be able to create value for the company, whereas compatibility means that the company's core competencies and strategic assets should be aligned with customer needs so that the company's brand can create value for its target customers.<sup>7</sup>

Despite the fact that their selection is guided by the same principles, the target customers of an offering and the target customers of a brand might not fully overlap. Brands typically have a wider reach than individual offerings. For example, the Japanese conglomerate Yamaha uses its brand on a wide range of offerings—musical instruments, electronics, and power sports equipment—that target distinct customer segments. Tesla uses its brand to identify the offerings in its product portfolio, which include electric vehicles such as Model S, Model X, and Model 3, as well as Tesla-branded solar panels and backup power supplies.

Note that even though in most cases the scope of the company's brand is broader than that of the company's individual offerings, the opposite scenario is also possible, such that the same products and services can be associated with different brands. For example, Procter & Gamble's offering branded as Mr. Clean in the United States is sold in the United Kingdom and Ireland under the brand name Flash. In the same vein, Whirlpool manufactures virtually identical products that are sold under its own brand as well as under the Maytag and Kenmore brands.

#### **Competitors**

The choice of target customers also defines a company's competitors, whose brands aim to fulfill the same need of the same target customers. Brand competition is defined based on the needs a brand aims to fulfill, not merely based on the fact that competitive brands share the same customers. Thus, Red Bull, Tide, and Samsung do not compete with one another even though they might target the same customers, whereas Red Bull and Monster compete head to head for customer mindshare of the energy drink market. Brand competition is not limited to the brands in the same product category; brands can compete across product categories as long as they aim to fulfill the same need of the same target customers.

The nature of brand competition is often determined by the behavior of the key players in a given market. Brand competition can be explicit and involve direct cross-brand comparisons, as in the case of Coca-Cola and Pepsi, Apple and Microsoft, and AT&T and Verizon; or it can be implicit, without involving direct comparisons, as in the case of BMW, Audi, and Mercedes. Regardless of whether the competition is explicit or implicit, as long as brands aim to fulfill the same customer need they ultimately strive to replace one another to attain the most prominent place in a customer's mind with respect to a particular customer need.

#### **Collaborators**

Brand collaborators are entities that work with the company to build and manage the brand. Brand collaboration often involves cobranding, whereby two or more companies develop a joint strategy to leverage one another's brand power and achieve synergies from linking their brands. For example, Nike and Apple joined forces to develop the Nike+ running iPhone app; General Mills' Betty Crocker partnered with Hershey and Sunkist to develop cobranded, easy-to-make food products; Global Fund's (Product Red) brand joined forces with American Express, Apple, Nike, Dell, Gap, Hallmark, and Starbucks to fight AIDS in Africa. Cobranding is discussed in more detail in Chapter 5.

In addition to cobranding, brand collaboration can also include licensing, which involves a company lending its brand to a third party for the purpose of harvesting the power of the brand. Thus, brand licensing enables a company to outsource the branding function by leveraging another company's brand assets and brand-building competency. Disney, PVH, Mattel, and Warner

Bros. are among the top brand licensors. Brand licensing is discussed in more detail in Chapter 6.

#### **Company**

A company's resources are essential for building and managing a brand. Of particular importance to a brand's strategy are a company's brand-specific assets. Companies with established brand assets, established brand portfolios, a strong company reputation, and experienced brand managers are in a more advantageous position compared to companies that lack these assets. Another important resource is the company's core competency in building strong brands. Over the years, companies like Unilever, Procter & Gamble, PepsiCo, Nestlé, and SC Johnson have developed the know-how to design, launch, and manage strong brands—a core competency that gives them a leg up on competitors with less understanding of branding and less experience in brand building.

#### **Context**

A brand's strategy is also influenced by the different *economic*, *technological*, *sociocultural*, *regulatory*, and *physical* aspects of the environment.

- Economic environment. A brand's ability to create value for target customers, collaborators, and company shareholders is a function of the overall economic environment in which it operates. For example, slow economic growth tends to have a negative impact on a brand's ability to create value because customers are more price focused (hence, less brand loyal) and companies have fewer resources to invest in brand building. In contrast, times of economic prosperity tend to facilitate companies' investment in brands while simultaneously fostering customers' willingness to pay for branded offerings. For example, favorable economic conditions resulted in the emergence of a middle class in many newly industrialized countries including China, India, and Brazil, which, in turn, fueled the demand for luxury brands.
- Technological environment can influence a brand's ability to create market value in several ways. First, the increased customer connectivity and growing impact of social networks powered by advancements in communication technologies have fundamentally changed the role of the various market forces in shaping a brand's image, with peer-to-peer communication becoming an increasingly important factor. Furthermore,

the heightened transparency of the quality of products stemming from the instant availability of product information and reviews has decreased signals customers' reliance on brands as of product Developments in technology have also contributed to a company's ability to effectively interact with its target customers by uncovering new, more effective means of brand communication. Finally, technology has helped to improve the cost efficiency of the company's branding activities by enabling it to be more precise in identifying its target customers and in selecting the optimal means of communicating with them.

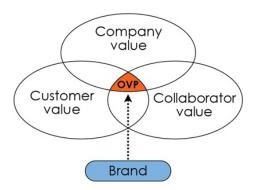
- **Sociocultural environment** includes factors such as education, beliefs, attitudes, values, customs, habits, lifestyle, aesthetics, fashion, style, religion, spirituality, social organization, stratification, population size and growth, age dispersion, geographic dispersion, ethnic employment, background, mobility, education, and household composition. To create superior customer value, companies adapt their branding strategies to the cultural specifics of each individual market in which they compete. For example, the iconic Marlboro symbol—the lone cowboy—is typically shown as part of a group in many Asian countries with a collectivist culture, where riding alone is associated with being an outcast rather than serving as an expression of freedom.
- **Regulatory environment**, including the brand-relevant laws and regulations concerning trademarks and brand communication, can further influence the market performance of a brand. Brand identifiers—name, logo, motto, character, soundmark, packaging, and product design—are often protected by a variety of common laws and federal statutes. For example, the brand name *Nike*, the Nike "swoosh" logo, and its motto *Just Do It* are legally protected to ensure that the company is able to recapture its investment made in the brand over the course of many decades. A company's ability to build and sustain its brand is further influenced by the country-specific laws and regulations governing brand communication. For example, some countries forbid comparative advertising that explicitly mentions a competitive brand with the purpose of showing its inferiority relative to the advertised brand.
- **Physical environment**, including factors such as topography, climate, and weather, can significantly influence a brand's ability to create market value. For example, people's perception of colors and their ability to distinguish different colors vary with their distance from the equator. Greater proximity to the equator has been associated with lower ability to

differentiate shades of blue and green (as well as greater likelihood of having a single word for both blue and green)<sup>8</sup>—an important consideration when defining the visual appearance of the brand.

## **Defining the Value Proposition**

The primary purpose of a brand is to create market value by identifying the company's offering, differentiating it from the competition, and delivering benefits above and beyond those delivered by the product and service aspects of the offering. Thus, the brand facilitates the company's efforts to develop an offering that has an optimal value proposition (OVP) that creates value for target customers in a way that benefits the company and its collaborators (Figure 1).

Figure 1. The Market Value Principle of Brand Management



The view of brands as tools that not only create value for customers but also capture some of this value for the company and its collaborators has important implications for brand management. First, this means that a company must optimize its branding activities based on the benefits it creates for its customers and must also take into consideration the relevant benefits and costs for the company and its collaborators. The view of brands as a source of company value also means that brand-building costs can be considered not merely as an expenditure but as an investment aimed at enhancing the equity of the brand.

In addition to developing a brand's value proposition, an important aspect of developing a brand's strategy is articulating how the brand should be positioned in a customer's mind. Brand positioning captures the most relevant aspects of a brand's value proposition to create a distinct mental image of the brand for its target customers. To develop a meaningful brand positioning, a company must identify the strategically important brand associations and make them primary in customers' minds.

The ways in which brands create customer, company, and collaborator

value and the essence of brand positioning are discussed in more detail in the following sections.

#### **Brands as a Means of Creating Customer Value**

Creating customer value is central to building strong brands. Accordingly, understanding the essence of customer value and identifying its key domains are essential for the development of a viable brand strategy.

#### The Concept of Customer Value

Customer value reflects the worth of an offering to its target customers; it is a customer's assessment of the offering's ability to fulfill certain needs. Accordingly, an offering's value is determined by the fit between the benefits of the offering and the needs of its target customers, with better fit implying greater customer value.

Customer value is intangible and idiosyncratic. Value is *intangible* because it is not a property of the company's offering and does not physically exist in the market. Rather, value is created when a customer interacts with the company's offering; it reflects a customer's subjective evaluation of the worth (utility) of the offering. Because a customer's evaluation of the worth of the company's offering is subjective, value is *idiosyncratic*, meaning that the same offering can have different value for different customers; an offering that is appealing to one customer might be of little or no value to another customer.

A company can create customer value across three dimensions: functional, psychological, and monetary. These three dimensions of customer value are illustrated in Figure 2 and outlined in more detail below.

Customer value

Psychological value

Monetary value

Figure 2. The Three Dimensions of Customer Value

• Functional value is defined by the benefits directly related to an

offering's performance, such as reliability, durability, compatibility, ease of use, design, customization, form, style, and packaging. For offerings that are primarily utilitarian, such as office and industrial equipment, functionality is often the primary source of value.

- **Psychological value** is defined by the psychological benefits associated with the offering. For example, customers might value the emotional experience provided by a car—such as the joy of driving a high-performance vehicle, satisfaction from the social status it provides, as well as gratification from driving an environmentally friendly car. In lifestyle categories such as luxury and fashion, where customers seek emotional and self-expressive benefits, the psychological value conveyed by the offering is often the primary source of value.
- **Monetary value** is defined by the financial benefits and costs associated with the offering. Factors that define the monetary value of the offering include price, fees, discounts, and rebates, as well as the various monetary costs associated with using, maintaining, and disposing of the offering. Even though monetary value is typically associated with costs, an offering can also carry monetary benefits such as cash-back offers, monetary bonuses, cash prizes, financial rewards, and low-interest financing. In commoditized categories with undifferentiated offerings, the monetary aspect of the offering is often the primary source of value.

For example, the functional value of a Tesla car is defined by factors such as speed, safety, acceleration, and comfort. The psychological value is related to factors such as the satisfaction of preserving the environment, the exhilaration from experiencing the car's acceleration, and the sense of self-fulfillment associated with owning a prestigious car. Finally, Tesla's monetary value is defined by factors such as its price, maintenance costs, and the savings from using electricity instead of gas.

The discussion so far has focused on the ways a company's offering creates customer value. Because the brand represents one aspect of the company's offering, it can create value on the same three dimensions. At the same time, the ways in which brands create value on each of these dimensions is distinct from the way value is created by the other attributes of the offering. The specific ways in which brands create functional, psychological, and monetary value for target customers are outlined in the following sections.

### **Brands as a Means of Creating Functional Value**

Brands create functional value by delivering three types of functional benefits: identifying the company's offering, signaling an offering's performance, as well as enhancing customers' perception of an offering's performance.

- Identifying the company's offering. Brands identify the offering and enable its target customers to distinguish the company's products and services from those of its competitors. The use of brands as a means of identification dates back to ancient Egyptians, who used fire-heated branding irons to mark their livestock in order to assert ownership. Centuries later, brands continue to serve as a means of identifying a company's offerings. Just as companies obtain product information by scanning the barcode imprinted on the product, consumers obtain product information by observing the brand. Brands are a shortcut to identifying the desired offering, helping to reduce the mental and physical effort that consumers exert to identify the item they wish to buy. For example, if Tide laundry detergent was not associated with a unique brand, to locate it customers would have to examine the ingredients of many detergents to ensure that the product they purchase is indeed the Tide detergent produced by Procter & Gamble. The identification function of brands is particularly important in the case of commoditized products that are similar in their appearance and performance.
- **Signaling an offering's performance.** Brands can inform customers about the functional performance of the products and services associated with the brand. This aspect of brands is particularly important when the actual performance of the offering is not readily observable. For example, the Tide brand signals cleaning power, the Crest brand signals effective tooth protection, and the DeWalt brand signals durability. The signaling benefit of a brand also can extend beyond the branded offering. For example, high-end appliance brands such as Sub-Zero, Viking, Gaggenau, and Miele are often interpreted by condominium buyers as a signal of the construction quality of the building in which they are installed.
- Enhancing customers' perception of an offering's performance. In addition to changing perceptions, brands also can change the way customers experience the company's products and services. For example, the taste of beer might be influenced by individuals' knowledge of the brand they are consuming. In the same vein, the effectiveness of a drug might be influenced by individuals' knowledge of its brand name (brand placebo effect). In addition to influencing customers' experience of the functional aspects of the offering, a brand can create performance

benefits stemming from its ability to serve as a signal to other people. For example, brands signaling wealth (e.g., Patek Philippe watches, Bugatti cars, and Vertu phones) or professional expertise (Bosch construction tools and Montblanc business accessories) can serve the functional benefit of establishing an individual's credibility and facilitating business transactions.

## **Brands as a Means of Creating Psychological Value**

Psychological value is often the key source of the market value created by brands. Specifically, brands create psychological value by *conveying emotions*, *by enabling customers to self-express*, and *by signaling societal value*.

- Conveying emotions. Brands can evoke affective response from customers and create value by causing them to experience a wide range of positive emotions. For example, Allstate Insurance Company (*You're in Good Hands with Allstate*) aims to convey peace of mind with its brand. Hallmark (*When You Care Enough to Send the Very Best*) evokes feelings of love and affection, the American Red Cross (*The Greatest Tragedy Is Indifference*) evokes a sense of compassion, and Kodak (*Share Moments, Share Life*) evokes memories of special occasions in people's lives.
- Enabling self-expression. In addition to creating emotional benefits, brands can create self-expressive value by enabling individuals to express their identity. For example, Pepsi's classic positioning as *The Choice of the New Generation* (introduced in 1963) resonated with many teenagers seeking to define their own identity. In the same vein, brands like Harley-Davidson, Oakley, and Abercrombie & Fitch stand for different types of lifestyles, enabling consumers to express their unique personality. In addition to allowing consumers to express their individuality, brands like Rolls-Royce, Louis Vuitton, and Cartier create psychological value by enabling customers to highlight their wealth and socioeconomic status.
- **Signaling societal value.** Brands can also create customer value by conveying a sense of moral gratification from contributing to society. For example, brands like Tom's Shoes, Product Red, UNICEF, Doctors Without Borders, and Habitat for Humanity that represent humanitarian causes create customer value by taking a stand on relevant social issues and implementing a variety of socially responsible programs.

### **Brands as a Means of Creating Monetary Value**

In addition to creating functional and psychological value, brands can also create monetary value. Specifically, brands can create monetary value for target customers by *signaling an offering's price* and *enhancing the offering's monetary value*.

- **Signaling an offering's price.** Brands can inform customers about the prices associated with the company's products and services. For example, the Walmart brand conveys the image of low prices, fostering the view that its offerings are priced lower than its competitors. The price image conveyed by a brand is particularly important when buyers are unaware of the actual price of an offering and/or the competitiveness of its price. In such cases, customers might rely on the brand to infer the attractiveness of an offering's price.
- Enhancing an offering's monetary value. In addition to signaling an offering's monetary value, brands can also carry inherent financial benefits, which are reflected in the higher price of branded products on the secondary market. For example, Hermès, Prada, and Louis Vuitton handbags command a much higher resale price compared to functionally equivalent unbranded handbags. The financial benefit of brands is particularly prominent in the case of collectible items. To illustrate, a 1936 Bugatti sold for over \$30 million in 2010, significantly higher than warranted by its functional value as a means of transportation. Likewise, the Hermès Birkin bag commands a resale price as high as \$100,000, which is to a large degree attributed to the iconic status of the brand. In fact, the financial benefit of brands is one of the key factors in valuing alternative investments such as art, wine, watches, and automobiles.

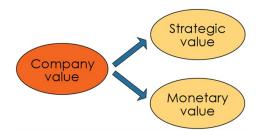
Not every brand creates all three types of customer value. In fact, some of the positioning strategies implied by the different types of brand value might be mutually exclusive. For example, a brand signaling a monetary benefit such as low price might not be credible in signaling product performance or conveying wealth and social status. In this context, the different types of customer value serve as a guide to developing a brand's value proposition rather than as a requirement that a brand create value for customers on each of the three dimensions.

## **Brands as a Means of Creating Company Value**

Brands can create two types of value for a company: strategic and monetary

(Figure 3). Monetary value is typically related to the marginal profits attributed to the brand. Strategic value, on the other hand, reflects the nonmonetary brand benefits, including synergies with other brands, increase in customer demand, and positive impact on the corporate culture. Even though strategic benefits often ultimately lead to monetary benefits (e.g., synergies among brands tend to lead to greater profits), their immediate impact is not directly linked to monetary outcomes, and the conversion of strategic to monetary benefits is contingent on a variety of extraneous factors.

Figure 3. Brands as a Means of Creating Company Value



The two types of company value—strategic and monetary—are discussed in more detail below.

# Brands as a Means of Creating Strategic Value for the Company

The strategic value created by brands reflects the nonmonetary benefits that a company derives from associating its products and services with a given brand. Specifically, brands can create several strategic benefits:

- **Brands can bolster customer demand.** Because brands create customer value, they generate incremental demand for a company's offerings. Thus, a customer who is not interested in an unbranded product might be interested in a branded version of the same product, provided, of course, that this customer finds the brand meaningful and relevant. In addition to increasing the attractiveness of the company's offerings, brands might facilitate product/service usage, which often leads to greater repurchase frequency. Offerings associated with an attractive brand are also more likely to encourage customer advocacy (e.g., word of mouth and social media comments), which, in turn, is likely to further promote sales.
- Brands can amplify the impact of other marketing tactics. For example, brands can enhance customer perceptions of product effectiveness because branded products might be viewed as more powerful, reliable, durable, safe, attractive, tasty, and/or visually

appealing than their unbranded counterparts. Furthermore, because brands create incremental customer value, companies tend to charge higher prices for branded products than for unbranded products. For example, Advil-branded ibuprofen is priced significantly higher than the generic version, and Morton-branded sodium chloride (salt) commands a substantial price premium over the unbranded version. In addition to considering branded products more attractive and evincing a willingness to pay extra for them, customers might be more willing to search for the branded product across distribution channels and bypass more convenient retailers that do not carry their favorite brand. Customers are also likely to react more favorably to incentives and communication from a brand they patronize and ignore incentives and communication from competitive brands and unbranded products.

- **Brands can ensure greater collaborator support.** Strong brands create value for the company's collaborators by stimulating demand for their products and services. For example, retailers benefit from carrying a brand in high customer demand because it helps generate store traffic. As a result, companies with strong brands are often in a position to negotiate better agreements with retailers, resulting in a better distribution network and greater promotional support (on-hand inventory, product placement, and sales support). On the other hand, retailers with a strong brand can command greater support and better margins from manufacturers of products that are either unbranded or associated with weaker brands.
- Brands can facilitate the hiring and retaining of skilled employees. Employees often place a premium on working for companies whose brands resonate with their own needs, preferences, and value system. As a result, companies with strong brands find it easier to attract talented employees and keep these employees from leaving. In fact, employees are sometimes ready to sacrifice part of their compensation and accept a lower salary to work for a company with a favorable brand. In addition to facilitating the recruiting and retaining of employees, brands can enhance the corporate culture and increase productivity.

# Brands as a Means of Creating Monetary Value for the Company

Along with their strategic benefits, brands can create monetary benefits for the company in several ways:

• Brands can generate incremental revenues and profits. Greater

customer demand for branded products and services and the ability of brands to command higher prices naturally lead to higher sales revenues, which, in turn, can translate into higher company profits. In addition, customers' affinity for a particular brand can enable the company to negotiate better financial terms with its collaborators (e.g., suppliers and distributors), thus increasing the company's profit margins.

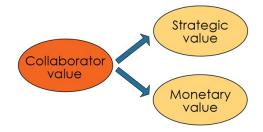
- **Brands can increase the valuation of the company.** Brands create monetary value for the company because of their ability to generate incremental net income. In this context, the monetary value of the brand (brand equity) is determined by the future value of the cash flows that are likely to be generated by the company's brand.
- Brands can create a separable company asset. In addition to contributing to a company's valuation, brands might generate additional value for the company if they are transferred to another entity. Thus, brands with names that are distinct from the parent company's brand might have significantly higher value when acquired by another company with better opportunities to unlock the true value of the brand (see Chapter 5 for a detailed discussion of different brand portfolio strategies).

The different ways in which brands create company value and the metrics for assessing this value are discussed in more detail in Chapters 9 and 10.

## **Brands as a Means of Creating Collaborator Value**

The ways in which brands create value for the company's collaborators are similar to the ways brands create value for the company. Specifically, brands can create two types of collaborator value: strategic and monetary. These two types of collaborator value are illustrated in Figure 4 and outlined below.

Figure 4. Brands as a Means of Creating Collaborator Value



#### **Brands as a Means of Creating Strategic Value for**

#### **Collaborators**

The strategic value created by a given brand reflects the nonmonetary benefits that a company's collaborators derive from associating this brand with their offerings. Specifically, brands can create the following strategic benefits:

- **Brands can bolster customer demand.** Strong brands can generate incremental demand for channel members carrying products and services associated with brands that have a loyal customer base. For example, a fashion retailer can benefit from carrying in-vogue brands that attract their loyal customers, thus bolstering store traffic.
- Brands can enhance the attractiveness of collaborators' offerings. By partnering with another entity, a company effectively lends its brand to collaborators, enabling them to utilize the power of its brand. Accordingly, a brand can create value by increasing the attractiveness of collaborators' products and services that are associated with it. For example, a computer manufacturer can enhance the credibility of its products by partnering with Intel and featuring the *Intel Inside* logo. In the same vein, partnering with established airline, hotel, and retail brands can enhance the attractiveness of a bank's credit cards by leveraging customers' affinity for partner brands.
- Cobranding can strengthen collaborator brands. In addition to increasing the demand for collaborators' offerings, brands can create collaborator value by strengthening collaborators' own brands. Thus, cobranding with a strong brand can have a "halo" (spillover) effect, adding credibility to a collaborator that might not be as strong. Cobranding can also extend the reach of the brand by adding another dimension to a brand's image and increasing the relevance of the brand across a greater range of needs and occasions. For example, partnerships between credit cards and various airlines, hotels, and retailers help make both the company and collaborator brands more prominent and more relevant across a broader range of purchase occasions.

## **Brands as a Means of Creating Monetary Value**

In addition to strategic value, brands can create monetary value for collaborators by directly generating incremental revenues and profits. Greater customer demand for strong brands and the ability of these brands to command higher price points can lead to higher sales revenues and profits for entities collaborating with these brands. For example, in addition to increasing

the attractiveness of their offerings, cobranding with Intel enables computer manufacturers to charge higher prices for their products, thus increasing their profit margins.

### **Brand Positioning**

To create a meaningful brand image, a company must identify the strategically important brand associations and make them primary in a customer's mind. Thus, in addition to defining the functional, psychological, and monetary value that a brand creates for target customers, the company must develop a clear positioning that reflects the company's view of how its target customers should think about the brand.

Brand positioning is the process of creating a meaningful and distinct image of a brand in target customers' minds

The term *positioning* is used in reference to both the *process* of creating a meaningful and distinct image in customers' minds, and the *outcome* of the positioning process—the mental image that the company aims to create in customers' minds. The latter meaning of brand positioning is akin to *brand image*, with the key difference that brand positioning is the set of brand associations that the company *aims to create* in its customers' minds, whereas the brand image consists of the brand associations that *actually exist* in a customer's mind. Furthermore, unlike brand image, which is an idiosyncratic representation of the brand in customers' minds, brand positioning reflects a set of common benefits that the brand aims to create for all target customers. In this context, the brand image reflects the ways in which individual customers internalize the brand's positioning.

The concept of *brand positioning* is also related to that of the *brand value proposition*. Even though both terms refer to the market value created by the brand, they vary in scope. A brand's value proposition defines *all* benefits associated with a given brand, including the less important benefits. In contrast, a brand's positioning focuses only on those brand benefits that define the most relevant and distinct aspect of the brand.

An important component in developing a brand's positioning is identifying the *reference point* against which target customers will evaluate the benefits of the brand. Based on the choice of a reference point, a brand can be positioned using four different frames of reference: *need-based*, *category-based*, *competitive*, and *product-line framing*.

• Need-based framing directly links the brand to a particular customer

need. For example, Walgreens' positioning, reflected in its motto *At the corner of happy and healthy*, appeals directly to customers' need for a happy and healthy life. In the same vein, Miller Lite's positioning, captured in its motto *Great taste* . . . *Less filling!*, appeals directly to customers' need for a low-calorie, great-tasting beer. Walmart positions its brand on savings to appeal directly to customers' need for affordable products, Volvo and Michelin position their brands as conveying safety, Intel emphasizes performance, and Abercrombie & Fitch focuses on customers' need for self-expression.

- **Category-based framing** defines the offering by relating it to an already established product category. For example, Coca-Cola's (1906) positioning as *The great national temperance beverage* defined Coke through its category membership, and BMW's positioning as *The ultimate driving machine* defines its offerings relative to the automobile category. In the same vein, wireless communications firm T-Mobile positions its brand as the *Un-Carrier* to contrast its key benefits with those of the other carriers, Apple used the phone category as a reference point when creating the iPhone brand, and Chinese online video company LeEco defined its LeTV brand by using the television category as a reference point.
- **Competitive framing** defines the offering by explicitly contrasting it to competitors' brands and highlighting those aspects of the offering that differentiate it from the competition. For example, Dollar Shave Club positioned its brand directly against Gillette, Apple defined the value proposition of its Mac computers relative to Microsoft, and Microsoft positioned its search engine Bing against Google. In the same vein, the positioning of Mexican pharmaceutical chain Farmacias Similares, expressed in its motto *Lo mismo pero más barato (Same but cheaper)*, defines its brand relative to traditional pharmacies that sell the same drugs at a higher price.
- **Product-line framing** defines a brand by comparing it to other brands in the company's product line. Rather than comparing its brand to the competition, a company pits its own brands against one another—a brand positioning strategy often used by market leaders seeking to nudge their customers to upgrade. For example, Procter & Gamble positioned the Gillette Fusion brand as a superior option to its predecessor, Gillette Mach3, in order to highlight the differences between the two offerings.

The above four frames of reference can be grouped into the more general categories of noncomparative and comparative frames. *Noncomparative* 

framing directly relates the value of the brand to the reference point without explicitly contrasting it to other brands. Need-based and category-based frames of reference tend to be noncomparative. In contrast, *comparative framing* defines the brand by contrasting it to other brands instead of (or in addition to) relating it to particular needs. Competitive framing and product-line framing typically involve comparative frames of reference. As a general rule, comparative positioning is employed by niche brands trying to gain on the market leader. Comparative positioning is rarely used by leading brands because by comparing themselves with a lesser known brand, they often end up implicitly endorsing the referent brand.

#### **Brand Mantra**

To streamline the formation of a meaningful image of the brand in a customer's mind, a company can benefit from identifying a single concept (for example, a need, benefit, or experience) and make it the primary brand association. For example, despite offering multiple benefits including performance, prestige, luxury, comfort, and safety, the BMW brand underscores a single benefit: performance.

The brand mantra is the primary association designed to anchor the image of the brand in customers' minds. For example, Nike's brand mantra is *authentic athletic performance*, Disney's brand mantra is *fun family entertainment*, Ritz–Carlton's brand mantra is *impeccable hospitality*, BMW's brand mantra is a *superior driving experience*, Harley-Davidson's brand mantra is *personal freedom*, and Walmart's brand mantra is *everyday low prices*.

The brand mantra is the brand's core promise to its customers

The concept of *brand mantra* is related to the *brand positioning* in that both terms reflect the essence of the brand. The key difference between these two concepts is their level of generality and the perspective they take. The brand mantra is more general and focuses on the primary benefit(s) associated with the brand, whereas positioning extends beyond the primary benefits to include all relevant brand benefits. Furthermore, the brand mantra defines the essence of the brand in order to streamline the process of brand management and ensure that the brand stays on point. In contrast, brand positioning articulates the way a company wants its brand to be perceived by its customers, including the specific concepts the brand should be associated with. The brand mantra delineates the "soul" of the brand without referencing its competitors, whereas brand positioning can relate brand benefits to those

of competitive brands. Note, however, that despite these differences, a brand's mantra and its positioning are closely related and, in many cases, might overlap.

The brand mantra typically reflects the core competency of the company. Thus, Nike's brand mantra is a reflection of its core competency in designing athletic apparel and equipment. Ritz-Carlton's brand mantra is a reflection of its core competency in service excellence. Disney's brand mantra is built on its expertise in developing entertainment products and experiences. BMW's brand mantra reflects its expertise in designing high-end performance vehicles. Walmart's brand mantra is a reflection of its core competency in effective and efficient operations. Hermès brand mantra of providing the ultimate luxury experience and craftsmanship is supported by its competency in designing and crafting exquisite fashion accessories.

In addition to articulating the essence of the brand, the brand mantra provides direction and sets boundaries for managing the brand. Thus, the brand mantra implicitly defines how far the company can "stretch" the brand and identifies the products and services that should and should not be associated with it. For example, because the BMW brand represents the ultimate driving experience, extending it to cars that fail to fulfill this promise or to products unrelated to a superior driving experience should be avoided because it is inconsistent with the essence of the BMW brand. Thus, an important aspect in defining the brand mantra is making strategic tradeoffs—deciding what the brand is and what it is not.

The brand mantra is an internal concept that guides a company's brand-building activities. As an internal concept, the brand mantra is not directly communicated to the brand's target customers. Instead, it is typically captured in the brand motto, which is communicated to customers. For example, Nike's brand mantra is reflected in its motto *Just do it*, Disney's brand mantra is reflected in the brand motto *Where dreams come true*, Ritz-Carlton's brand mantra is captured by its motto *Ladies and gentlemen serving ladies and gentlemen*, BMW's brand mantra is reflected in its motto *The ultimate driving machine*, Harley-Davidson's brand mantra is reflected in its motto *American by birth. Rebel by choice*, and Walmart's brand mantra is captured in the motto *Save money. Live better*.

#### **Brand Image**

The brand image reflects how customers see a particular brand; it is the network of all brand-related associations that exist in a customer's mind. The

brand image is a customer's understanding of the key aspects of the brand perceived through the lens of this customer's own set of values, beliefs, and experiences.

The brand image can be visually represented as an association map delineating the key concepts linked to the brand name. Figure 5 illustrates streamlined brand association maps representing a customer's (hypothetical) image of the Nespresso and BMW brands. Here, the nodes represent the different concepts that are associated with each of these brands in this customer's mind. The nodes closer to the brand indicate thoughts that are directly associated with the brand, and the nodes that are farther away indicate the secondary associations that are less prominent in a customer's mind.

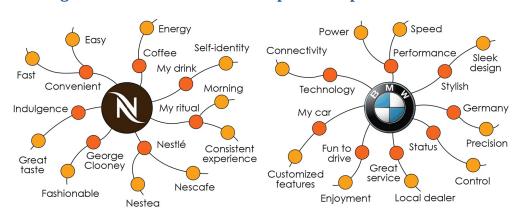


Figure 5. Brand Association Maps for Nespresso and BMW

The total number of associations, as well as their strength and their valence (positive vs. negative), depend on the degree to which a given brand has a relevant, well-articulated, and positive image in a customer's mind. The stronger the brand, the greater the number of relevant benefits, usage occasions, experiences, concepts, products, and places associated with it—and the stronger and more positive these associations are. Therefore, brand management aims to build strong brands by facilitating the formation of a variety of strong and meaningful brand associations in the minds of its target customers.

Ideally (from a company's standpoint), the brand image that exists in the mind of each of its customers should be consistent with the image the company aims to project, reflected in this brand's positioning. In reality, however, this is not always the case. Because the brand image exists in a customer's mind and stems from this customer's individual needs, values, and knowledge accumulated over time, the same brand might evoke different brand images across customers. For example, some customers might associate the Nestlé brand Nespresso with Switzerland; for others it might represent flavor variety and convenience, while still others might associate it with

Nestlé brand ambassador George Clooney. In the same vein, a customer might associate the BMW brand with the ultimate driving experience (the image endorsed by BMW), as well as with other idiosyncratic associations such as the particular dealer at which the car was purchased; with other German car brands such as Audi, Mercedes, and Porsche; and with a friend who owns a BMW.

A company's ability to create a consistent image of its brand in customers' minds is often limited to identifying and communicating the key concepts that it would like customers to associate with the brand, whereas the actual image formed in customers' minds varies based on customers' own unique experiences. Given the idiosyncratic nature of the brand image in customers' minds, to ensure consistency in the way customers perceive its brand, a company must develop a clear and consistent positioning that underscores the key aspects of its value proposition and brand mantra.

#### **SUMMARY**

The brand strategy delineates the target market in which the brand operates and the market value created by the brand.

A brand's *target market* is defined by five factors: target *customers* for whom the brand aims to create value, *collaborators* that work with the company to serve these customers, *competitors* whose brands aim to fulfill the same need of the same target customers, the *company* in charge of the brand, and the relevant market *context*.

The primary purpose of a brand is to create *market value* by identifying the company's offering, differentiating it from the competition, and creating benefits above and beyond those created by the product and service aspects of the offering. Specifically, the brand aims to create value for the three market entities: target customers, the company, and its collaborators.

Customer value reflects the worth of an offering based on customers' assessment of its ability to fulfill their needs. A brand can create customer value across three dimensions: functional, psychological, and monetary. Brands create *functional value* by delivering three types of benefits: identification, signaling, and performance. Brands create *psychological value* by delivering three types of benefits: emotional, self-expressive, and societal. Brands create *monetary value* by delivering two types of benefits: signaling and financial.

Brands create two types of company and collaborator value: monetary and

strategic. *Monetary value* reflects the monetary benefits directly attributed to the brand, including generating incremental revenues and profits, increasing the valuation of the company, and creating a separable company asset. *Strategic value* reflects the nonmonetary brand benefits, including bolstering customer demand, amplifying the impact of the other marketing tactics, ensuring greater collaborator support, facilitating the hiring and retaining of skilled employees, and enhancing the corporate culture.

*Brand positioning* is the process of creating a meaningful and distinct image of a brand in target customers' minds; it involves prioritizing the brand associations and identifying the primary association that best captures the essence of the brand. Based on the type of reference point, positioning can be either noncomparative or comparative.

*Brand mantra* is the brand's core promise to its customers. Brand mantra is an internal concept that reflects the core competency of the company and guides a company's brand-building activities.

*Brand image* is the network of meaningful associations in a customer's mind that is linked to a particular brand name. The brand image is formed not only as a result of the company's activities but also stems from a customer's idiosyncratic knowledge, beliefs, and experiences.

## BRANDING BRIEF: BRANDS AS A MEANS OF SELF-EXPRESSION

Brands create customer value by enabling consumers to express their identity. In this context, brands act as symbols that convey a set of values reflecting an individual's self-image. Based on the type of image they project, self-expressive brands can be defined along three basic dimensions: *status*, *personality*, and *expertise*.

• **Status brands** reflect an individual's membership in a particular socioeconomic class. Status brands are related to the Veblen effect (named after economist and sociologist Thorstein Veblen), which refers to the acquisition of goods mainly for the purpose of displaying social status, income, and wealth. Status brands are particularly popular in a socioeconomic environment characterized by the creation of new wealth and the upward mobility of certain social groups (for example, emergence of a middle class in developing countries). Because they symbolize wealth, status brands are priced at a premium relative to the other brands in the same product category. Rolls-Royce, Bugatti, Louis

Vuitton, Cartier, Vertu, and Brioni exemplify status brands.

- **Personality brands** express consumers' individual values and preferences. Personality brands are less about asserting individuals' status, wealth, and power than about reflecting their idiosyncratic beliefs, preferences, and values. Unlike status brands, which have a price point that makes them unattainable by the majority of the population, personality brands are not differentiated on price and, hence, can be attained by a larger segment of the population. Harley-Davidson, Abercrombie & Fitch, UGG, Quicksilver, and Oakley exemplify personality brands.
- **Professional brands** convey an individual's expertise in a particular area. Professional brands are usually highly specialized in an area in which they have established superior functional performance. For example, the use of Black & Decker's brand DeWalt, which is designated for professional-grade tools, helps enhance construction workers' perceived expertise and credibility. CAT (construction equipment), Montblanc (business management), and Paul Mitchell (hair care) exemplify professional brands.

The above three types of self-expressive brands can be represented in a three-dimensional space, defined by status, personality, and expertise. Status involves vertical differentiation, whereby consumers are distinguished by their wealth. Personality is similar to horizontal differentiation, distinguishing individuals by their idiosyncratic preferences. Expertise is an alternative type of differentiation, distinguishing individuals by their professional skill (Figure 6).

Status

Personality

Expertise

Figure 6. The Three Dimensions of Self-Expression

A brand's value proposition does not need to be constrained to a single dimension; it might involve all three dimensions. For example, even though Bugatti is a status brand (priced at over \$1 million), it can also be viewed as a personality brand that expresses certain aspects of its owners' character as

well as a professional brand in the context of an auto racing sport event. Likewise, even though Montblanc is positioned foremost as a professional brand, it is also a status and personality brand. In the same vein, although Harley-Davidson is first and foremost a personality brand, its relatively high price point adds a dimension of status.

The self-expressive meaning of brands is context specific and varies across countries, cultures, and social groups. Brands that are personality symbols in some countries can play the role of status symbols in others. For example, Harley-Davidson in the United States is a self-expressive brand signifying personal freedom, whereas in many developing countries it is also perceived as a status symbol due to its exclusivity and high price.

#### **BRANDING BRIEF: CAUSE BRANDING**

Cause branding refers to the practice of incorporating the societal value created by the company in its brand positioning. The majority of prosocial activities underlying cause branding take on one of three popular formats: *corporate philanthropy*, including charitable giving to nonprofit organizations and socially responsible causes; *community involvement*, which entails actively participating in social programs; and *socially responsible innovation*, which involves developing socially responsible products and services that factor corporate social responsibility into manufacturing processes.

Cause branding offers several important benefits to companies:

- **Enhancing brand image.** Associating a company's brand with an important social cause tends to bolster its brand image by creating a "halo" (spillover) effect, whereby customers' positive affect toward the social cause extends to the company's brand. Thus, consumers tend to view companies engaged in socially responsible activities as being warmer, more compassionate, more ethical, more likeable and trustworthy, and less blameworthy in the midst of corporate crises. 10
- Enhancing perceived product performance. In addition to enhancing the image of the company's brand(s), corporate philanthropy can bolster customers' evaluations of product performance, whereby products of companies engaged in socially responsible activities are perceived as having higher levels of performance. For example, consumers might think that wine produced by a company known for charitable giving tastes better than the same wine produced by a company not involved in prosocial activities.<sup>11</sup>

- Enhancing customers' self-image. Cause branding can also help customers feel better about themselves when they believe that by buying a company's products they themselves engage in prosocial behavior. In this context, cause branding gives customers the option to attain moral satisfaction from contributing to the social cause embraced by the brand.
- **Enhancing the company's culture.** Endorsing a social cause that is relevant to its employees and corporate values can also help the company strengthen its culture, which, in turn, can help attract skilled employees that share these values while increasing the loyalty and motivation of its current employees.

The above benefits of cause branding tend to increase the demand for the company's offerings, enhance consumer loyalty, and motivate customers to become brand advocates. At the same time, associating a brand with a particular social cause can have a number of drawbacks.

- **Brand dilution.** Associating a brand with a variety of unrelated social causes can obscure its core value proposition and positioning. The effect of such brand dilution can be exacerbated when the endorsed social cause is shared by multiple brands because it might make these brands more similar to one another.
- **Compensatory inferences.** In addition to diluting the meaning of the brand, socially responsible innovation might lower customers' perceptions of the functional performance of the company's products. For example, consumers might think that household products such as laundry detergent and toothpaste are likely to be functionally inferior when they are produced by companies promoting environmental sustainability. These inferences stem from people's beliefs that an option's strong performance on one attribute is likely to be offset with weak performance on another attribute, even when the two attributes are unrelated.<sup>12</sup>
- **Spillover of negative information.** Although not very common, cause branding might backfire because of negative information related to the endorsed social cause. For example, brands associated with the Livestrong Foundation (formerly the Lance Armstrong Foundation) were negatively impacted by the doping scandal associated with its founder and spokesperson.

#### BRANDING BRIEF: THE PRICE IMAGE OF A BRAND

Price image is the overall level of prices that customers associate with a particular brand. Because final prices are often set by distribution channels, price image is particularly relevant for retailers. Price image is an important aspect of a retailer's brand because it can influence the decision process of customers, the store that customers choose to visit first, the likelihood that customers will make a purchase from the store, and the amount of money customers will spend in the store. Thus, price-conscious customers who believe that the prices at Walmart are on average lower than those at Target are more likely to shop at Walmart than at Target. Furthermore, once in Walmart, they are more likely to purchase their preferred item without comparing prices for this item across different retailers and to walk out of the store with more items in their shopping cart.

The conventional wisdom is that because price image reflects customer perceptions about the overall level of prices at a given retailer, managing price image involves managing (typically lowering) these prices. This, however, is a very narrow and ultimately incorrect view of price image. Consider Whole Foods, which for over a decade has been referred to by customers and the media as "whole paycheck" for its premium pricing, and Trader Joe's, which is believed to be much more modestly priced. The disparity in the price image of these two stores reflects consumers' belief that the items sold at Whole Foods are significantly more expensive than those sold at Trader Joe's. However, a survey of the prices in the two stores found that a basket of 100 items was only 4% more expensive at Whole Foods than at Trader Joe's. Even though Trader Joe's had lower average prices in some categories, in others the prices were nearly identical across the two stores, and in some cases Trader Joe's' prices were actually higher than Whole Foods' prices.

The discrepancy between the perception and reality suggests that actual prices observed by buyers are not the only driver of price image. In fact, a retailer's price image is determined by a number of factors:<sup>14</sup>

- **Retail prices.** The lower the actual prices of the items offered by a given retailer, the lower this retailer's price image.
- **Known-value items (KVIs).** Known-price items are typically items that are frequently purchased and easily comparable, such as milk, soda, and batteries. Because buyers have a well-defined reference price for these items, they tend to play a key role in the formation of a price image.
- **Price range.** A store's price image is not just a function of the average retail prices but also of the range of prices featured by a retailer.

Unusually high or low prices tend to have a significant impact on a retailer's price image.

- **Price endings.** Odd prices and, specifically, prices ending in "9" have been found to signal greater value, whereby retailers featuring prices ending in "9" (or "99") are likely to be perceived as having overall lower prices.
- **Price presentation.** Providing customers with reference points that underscore a store's low prices (e.g., comparing the current price with a competitor's price, a suggested retail price, or a previous price) can benefit a retailer's (low) price image.
- **Sales promotions.** Frequent price discounts, volume discounts, and various promotional offers tend to lower a retailer's price image.
- **Price policies.** Transparent price-match policies tend to lead to a lower price image in the minds of consumers, independent of the actual prices.
- **Price communication.** Media campaigns featuring a retailer's low prices tend to benefit a retailer's price image.
- **Retail ambiance.** The physical attributes of a store—including décor, location, size, clutter, and design—can all serve as powerful signals of the retailer's commitment to low prices.
- **Service level.** Because customers understand that offering service is costly to the retailer, they often draw inferences that the retailer must maintain high prices to cover those costs.

#### **BRANDING BRIEF: BRAND PERSONALITY**

The term *brand personality* refers to the set of human traits associated with a brand. The attribution of human features to nonhuman entities, also referred to as anthropomorphism, is an innate tendency of human nature. Just as consumers relate to other people, they can establish relationships with brands by attributing human features to brands and thinking of brands as if they were people.

Brand personality can represent a variety of psychological traits such as conscientiousness, extraversion, and empathy, as well as personal values such as love, friendship, and freedom. A popular classification of the key attributes on which consumers evaluate the personality of a brand involves five dimensions: sincerity (e.g., typified by Hallmark cards), excitement (e.g., Red

Bull), competence (e.g., *Wall Street Journal*), sophistication (e.g., *Vogue*), and ruggedness (e.g., Levi's jeans).<sup>15</sup>

The personality of a brand is often reflected in the brand character, which exemplifies the key human traits of a brand. Thus, Johnnie Walker's striding man embodies personal advancement, McDonald's Ronald McDonald personifies fun, Procter & Gamble's Mr. Clean personifies competence, and Dos Equis' The Most Interesting Man in the World personifies adventure. Even nonhuman brand characters such as Kellogg's Tony the Tiger, Mars' M&Ms, and Nestlé's Nesquik Bunny can be anthropomorphized to represent human traits such as fun, encouragement, optimism, bravery, dependability, and adventurousness.

Note that although brand personality may be reflected in the brand character, they are not synonymous. Brand personality is a strategic concept that reflects the human traits associated with the brand. In contrast, the brand character is a specific branding tactic that encapsulates the personality of the brand. In addition to the brand character, all other branding tactics—including the brand name, logo, motto, soundmark, product design, packaging, as well as all other brand associations—can influence the personality of a brand. The role of brand tactics as tools in creating a brand's image and personality is outlined in Chapter 4.

When consumers anthropomorphize brands, they also may view their interaction with the brand as a relationship with another person. In this context, several types of consumer-brand relationships can be identified: Dependency (a strong emotional connection with the brand that borders on obsession), committed partnership (total loyalty to a brand to the exclusion of other brands), best friend (long-term use of the brand based on positive regard and trust), casual friend (favorable view of the brand but sporadic purchase), compartmentalized friendship (favorable view of the brand with purchase limited to a particular occasion), childhood friend (brand choice based on emotional connections with the past), kinship (brand choice based on family or social ties), secret affair (brand affinity kept hidden from others), fling (favorable view of the brand combined with willingness to try out other brands), courtship (brand choice driven by a desire to try it out), rebound (choice based more on disenchantment with a former brand than preference for the new brand), marriage of convenience (brand choice based on comfort and convenience that obviates the need to seek out another brand), arranged *marriage* (brand choice mandated by a third party, such as a family member or office manager), enslavement (brand choice imposed by the lack of alternative options), and *enmity* (intense disappointment with and even hostile

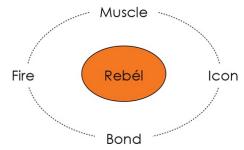
## BRANDING BRIEF: DEVELOPING THE BRAND MANTRA—HARLEY-DAVIDSON

Harley-Davidson is the quintessential self-expressive brand, widely known for its loyal following. Created and reinforced by Harley-Davidson employees, dealers, and customers, Harley's iconic brand image has been built with minimal traditional advertisement. Harley-Davidson has identified five key concepts to convey its brand mantra—personal freedom—to its 6,500 employees, 1,500 independent dealers, and millions of consumers. These concepts are fire, muscle, icon, bond, and rebel.



Fire symbolizes passion, inspiration, and energy; *muscle* stands for strength and power; *icon* highlights the symbolic nature of the Harley-Davidson brand representing personal freedom; and *bond* represents the relationship between customers and the brand as well as among customers themselves (Figure 7). These four concepts are anchored by an overarching concept—rebél (emphasis on the last syllable; it is an action verb, not a noun)—that permeates the concepts' individual meanings and is intricately linked to the brand mantra (*personal freedom*) and motto (*American by birth. Rebel by choice*).

Figure 7: Harley-Davidson Brand Legend



These five concepts (referred to by Harley-Davidson as the *brand legend*) embody the essence of the brand and were developed to ensure that all Harley-Davidson employees and its dealers around the world understand what the Harley-Davidson brand means, enabling them to make brand-consistent decisions when designing customer events and promotional activities. These five concepts define the brand mantra, setting the tone used to communicate

the Harley-Davidson brand to its customers and articulating the core values of the brand to its employees and collaborators.

# BRANDING BRIEF: BUILIDING A LIFESTYLE BRAND—TOMMY BAHAMA

Tommy Bahama is the quintessential lifestyle brand. Its essence can be captured in four words: Living the island life. Tommy Bahama's world is "a place without deadlines or demands, where you have the space to reconnect with simple pleasures. It's where you can breathe freely, live spontaneously, and relax in style."<sup>17</sup>



Tommy Bahama was created in the early 1990s by three entrepreneurs who envisioned a character that symbolizes the vacation spirit—a man for whom life is one long weekend. With a background in apparel design and manufacturing, they started a company that would make the type of clothes that their fictional character would wear. All business decisions were driven by one core question: What would Tommy Bahama do? The answer to this question defined their product line: Tommy liked silk, print shirts, tailored pants, and comfortable shorts. He liked clothes that were elegant and yet durable enough to withstand the elements of the islands. With this in mind, the brand's target customers were men aged 35 to 65 with discriminating taste, seeking apparel that enabled them to express their free spirit. <sup>18</sup>

From the very beginning, the company focused on building the image of the brand rather than on volume. Accordingly, the company zeroed in its distribution efforts on specialty stores, which were more interested than large department stores in a boutique brand like Tommy Bahama. Smaller, specialized retailers were more likely to familiarize themselves with the brand and display it in a way consistent with the brand mantra. The sales force in specialty stores was also more likely to point customers to Tommy Bahama apparel because the brand stood for something that everyone could easily relate to and that many were looking for. Working with a large number of specialty stores, many of which were placing relatively small orders, was a costly venture for a startup. To secure the means to build the brand, the company launched a private-label division manufacturing plain cotton khakis for a large retailer chain—a strategy that enabled it to finally turn a profit three years after the company's launch.

To grow the brand, the company had to embark on its own advertising in order to pull customers into retail stores rather than merely rely on its retail partners to push its products. Its \$2 million budget was too small to break through the clutter and compete in a meaningful way with the likes of Polo, Nautica, and Hilfiger. True to its vision for the brand, the company decided to open an island-resort-themed restaurant in Naples, Florida—a wealthy city on the Gulf of Mexico, known for high-end shopping, sophisticated dining, and more than 50 championship golf courses. Not only did the strategy work to introduce new customers to the brand, it also enabled the company to directly observe buyers' behavior and align its offerings with customer needs. One of these observations led to the launch of the Tommy Bahama line for women.

Over the years, the company has continued to grow company-owned stores, which now number more than 160 retail locations worldwide. In addition, it has expanded its wholesale business and ventured into lucrative licensing deals for accessories like shoes, handbags, ties, eyewear, fragrances, home décor, and indoor and outdoor furniture to become a \$1 billion lifestyle brand.

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## CHAPTER FOUR

## **DESIGNING BRAND TACTICS**

Design is not just what it looks like and feels like. Design is how it works.

—Steve Jobs, founder of Apple

**B** rand tactics translate the brand strategy into a set of actionable decisions that define the key brand elements and the way the company will create a distinct brand image in the minds of its target customers. The two key aspects of brand tactics—brand design and brand communication—are the focus of this chapter.

# Brand Tactics as a Process of Designing and Communicating Value

Brand tactics are guided by an overarching brand strategy that identifies the target market in which the brand aims to create value. In this context, brand tactics define the design of the brand and the way the brand is communicated to its target customers.

Because the brand is one of the marketing tactics defining a company's offering, understanding brand management can be facilitated by considering the brand alongside the other marketing tactics. As discussed in the first chapter, marketing tactics can be viewed as a process of designing, communicating, and delivering value, whereby the product, service, brand, price, and incentives represent the value-design aspect of the offering, and communication and distribution represent the value-communication and value-delivery aspects of the offering. In this context, brand tactics focus on the brand-specific aspect of designing, communicating, and delivering value.

As a process of creating market value, brands differ from the other marketing tactics in that the communication and delivery aspects of the value-creation process overlap. Indeed, brand communication and brand delivery serve the same function of creating a brand image in a customer's mind and, therefore, in most cases cannot be meaningfully separated. This inseparability of the communication and delivery of the brand stems from the fact that unlike the other marketing tactics, which could exist relatively independently of customers, brands ultimately reside in customers' minds. As a result, the tactical aspect of brand management can be viewed as a process of designing and communicating value.

The two key aspects of managing brand tactics—*brand design* and *brand communication*—are discussed in more detail in the following sections.

## **Brand Design**

Brand design articulates the elements that embody the brand. Brand design involves two components: brand identifiers and brand referents. *Brand identifiers* are brand elements that are created, managed, and owned by the company for the primary purpose of identifying the brand and differentiating it from the competition. Common brand identifiers include brand name, logo, motto, character, soundmark, product design, and packaging. *Brand referents* are brand elements whose value the company aims to leverage by associating them with its brand name. Unlike brand identifiers, brand referents typically exist independently of the company; they are not created, managed, and owned by the company. Common brand referents include needs, benefits, experiences, occasions, people, animals, places, concepts, objects, and other brands. The primary purpose of brand referents is to create meaningful associations in customers' minds by leveraging the meaning represented by the brand referents.

The difference between brand identifiers and brand referents can be illustrated by comparing the functions served by brand identifiers and brand referents. Consider two of the brand elements defining Nestlé's Nespresso brand: its logo featuring a white letter N on black background, and its brand ambassador, George Clooney. Here, Nespresso's logo serves the function of a brand identifier, and Mr. Clooney plays the role of a brand referent. Nespresso's logo is owned by Nestlé, but Nestlé does not own and has little control over George Clooney (other than through his contractual obligations as a celebrity endorser). Nespresso's logo adds value to the brand primarily by establishing the unique identity of Nestlé's offering and differentiating it from

the competition. In contrast, George Clooney—the winner of two Oscars and three Golden Globe Awards, and ranked by *Time* magazine as one of the 100 most influential people in the world—creates value for the Nespresso brand by allowing it to leverage his image and reputation. Nestlé describes George Clooney as "the perfect personification of the understated elegance and authenticity that make *Nespresso* what it is today."<sup>19</sup>

The key brand identifiers and brand referents, and their use as brand design elements, are discussed in more detail in the following sections.

#### **Brand Identifiers**

Brand identifiers are the brand elements that are developed, managed, and owned by the company. The primary function of brand identifiers, as the name suggests, is to uniquely identify the company's offering and differentiate it from the competition. For example, the Coca-Cola name, logo, and swirling bottle design help differentiate the company's offerings by enabling its customers to easily locate the company's products, which, in turn, enables Coca-Cola Company and its distributors to capture the revenues generated by these products. In a legal context, brand identifiers are similar to trademarks (see Chapter 7 for more detail).

The key brand identifiers are the *name*, *logo*, *motto*, *character*, *soundmark*, *product design*, and *packaging*. The brand name typically serves as the primary identifier of the brand to which all other identifiers are linked (Figure 1). The key brand identifiers are discussed in more detail in the following sections.

Logo

Motto
Character

Brand
name

Packaging

Product design

**Figure 1. Key Brand Identifiers** 

### **Brand Name**

The brand name is the key brand element that links all other brand elements.

Based on the degree to which they are afforded trademark protection, there are five categories of brand names. Arrayed in descending order, which roughly reflects their eligibility for trademark status and the degree of protection accorded, these categories consist of *fanciful*, *arbitrary*, *suggestive*, *descriptive*, and *generic* names.<sup>20</sup>

- **Fanciful** (fabricated) names involve words that do not have any particular meaning and have been invented for the sole purpose of serving as a trademark. Examples of fabricated brand names include Kodak, Xerox, Exxon, Diageo, Verizon, Altria, Häagen-Dazs, Pixar, and Accenture.
- Arbitrary names involve commonly used words that are unrelated to the company's business and, hence, do not suggest or describe a significant ingredient, quality, or characteristic of the company's products and services. Examples of arbitrary names include Apple for computers, Camel for cigarettes, and Virgin for airlines.
- **Suggestive** names require imagination or thought to determine the nature of the products and services associated with the brand. Examples of suggestive names include Tide for laundry detergent, Greyhound for transportation, Coppertone for sunscreen lotion, and Nike for sports gear.
- **Descriptive** names depict the product category and/or the key benefit associated with the company's products and services. Examples of descriptive names include Toys"R"Us, Whole Foods, Wonderful Pistachios, Dollar Store, Designer Shoe Warehouse (DSW), Pizza Hut, Travelocity, Jell-O, PowerBar, Rubbermaid, and Pop-Tarts. Descriptive names can also feature phonetic spelling of a common word such as Zappos (*zapatos* is the Spanish word for shoes), Flickr, Tumblr, Kix, Krispy Kreme, and Rice Krispies.<sup>21</sup>
- **Generic** names are the common names used to refer to associated products and services, such as *salt* when used in reference to sodium chloride. Because a generic name does not distinguish the products or services of the company from those of other entities, it affords no legal protection. Strictly speaking, generic names are not brands because they do not serve the function of identifying the company's offerings and differentiating them from the competition. Thus, when a brand name becomes a common term that refers to all products/services that perform the same function (e.g., Xerox for copying, Rollerblade for inline skating, Velcro for hook and loop fastener), the company is at risk of losing its right to the exclusive use of that name (a process referred to as generification or genericide). To illustrate, trampoline, escalator, and

aspirin are former trademarks that lost their trademark-protected status because of popular use and have become generic terms referring to a particular type of product.

The difference between different types of brand names can be illustrated with the following example. *Soap* in reference to a bar of soap is a generic name, *Lavender Handmade Soap* is a descriptive name, *Ivory Soap* is a suggestive name (the soap is actually white and the implication is that it will help make the skin ivory), *Rainbow* is an arbitrary name, and *Camay* is a fanciful name.

The level of trademark protection afforded to a brand name is a function of its distinctiveness. Fanciful names are considered to be most distinctive and therefore enjoy the highest degree of legal protection, followed by arbitrary and suggestive names. Descriptive names are the most difficult to protect because they are not inherently distinctive, and in order to gain legal protection they must acquire secondary meaning so that the name comes to signify the producer of the goods rather than the goods themselves. For example, Designer Shoe Warehouse signifies a particular shoe retailer rather than just a warehouse selling designer shoes. Finally, generic names are considered public domain and cannot be protected as trademarks. The distinctiveness of brand names and the corresponding levels of legal protection are discussed in more detail in Chapter 7.

A common origin of brand names are personal names, usually the names of the company founders, such as Rolls-Royce (Charles Rolls and Frederick Royce), Bentley (Walter Bentley), Ferrari (Enzo Ferrari), Gillette (King Gillette), Nestlé (Henri Nestlé), Procter & Gamble (William Procter and James Gamble), Mrs. Fields (Debbi Fields), Dell (Michael Dell), M&M (Forrest Mars and Bruce Murrie), Barneys New York (Barney Pressman), Toblerone (Theodor Tobler), Ralph Lauren, and Disney. In such cases, the distinctiveness of the brand depends on the uniqueness of the personal name. For example, names like Gillette, Procter & Gamble, Nestlé, and Toblerone can be viewed as distinctive if in consumers' minds the sole meaning of these names is related to the products they identify.

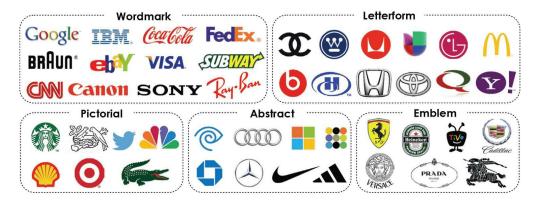
### **Brand Logo**

Brand logo is a sign comprising a unique combination of letters, fonts, shapes, colors, and/or symbols that aim to visually identify the brand. Based on their structure, there are several types of brand logos: wordmark, letterform mark, pictorial mark, abstract mark, and emblem. These different types of logos are

illustrated in Figure 2 and described in more detail below.

- **Wordmark.** A company's logo might involve a distinctive text-only typographic representation of the brand name. Examples of wordmark brand logos include Google, IBM, eBay, Coca-Cola, FedEx, Visa, Subway, AIG, Xerox, Canon, Ray-Ban, Microsoft, Philips, Sony, PayPal, and CNN.
- Letterform mark. The brand logo might involve only a single letter (usually the first letter of the company) with a unique typographical treatment. Examples of letterform logos include McDonald's, Westinghouse, Herman Miller, Yahoo, Univision, Chanel, Beats, Hilton, Honda, and Quiznos.
- **Pictorial.** The brand logo might involve a pictorial representation of the brand. Examples of pictorial logos include NBC's peacock, Starbucks' siren, Target's concentric circles, Lacoste's crocodile, Twitter's bird, and Shell's seashell.
- **Abstract.** The brand might also involve an abstract image that has no inherent meaning. Examples of abstract logos include Nike, Time Warner, Hyatt Place, Audi, Adidas, Chase, Mercedes, and Microsoft.
- **Emblem.** The brand logo might also involve a more complex representation that includes different brand logo components and usually features the name of the brand. Examples of emblem logos include Ferrari, TiVo, Cadillac, Heineken, Versace, Burberry, and Prada.

Figure 2. Typology of Brand Logos



Brand logos comprise several common elements, including *typography*, *color*, and *symbols*. These elements are outlined in more detail below.

• **Typography.** Designing the logo's typography involves selecting the typeface (font) as well as the size and spacing of the individual letters. To differentiate their logos, companies sometimes create their own trademarked fonts and/or find distinct ways to use existing fonts. For

example, Coca-Cola, Disney, Yahoo, Apple, McDonald's, and eBay use distinct typography to establish their brand identity. The role of typography in designing brand logos is illustrated in Figure 3, which depicts the variety of typefaces used by the Disney Company to capture the unique spirit of its movies.

Figure 3. Designing a Brand Logo: Typography



• Color. Because color is one of the first things people notice in an object, color selection is a key decision in logo design. As a result, many companies have associated their brands with a particular (in some cases trademarked) color. Brands with color-defined logos include UPS (brown), Coca-Cola (red), DeWalt (yellow), Makita (teal blue), Tiffany (light blue), John Deere (green), and Yahoo (purple). Logos can also be defined by a combination of colors as in the case of FedEx (purple and orange), McDonald's (red and yellow), and Google (blue, red, yellow, green, and orange). The use of color in designing brand logos is illustrated in Figure 4.

Figure 4. Designing a Brand Logo: Color



• **Symbols**. Symbols visually represent a particular aspect of the brand name. For example, Shell's logo features a seashell, Travelers features an umbrella, Burger King's logo features two burger buns, Texaco's logo features a star with the letter "T" in the middle, Fidelity Investments features a pyramid, Prudential's logo features the Rock of Gibraltar, Expedia's logo features an airplane flying around the globe, Disney's logo features Cinderella's castle, Domino's logo features a domino tile, World Wildlife Fund features a panda, Twitter features a mountain bluebird, and ING features a lion (Figure 5).

Figure 5. Designing a Brand Logo: Symbols



The choice of the logo elements is important because in addition to differentiating the brand, they can also help convey a particular meaning. Thus, Coca-Cola's red color might be perceived to be more energetic compared to the more peaceful brown color featured by UPS. Similarly, fonts used by Disney in different movie franchises are more playful, whereas fonts used by FedEx, UPS, and DHL are more serious. In the same vein, the Rock of Gibraltar in Prudential's logo symbolizes financial stability, the lion in ING's logo conveys financial strength, and the crown in the Rolex logo symbolizes prestige and achievement.

#### **Brand Motto**

Brand motto is a phrase that identifies the brand by articulating the brand's positioning to its target customers. Based on the nature of the underlying message, brand mottos can be *imperative*, *descriptive*, *declarative*, *superlative*, *provocative*, and *promise-based*.

- Imperative mottos involve a call for action. Examples of imperative mottos include Nike's *Just Do It*, YouTube's *Broadcast Yourself*, Ford's *Go Further*, United Airlines' *Fly the Friendly Skies*, American Express' *Don't Leave Home Without It*, Kodak's *Share Moments. Share Life*, Coca-Cola's *Twist the Cap to Refreshment*, Subway's *Eat Fresh*, eBay's *Buy It. Sell It. Love It*, and Vodafone's *Make the Most of Now*.
- **Descriptive** mottos depict a key benefit of the products and services associated with the brand. For example, Walgreens' motto *The Pharmacy America Trusts* captures the brand's key functional (pharmacy) and psychological (trust) benefits. Other examples of descriptive mottos include M&M's *Melts in Your Mouth, Not in Your Hands*, Intel's *Intel Inside*, IBM's *Solutions for a Small Planet*, *Fortune* magazine's *For the Men in Charge of Change*, and Rice Krispies' *Snap*, *Crackle*, *Pop*.
- **Declarative** mottos involve a general statement that typically does not contain a specific brand promise. For example, De Beers' *A Diamond Is Forever*, Coca-Cola's *Always Coca Cola*, LG's *Life's Good*, Calvin Klein's *Between Love and Madness Lies Obsession*, Levi's *Quality Never Goes Out of Style*, JCPenney's *When It Fits You Feel It*, and Tag Heuer's *Success. It's a Mind Game* exemplify declarative brand mottos.
- **Superlative** mottos claim category leadership on an important dimension. Budweiser's *King of Beers*, BMW's *The Ultimate Driving Machine*, Porsche's *There Is No Substitute*, Gillette's *The Best a Man Can Get*, John Deere's *Nothing Runs Like a Deere*, and Pizza Hut's *The Best Pizzas Under One Roof* exemplify superlative mottos.
- **Provocative** mottos involve a claim that challenges certain conventions. For example, Apple's *Think Different*, Adidas' *Impossible Is Nothing*, Diesel's *For Successful Living* (can a pair of jeans really make one's life more successful?), Volkswagen's *Drivers Wanted*, Microsoft's *Where Do You Want to Go Today?*, UPS's *What Can Brown Do for You?*, Clairol's *Does She... Or Doesn't She?*, and McDonald's *Did Somebody Say McDonald's?* exemplify provocative brand mottos.

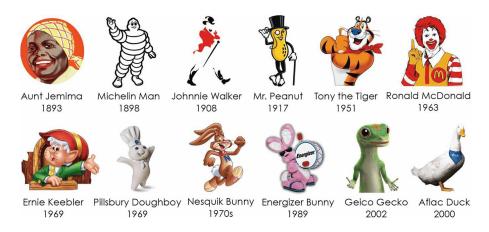
**Promise-based** mottos articulate a promise that a brand makes to its customers. Nestlé's *Good Food. Good Life*, Target's *Expect More. Pay Less*, Sears' *Good Life. Great Price*, Walmart's *Save Money. Live Better*, Avis' *We Try Harder*, Smuckers' *With a Name Like Smucker*'s, *It Has to Be Good*, Burger King's *Have It Your Way*, and State Farm's *Like a Good Neighbor*, *State Farm Is There* exemplify promise-based brand mottos.

The choice of the brand motto is important because it directly relates the essence of the brand to its customers. To be effective, the motto must articulate the brand mantra for its target customers in a way that identifies the brand, differentiates it from the competition, and creates unique customer value. The choice of the specific motto format—imperative, descriptive, declarative, superlative, provocative, or a promise—is determined by the overall positioning of the brand and the image it aims to establish in customers' minds.

#### **Brand Character**

The brand character is a fictional personality that embodies the essence of the brand. Popular brand characters include Aunt Jemima, the Michelin Man (Bibendum), Mr. Peanut, Johnnie Walker, Betty Crocker, Kellogg's Tony the Tiger, StarKist's Charlie the Tuna, McDonald's Ronald McDonald, Ernie Keebler, the Pillsbury Doughboy, the Nesquik Bunny, the Energizer Bunny, Geico's Gecko, and Aflac's Duck (Figure 6).

Figure 6. Brand Characters as Brand Identifiers



Brand characters are commonly used as brand identifiers for several reasons. First, brand characters are an additional means of identifying the company's brand and differentiating it from the competition—a benefit that is especially important for commoditized products and services where the actual differences between the competitive market offerings are not well

pronounced. In addition, a character's personality can add a deeper meaning to the brand and succinctly express more complex values, ideas, and emotions than can be communicated by words and graphics. Finally, customers (especially children) often find it easier to establish a meaningful connection with brand characters, especially when the brand characters are anthropomorphized and have a distinct personality. For example, brand characters such as Tony the Tiger, Betty Crocker, and the Nesquik Bunny create value by humanizing the company's offering and establishing an emotional connection between the brand and its target customers.

Despite their multiple advantages, the use of characters has several drawbacks. Even though brand characters help differentiate commoditized offerings, in the case of products and services that have inherent distinguishing characteristics, brand characters might not create marginal value and, instead, might distract customers from the unique benefits of the offering. For example, cars use product design to express the personality of their brand, making brand characters superfluous. Furthermore, because brand characters tend to be associated with a specific set of values, ideas, and emotions, they might not appeal to all target customers; for some customers, the brand character might end up decreasing rather than increasing the overall value of the brand. Finally, a brand character typically requires a relatively long time horizon to become meaningful to customers.

#### **Brand Soundmark**

The brand soundmark uses sound to uniquely identify a particular brand. Soundmarks help increase brand recognition, establish an emotional connection with a brand, enhance the brand meaning, and foster brand engagement. There are three common types of soundmarks: *tune*, *music*, and *jingle*.

- **Tune** involves a simple and easily remembered melody. Intel's tune, NBC's chime, Microsoft's ding, 20th Century Fox's fanfare, and Samsung's ringtone exemplify various tunes used as brand soundmarks.
- **Music** involves a wordless melody designed to complement a brand's identity. For example, the music used by De Beers in its "Shadows and Light" campaign became part of its brand identity, enhancing the emotional aspect of the brand. Music is commonly used in movies and has helped transform many movie franchises—including Star Wars, James Bond, and Indiana Jones—into multi-billion-dollar licensing businesses.

Soundmarks can also involve various sounds such as the roaring of MGM's lion, Harley-Davidson's distinctive V-twin engine sound, and modulations of spoken words as in the case of the word *Aflac* repeated by Aflac's duck.

The growing popularity of soundmarks is a function of their ability to enhance a company's capacity to differentiate its brand by bolstering its unique identity. Soundmarks introduce another dimension on which a company can identify its offering(s), differentiate them from the competition, and create distinct market value. The importance of soundmarks in creating a relevant and memorable brand is heightened by the fact that different sensory modalities (e.g., sound and vision) tend to work together to strengthen the overall brand image. In this context, employing sound as another mode of expressing and reinforcing brand identity can also increase the impact of the other brand identifiers.

## **Packaging**

Packaging can serve as a brand identifier by associating an offering with a particular brand. Packaging elements that commonly play the role of brand identifiers include shape, color, graphics, and text. Individual packaging elements need not be unique to serve as brand identifiers; however, the combination of elements (the overall look and feel) must be able to indicate the source of the product (e.g., the company that manufactured the product) and distinguish it from other products.

Examples of product packaging that serves as a brand identifier include Coca-Cola's swirl bottle, the Heinz octagonal ketchup bottle, Smuckers' distinctive jar with the gingham lid design, Jif's squeezable lemon-shaped lemon juice bottle, Grey Goose's frosted glass bottle with a silhouette of

flying geese, Red Bull's packaging with the words "Red Bull" in a red font placed centrally between the blue and silver trapezoids, and Tiffany's robin's-egg blue box wrapped with a white bow. Product packaging that serves a brand-identifying function is also referred to as trade dress (see Chapter 7 for more detail).

Figure 7. Product Packaging as a Brand Identifier



The concept of product packaging can be extended to services, whereby the context in which a service is delivered can perform a brand-identifying function. For example, many fast-food establishments, restaurants, and coffeehouse chains including McDonald's, TGI Fridays, Chili's, Starbucks, and Dunkin' Donuts use store design and ambience to identify and reinforce their brands in the minds of their customers. In the same vein, many mass-merchandisers and specialized retailers including Walmart, Target, Home Depot, IKEA, Best Buy, Apple, and Nike use store design to convey their brands and differentiate them from those of competitors. Likewise, many high-end fashion retailers including Louis Vuitton, Prada, Hermès, and Dior have engaged the expertise of renowned architects to design their stores in a way that communicates the essence of their brands. Even the brown color affixed to the UPS delivery trucks can be viewed as an aspect of service packaging that plays a key role as a brand identifier.

## **Product Design**

Product design can serve as a brand identifier when it indicates the source of the product and distinguishes it from products offered by others. Product design elements that commonly play the role of brand identifiers include shape, color, flavor, texture, scent, and sound. As in the case of packaging, individual product design elements need not be unique to serve as brand identifiers; however, the combination of the product design elements (the overall look and feel) must be able to indicate the source of the product and distinguish it from other products.

Examples of product design that serves as a brand identifier include the design of the Hermès Birkin bag, the pink color of Owens Corning fiberglass insulation, the shape of the Volkswagen Beetle, the shape and color of the

bright-orange Goldfish crackers by Pepperidge Farm, the purple color of AstraZeneca's drug Nexium, the pale-blue color and diamond shape of Pfizer's drug Viagra, the taste and texture of Oreo cookies, the fragrance of Chanel N° 5 perfume, and the red soles of Christian Louboutin shoes. In a legal context, product design serving a brand-identifying function is also referred to as trade dress (see Chapter 7 for more detail).

Figure 8: Product Design as a Brand Identifier



## **Key Principles in Designing Brand Identifiers**

The creation of brand identifiers is guided by several overarching principles. To be effective, brand identifiers must be *memorable*, *unique*, *protectable*, *strategic*, and *communicable*.

- **Memorable.** Because one of the key functions of a brand is to help its target customers locate the branded offering, brand identifiers must be easy to recognize and recall. Compare, for example, the brand names of two Las Vegas hotels: Venetian and Vdara. The former brand is memorable and meaningful; the latter much less so.
- **Unique.** An important function of brand identifiers is to differentiate the company's offering from the competition. In order to uniquely identify the company and its offerings, brand identifiers must be unique. Compare, for example, the brand names of the following convenience store chains: 7-Eleven, Maverik, Stop-and-Shop, Grab-and-Go, and One-Stop-Shop. The first two brands stand out and the other three blend together.
- **Protectable.** Brand identifiers must be defendable against unauthorized use and legal claims. Protectability is particularly important in cases when a brand becomes synonymous with the product category and risks becoming generic. Examples of brands that have lost their trademark due to generification include *escalator* (Otis Elevator Company), *zipper* (B.F. Goodrich), *aspirin* (Bayer), *heroin* (Bayer), thermos (Thermos GmbH), *laundromat* (Westinghouse), *cellophane* (DuPont), *videotape* (Ampex Corporation), and *dry ice* (Dry Ice Corporation of America).
- **Strategic.** Brand identifiers must be aligned with the overarching brand strategy such that the meaning implied by brand identifiers is aligned

with the essence of the brand. For example, Procter & Gamble changed the name of *Oil of Olay* (which originally was derived from the word *lanolin*—its key ingredient) to *Olay* in order to better align it with the value proposition (non-greasy feeling) of many of its products as well as to extend the brand to a broader range of products. In the same vein, Starbucks dropped the word coffee from its logo—a change consistent with its strategy to expand beyond coffee and serve light meals and alcoholic beverages.

• **Communicable.** Brand identifiers must be compatible with the different types of media. The advancement of online communication placed a number of limitations on presenting graphically complex identifiers. For example, British book retailer Waterstones streamlined its name by dropping the apostrophe to ensure consistent brand identification in its online and brick-and-mortar stores. In the same vein, mail-order flower distributor 1-800-FLOWERS modified its name to 1800FLOWERS.com to ensure brand-name consistency across different media channels.

#### **Brand Referents**

Brand referents are the brand elements whose value the company aims to leverage by linking them to its brand name. For example, Starbucks associates its brand with referents such as coffee, espresso, custom-crafted drinks, great taste, friendly service, and social impact; and Apple associates its brand with innovation, style, creativity, functionality, and ease of use.

Brand referents are similar to brand identifiers in that they aim to create a set of meaningful associations in people's minds. However, unlike brand identifiers, which are owned and managed by the company, brand referents exist independently from the company. Furthermore, unlike brand identifiers, whose primary function is to identify the company's offering, brand referents typically do not uniquely identify the company's offerings. Instead, the primary function of brand referents is to enhance the value of the brand and shape its image in customers' minds by leveraging the meaning associated with the referents.

To illustrate, the meaning of the BMW brand is conveyed to its target customers through a set of identifiers and referents that reflect the brand mantra—a superior driving experience. BMW brand identifiers—attributes that are owned by BMW and uniquely identify its offerings—include the BMW name, an acronym for Bayerische Motoren Werke or Bavarian Motor Works; logo, featuring the Bavarian national colors of white and blue; motto,

The Ultimate Driving Machine; and product-design features, including its distinctive kidney-shaped grille.<sup>22</sup> BMW brand referents, on the other hand, include the concepts—e.g., driving experience, performance, precision engineering, fun-to-drive, adventure, status, and prestige—that the company relates to the brand in order to enrich the meaning of the brand and make it relevant to its target customers. Even though BMW does not technically own the exclusive rights to use these concepts, by making them a key element of its brand design and constantly associating them with the BMW brand in its communication, the company aims to link them to its brand so that when consumers think of BMW they immediately associate it with concepts like a superior driving experience, and vice versa.

In the same vein, the Nestlé brand conveys meaning that is much richer than the direct meaning of its brand elements: the name Nestlé and the graphic representation of a nest with two young birds being fed by a mother. Rather, the Nestlé brand evokes a complex set of associations in a consumer's mind that relates Nestlé products to various consumer needs, beliefs, experiences, and behaviors. Thus, Nestlé brand referents enrich the meaning of its brand by facilitating meaningful associations in people's minds.

Brand referents vary in the type of associations they aim to create. Despite their variety, there are several common types of referents used by companies to shape and enhance the meaning of their brands. Such common brand referents include *needs*, *benefits*, *experiences*, *occasions*, *activities*, *places*, *people*, *concepts*, *objects*, *products and services*, and *other brands*.

- **Needs.** Because brands aim to create customer value, a company might choose to establish a direct association between a particular customer need and its own brand. To accomplish this, a company might promote the link between the customers' need and its brand as a means to fulfill this need. For example, Sprite has associated itself with thirst (*Obey your thirst*), Snickers has focused on hunger (*You're not you when you're hungry*), and Harley-Davidson has focused on the need for self-expression (*Live to ride*, *ride to live*).
- **Benefits.** Instead of referring to a particular need of its target customers, a company might associate its brands with a particular benefit of the offering as a means of fulfilling this need. For example, Energizer emphasizes durability (*Keeps going and going and going*), Tide focuses on effectiveness (*If it's gotta be clean, it's gotta be Tide*), FedEx emphasizes speed and reliability (*When it absolutely, positively has to be there overnight*), Coca-Cola highlights refreshment (*The pause that refreshes*), Pepsi highlights taste (*The taste of the new generation*), and

- Walmart and Target highlight low prices (*Always low prices*. *Always*; *Expect more*. *Pay less*).
- **Experiences.** A company might also associate its brand(s) with different experiences, including feelings, emotions, and senses. For example, Hallmark associates itself with caring (*When you care enough to send the very best*), Campbell's soup and KFC associate themselves with taste (*M'm! M'm! Good!; Finger lickin' good*), Disneyland relates itself to fun and happiness (*The happiest place on earth*), American Red Cross associates itself with compassion (*The greatest tragedy is indifference*), Toyota associates itself with a special driving experience (*Get the feeling*), and American Airlines associates itself with a superior flying experience (*Something special in the air*).
- Occasions. Because many purchase and usage decisions are occasion-based, companies often relate their brands to particular events and situations in the lives of their customers. For example, Corona beer is associated with a vacation at a tropical beach, Kodak is associated with special occasions, Kit Kat is associated with taking a break, Korbel California Champagne associates itself with New Year's celebrations, and De Beers associates its brand with engagements and anniversaries.
- Activities. Brands might also use as referents specific activities that their target customers typically engage in. For example, Nike is associated with playing sports, Google is associated with online search, Rollerblade is associated with inline skating, Xerox is associated with copying, Procter & Gamble's Mr. Clean is associated with household cleaning, and Facebook is associated with social networking.
- **Places.** Brands can refer to various geographic locations, countries, states, and cities in order to establish their identity. For example, Foster's beer and Yellow Tail wine are associated with Australia (*Foster's—Australian for beer*), Harley-Davidson underscores its American heritage (*American by birth. Rebel by choice*), Rice-A-Roni references San Francisco (*Rice-A-Roni—the San Francisco treat*), The Boston Beer Company associates its brand Samuel Adams with Boston, Saks Fifth Avenue associates itself with New York City's iconic Fifth Avenue, and Visa highlights its omnipresence (*VISA—It's everywhere you want to be*).
- **People.** Because customers can easily relate to other people, companies often associate their brands with individuals. For example, Swiss watchmaker Tag Heuer has associated its brand with a variety of celebrities including Brad Pitt, Tiger Woods, and Uma Thurman. Apple

has associated its brand with Albert Einstein, Pablo Picasso, Martin Luther King, Jr., Mahatma Gandhi, Muhammad Ali, and John Lennon. Brands can also be associated with a group of people representing a social class or a lifestyle rather than a particular individual. For example, *Fortune* magazine associates itself with economic and political leaders (*For the men in charge of change*).

- **Concepts.** Brands can also refer to more abstract ideas, concepts, and thoughts. For example, Aston Martin refers to concepts of *beauty* and *soul*; Calvin Klein refers to concepts of *love*, *madness*, and *obsession*; Apple refers to the concept of *thinking different*; Volkswagen refers to the concept of *thinking small*; IMAX refers to the concept of *thinking big*; 3M refers to *innovation*; HP refers to *inventing*; Product Red promotes the idea of *battling AIDS in Africa*; Benetton promotes the idea of *diversity*; and Dove promotes the idea of *natural beauty*.
- **Objects.** Brands can be associated with objects that represent a particular aspect of the image it aims to create in customers' minds. For example, IBM uses the planet as a referent (*Solutions for a smart planet*), Chevrolet trucks are associated with a rock (*Like a rock*), and the laundry detergent Ajax uses dirt as a referent (*Stronger than dirt*).
- **Products and services.** A brand can position itself by referencing a particular product or service, so that thinking about the brand evokes the product/service and thinking about the product/service evokes the name of the brand. Brands with strong product category associations include Quaker (oatmeal), Chiquita (bananas), Dole (pineapples), Perdue (chicken), De Beers (diamonds), Morton Salt (salt), and FTD (flowers). In the same vein, brands that have strong associations with particular services include Amazon (online retail), eBay (online auctions), FedEx (overnight delivery), and H&R Block (tax preparation).
- **Brands.** Companies use other brands as referents for different reasons. First, companies associate (cobrand) their brand with another brand (which can be their own or a collaborator's brand) to leverage its value. For example, the iPhone is cobranded with its parent brand, Apple; Courtyard hotels are cobranded with Marriott, their parent brand; Lenovo is cobranded with Intel; and Chase is cobranded with Visa. Alternatively, a company can use a competitor's brand as a referent in order to contrast it with its own brand. For example, to underscore its benefits, T-Mobile compares itself to Verizon, Apple compares itself to Microsoft, and Microsoft's Bing compares itself to Google.

The choice of brand referents is important because they help customers

form brand associations by linking the brand name with important mental constructs—needs, benefits, experiences, occasions, activities, places, people, concepts, objects, products and services, and other brands—that are meaningful to target customers. To ingrain their brands in customers' minds and make these brands more relevant to customers, companies use multiple referents, each designed to create a distinct and meaningful brand association. Because brand referents (together with brand identifiers) are the tools used by a company to create a favorable brand image, the individual brand elements must converge in a way that leads to a consistent and meaningful value proposition and positioning.

#### **Brand Communication**

Brand communication relates the brand design—identifiers and referents—to target customers in order to build the desired brand image in their minds. The two aspects of brand communication—*brand media* and *creative execution*—are discussed in more detail in the following sections.

#### **Brand Media**

The media defines the means used by the company to convey the essence of its brand to the target market. Based on the entity initiating the communication, there are two general types of media: *outbound* and *inbound*.

#### **Outbound Media**

Outbound media involves brand communication initiated by the company. The most popular types of outbound media include *advertising*, *public relations*, *social media*, *direct marketing*, *personal selling*, *event sponsorship*, *product placement*, and *product-based communication*.

- Advertising involves communication in which the company develops the message and absorbs media costs, such as the cost of air time and print space. The most popular forms of advertising include audiovisual (television, video, and film), radio, print (promotional brochures, advertisements in newspapers and magazines, and newspaper and magazine inserts), online, mobile, outdoor (posters and billboards), and point of sale (front-of-the-store, end-of-aisle, and shelf-talkers—signs displayed in close proximity to the promoted item).
- Public relations involve communication by third parties that are not

directly controlled by the company. Unlike advertising, with public relations the company does not pay for the media and therefore cannot control the content of the message. Instead, it aims to encourage a third party (opinion leaders and the press) to promote the brand. Because the message comes from a third party that typically has no vested interest in the company's offering, public relations communications are often viewed as more credible than communications directly sponsored by the company.

- **Social media** involves brand communication through social networks such as Twitter, Facebook, Instagram, Snapchat, and WeChat, enabling companies to share brand-related content with their current and potential customers.
- **Direct marketing** involves targeted communication (catalogs, direct mail, telemarketing, and online advertising) designed to inform customers about the company's brand and elicit a direct response from them, such as buying the branded product or service.
- **Personal selling** involves direct, typically one-on-one, interaction with a company representative (a salesperson) that aims to convey the essence of the company's brand.
- **Event sponsorship** involves backing events and activities of interest to the brand's target customers in order to communicate the essence of the brand.
- **Product placement** (also referred to as branded entertainment) involves securing the rights to embed (place a brand) within a particular form of entertainment, such as a sports event, television show, or a movie.
- **Product-based communication** is embedded in the product itself in the form of brand-related product labels, signs, and packaging.

The allocation of resources across different media types is a function of the effectiveness and cost efficiency of each media format with respect to its ability to communicate the essence of the brand. For some brands, such as those associated with alcohol, tobacco, and firearms, the choice of advertising medium is also subject to legal restrictions.

In addition to identifying the media format, the media decision also involves determining the specific media channels within each media type. For example, in the domain of television advertising, the media-channel decision involves selecting particular shows and time slots in which the company's brand will be best positioned to reach and influence its target customers. Beer

brands often choose to advertise during popular sports events with predominantly male audiences (e.g., Super Bowl), whereas cosmetic brands are typically advertised to predominantly female audiences.

#### **Inbound Media**

Inbound media involves brand-related communication initiated by the public rather than the company. Common types of inbound media include *online search*, *personal interaction*, *phone*, *live chat*, *email*, and *regular mail*.

- Online search involves customers actively seeking brand-related information across different formats: text, video, and audio. Popular online search platforms include Google, YouTube, Amazon, Siri, and Alexa; popular online search marketing tools include SEO (search engine optimization) and SEM (search engine marketing). SEO involves optimizing a company's website to increase the number of visitors by ensuring that the site appears high on the list of brand-related results returned by a search engine. For example, a cereal company can optimize its website (by embedding the key search terms in the website, streamlining the website content, and linking it to external content) to ensure that it shows up first in the regular search results when customers enter the word "cereal" in their browsers. Unlike SEO, which aims to increase the website rank organically, SEM aims to bring more visitors using paid search such as pay-per-click listings and advertisements. For example, a cereal company might bid on the word "cereal" to ensure that a link to the company's advertisement shows up first in the paid search results when customers enter the word "cereal" in their browsers.
- Personal interaction is perhaps the oldest form of inbound marketing, allowing customers with questions about the company's offering to interact directly with company representatives. This form of communication is particularly important for establishing and maintaining close relationships with customers and building and maintaining brand loyalty.
- **Phone communication** enables customers to interact with the company to receive relevant information and address specific issues related to the company and its brand. It is similar to personal interaction except that it is not conducted face to face.
- Live chat enables the company to connect with website visitors, understand their needs and objectives, and inform them about the company's brand. It is similar to personal interaction except that it is conducted online. The advantage of online forums is that they enable the

company to interact with customers without them leaving the company website.

• **Mail** and **email** are alternative forms of inbound media that benefit customers who prefer to communicate by articulating their thoughts more carefully and in a format that preserves the specifics of the interaction for future reference.

During the past decade, the importance of inbound media has increased dramatically, with online search becoming the key inbound media format. Despite the popularity of online search, the other types of inbound media also play an important role in brand communication by adding an interactive component to the search process. The key to managing inbound media is understanding the ways in which customers interact with a company's brands and providing venues where customers can learn about, experience, and bond with these brands.

#### **Creative Execution**

Creative execution is the specific implementation of the brand strategy and design. It adapts the brand elements to the specific type of media being used to convey the meaning of the brand to its target customers. Figuratively speaking, the brand design can be thought of as the "left brain" of the value creation process that logically articulates a brand's value proposition, whereas the creative aspect of brand communication represents the "right brain" that aims to express this value proposition in a way that will resonate with and engage target customers.

The development of the creative solution of a brand's communication involves two key decisions: *message appeal* and *execution style*.

• Message appeal reflects the approach used to communicate the brand message. Most creative solutions involve at least one of two types of appeals: information-based and affect-based. Information-based appeals typically rely on methods such as factual presentations (straightforward presentation of the relevant information), demonstrations (illustration of the offering's key benefits in a staged environment), slice-of-life stories (depicting the brand as a part of customers' everyday life), and testimonials (brand endorsements by ordinary users or celebrities). In contrast, affect-based appeals typically play on emotions such as love, romance, humor, and fear. A communication campaign can use a combination of the two approaches to achieve maximum impact.

• Execution style is the method used to convey a particular appeal using the language of the selected media format. Style decisions are media specific. Thus, print advertising involves decisions concerning the copy (wording of the headline and the body text), visual elements (pictures, photos, graphics, and logos), format (size and color scheme), and layout (the arrangement of different parts of the advertisement). Radio advertising involves decisions dealing with the text (wording of the dialogue and narration), audio (music, dialogue, and sound effects), and format (length). Television advertising involves decisions concerning the visual elements (imagery), text (wording of the dialogue, voice-over narration, and printed text), audio (music, dialogue, and sound effects), and format (length).

An important aspect of developing the brand communication campaign is maintaining the balance between the brand message and the entertainment component of the creative solution to keep creativity from overshadowing the brand message. Creativity is not the ultimate goal; it is a means of building strong brands.

## **Key Principles of Managing Brand Communication**

Managing brand communication is guided by three key principles: *strategic focus*, *consistency*, and *synergy*.

- **Strategic focus.** The brand communication campaign must prioritize strategy over entertainment to achieve the company's branding goals. Because of ever-growing competition to capture buyers' attention, companies are often tempted to develop overly creative campaigns designed to break through the clutter of competitive messages. While creativity per se is a virtue, it should never be achieved at the expense of the overarching brand strategy.
- Consistency. Brand communication activities must be aligned across different media formats—television, print, radio, online, place, in-person, and packaging—in order to minimize confusion and create a consistent image of the brand in the minds of its target customers. Consistency is particularly important because different media formats involve different competencies, forcing companies to hire multiple agencies and/or creative teams that focus on advertising, public relations, social media, product placement, and search optimization. To achieve consistency in the message and creative execution, a company must ensure the close collaboration of all media and creative teams that work on a brand's

communication.

• **Synergy.** Brand communication must maximize the joint impact of individual messages across different media formats so that their impact is compounded. Because experiencing the brand message in different contexts is likely to create a more extensive network of brand associations in a customer's mind, conveying a brand's message across different media and varying the creative execution is often more effective than merely repeating the same message over and over using the same media channel.

Following these key principles is essential for crafting a successful brand communication campaign. Because the goal of brand communication is to convey and enhance the market value of the brand, both communication elements—brand media and the creative solution—must reflect the overall strategy of the brand, must be internally consistent, and must maximize synergies across different messages and media formats.

#### **SUMMARY**

Brand tactics translate the brand strategy into a set of actionable decisions—brand design and brand communication—that define the brand in the market.

*Brand design* articulates the elements that define the essence of the brand. Brand design involves two components: brand identifiers and brand referents.

Brand identifiers are brand elements that are created, managed, and owned by the company for the primary purpose of identifying the brand and differentiating it from the competition. Common brand identifiers include brand name, logo, motto, character, soundmark, product design, and packaging. To be effective in identifying the brand, identifiers must be memorable, unique, protectable, strategic, and communicable.

*Brand referents* are brand elements that are not unique to the brand but whose meaning the company aims to leverage by linking them to its brand name. Brand referents can be thought of as nodes in the network of associations that the company would like to link to a particular brand name. Common brand referents include needs, benefits, experiences, occasions, activities, places, people, concepts, objects, products and services, and other brands.

*Brand communication* relates the key elements of brand design—identifiers and referents—to target customers in order to build a meaningful brand image in their minds. Brand communication involves two components: brand media

and creative execution.

*Brand media* defines the means used by the company to convey the essence of its brand to target customers. Brand media can be divided into two general categories: outbound and inbound. *Outbound media* involves brand communication initiated by the company, including advertising, public relations, social media, direct marketing, personal selling, event sponsorship, product placement, and product-based communication. *Inbound media* involves brand-related communication initiated by the public rather than the company, including online search, personal interaction, phone, live chat, email, and regular mail.

*Creative execution* is the specific implementation of the brand strategy and design. It adapts the brand elements to the specific type of media in order to express the brand's value proposition in a way that will resonate with and engage its target customers.

Managing brand communication is guided by three key principles: *strategic focus* aimed at balancing the brand-strategy component and the entertainment component of brand communication, *consistency* across different media formats, and *synergy* across different media formats to maximize the impact of individual messages.

## BRAND BRIEF: BRAND IDENTIFIERS—McDonald's

McDonald's is the world's leading global food service retailer. It operates more than 36,000 restaurants in over 100 countries, with more 1.9 million people working for the company and its 5,000 independent franchisees. McDonald's hosts hundreds of millions of customers and serves more than one billion hamburgers per year. To create a meaningful and consistent brand image in the minds of each and every one of its customers, McDonald's has developed a distinct set of brand identifiers that include:

**Brand name:** *McDonald's*. The name dates back to 1948 when Dick and Mac McDonald used their surname to brand their fast-food restaurant in San Bernardino, California. In 1961, the McDonald's Corporation—an Illinois-based company founded by entrepreneur Ray Kroc—acquired exclusive rights to the McDonald's name.

**Logo:** The company's masterbrand logo depicts two golden arches and the wordmark "McDonald's." The logo features two main colors: yellow (Pantone 123) and red (Pantone 485), and the wordmark uses Helvetica Black typeface.

Because of the ubiquity of McDonald's brand and the diversity of contexts in which consumers as well as businesses experience the brand, McDonald's utilizes a variety of context-specific logos in order to maximize the brand's impact while preserving the consistency of its brand image. Each logo serves a particular purpose and is used only in the media for which it has been designed. The portfolio of logos used by McDonald's at the turn of this century is shown in Figure 9 and delineated in more detail below.<sup>23</sup>

Figure 9. McDonald's Portfolio of Brand Logos



The roster of McDonald's logos includes the *Golden Arches logo* (designed to serve as the masterbrand logo), *global graphics logo* (designed as the primary graphic and unifying visual in McDonald's global packaging system), Ronald McDonald logo, Sports Arch logo (designed to maximize McDonald's brand exposure when the golden arches are viewed from a long distance or on television), drive-thru logo (designed to establish a brand identity for McDonald's drive-thru experience), road sign logo (featuring an exaggerated arches symbol and increased type size, designed to maximize legibility at a distance), Ronald McDonald House Charities (RMHC) logo (designed to build awareness for the charity, which provides support and care to children and families), PlayPlace logo (designed to identify the children's play area added to the restaurant), Happy Meal box logo (designed to establish brand identity for McDonald's children's Happy Meal), corporate logo (designed for use in corporate communication), and international logo (designed for internal purposes only—to identify international franchises—the logo can be customized by inserting the name of a particular country in place of the word "International").

**Motto:** McDonald's current motto is *I'm Loving It*. Introduced in 2003, it is the core of McDonald's longest running marketing campaign. It was preceded by *We Love to See You Smile*, and *Did Somebody Say McDonald's?* 

**Character:** *Ronald McDonald.* Introduced in 1963, Ronald McDonald is a clown character who originally inhabited a fantasy world called McDonaldland along with other characters that included Mayor McCheese, the Hamburglar, Grimace, Birdie the Early Bird, and The Fry Kids. In 2003,

the company decided to focus on a single campaign—I'm Loving It—which resulted in retiring all secondary characters and the closure of McDonaldland. In 2016, McDonald's decided to temporarily suspend the use of Ronald McDonald due to the public's concern with clowns stemming from the numerous frightening clown sightings around the country.

**Soundmark:** *I'm Lovin' It.* The ubiquitous jingle was created in 2003 and originally sung by Justin Timberlake.

**Packaging:** McDonald's branding extends to its packaging, such as the Happy Meal packaging shown in Figure 9. In addition, an important aspect of McDonald's brand is the design of its restaurants, their look and feel, and the atmosphere they create.<sup>24</sup>

# BRANDING BRIEF: BRAND PACKAGING—TIFFANY'S BLUE BOX

Tiffany & Co. was founded in 1837 by Charles Lewis Tiffany and John B. Young, who opened a "stationery and fancy goods" store in New York. The store offered its customers fashion items featuring the newly emerging "American style," which, unlike the opulent European design aesthetic that dominated at the time, was inspired by the natural world and its patterns of simplicity, harmony, and clarity.



At the 1867 Paris world's fair, Tiffany was awarded the grand prize for silver craftsmanship, the first time this award had been given to an American design house. By 1870 Tiffany & Co. had become America's leading purveyor of jewels and timepieces, and its silver studio was the first American school of design. The unprecedented number of awards it received at international expositions led to Tiffany's appointment as Royal Jeweler to monarchs in Europe, the Ottoman emperor, and the czar of Russia. Many of the most prominent members of American society, including Presidents Lincoln and Roosevelt, were Tiffany customers.

Perhaps one of the most distinct aspects of Tiffany's is its famous Blue Box, which has come to epitomize the company's heritage of elegance, exclusivity, and flawless craftsmanship. The box, featuring the signature Tiffany Blue

color, was first introduced in 1878, and the choice of the blue color as a brand identifier goes back to 1845 when Tiffany published its first Blue Book catalogue depicting the company's annual collection of exquisitely handcrafted jewels. Tiffany boxes carry the embossed *Tiffany & Co.* name in Baskerville Old Face type. Each box is accented with a white satin ribbon, hand-tied at the counter (although during the holidays, Tiffany uses a red ribbon). The color of the box, commonly referred to as Tiffany Blue, robin's-egg blue, or forget-me-not blue, was likely chosen because of the popularity of the turquoise gemstone in the nineteenth century. The Tiffany Blue color—No.1837 on Pantone's color chart, representative of Tiffany's founding year—has become an indistinguishable aspect of Tiffany's brand and is considered to be the most protected color in marketing.

To sustain the unique role of the Tiffany Blue Box as an icon of luxury and exclusivity, the company is true to the vision of its founder, described in *The New York Sun* in 1906:

[Charles Lewis] Tiffany has one thing in stock that you cannot buy of him for as much money as you may offer; he will only give it to you. And that is one of his boxes. The rule of the establishment is ironclad, never to allow a box bearing the name of the firm, to be taken out of the building except with an article which has been sold by them and for which they are responsible.<sup>25</sup>

#### Branding Brief: Brand Logos with Hidden Meaning

Brand logos not only identify the brand and differentiate it from the competition, they can also carry a specific meaning reflecting the essence of the brand. The meaning carried by brand logos can be readily evident (as the Rock of Gibraltar in Prudential's logo), or it can be inconspicuous, expressing key aspects of the brand meaning in subtle ways. Several such subtle logos are shown in Figure 10, and their symbolic meaning is discussed in more detail below.

Figure 10: Brand Logos with Hidden Meaning



*FedEx*: The right-pointing arrow in the negative space between the *E* and the *x* represents direction and speed.

*Pinterest:* The letter *P* doubles as a pin, reinforcing the brand name.

*Amazon:* The arrow underscoring the brand name signals that Amazon carries everything from A to Z.

*Continental:* The first two letters are symbolic of an automobile tire, which is Continental's core product.

*Baskin-Robbins:* Parts of the letters *BR* double as *31*—the number of flavors Baskin-Robbins is known for.

Unilever: The logo consists of twenty-five icons representing Unilever's values, competencies, and processes. The icons contained in the logo are *sun* (light and renewable energy), *bee* (community spirit), *hand* (sensitivity, care, and need), *plant* (the natural world), *DNA* (the blueprint of life), *hair* (beauty, looking good, and feeling confident), *palm tree* (forest, growth, and the environment), *swirl* (passion for great flavors and taste), *bowl* (commitment to quality ingredients and healthy meals), *spoon* (nutrition and cooking), *chili pepper* (fresh product ingredients), *fish* (fresh food, sea, and nature's resources), *spark* (catalyst for change), *dove* (freedom, empowerment, and self-esteem), *flower* (sensitivity, care, and beauty), *lips* (communication, openness and transparency), *ice cream* (a treat, pleasure and enjoyment, refreshment, and dessert, fun), *recycle* (reducing waste), *particles* (science), *transformation* (positive change), *container* (dedication to consumer experience), *heart* (love, care, and health), *clothes* (fresh laundry, looking good, and feeling confident), and *waves* (cleanliness, freshness, and vigor).<sup>26</sup>

*Tostitos:* The two *T*s depict people dipping a tortilla chip into a bowl of salsa.

*Toblerone:* The mountain has an embedded image of a bear, the symbol of the Swiss city of Bern where the company was founded.

*Le Tour de France*: The letter *R* represents a cyclist and the orange circle represents the front tire of a bicycle.

*Carrefour:* The arrows reflect the meaning of the brand (Carrefour means crossroads in French), the negative space between the two arrows forms the letter *C*, and the colors represent the French flag.

*NBC*: The logo features a white peacock with five colorful feathers representing each division of NBC (at the time of the logo design).

*Formula 1:* The negative space in the middle creates a number 1 for *Formula 1*.

# BRANDING BRIEF: Typography and Color in Logo Design

A key purpose of the brand logo is to easily identify the brand. To this end, companies use a variety of visual means—including typography and color—to create a unique brand identity. A number of companies have been very successful in designing unique logos, to the extent that even a single letter might be sufficient to identify the brand. Consider the images contained in Figure 11, with each letter of the alphabet represented by the first letter of a popular consumer brand as featured in their logos. Can you recognize the corresponding brands? The full logos of these brands are shown in Figure 12.

Figure 11: Consumer Brands Identified by the Initial Letter in Their Logos

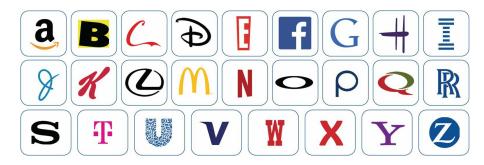


Figure 12: Logos of the Consumer Brands Shown in Figure 11



The ubiquity of mobile devices has heightened the importance of making the brand logos scalable so that they can readily become icons on mobile phones, tablets, and smart watches. Consequently, a number of companies have streamlined their logos to have a uniform look across different media, and many have developed a simpler, single-letter version of their logo for use on mobile devices. The trend toward abbreviated logos has greatly increased the role that typography and color play in creating a distinct brand identity, forcing managers to create impactful yet simple logos that can carry over across diverse media formats.

#### **ADDITIONAL READINGS**

- Airey, David (2014), *Logo Design Love: A Guide to Creating Iconic Brand Identities* (2nd ed.). Berkeley, CA: New Riders.
- Schmitt, Bernd and Alex Simonson (1997), *Marketing Aesthetics: The Strategic Management of Brands, Identity, and Image.* New York, NY: Free Press.
- Wheeler, Alina (2012), *Designing Brand Identity: An Essential Guide for the Whole Branding Team.* Hoboken, NJ: John Wiley & Sons.

## PART THREE

# MANAGING THE BRAND

## INTRODUCTION

Authentic brands don't emerge from marketing cubicles or advertising agencies. They emanate from everything the company does.

—Howard Schultz, founder of Starbucks

Brands do not exist in isolation; nor are they static. They are often related to other brands, and their meaning evolves over time. Thus, a brand might become part of a company's portfolio of brands and be associated with other brands in order to increase their market impact. The meaning of the brand might evolve in response to changes in the target market as well as a result of extending the brand to new product categories. These changes call for understanding the relationships among individual brands, the market dynamics leading to changes in a brand's meaning, and a brand's ability to create value across different target markets and product categories. These issues are addressed in Part Three of this book.

**Chapter 5** addresses the topic of brand architecture. Specifically, it examines the formation of a company's brand portfolio strategy, which involves the relationships among a company's own brands, between a company's brands and its products/services, as well as the relationships among brands managed by different companies. This chapter further discusses the issue of private labels and managing private-label portfolios.

**Chapter 6** examines the changes in the meaning of the brand over time. Specifically, this chapter addresses the issue of strategic and tactical brand repositioning in response to changes in the company's goals and in the brand's target market. This chapter further discusses the concept of brand extensions, which involve stretching the meaning of the brand to product categories with which it has not been previously associated. Finally, this chapter addresses the topic of brand licensing, which involves lending an existing brand to another entity.

**Chapter 7** discusses the key legal aspects of branding. Specifically, it examines the role of identity marks in protecting a company's brand and contrasts them with the other types of intellectual property. This chapter further discusses different types of identity marks, including trademarks, service marks, collective marks, certification marks, geographic indications, appellations of origin, and trade dress.

**Chapter 8** outlines the key aspects of brand analysis and planning. Specifically, this chapter delineates the key components of a brand management plan: identifying the goal to be achieved by the brand, developing a brand strategy, designing brand tactics, defining the implementation, and setting controls to measure the brand-building progress. This chapter further discusses the key principles of developing a brand value map, which outlines the brand strategy and tactics; a brand positioning statement, which offers a succinct overview of the brand strategy; and the brand audit, which offers an assessment of the current state of the brand.

## CHAPTER FIVE

## **MANAGING BRAND PORTFOLIOS**

You have to decide what image you want for your brand. Image means personality. Products, like people, have personalities, and they can make or break them in the marketplace.

—David Ogilvy, founder of Ogilvy & Mather advertising agency

A s companies grow, they expand their offerings to appeal to a broader range of customers. With the expansion of their portfolio of offerings, companies must decide how many and which brands to use to identify the different products and services they offer. Furthermore, if using multiple brands, companies must decide whether and how these brands should be related. The key decisions involved in managing brand portfolios are the focus of this chapter.

## **Designing a Brand Portfolio Strategy**

Designing a brand portfolio strategy involves assigning specific brands to a company's products and services, and managing these brands to maximize their value individually and as a whole. For example, Mondelēz International, one of the world's largest snack companies, manages a large portfolio of brands, including Cadbury, Chips Ahoy!, Halls, Lacta, Milka, Nabisco, Newtons, Oreo, Philadelphia, Ritz, Toblerone, Triscuit, and Trident. When managing these brands, Mondelēz aims to ensure that each brand enhances the value of the products associated with it without detracting from the value the other brands in the portfolio create for their products.

Because brand management is guided by a company's overall marketing strategy, designing and managing brand portfolios must be considered in the broader context of a company's overarching strategy for creating market value. Accordingly, a company's brand portfolio strategy should be considered as an integral part of its overall marketing strategy, defined by its target customers and its value proposition for these customers. In this context, the brand portfolio strategy aims to manage the company's individual brands in order to optimize the value of its offerings for each customer segment.

The role of brands in managing a company's portfolio of offerings is illustrated in Figure 1, which depicts a portfolio comprising two offerings targeting two customer segments. Because of the diversity of customer needs, the company must have a different value proposition and develop a different market offering for each customer segment. In this context, the brand is one of the seven marketing tactics that a company can use to create value for each customer segment.

Target Customers B **Target Customers A** Value Proposition A Value Proposition B Market Offering B **Market Offering A** Product ) Product Service Brand Service Brand Price Incentives Price Incentives Distribution Distribution Communication) Communication )

Figure 1. Designing a Brand Portfolio Strategy

Market offerings targeting different segments do not need to differ on all dimensions; they might vary on some but not all marketing tactics. This implies that the same brand might be used across different products and services, offered at different price points, combined with different incentives, communicated in a different fashion, and distributed through different channels. Managing brand portfolios involves deciding whether to use the same brand across different company offerings and defining the essence of the brand in a way that creates value for each target segment.

To illustrate, consider the portfolio of offerings by Toyota, which targets five different customer segments denoted by the letters A through E in Figure 2. Toyota has a distinct value proposition and a corresponding offering tailored to the needs of each of these customer segments. Based on customers' needs, Toyota offers different vehicles, including a compact car (A), a sedan (B), a truck (C), an SUV (D), and a luxury sedan (E). The level of service offered to customers and the distribution channel through which the vehicles are sold are the same for all customer segments with the exception of the luxury sedan (E), which has its own dealer network offering a higher level of service. Toyota's vehicles are sold at different price points, with prices targeting segment A the least expensive and prices targeting segment E the

most expensive; vehicles targeting segments B, C, and D fall between these price points. In addition, all five of Toyota's offerings have their own incentives and communication campaigns.

Target Segment B Segment D Segment A Segment C Segment E customers Value Practical and Everyday Commercial Utilitarian Luxury proposition inexpensive transportation transportation transportation experience **Product** Standard Standard Standard Standard Service Premium Scion Toyota Toyota Toyota Lexus **Brand Price** \$ \$\$ \$\$ \$\$ \$\$\$ Toyota Toyota Toyota Toyota High-end Distribution dealership dealership dealership dealership dealership

Figure 2. Designing a Brand Portfolio Strategy: Toyota

An important decision in designing a brand portfolio strategy is whether the company's offerings should share the same brand or have their own brands. In Toyota's case, the five offerings are associated with three different brands. The sedan, the truck, and the SUV carry Toyota's name, which has traditionally been associated with reliability. The upscale vehicle (E), launched in the United States in 1989, is branded as Lexus—a brand signifying elegance and promising to deliver a luxury experience. Finally, for customers looking for a more affordable car, Toyota introduced a new brand in 2004 named Scion (meaning descendant or heir)—a brand whose hip image is aimed at the younger urban consumer.

Toyota's decision to launch two new brands rather than use its core brand was driven by the different needs and preferences of its target customers. Toyota's two new brands—Lexus and Scion—reflect the different benefits of the corresponding offerings. Lexus' luxury image is supported by a premium product, higher level of service, dedicated dealer network, refined communication campaign, higher price, and limited monetary incentives. The entry-level Scion, on the other hand, is aggressively priced, offers a fairly basic vehicle and standard level of service, is promoted with a hip communication campaign, and is distributed through Toyota's main dealer network.

In general, the relationship between brand- and product-portfolio decisions can be represented as a matrix, with columns showing different market segments and rows showing the relevant strategic and tactical decisions for each segment (Figure 3). The strategic decisions—identifying target customers and developing a value proposition—guide the tactical aspects of the offering, including branding. Accordingly, the decision of

whether to use the same brand across different offerings, and the meaning of each brand, is guided by the overarching marketing strategy that delineates the value of the offering for each market segment.

**Target Customers**  $T_D$  $T_A$  $T_B$  $T_{C}$ Marketing strategy Value Proposition  $V_A$  $V_B$ Vc  $V_D$  $P_1$ Product  $P_2$  $P_2$  $P_3$  $S_3$ Service  $S_1$  $S_2$  $S_2$  $S_3$ Brand Bı B<sub>1</sub> Brand portfolio Price Rι  $R_2$  $R_2$  $R_3$  $R_4$ Incentives  $I_1$ 12  $l_3$ Marketing tactics Communication  $C_2$  $C_2$ Distribution  $D_1$  $D_2$  $D_1$  $D_3$  $D_3$ 1 Market offering

Figure 3. Designing a Brand Portfolio Strategy: The Brand-Offering Matrix

The company's value proposition guides the development of an offering tailored to the needs of each target segment. This offering, in turn, is defined by the seven marketing tactics—product, service, brand, price, incentives, communication, and distribution. To create market value, all marketing tactics must be aligned with the company's overall targeting strategy. In addition to creating its market-specific brand strategy, a company must also coordinate its branding activities across different offerings in order to create a meaningful brand portfolio in which different brands complement rather than compete with one another.

Of particular importance in designing a brand portfolio strategy is to clearly define the brand–product relationships. This involves deciding which products (and/or services) to associate with a given brand and vice versa. Brands often encompass multiple products, and the same brand may be used to identify a variety of different products. In this context, the decision to associate a given brand with a particular product is guided by the company's overall strategy and defined by its choice of target market and its value proposition for target customers, collaborators, and company stakeholders.

The relationship between a company's brands and its products/services can be represented as a matrix, with columns identifying a company's brands and rows delineating its products (Figure 4). Each of the columns represents the offerings (and products) associated with a particular brand, and each of the

rows represents the offerings (and brands) associated with a particular product or product line. The use of a single brand across multiple products and/or product categories is a common business practice. For example, Starbucks uses its brand for coffee, ice cream, and liquor; Heinz uses its brand for ketchup, vinegar, and gravy; and FedEx uses its brand for express, ground, and freight service. Alternatively, although less frequently, the same product can be associated with different brands, which are often sold in different markets. For example, in the United States Unilever brands its mayonnaise as Hellmann's in states on the East Coast and in the Midwest, and as Best Foods on the West Coast; Nestlé brands its ice cream as Edy's on the East Coast and in the Midwest and as Dreyer's on the West Coast; Bimbo Bakeries brands its bread as Oroweat in the West and Southwest, as Brownberry in the Midwest, and as Arnold in the East.

Figure 4. Designing a Brand Portfolio Strategy: The Product-Brand Matrix

	Brand A	Brand B	Brand C	Brand D
Product 1	Offering A1	-	-	Offering D1
Product 2	-	Offering B2	-	-
Product 3	-	Offering B3	_	-
Product 4	-	Offering B4	-	-
Product 5	-	-	Offering C5	) –
Product 6	_	-	Offering C6	) – J

The decisions a manager makes with respect to designing a company's product—brand portfolio vary depending on this manager's functional area. Thus, a product manager must decide whether all products should carry the same brand and, if not, which brands to associate with which products. A brand manager, on the other hand, must decide how different brands should be assigned to different products. Because brands can span product lines, brand managers often make decisions that involve multiple product lines run by different product managers.

# **Single-Brand and Multi-Brand Portfolio Strategies**

An important decision facing a company managing multiple products and services is whether these offerings should be associated with the same brand or use different brands. In this context, two core approaches to managing brand portfolios can be identified: *single-brand strategy* and *multi-brand strategy*.

## **Single-Brand Strategy**

Single-brand strategy (also referred to as *umbrella branding* or *branded house*) involves using the same brand across diverse offerings (Figure 5). For example, BMW, Mercedes, Heinz, and FedEx use a single brand for nearly all their products and services.

**Figure 5. Single-Brand Strategy** 



Companies using a single-brand strategy differentiate the individual offerings by using generic designators rather than brands. For example, Mercedes uses letters, BMW uses numbers, and GE combines the GE brand with common words such as aviation, healthcare, power, oil and gas, and transportation to reference the individual offerings in their company portfolios. In the same vein, the Virgin Group uses a single brand to identify its diverse portfolio of businesses (Figure 6), which includes a record company (Virgin Records), an airline (Virgin Atlantic), beverages (Virgin Cola), communications (Virgin Mobile), space tourism (Virgin Galactic), energy (Virgin Fuels), and entertainment (Virgin Animation).

Figure 6. Single-Brand (Branded House) Strategy



In addition to using the same brand name verbatim, a more subtle form of the single-brand strategy involves using names with the same origin to highlight the commonality across individual brands. For example, Nestlé uses distinct brands derived from its name—Nescafé, Nesquik, Nestea, and Nespresso—to identify the different offerings in its product line.

The single-brand strategy offers several important advantages to companies, including cost efficiency, speed, and synergies with existing

brands.

- **Cost efficiency.** The single-brand strategy leverages the power of an existing brand, benefiting from the instant recognition of this brand while avoiding the costs associated with building a new brand.
- **Speed.** Because it relies on an already existing brand, the single-brand strategy enables a company to almost instantly launch a brand that is readily recognized and valued by customers.
- **Synergies.** Using a single brand can strengthen the brand by increasing its visibility across product categories and purchase occasions.

Despite its cost efficiency, speed, and synergies with existing brands, the single-brand strategy has several drawbacks, including *brand dilution*, *negative halo*, and *opportunity cost*.

- **Brand dilution.** Because it is intricately linked to the company's extant products, services, and brands, the single-brand strategy makes it difficult to establish a meaningful brand image across a broad set of product categories and purchase occasions. Furthermore, the introduction of a new brand associated with a different set of benefits might dilute the meaning of the core brand.
- **Negative halo.** Using a single brand involves the risk of a spillover of negative information (negative halo) across brands, whereby poor performance by any product in the brand portfolio can hurt the reputation of the entire brand.
- **Opportunity cost.** Using a single brand does not take advantage of the opportunity to build a new brand and, thus, to create a separable company asset that can increase the value of the company.

## **Multi-Brand Strategy**

Multi-brand strategy (also referred to as a *house of brands*) involves using separate brands for different offerings (Figure 7). In this case, rather than utilizing the same brand across all of its offerings, a company builds a portfolio of brands such that different offerings are identified by different, ostensibly unrelated brands.

Figure 7. Multi-Brand Strategy



For example, Tide, Ariel, Cheer, Bold, and Era are individual brands of laundry detergent managed by Procter & Gamble, which also owns a variety of brands across different product categories, including Charmin, Braun, Bounty, Old Spice, Pampers, Luvs, Always, Head & Shoulders, Herbal Essence, Gillette, Crest, and Pantene (Figure 8). Unilever's brand portfolio includes Axe, Dove, Lipton, Jif, Suave, Persil, Klondike, and Rexona. Campbell Soup Company uses the Campbell's brand for soups, Pepperidge Farm for baked goods, and V8 for juices. Diageo manages dozens of alcoholic beverage brands including Smirnoff, Tanqueray, Johnnie Walker, José Cuervo, Baileys, Hennessy, Guinness, Dom Pérignon, and Moët & Chandon. Yum! Brands owns KFC, Pizza Hut, and Taco Bell. Kraft has a brand portfolio that includes Oscar Mayer, Grey Poupon, Crystal Light, Miracle Whip, Jell-O, Kool-Aid, Planters, Velveeta, Maxwell House, and Cheez Whiz.

Figure 8. Multi-Brand (House of Brands) Strategy



The multi-brand strategy offers several important advantages to companies, including the ability to create a *distinct brand image*, *limited possibility of a negative halo*, and a *separable company asset*.

- **Distinct brand image.** Using multiple brands enables a company to establish a unique brand identity for different product categories and purchase occasions—a strategy particularly important when targeting diverse customer segments across different product categories.
- **Limited possibility of a negative halo.** Using multiple brands limits the possibility of a spillover of negative information about a specific brand

to other brands in a company's portfolio. As long as customers perceive brands to be unrelated, the poor product performance associated with one brand is not likely to influence the other brands.

• Separable company asset. A portfolio of unique brands also has greater market value (brand equity) because each brand represents a distinct company asset that has its own valuation and, if needed, can be divested. Everything else being equal, a company with a portfolio containing multiple brands is likely to have higher market value than a company with a single brand.

Despite its ability to create a unique brand image, limiting the possibility of a spillover of negative information, and developing a separable company asset, the multi-brand strategy has several drawbacks. These include the need for a *significant resource investment*, a *long time horizon*, and *unutilized brand portfolio synergies*.

- **Significant resource investment.** Because each brand has its own identity and is designed to create unique value for its target customers, creating a portfolio of distinct brands involves substantial financial and managerial resources.
- Long time horizon. Building new brands calls for a long time horizon. For a brand to have a relevant and meaningful image in customers' minds, it must be internalized by customers and related to a particular set of needs, values, and/or purchase occasions—a process that can take years and even decades.
- **Unutilized brand portfolio synergies.** The multi-brand strategy does not capitalize on the breadth of the company's portfolio of offerings to enhance brand visibility and impact. Because brands are unrelated to one another, the company does not take advantage of potential synergies (e.g., greater brand visibility across different product categories and purchase occasions) from the scope of the company's portfolio of offerings.

Note that the advantages of the multi-brand strategy correspond to the disadvantages of the single-brand strategy, and the disadvantages of the multi-brand strategy correspond to the advantages of the single-brand strategy. This is because these two strategies represent the opposite ends of the spectrum of branding options. An alternative strategy that aims to balance the pros and cons of the single-brand and multi-brand strategies is the cobranding strategy discussed in the following section.

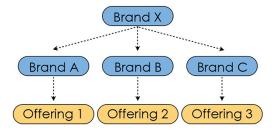
## **Cobranding Strategies**

Cobranding involves using two or more brands to identify an offering. Based on the type of entities involved, there are two types of cobranding: *internal cobranding*, which involves relating two or more brands owned by the same company (e.g., Philadelphia cream cheese featuring Milka chocolate, both brands owned by Mondelēz International) and *collaborator (external) cobranding*, which involves relating brands owned by different entities (e.g., Nike + iPod sports kit). These two types of cobranding are discussed in more detail in the following sections.

# **Internal Cobranding**

Internal cobranding involves using two (or more) of the company's brands, with one of the brands typically serving as an umbrella brand (Figure 9). Internal cobranding can be thought of as a hybrid between the single-brand and multi-brand strategies. Thus, internal cobranding can be viewed as a version of the single-brand strategy in which individual offerings are differentiated by unique brands rather than generic designators. Internal cobranding also can be viewed as a version of the multi-brand strategy in which individual brands are associated (cobranded) with the parent brand.

Figure 9. Internal Cobranding

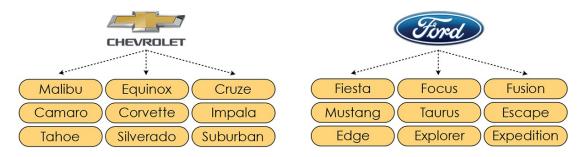


Depending on the degree to which the brands are associated, internal cobranding can involve one of two core strategies: *sub-branding* and *endorsement branding*.

• **Sub-branding** involves scenarios in which an umbrella brand is combined with a lower tier brand in a way that underscores the umbrella brand. Sub-branding is common among car manufacturers. For example, *Jeep* Cherokee, *Jeep* Compass, *Jeep* Patriot, *Jeep* Renegade, and *Jeep* Wrangler are sub-brands of Jeep, which serves as the anchor brand. In the same vein, Dodge sub-brands—*Dodge* Challenger, *Dodge* Charger, *Dodge* Dart, *Dodge* Durango, and *Dodge* Viper—underscore the parent brand. Other car companies, including Chevrolet and Ford, follow

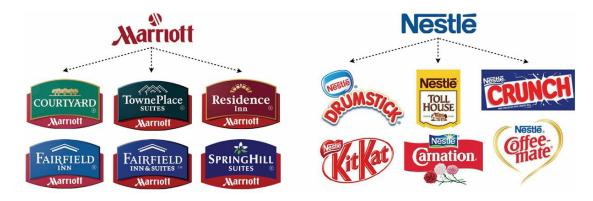
similar sub-branding strategies (Figure 10).

**Figure 10. Internal Cobranding Using Sub-Brands** 



• Endorsement branding places emphasis on the individual brand, with the umbrella brand playing a secondary role supporting the individual brand. For example, *Courtyard* by Marriott, *TownePlace Suites* by Marriott, *Residence Inn* by Marriott, *Fairfield Inn* by Marriott, *Fairfield Inn and Suites* by Marriott, and *SpringHill Suites* by Marriott showcase the individual brands, with the umbrella brand Marriott used to support the focal brand (Figure 11). In the same vein, Kit Kat, Carnation, Toll House, Drumstick, Crunch, and Coffee-mate are freestanding brands, all of which also feature the Nestlé brand that serves as an endorser. Similarly, Oreo, Ritz, Wheat Thins, Nilla, Triscuit, Chips Ahoy!, and Fig Newtons are individual brands cobranded with Nabisco, which plays a secondary role as an umbrella brand (all of these brands are owned by Mondelēz International, which is a corporate brand not used in consumer branding).

Figure 11. Internal Cobranding Using an Endorser Brand



Internal cobranding offers the individual brands greater exposure and broader reach. It is often viewed as the middle ground between single-brand and multi-brand portfolio strategies. As such, it combines the benefits of these two strategies: single-branding's reduced costs because of the shared brand focus across multiple products, and multi-branding's ability to create a unique brand identity tailored to different product categories and purchase occasions.

Despite its advantages, internal cobranding has several important

drawbacks. Compared to the single-brand strategy, cobranding involves building individual brands, which is more costly both in terms of financial and managerial resources. Furthermore, associating the same umbrella brand with different brands can make it more challenging for these brands to establish their own unique identity. Cobranding can also facilitate a spillover of negative information across brands, whereby negative information associated with one brand can spread to other brands (although spillover is less likely compared to the single-brand strategy).

A company's options when designing its brand portfolio can be viewed as a continuum on which different strategies—single-brand, new sub-brand, endorsed new brand, and independent new brand—are arranged based on the degree to which offerings in the company's product portfolio share the same brand (Figure 12). In this context, internal cobranding combines the benefits of the single-brand and multi-brand portfolio strategies, while minimizing their drawbacks.

Single parent New Endorsed Independent brand sub-brand new brand new brand

Single-brand Cobranding Strategy

Figure 12. Single-Brand, Cobranding, and Multi-Brand Portfolio Strategies

## **Collaborator Cobranding**

Collaborator cobranding involves partnerships among brands owned and managed by different entities for the purpose of taking advantage of the synergies across these brands. Based on the type of partnering entities involved, there are four common types of collaborator cobranding: product/service cobranding, ingredient cobranding, certification cobranding, and social cause cobranding.

• **Product/service cobranding** involves linking two or more brands representing different aspects of the underlying offering. For example, American Express partnered with Delta Airlines, JPMorgan Chase partnered with Visa and United Airlines, and Citibank partnered with MasterCard and American Airlines to launch cobranded credit cards in which different brands reflect different aspects of the functionality afforded by the credit card. In the same vein, Target partnered with Neiman Marcus to co-develop and co-promote a holiday luxury collection from high-end fashion brands that include Carolina Herrera, Marc Jacobs, Oscar de la Renta, and Diane von Furstenberg. Car

manufacturers often partner with lifestyle brands to differentiate their high-end offerings: Ford, Lexus, and Maserati have partnered with Eddie Bauer, Coach, and Fendi to co-develop the interior of their limited-edition cars.



• **Ingredient cobranding** is a special case of product/ service cobranding, with the key difference that it involves branding a product/service that is a distinct component of the offering. One of the most prominent examples of ingredient branding is Intel's *Intel Inside* cobranding campaign, which managed to build customer loyalty for a product that most buyers never see or touch. Other prominent examples include Gore-Tex coating technologies (cobranded with Patagonia, L.L. Bean, Oakley, Marmot, Arc'teryx, and The North Face), Teflon (cobranded with HEAD tennis rackets), and sugar substitutes Splenda (Pepsi) and NutraSweet (Coca-Cola). Ingredient cobranding stands out from the other forms of cobranding in that the branded ingredient is an integral part of the cobranded offering and is typically not available as a stand-alone product/service (sugar substitutes are one of the few exceptions).



• Certification cobranding is a form of brand collaboration that involves an agency certifying the authenticity of claims made by the underlying offering. For example, UL (Underwriters Laboratories) certifies product safety; Energy Star certifies energy efficiency; USDA Organic certifies the organic origin of foods and agricultural products; Heart Healthy certifies foods that are determined by the American Heart Association to be healthy for the heart; Fair Trade certifies that the related products meet certain environmental, labor, and developmental standards; Watersense certifies water efficiency; and Green Seal certifies that the cobranded products have met certain performance, health, and sustainability criteria. Certification cobranding typically positions the certifying brand as an endorser; it is featured less prominently than the main brand and its primary purpose is to lend credibility to the core brand.



• Social cause cobranding involves collaboration between a product manufacturer or a service provider and an entity promoting a particular social cause. Examples of social cause cobranding include the partnership between Product Red (an organization that aims to raise awareness and funds to help eliminate HIV/AIDS in Africa) and Nike, Apple, Coca-Cola, Starbucks, Electronic Arts, Gap, Armani, Hallmark, and SAP. In the same vein, Susan G. Komen, one of the largest US organizations aiming to prevent and cure breast cancer, has partnered with American Airlines, Baker Hughes, Bank of America, Caterpillar, Ford, General Mills, HP, Walgreens, and Yoplait. Unlike certification cobranding, in which the certifying brand is functionally related to the endorsed product, social cause cobranding involves brands whose products typically are not functionally related.



Collaborator cobranding offers several benefits to the partnering entities, including *visibility*, *credibility*, and *value transfer*.

- Visibility. Cobranding can help increase the visibility of both brands. For example, Apple partnering with Nike to develop a cobranded activity tracker device increases top-of-mind awareness of both brands. Meaningful brand partnerships can help form brand networks (also referred to as brand constellations) in customers' minds, such that the mental activation of one brand consequently activates thoughts about the partner brand (e.g., thinking about Nike increases the likelihood that customers also will think about Apple).
- **Credibility.** Cobranding can help enhance the credibility of the offering by the fact that it is endorsed by two brands. For example, the fact that the activity tracker features both Nike and Apple brands strengthens customers' belief that the offering will deliver on the advertised benefits.
- **Value transfer.** In addition to endorsing the relevant offering, cobranding fosters relatively strong associations between the brands themselves, which leads to a transfer of some of the brand-specific associations. For example, the partnership between Apple and Nike

helped position Apple as a lifestyle brand and Nike as a technology brand. In the same vein, social cause cobranding can benefit nonprofit organizations by bolstering the professional aspect of their brands. It also can benefit for-profit companies by adding a prosocial component to their brand image.

In addition to its benefits, collaborator cobranding has important drawbacks, including a *negative halo* and *brand dilution*.

- Negative halo. Cobranding can lead to a spillover of negative information across brands. For example, Lego and Shell entered into a cobranding partnership, with Lego designing Shell-branded petrol stations, trucks, and racing cars that Shell made available throughout its distribution network. However, Shell's foray into drilling in the Arctic exposed Lego to the possibility of being associated with a potential environmental disaster, which resulted in a dissolution of their cobranding partnership. The possibility of negative spillover also arises when celebrity endorsers, who often act as cobrands, engage in behaviors that erode their public image. Examples of such partnerships include Lance Armstrong (sponsored by Nike, Anheuser-Busch, Oakley, and Trek), Tiger Woods (sponsored by Accenture, AT&T, Gatorade, Gillette, and Nike), and Michael Phelps (sponsored by Kellogg).
- **Brand dilution.** Association among brands that do not have a meaningful connection can dilute the image of both companies. For example, the partnership between Susan G. Komen for the Cure and Kentucky Fried Chicken to promote breast cancer research was criticized for being hypocritical because it raised money for women's health by promoting a product that is considered detrimental to their health.

## **Private-Label Portfolio Strategies**

Managing brand portfolios often involves launching and managing private labels. The essence of private-label branding and the key issues in managing private-label portfolios are discussed in the following sections.

## **Private-Label Branding**

Private labels (or store brands) are brands owned and managed by a retailer. As a result, most private labels are retailer specific and not available across multiple distribution channels. Furthermore, because of a retailer's ability to promote its own brands, private labels are usually not advertised outside of

the specific retail channel. In addition, because of the lower brand-building and promotion costs, private labels are often (but not always) priced at parity with or lower than manufacturers' brands. To illustrate, Bayer aspirin, a manufacturer's brand, is available across a variety of distribution channels and promoted through diverse communication channels, whereas CVS aspirin, a private label, is available only through CVS and is not promoted outside of CVS.

Note that the term *private label* merely indicates that the branding function is performed by the retailer; it does not imply that the associated products are manufactured by the retailer. The store-branded product can be manufactured by an entity that also manufactures its own branded version of the same product, or it can be manufactured by a third party that specializes in manufacturing and does not deal with branding. For example, Whirlpool manufactures appliances that Sears distributes under its own brand—Kenmore.

Private labels offer multiple benefits to retailers, a fact that has fueled the rapid growth of private labels in recent decades. The benefits of private labels include *differentiation*, *targeting price-sensitive customers*, *greater channel power*, and *higher profit margins*.

- **Differentiation.** Private labels enable retailers to differentiate their offerings from the competition. If rival retailers carry exactly the same products, they often have to compete on price to attract customers. The availability of products that are carried only by a particular retailer is a way for the retailer to differentiate its value proposition for customers.
- **Targeting price-sensitive customers.** Private labels enable the retailer to target price-conscious customers. Indeed, not only are private labels often priced lower than the leading brand, they also signal value to customers who often attribute the low price to the lack of advertising rather than to inferior product quality.
- **Channel power.** Private labels create value for retailers by enhancing their power with respect to the manufacturers of branded products. Private labels can give retailers a great degree of leverage when negotiating with the manufacturers of branded products because retailers now have a functionally similar yet less expensive product that can compete with those branded by the manufacturer.
- **Higher profit margins.** Private labels can lead to higher profits because of the lower promotional costs. Rather than bearing the costs of advertising, as do the manufacturers of branded products, the retailer

leverages its relationship with customers to promote its private-label products.

Despite the multiple benefits private labels create for retailers, they also have important drawbacks, including the *need for brand-building expertise*, *lack of manufacturer incentives*, and *limited scope*.

- **Need for brand-building expertise.** Creating and managing private labels requires competency in brand building that many retailers lack. Because historically they have focused on distributing branded products created by other entities, most retailers do not have the brand-building expertise required to manage private labels.
- Lack of manufacturer incentives. Retailers must absorb the costs associated with managing private labels. Even though retailers typically can realize higher gross margins on their private labels than on manufacturer-branded products, they also receive various incentives (e.g., slotting, stocking, and display allowances) on manufacturer-branded products that they do not have when selling their own private labels. These forgone incentives can significantly decrease the profit margins of private labels.
- **Limited scope.** Because they are used to differentiate a retailer's offering from those of other retailers, private labels are typically available only within a particular distribution channel. As a result, their target market and growth potential are limited by the retailer's customer base.

# **Managing Private-Label Portfolios**

Similar to companies managing traditional brands, retailers often face decisions concerning their private-label portfolios. The two general brand portfolio strategies—single-brand strategy and multi-brand strategy—are common among retailers as well. Specifically, the single-brand strategy is represented by two approaches depending on whether the retailer's private label bears the name of the retailer or has a distinct name. For example, IKEA, Carrefour, and Trader Joe's use their own names to brand their private labels, whereas Costco and Loblaw use single brands that are distinct from their own names (Costco uses Kirkland Signature and Loblaw uses President's Choice).

Retailers with multi-brand portfolios include Target, Sears, Walmart, and Whole Foods. Archer Farms, Market Pantry, Cherokee, Room Essentials, Up

& Up, Xhilaration, Circo, Merona, Mossimo, Threshold, Gilligan & O'Malley, Project 62, Goodfellow & Co, JoyLab, and A New Day are private labels owned and managed by Target (Figure 13). George, Great Value, Equate, Faded Glory, No Boundaries (NOBO), Ol' Roy, Parent's Choice, Pay Day, Price First, Sam's Choice, Special Kitty, and White Stag are Walmart's private labels. Wild Oats and 365 Organic are Whole Foods' private labels. Sears uses Kenmore for appliances, Craftsman for tools, and DieHard for batteries.

Figure 13. Private-Label Portfolios: Target



Even though the general principles for managing brand portfolios are the same, managing private-label portfolios has several distinct aspects, which include the relatively *low cost* of introducing new private labels, the implicit *cobranding* of the private label with the retail outlet in which it is being sold, and greater *control* over the private-label offerings.

- **Low cost.** The relatively lower cost of introducing private labels (compared to traditional brands) and the ability to directly communicate with customers enable retailers to be more effective and cost efficient in designing and managing private labels.
- Channel cobranding. Private labels are implicitly cobranded with the retailer's brand because customers are typically aware that certain brands are offered only by the retailer. For example, many customers are aware that 365 Organic and Wild Oats identify Whole Foods' own products. This implicit cobranding is one of the reasons why explicit cobranding using the store brand as an umbrella or endorser brand (e.g., Kirkland Signature by Costco) is not very common among private labels.
- **Control.** Retailers often have greater control of where in the store to place their private labels compared to manufacturers of branded products. Thus, the retailer can arrange its private labels by contrasting them to the leading brand and showcasing them in a way that emphasizes their advantages.

The multiple benefits private labels offer to retailers is one of the reasons for their proliferation in recent decades. More retailers have ventured into creating their own brands, and those with extant private labels are broadening the scope of their brands and extending their brand portfolios. As retailers continue to consolidate their market power, the market impact of private labels is likely to increase, and managing private-label portfolios will become one of the key issues in the way retailers create market value.

#### **SUMMARY**

A company's *brand portfolio strategy* involves assigning specific brands to a company's products and services, and managing these brands to maximize their value as a whole. Based on whether a company's products and services are associated with the same brand or use different brands, there are two core approaches to managing brand portfolios: single-brand strategy and multibrand strategy.

Single-brand strategy (also referred to as umbrella branding or branded house) involves using the same brand across a variety of diverse offerings. The key advantage of this strategy is that it leverages an existing brand while at the same time increasing the brand's visibility across product categories and purchase occasions. The key drawback of using a single brand is the difficulty of establishing a distinct brand image across a broad set of product categories and purchase occasions.

*Multi-brand strategy* (also referred to as a *house of brands*) involves using separate brands for different products and/or product lines. The key advantage of this strategy is that it enables the company to establish a unique brand identity for different product categories and purchase occasions while creating separable company assets. The key drawback of using multiple brands is the substantial financial and managerial resources associated with building and managing individual brands.

Cobranding involves associating different brands with one another. Based on the type of entities involved, there are two types of cobranding: internal cobranding and collaborator cobranding. *Internal cobranding* involves associating two (or more) of the company's brands. Internal cobranding can involve one of two core strategies: sub-branding (an umbrella brand combined with a lower tier brand with an emphasis on the umbrella brand) and endorsement branding (emphasis on the individual brand, with the umbrella brand playing a secondary role). *Collaborator cobranding* involves partnerships among brands owned and managed by different entities for the purpose of taking advantage of the synergies across these brands. Collaborator cobranding can involve product/service cobranding, ingredient cobranding, certification cobranding, and social cause cobranding.

The key benefits of cobranding are that it offers greater brand exposure and reach for all brands in the company's portfolio as well as the possibility of enhancing the meaning of the individual brands. The key drawback is that cobranding can dilute the image of the individual brands and promote a spillover of negative information across brands.

*Private labels* are brands owned and managed by a retailer. Most private labels are not available across different distribution channels, are not promoted outside of the specific retailer, and are typically priced at parity with or lower than manufacturers' brands. The key benefit of private labels is that they enable retailers to differentiate their offerings from the competition while empowering retailers in their relationship with the owners of established brands. The key drawback is that creating and managing private labels requires specialized competencies and managerial and financial resources.

### BRANDING BRIEF: LUXURY BRANDING

In economics, luxury goods are defined based on the relationship between a change in consumer income and the demand for a particular good (referred to as income elasticity of demand). In this context, luxury goods are defined as products and services for which demand rises more than proportionately to a change in income—for example, a 10% increase in income might lead to a 20% increase in the demand for a luxury product. This view of luxury, however, is not very practical because it does not articulate the key characteristics that define a luxury offering.

From a marketing perspective, luxury goods are defined by five key characteristics (the "Five Es" of luxury). Luxury brands are:

- *Extravagant*. Luxury is indulgent; it is not necessary. This aspect of luxury is definitional: luxury is the opposite of necessity. The primary function of luxury is hedonic; the utilitarian function (if present) is secondary.
- *Exquisite*. Luxury is of the highest quality; it is the best of the best in its category.
- *Exclusive*. Luxury is scarce; it is in limited supply and is not mass produced.
- *Expensive*. Luxury commands significantly higher prices than most of the offerings in its category.
- Expressive. Luxury enables buyers to showcase their social status and

wealth; an increase in one's wealth or social status often leads to conspicuous consumption of luxury goods (also known as the Veblen effect).

Luxury brands span industries and product categories, including retail (Le Bon Marché, Neiman Marcus, Selfridges, Harvey Nichols, David Jones, and Harrods), hospitality (Burj Al Arab, Four Seasons, Mandarin Oriental, St. Regis, and The Ritz), fashion (Louis Vuitton, Gucci, Bottega Veneta, Prada, and Hermès), jewelry (Buccellati, Bulgari, Cartier, Graff, Harry Winston, Piaget, Tiffany, and Van Cleef & Arpels), watches (Audemars Piguet, Blancpain, Breguet, Franck Muller, Parmigiani Fleurier, Patek Philippe, and Vacheron Constantin), cosmetics (Chanel, Guerlain, Helena Rubinstein, Lancome, Givenchy, and Dior), liquor (Château Petrus, Château Lafite Rothschild, Dom Pérignon, Louis Roederer Cristal, Bollinger, and Goût de Diamants), and automobiles (Rolls-Royce, Bentley, Ferrari, Aston Martin, Lamborghini, and Bugatti).

Classifying individual brands according to the above five criteria is rather subjective. Even though the concept of luxury is universal, the ultimate determination of what constitutes luxury and which brands convey a luxury image varies across markets. As a result, the distinction between luxury and non-luxury brands is not clear-cut. In fact, there is an entire category of brands that bridge the gap between ordinary and luxury products, which are often referred to as accessible (or affordable) luxury. Accessible luxury aims to make luxury available to a wider range of shoppers. In some sense, accessible luxury is an oxymoron: true luxury by definition is exclusive and, hence, not readily accessible. What makes the accessible luxury brands like Michael Kors, Kate Spade, Coach, Tory Burch, and Ralph Lauren viable is the fact that they offer middle-class consumers an opportunity to experience "a touch of luxury" at a price that is not prohibitively high for their income level.

## BRANDING BRIEF: BUILDING A BRAND PORTFOLIO—GAP

The first Gap store was opened in San Francisco in 1969 by real estate developers Doris and Don Fisher. The impetus for the new venture was mundane: Don could not find a pair of jeans that fit. The name of the store was a reference to the generation gap between the Baby Boomers and the previous Silent Generation. For the first four years, Gap carried a single product, Levi Strauss jeans. To reduce its dependence on Levi's and diversify its offerings, in 1973 Gap began carrying other brands as well as selling

apparel under its own label. The company experienced phenomenal sales growth over the next two decades, facilitated by international expansion, the purchase of Banana Republic, and the launch of Gap Kids and Baby Gap. In 1992 it became the second-largest-selling apparel brand worldwide, behind Levi Strauss.



Gap's brand portfolio represents a mix of brand extensions (Gap Kids and Baby Gap) and freestanding brands (Banana Republic, Old Navy, Athleta, Intermix, and Weddington Way).

- The *Gap* brand stands for a clean, comfortable, and accessible casual style; it is the "quintessential expression of Gap brought to life through iconic clothing."<sup>27</sup> Gap is an umbrella brand comprising the regular Gap stores, Gap Kids (launched in 1986), Baby Gap (launched in 1990), and Gap Outlet (launched in 1994). There are over 1,700 company-operated and franchised Gap retail locations around the world.
- *Banana Republic* was founded in 1978 as "Banana Republic Travel & Safari Clothing Company." It was acquired in 1983 by Gap, which changed the safari theme of the store, renamed it Banana Republic, repositioned it as a mainstream upscale clothing retailer, and invested heavily in building the new brand. There are more than 750 Banana Republic retail locations worldwide.
- *Old Navy* was founded by Gap in 1994 as a means of targeting price-conscious consumers. A year earlier, Gap launched a similar concept as a downscale brand extension—Gap Warehouse—designed as a fighting brand to fend off Gap's low-price rivals. (Dayton Hudson, then home to Mervyn's and Target, announced in 1992 that it would launch a chain of stores called Everyday Hero, which it described as a cheaper version of Gap.) The Gap Warehouse stores instantly gained traction with customers, which convinced Gap executives that the lower priced concept deserved its own brand identity designed to appeal to the new demographic as well as to minimize cannibalization of its core business and dilution of the Gap brand, which was likely to occur if both retail chains shared the same brand name. Accordingly, the Gap Warehouse stores were relaunched as Old Navy—named after a sign on a bar that one of Gap's executives recalled seeing in Paris.<sup>28</sup> In 1997, Old Navy

became the first retailer to reach \$1 billion in annual sales in less than four years of operation. Old Navy operates over 1,000 retail locations around the world.

- Athleta is a premium fitness and lifestyle brand created in 1998 and acquired by Gap in 2008. Designed for women athletes and active women, Athleta's Power of She campaign showcases the power of women coming together to create social impact. In 2016, the company launched Athleta Girl, a horizontal brand extension targeting younger customers.
- *Intermix* was established in 1993 with the vision of featuring multiple up-and-coming designers in one location at a lower price point than that of traditional fashion retailers. The retail chain consists of boutique stores offering a curated mix of emerging and established designers, with each boutique's assortment reflecting the neighborhood and the lifestyles of its customers. Intermix was acquired by Gap in 2012 and has 43 boutiques across the United States and Canada.
- Weddington Way was founded in 2011 around the concept of allowing brides and bridesmaids to shop together online. The online collaborative shopping experience benefits not only those who cannot shop together in person because of geographic or time constraints but also those who view shopping as a social activity and enjoy the process of browsing different wedding dress designs. Following the lead of Warby Parker—the online eyewear retailer that pioneered the try-before-you-buy concept in online fashion retailing—Weddington Way offers bridal party members the option to try on the dresses at home before committing to purchase. The company was acquired by Gap in 2016 and has subsequently created brick-and-mortar locations within Banana Republic stores.

In addition to the above six brands, Gap ventured into online fashion retailing with the launch of Piperlime in 2006. The spin-off, designed to fend off hipper new Internet-based rivals such as Zappos, sold footwear, clothing, and accessories online and through its sole brick-and-mortar boutique in New York. Piperlime never gained traction, contributing less than 1% to Gap's revenue, and in 2015 Gap discontinued the brand's retail operations to focus resources on its core brands.

# BRANDING BRIEF: MANAGING A BRAND PORTFOLIO—THE HOME DEPOT

The Home Depot is the world's largest home improvement retailer with over 2,200 stores worldwide. It carries more than 35,000 products in stores and over one million products online.<sup>29</sup> The Home Depot was established in Atlanta in 1979 with the vision of becoming a superstore offering a wide variety of merchandise at competitive prices and a staff that not only could sell products but also could walk customers through most any home repair or improvement.



The Home Depot carries a vast portfolio of brands that are divided into three main categories: national brands, exclusive brands, and proprietary brands.

- *National Brands*. Leading home improvement brands are the core of Home Depot's portfolio of offerings and represent over 80% of the company's business. They include Stanley Black & Decker (hand and power tools), DeWalt (professional grade tools), John Deere (outdoor power equipment), Weber (grills and grilling accessories), GE (appliances), USG (building materials), Rubbermaid (home organization and storage products), Quikrete (cement and concrete products), Rain Bird (irrigation), Hunter (heating, venting, and cooling products), Kohler (kitchen and bath plumbing fixtures), and Dap (coatings, sealants, and adhesives).
- *Exclusive Brands*. In addition to carrying national brands, Home Depot owns exclusive rights to retail distribution for several major brands, including Behr (paint), Thomasville (cabinets), Homelite (power equipment), Ryobi (power tools), Chem-Dry (carpet cleaning), and GAF (roofing).
- *Private Labels*. The Home Depot also owns several house brands including Husky (hand tools), HDX (hand tools for budget-conscious consumers), Glacier Bay (faucets, sinks, and bathroom vanities), Hampton Bay (ceiling fans and lighting fixtures), Commercial Electric (recessed lighting, commercial lighting, and electrical tools), Home Decorators Collection (direct sales of home décor items), and Vigoro (garden flowers, plants, and plant care).

Private labels are the fastest growing segment. They enable Home Depot to leverage its market power to create value for its customers while strengthening the company's market position and improving its financial

performance. To determine whether to introduce a private label (or, alternatively, forge an exclusive brand agreement), Home Depot considers four factors: strength of national brands in a given product category, such that categories without a strong brand are likely to become private label; degree of innovation, with stagnant categories more likely to lead to the introduction of private labels; quality issues or opportunities to introduce a product with superior performance; and opportunities for better financial returns.<sup>30</sup>

## BRANDING BRIEF: INGREDIENT BRANDING—INTEL INSIDE

Intel's ingredient branding strategy and the *Intel Inside* motto was born out of necessity. Prior to 1991, Intel's chips were identified by numerals, such as the 8086 model introduced in 1978, which gave rise to the x86 architecture—Intel's most successful line of processors comprising the 286 (the last three digits of 80286), 386, and 486 models. The numeral-based branding came to an end in early 1991 when a federal judge ruled that "386" is a generic term and that Intel was not entitled to trademark protection on the name of its 386 microprocessors. Intel's inability to obtain trademark protection for its numeric name scheme resulted in a fundamental shift in its branding strategy.



The next generation of Intel chips introduced in 1993 was branded as Pentium, a name derived from the Greek word  $\pi \acute{e} v \tau \emph{e}$ , meaning "five" (implying that this was the next generation of the 486 chip). Furthermore, rather than focusing on nudging its customers to upgrade to its latest processor, Intel began placing greater emphasis on its brand name rather than the model number in an attempt to more clearly distinguish its chips from the rapidly growing competition. Another, and perhaps the most important, aspect of Intel's new branding approach was the ingredient-branding campaign dubbed *Intel Inside*.

The *Intel Inside* branding initiative, launched in 1991, had four defining characteristics that contributed to its success.

• *Brand design*. A key aspect of Intel's brand repositioning was the emphasis on the overarching Intel brand rather than on the product-level x86 nomenclature that reflected the processor architecture. The newly minted brand motto *Intel Inside*, designed to complement PC

manufacturers' own brands, aimed to inform consumers that their computer contained an Intel processor and to reassure them of the processor's performance, reliability, and compatibility. Accordingly, Intel replaced its 22-year-old "dropped-e" logo with a more consumer-friendly logo featuring the phrase *Intel Inside* surrounded with a swoosh. To further differentiate its brand, in 1995 Intel added a memorable five-tone soundmark to give an audio dimension to its logo.

- Product cobranding. An important aspect of the Intel Inside campaign
  was ensuring that PC manufacturers not only affixed Intel's logo to
  their products but also did so in a way that prominently featured it. The
  prominent display of Intel's logo not only created consumer awareness
  of Intel's brand but also signaled the importance given to it by PC
  manufacturers.
- *Direct-to-consumer advertising*. The goal of the *Intel Inside* campaign was to educate consumers about the importance of the microprocessor, create awareness of the difference between processors in the market, and articulate the benefits of Intel processors. Intel's approach was modeled after other successful ingredient branding strategies at the time, including Monsanto's *NutraSweet*, DuPont's *Teflon* and *Lycra*, and Dolby Laboratories' *Dolby*. Intel's direct-to-consumer approach paid off: Two years following the launch, the awareness of Intel processors among buyers of home PCs was estimated to have increased from about 22% to more than 80%.<sup>31</sup>
- *Co-op communication campaign*. Co-op communication involves sharing the costs of a promotional campaign between two or more companies, such as a manufacturer and a retailer or, as in Intel's case, between two manufacturers. To participate in the program, computer manufacturers such as IBM, HP, and Dell had to feature the *Intel Inside* branding segment in their commercials. In return, Intel covered part of the media (television, radio, and print) costs, which, in many cases, it was able to obtain at favorable rates due to the volume of media purchased. Between 1991 and 1997, Intel and its cobranding partners spent \$3.4 billion on advertising featuring the *Intel Inside* logo, of which nearly \$2 billion came from Intel.<sup>32</sup>

The *Intel Inside* ingredient-branding strategy succeeded because it managed to create value for the relevant market entities: customers, collaborators, and the company. The *Intel Inside* brand created value for customers by enabling them to identify computers built with Intel chips (functional value) and assuring them of the reliability, compatibility, and performance of the

computer (psychological value). The Intel Inside brand created value for collaborators by certifying that their computers were built with quality elements that used the latest technology and were compatible with their (strategic value), by reducing the cost of collaborators' software communication campaigns through co-op programs, and by enabling collaborators to charge higher prices because their computers were built with Intel processors (monetary value). Finally, the *Intel Inside* brand created value for Intel by increasing consumer awareness of the brand and building customer loyalty; by fostering partnerships with a vast array of computer manufacturers (strategic value); and by its ability to increase Intel's profit margins, increase the efficiency of its advertising expenditures, and enhance its brand equity (monetary value).

## **ADDITIONAL READINGS**

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# CHAPTER SIX

# MANAGING BRAND DYNAMICS

All is flux; nothing stays still.

—Heraclitus

Once created, brands evolve over time. The two main types of brand changes include *brand repositioning*, which involves changes to a company's brand without changing the breadth of offerings associated with this brand, and *brand extension*, which broadens the portfolio of products and/or services associated with the brand. These two types of brand dynamics are the focus of this chapter.

# **Brand Repositioning**

Brand repositioning involves changing certain aspects of the brand without changing the set of products and services associated with the brand. Depending on the magnitude of the change in the brand's meaning, there are two types of brand repositioning: *strategic* and *tactical*.

## **Strategic Brand Repositioning**

Strategic brand repositioning involves changing the meaning of the brand. For example, to make over its image as a lowbrow, unhealthy fast-food chain, McDonald's redesigned its menu to include healthy options, introduced premium coffee options, and developed an aspirational communication campaign designed to appeal to families and young couples. In the same vein, South Korean car manufacturer Hyundai, which for years positioned itself as a low-priced brand, changed its strategy in an attempt to reposition itself as a premium, aspirational brand. To achieve this goal, Hyundai modernized the

styling of its cars, offered an unprecedented ten-year warranty, and invested heavily in communication campaigns aimed at changing customers' perceptions of the Hyundai brand.

Strategic repositioning involves changes in the brand's target customers and/or its value proposition. For example, Philip Morris' flagship brand Marlboro, originally introduced in 1924 as a women's cigarette tagged *Mild as May*, in 1954 was repositioned around the rugged cowboy image of the Marlboro Man, which was more relevant to male smokers. Target, which in the '90s was seen as just another discount retailer selling average-quality products at low prices, changed its value proposition to focus on value-priced designer apparel and merchandise, and in the process became the second-largest value retailer in the United States, after Walmart. Pabst Blue Ribbon, once considered a working-class beer, repositioned itself to appeal to a new customer segment and become the beer of choice for hipsters, college students, and millennials.

Because a brand's strategy is conveyed though a corresponding set of tactical decisions, strategic repositioning involves not only a change in the brand strategy but also a corresponding change in the brand tactics—namely, changes in the design of the brand and the way the brand is communicated to target customers. For example, when Philip Morris repositioned Marlboro, it changed some of its brand identifiers, including its motto and package design, and replaced referents implying femininity with referents designed to convey a rugged masculine image. Philip Morris also refocused its advertising dollars on media that was more effective in reaching male smokers and created the "Marlboro Country" cowboy-themed campaign featuring a series of archetypal masculine characters.

## **Tactical Brand Repositioning**

Tactical brand repositioning involves changing brand tactics—brand design and brand communication—without changing the underlying brand strategy. Thus, brand changes involved in tactical brand repositioning are by definition less profound than those involved in strategic repositioning.

The difference between strategic and tactical brand repositioning is exemplified by the changes in the Starbucks logo over time (Figure 1). Starbucks made two strategic changes in its logo: In 1987 it removed the words *tea* and *spices* from the logo to indicate its focus on coffee, and in 2011 it removed the word *coffee*—a change that reflected its strategic vision to extend the brand beyond coffee. In addition, in 1992 Starbucks made a

relatively minor change to its logo by enlarging the image of the mermaid. The 1987 and 2011 changes reflect strategic brand repositioning because they stem from a strategic change in the meaning of the brand. In contrast, the 1992 change is a tactical repositioning because it involves a relatively minor realignment of the brand elements without a change in the meaning of the brand.

Figure 1. Strategic and Tactical Brand Repositioning: Starbucks



Tactical brand repositioning often involves changes in the brand identifiers—brand name, motto, logo, character, soundmark, product design, and packaging—in order to better align them with the specifics of the markets in which the brand operates. The overarching goal is to make brand identifiers distinct, memorable, and more consistent with the brand's value proposition and brand mantra.

For example, to streamline their brands, Federal Express shortened its brand name to FedEx, Hewlett-Packard became HP, and General Electric became GE. Other companies have streamlined their names by removing punctuation marks in order to achieve a cleaner look and feel as well as to make their brand names consistent across different communication formats (online and offline). For example, the department store Barneys and the British book retailer Waterstones removed the apostrophe from their names, and Walmart dropped the dash from its name. Tactical brand name changes can also occur when entering new markets to adapt the brand to the local sociocultural environment. For example, Procter & Gamble's cleaning product Mr. Clean was introduced as Mr. Proper in Germany, Monsieur Propre in France, Mastro Lindo in Italy, Don Limpio in Spain (from limpiar—to clean), Maestro Limpio in Mexico, Meneer Proper in Belgium and the Netherlands, and Pan Proper in Poland.

Over time, a number of companies have also modified their *logos* in a way that makes them more relevant without changing the meaning of the brand. For example, the Nestlé logo—the nest with the young birds being fed by a mother—has evolved through the years while retaining the brand's core identity. In the same vein, General Electric's logo displaying the company initials, which ultimately became its brand, streamlined the look and feel of its

logo without dramatically changing its visual appearance and brand meaning (Figure 2).

Figure 2. The Evolution of Nestlé and GE Logos



Tactical brand repositioning can also involve changes to the *brand motto*. For example, FedEx modified its motto from *When it absolutely, positively has to be there overnight* to *Be absolutely sure* and later to *Relax, it's FedEx*. Likewise, McDonald's modified its motto from *We love to see you smile* to *I'm loving it,* Verizon modified its motto from *We never stop working for you* to *Can you hear me now? Good*, and Coca-Cola modified its motto from *Enjoy* to *Open Happiness*. Note that these changes in the brand motto are primarily stylistic and do not alter the value proposition and positioning of these brands.

Tactical brand repositioning can also involve *brand characters*. For example, Johnnie Walker's Striding Man—one the world's most recognized brand characters—has evolved significantly between the time it was first introduced in 1908. In the most current 2015 rendition, he now wears different clothes, no longer sports a pince-nez, and walks in the opposite direction. Despite these tactical changes, Johnnie Walker preserved the key aspects and the meaning of its brand character. In the same vein, Tony the Tiger has changed his visual appearance since 1951 when he was created to promote Kellogg's new cereal, Sugar Frosted Flakes. Similar to the Striding Man, Tony has undergone extensive cosmetic changes over the decades: his football-shaped head has become more rounded, his eye color has changed from green to gold, and he has acquired a more muscular physique. Yet, most of these changes have been cosmetic in nature, preserving the essence of what Tony the Tiger represents to the cereal's target customers (Figure 3).

Figure 3. The Evolution of Brand Characters Johnnie Walker and Tony the Tiger



Tactical brand repositioning can also involve changes in *product design* and *packaging*. For example, consider the way the shape of the bottle of Chanel N° 5—arguably the world's most iconic perfume—has evolved over the years while preserving its streamlined design—a transparent, almost invisible bottle showcasing its contents—and remaining true to its image as the ultimate symbol of luxurious simplicity (Figure 4). In the same vein, the dimensions of Coca-Cola's iconic swirl bottle, as well as the material from which it is made, have changed over time as a result of technological innovations and the proliferation of bottle sizes. Likewise, the design of Porsche's flagship model, the Carrera 911, has evolved to incorporate some of the new trends in automotive design while staying true to its heritage both in image and spirit.

Figure 4. The Evolution of the Packaging of Chanel N° 5



In addition to modifying brand identifiers, tactical repositioning can involve changes in *brand referents*. Because brand referents are directly related to the meaning of the brand, changes in brand referents more often involve strategic rather than tactical repositioning. In this context, tactical changes in brand referents often entail replacing one referent with another that has an identical or very similar meaning. To illustrate, one common type of tactical repositioning involves changing celebrities serving as a brand's spokespersons. For example, TAG Heuer watches have featured Hollywood celebrities including Leonardo DiCaprio, Brad Pitt, Cameron Diaz, and Priyanka Chopra; race car drivers Jeff Gordon, Juan Pablo Montoya, and Jenson Button; and sports stars Boris Becker, Tiger Woods, Roger Federer, and Yao Ming. Because all of these celebrities represent the same image TAG Heuer aims to convey, these changes are considered tactical in nature.

In addition to changes in the brand design, tactical repositioning can also involve changes in the ways in which the brand is communicated to its target

customers and the ways in which the essence of the brand is creatively expressed across different media formats. For example, in the past decade most companies have embraced social media platforms such as Facebook, Twitter, and Instagram as important venues for building their brands and have developed new ways in which to creatively communicate brand essence in this media.

Tactical brand repositioning can yield important yet unintended strategic implications. For example, when PepsiCo decided to streamline the design of its Tropicana brand, it underestimated the importance of the package design featuring an orange with a straw in it. Following a sharp drop in sales and consumer backlash, PepsiCo reverted to its original package design. In this case, what the company considered to be a minor change in one of its brand elements (product packaging) was perceived by its customers as an undesirable repositioning that detracted from the meaning of the brand.

## **Reasons to Reposition a Brand**

The most common reason for repositioning a brand is to respond to changes in the market in which this brand operates. There are five main reasons to reposition a brand, which are related to changes in the five market factors (Five Cs): *target customers*, *company*, *collaborators*, *competitors*, and *context*.

- Changes in target customers. A common reason for repositioning a brand is to ensure that it remains relevant to the changing needs of its target customers. For example, to reflect the evolving values and lifestyles of women, General Mills has consistently refined the image of Betty Crocker, a fictitious character that dispenses cooking advice to consumers (see the branding brief at the end of this chapter). Similarly, to increase its appeal to younger customers, Procter & Gamble repositioned its half-century-old beauty brand, Oil of Olay, by abbreviating the name to Olay (to avoid associations equating the product to "greasy"), streamlining the design of its logo, and replacing the woman's image (which resembled a nun) on the label with that of a younger woman.
- **Changes in the company's goals.** A company might also reposition its brand to reflect a change in its strategic focus. For example, to communicate the breadth of its product line, Campbell's changed its motto from *Soup is Good Food* to *Mmm! Mmm! Good!* In the same vein, to emphasize its round-the-clock service, restaurant chain Denny's

changed its motto from *A Good Place to Sit and Eat* to *America's Diner Is Always Open*. Likewise, to make its low-price positioning more meaningful to its customers, Walmart changed its motto from *Always Low Prices*. *Always* to *Save Money*. *Live Better*. A company also might reposition its brand to better align it with a company's global expansion strategy. For example, Federal Express streamlined its name to FedEx, the South Korean conglomerate Lucky-GoldStar streamlined its name to LG, and the Brazilian mining company Companhia Vale do Rio Doce ("Freshwater River Valley Company") changed its brand name to Vale.

- Changes in the collaborator network. A company might also reposition its brand to reflect a change in its collaborator and brand partnerships. For example, following its acquisition by its collaborator FedEx, Kinko's was repositioned as FedEx Kinko's, and following acquisition by Charter Communications, Time Warner Cable was repositioned as Spectrum. In the same vein, following a merger with Travelers Group, Citicorp was repositioned as Citigroup, and Glaxo Wellcome was repositioned as GlaxoSmithKline following a merger with SmithKline Beecham.
- Changes in the competitive environment. Because companies strive to create superior customer value, a change in the positioning of a competitor's offering often induces the company to reposition its brand to preserve and enhance its competitive advantage. For example, in 1985 Coca-Cola repositioned its flagship brand as New Coke in response to Pepsi's widely publicized blind taste tests showing that more people preferred Pepsi to Coke. The popularity of the Energizer Bunny in the United States forced Duracell to discontinue the use of its brand mascot—the Duracell Bunny—which is now used only outside of North America. In the same vein, Procter & Gamble's product line branded as Mr. Clean (with minor variations) around the world is sold in the United Kingdom and Ireland under the brand name Flash (without any references to the Mr. Clean brand name and its brand character) because the name Mr. Clean was already in use by a different company.
- Changes in the context. Brand repositioning might also stem from changes in the economic, technological, sociocultural, regulatory, and physical context in which the company operates. For example, the makers of Ayds diet candy, which dates back to the 1930s, went out of business because of the phonetic similarity of its name with AIDS, the acquired immune deficiency syndrome that emerged in the early 1980s. Following two plane crashes that raised safety concerns with low-priced

carriers, ValuJet in 1997 changed its name to AirTran (acquired by Southwest Airlines in 2010). AIG, which was viewed as one of the companies responsible for the 2008 financial crisis, changed its name to Chartis to dissociate the company from its tarnished image (it changed its name back to AIG in 2012). In 1991, Kentucky Fried Chicken abbreviated its name to KFC to avoid paying license fees to the State of Kentucky, which trademarked the name in 1990. A decade and a half later, after reaching an agreement with the State of Kentucky in 2006, KFC began to reintroduce its original name, repositioning itself once again as Kentucky Fried Chicken.

### **Brand Extension**

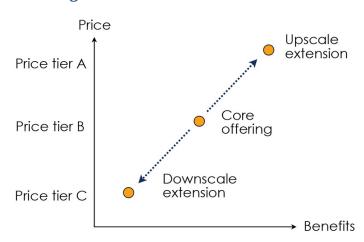
Brand extension refers to the strategy of stretching the meaning of a brand by associating it with a type of offering that the brand has not been associated with in the past. For example, Starbucks, which has become synonymous with coffee, extended its brand to include ice cream sold in grocery stores. Montblanc—which for over a century built a reputation for producing the finest quality ink pens—extended its brand to include items such as watches, sunglasses, cufflinks, wallets, briefcases, and even fragrances. In the same vein, Oakley extended its brand from eyewear to a variety of products such as apparel, footwear, bags, and watches.

Brand extension is different from brand repositioning in that brand repositioning involves a change in the meaning of the brand without expanding its scope by adding a new type of offering. In contrast, brand extension involves associating the brand with new products and/or services that offer substantively different benefits than its current offerings. In addition, whereas brand repositioning aims to change the meaning of the brand, brand extension typically aims to preserve the meaning of the brand and merely extend it to a broader range of offerings. Thus, even though associating the brand with new products and services tends to also broaden the brand's meaning, this change is not the goal but a logical consequence of extending the brand.

Depending on whether the newly added products are substantively different in functionality or price tier from the offerings currently associated with the brand, there are two types of brand extensions: *vertical* and *horizontal*.

#### **Vertical Brand Extensions**

Vertical brand extensions stretch the brand to a product or service in a different price tier. Depending on the direction in which the brand is being extended, there are two types of vertical brand extensions: upscale extensions in which the brand is associated with an offering in a higher price tier, and downscale extensions in which the brand is associated with an offering in a lower price tier (Figure 5).



**Figure 5. Vertical Brand Extensions** 

## **Upscale Brand Extensions**

Upscale brand extensions involve associating an existing brand with offerings in a higher price tier with which the brand is not currently associated. For example, Apple extended its product line with the Apple Watch Edition series featuring 18-karat gold and priced between \$10,000 and \$17,000. Volkswagen introduced Volkswagen Phaeton, a luxury car with prices starting at around \$70,000 and extending as high as \$100,000. E. & J. Gallo Winery introduced its Gallo Signature Series collection of premium wines priced significantly higher than its mainstream wines.

Upscale brand extensions are appealing to companies because they offer several important *benefits*. The first and perhaps most obvious benefit is that using an existing brand is much easier and more cost effective than building a new brand. Another factor adding to the appeal of upscale brand extensions is that they can help raise the image of the core brand. For example, adding the Watch Edition series underscores Apple's positioning as a self-expressive luxury brand—an important aspect of Apple's brand image in many countries. In the same vein, adding the Signature Series wines helped E. & J. Gallo Winery raise the image of its core Gallo brand.

Despite their benefits, upscale brand extensions have important *drawbacks*. The key disadvantage of extending a brand upwards is that the

existing brand associations tend to hurt rather than help the upscale extension. For example, adding the Gallo brand to a premium wine might make this wine less attractive to consumers who associate the Gallo brand with more affordable wine. In the same vein, the Phaeton, which prominently featured the VW logo on the front and back of the car, failed to convince potential buyers that Volkswagen could be a luxury brand.

Because the image of the core brand generally hurts rather than helps the upscale extension, upscale brand extensions are not very common, and companies often choose to launch a separate brand rather than extend an existing one to a higher price tier. For example, when Toyota decided to extend its product line upscale, it chose a different branding approach. Believing that its existing brand name could not convey the luxury image required to successfully compete with high-end models from Mercedes, BMW, and Audi, Toyota chose to launch a new brand—Lexus—rather than extend its existing brand. Although it required significant resources—time, effort, and capital—Toyota's approach paid off, and it succeeded in establishing Lexus as a premier luxury automotive brand.

#### **Downscale Brand Extensions**

Downscale brand extensions involve using an existing brand for offerings in a lower price tier with which the brand is not currently associated. For example, Mercedes-Benz introduced its Mercedes-branded A-series, which was significantly more affordable compared to its core product line. Similarly, BMW extended its product line downscale by introducing the BMW 1-series, Porsche launched its entry-level Porsche Boxster, and Maserati introduced Ghibli, a basic version of its high-end sports cars.

The popularity of downscale brand extensions is due to the fact that they offer a number of important *benefits* to companies. As is the case with upscale brand extensions, downscale extensions enable companies to leverage their brand name to new offerings without investing time and resources to build a new brand. However, unlike upscale brand extensions where the core brand often is a liability, in the case of downscale extensions the core brand is an asset that benefits the new offering. Because they leverage the image of the core brand, downscale extensions tend to be more successful than upscale extensions.

Downscale extensions benefit the company by introducing its brand to target customers who currently might not be able to afford the brand's higher end offerings. For example, high-end retailer Neiman Marcus and upscale fashion designers including Carolina Herrera, Marc Jacobs, Oscar de la Renta,

and Diane von Furstenberg partnered with Target to develop an entry-level luxury collection to attract younger, less affluent consumers who in the future might become customers of their pricier fashions.

Despite their benefits, downscale brand extensions face several important *drawbacks*. Associating an upscale brand with an affordable product or service can hurt the brand's image of quality, exclusivity, and prestige. Indeed, because higher prices are often associated with higher quality, upscale brands tend to convey premium workmanship. In this context, associating an upscale brand with lower priced offerings might weaken the brand's ability to signal superior quality and exclusivity. For example, Jaguar's brand image was negatively influenced by the launch of its entry-level X-Type sedan, which was built on a Ford platform and used many components from Ford's mainstream vehicles.

Downscale brand extensions also increase the likelihood of product-line cannibalization, whereby the sales of the downscale offering can come at the expense of the company's higher priced offerings. For example, instead of buying higher end Mercedes, BMW, or Audi models, customers might buy their lower end models while still receiving the benefit of being associated with a premium brand. Because the lower end models also tend to have a lower profit margin, product-line cannibalization associated with downscale brand extensions is usually detrimental to company profitability.

To mitigate the potential drawbacks of downscale brand extensions, companies often introduce new brands that are cobranded with the core brand. Such cobranding might involve *sub-branding* whereby the core (umbrella) brand is prominently featured alongside the extension-specific brand. For example, Armani uses Armani Jeans, Armani Exchange, and Armani Collezioni to differentiate its lower end offerings from the high-end, ready-towear Giorgio Armani line and the haute couture line, Armani Privé. Alternatively, product-line cobranding might involve endorsement branding, whereby the core brand plays a secondary role that aims to add credibility to the extension-specific brand without overly emphasizing the connection between the two brands. For example, Marriott uses its brand to endorse its downscale extensions: Courtyard, Residence Inn, and Springhill Suites, all of which are labeled by Marriott. In general, the greater the disparity between the price tiers involved in the downscale extension, the greater the need to distance the involved brands (and create a new brand rather than use an existing brand) to minimize the chance of diluting the core brand.

#### **Horizontal Brand Extensions**

Horizontal brand extensions involve using a brand in a product category with which it is not currently associated (Figure 6). For example, Apple extended its brand from computers to portable music players, smartphones, tablets, and watches; Ralph Lauren extended its brand from clothing to home furnishings, such as bedding and towels; Timberland extended its brand from boots to outerwear and travel gear; Porsche extended its brand from sports cars to sedans and sport utility vehicles; and Yamaha extended its brand from musical instruments to multiple categories, including audio equipment, golf products, and motorcycles.

Price

Extension A Core Extension B offering

Benefits

Category A Category B Category C

**Figure 6. Horizontal Brand Extensions** 

Horizontal brand extensions are typically priced in the same tier as the core brand. Horizontal brand extensions that involve different price tiers usually occur when the entire product category to which the brand is extended is offered at a different price point. For example, many luxury designer brands such as Gucci, Dolce & Gabbana, Louis Vuitton, and Burberry have stretched their brands by introducing fragrances and cosmetics, which, as a product category, are more affordable than apparel and handbags. Although such scenarios combine elements of both vertical (downscale) and horizontal brand extensions, they are usually considered horizontal extensions provided that the brand preserves its premium price point relative to the other offerings in the lower price-tier category. Thus, despite the lower price point relative to apparel and handbags, the cosmetic products offered by Gucci and other luxury designers are priced at a premium relative to most other cosmetic brands.

Horizontal brand extensions offer several important *benefits* to companies. Similar to vertical extensions, using an existing brand to launch an offering in a different product category is much more cost efficient and involves less time and effort compared to building a new brand. In addition, horizontal brand extensions enable a brand to leverage its power by adding value to the offerings with which it is associated without necessarily cannibalizing its

existing products. Unlike downscale extensions, which enable customers to purchase less expensive offerings carrying the same brand name, horizontal extensions involve cross-category offerings with different functionality that might complement rather than substitute for the brand's core offerings.

Presence in different product categories also helps increase a brand's visibility across a variety of usage occasions. This aspect of horizontal brand extensions is particularly important for brands used by customers to express their identity, values, and lifestyle. For example, Montblanc, Ralph Lauren, Armani, and Oakley have benefited from cross-category availability because they offer more opportunities for customers to express their identity with their brands.

Despite their advantages, horizontal brand extensions have important *drawbacks*. A key concern with horizontal brand extensions is brand dilution, which is likely to occur when a brand is extended to diverse product categories that are inconsistent with the brand's essence. For example, extending the Starbucks brand to non-coffee products including ice cream, craft beer, wine, and small food plates might detract from its perceived coffee-related expertise. Likewise, Costco's use of a single brand—Kirkland Signature—for all its store-branded products, from food and wine to cleaning supplies, appliances, and clothes curbs its ability to attach a specific meaning to its brand.

In addition to diluting the image of the core brand, brand extensions might detract rather than add value to the new offering. For example, Frito-Lay, known for its potato chips, extended its brand to launch *Frito Lay Lemonade*, and *AriZona*, known for its iced tea beverages, extended its brand to launch *AriZona Nachos 'n' Cheese Dip*. Both extensions failed because the meaning of the core brand was incompatible with the new product.

### When to Extend a Brand

The primary reason to extend an existing brand is to leverage its power to support a new offering. Because building a new brand is a costly and time-consuming task that carries risk related to its ultimate success, companies often consider the possibility of associating its new products and services with an existing brand. The decision to extend an existing brand should involve considering several key factors: offering relevance, brand impact, market opportunity, and company goals and resources.

• Brand relevance. Brand extensions are feasible when existing brand

associations can enhance the image of the branded product or service. For example, Apple's entry into the watch market was greatly facilitated by the use of the Apple brand, which added credibility to its offering. On the other hand, when the existing brand is incompatible with the new offering, launching a new brand is a better alternative. For example, Colgate attempted to enter the growing market for ready-to-eat meals with an offering branded as *Colgate Kitchen Entrees*, even though the Colgate brand was strongly associated with toothpaste rather than food. In the same vein, Bic, known for its disposable products—pens, lighters, and razors—extended its brand to underwear, a category clearly inconsistent with the image of the brand.

- **Brand impact.** An important consideration in extending a brand to a new product category or a different price tier is the possibility that the extension might hurt the core brand. For example, a few decades ago General Motors introduced Cadillac Cimarron, a compact car that resembled and shared many parts with a significantly lower priced Chevrolet model. Not only did the Cimarron experience dismal sales, but it also significantly damaged consumers' perceptions of the Cadillac brand. Thus, when brand extensions are likely to have a detrimental impact on the core brand, introducing a new brand or an endorsed subbrand is a better option. For example, to minimize the negative impact from entering the mass-retailer market, global fashion brand Mango introduced a new endorsed sub-brand—MNG by Mango—created exclusively for JCPenney. Other fashion brands, including Giorgio Armani and Ermenegildo Zegna, have followed a similar strategy by launching new endorsed sub-brands (Emporio Armani and Z-Zegna) in order to minimize the potential harm to their core brand.
- Market opportunity. The decision of whether to extend a brand or launch a new brand is also a function of market opportunity. For example, the emergence of a customer segment with distinct needs and preferences might present the company with a unique opportunity to build a new brand to capture an important association in customers' minds. Even when extending an existing brand is a viable option, launching a new brand designed to capture the mindset of a growing customer segment might be a superior strategy. Indeed, because a company can tailor the meaning of its new brand to the needs of a particular customer segment, launching a new brand has greater potential to create customer value than an existing brand that appeals to a different customer segment. For example, AB InBev, the largest beer producer in the world, in addition to megabrands Budweiser, Corona, and Stella

Artois, has amassed a global portfolio of over 200 beer brands tailored to distinct customer needs across different markets.

• Company goals and resources. The decision of whether to launch a new brand also depends on the business model of the company and, specifically, on its strategic goals and resources. Companies like Procter & Gamble, Unilever, SC Johnson, Nestlé, VF Corporation, Disney, PVH, and Iconix Brand Group, whose core competency involves building and managing strong brands, are more likely to succeed in establishing a new brand than companies whose core competencies lie elsewhere. For companies with brand-building competency, creating new brands is a key aspect of the business model, which is reflected in their strategic goal of creating market value through enhancing the equity of their existing brands and launching new ones.

# **Brand Licensing**

Brand licensing is a process of leasing brand identifiers—such as name, logo, and character—to a third party for the purpose of harvesting the power of the brand. For example, a watch company might license from Disney the right to use the image of Mickey Mouse to make its watches more relevant to some of its younger customers. In the same vein, Lacoste licenses its name (and its green crocodile logo) across the globe for use on a variety of products that include apparel, shoes, sunglasses, luggage, and cosmetics.

Because of its benefits to both licensors and licensees, brand licensing has become a very popular business model. Top global licensors include companies like Walt Disney Company; PVH (Calvin Klein, Tommy Hilfiger, Speedo, IZOD); Meredith (Better Homes and Gardens); Iconix Brand Group (DanskinNow, Mossimo, Candie's, Umbro, Lee Cooper, and Buffalo); Mattel (Barbie and Hot Wheels); Sanrio (Hello Kitty); Warner Bros. (Batman, Superman, Wonder Woman, The Hobbit Trilogy, Godzilla, Harry Potter, Looney Tunes, Scooby-Doo, and Tom and Jerry); Major League Baseball; Nickelodeon; and Hasbro (Monopoly and Transformers). Together, the top ten licensors generate more than \$130 billion, which accounts for slightly more than 50% of the total retail sales of licensed products.<sup>33</sup>

Licensing offers several important *benefits to licensors* (brand owners). Thus, licensing generates incremental revenues for the brand owner by increasing the range of products associated with the brand. Because granting a license involves minimal costs on the part of the brand owner, a greater number of licensed products usually translates into higher profits. The same

principle holds for expanding the distribution coverage of the products already associated with the brand, whereby granting distribution rights to a new market generates incremental profits for the licensor.

Licensing can also strengthen the brand by increasing its visibility across different purchase and usage occasions. For example, licensing helps Disney sustain top-of-mind awareness of its brands by increasing the instances when customers can experience these brands. Another important benefit of licensing is that it enables the brand owner to focus its efforts on managing the brand without needing in-depth expertise in product development. Thus, the ability to license its brand enables companies like Lacoste to focus its efforts on managing its brands while outsourcing the manufacturing of the branded apparel, footwear, eyewear, travel gear, and cosmetics to companies with established expertise in these areas.

Despite its numerous benefits, brand licensing has a number of important *drawbacks for licensors*. The first and foremost drawback of licensing is the loss of direct control over the brand image due to decreased ability to ensure meaningful and consistent brand positioning. Indeed, the licensor grants a third party the right to use its brand without always being able to ensure that the brand will be accurately represented across all licensed products and displayed in a way that is consistent with the desired brand image. To address this concern and ensure brand integrity, many licensors have developed strict guidelines regulating the use of their brands.

In addition to the loss of direct control over their brands, licensors also lack direct control over the functional performance of the branded products. For example, by licensing its brand to a third party, the licensor faces the potential risk that some of the licensed products will be subpar in overall appearance, quality of the materials, and durability.

In addition to creating value for the brand owner (licensor), licensing offers important *benefits for licensees*. Licensing a brand enables a company to obtain many of the brand benefits without having to invest time, money, and other resources to create its own brand. Thus, through licensing, a company can outsource the branding function by leveraging another company's brand assets and brand-building competency. This is an important benefit for licensees with established expertise in manufacturing and distribution that lack the resources to build their own brands. In this context, licensing enables such companies to "borrow" an established brand and use it to differentiate their offerings from the competition.

Licensing an established brand can also help manufacturers gain access to distribution channels that might otherwise be unwilling to carry their

products. If distributors believe that a branded product will generate store traffic and sales revenues, they are more likely to carry such a product as well as grant more favorable status to this product. Entering into a licensing agreement with an established brand can also increase the reputation and the credibility of the manufacturer and facilitate interactions with its business partners.

Despite its numerous benefits for licensees, licensing also has important *drawbacks for licensees*. The most obvious of these drawbacks are the fees that the licensee must pay for the right to use the brand. The licensing fees depend on the strength of the brand and could be substantial for popular brand franchises. Another important drawback is the forgone opportunity for the licensee to build its own brand. As an increasing number of product categories become commoditized, manufacturers of unbranded products are more likely to have to compete with one another for the right to license established brands. In this context, a viable alternative for manufacturers to combat product commoditization is to develop competency in brand management and build their own brands.

#### **SUMMARY**

Brand repositioning involves changing the company's brand without changing the breadth of offerings associated with this brand. Depending on the type of changes involved, brand repositioning can be strategic or tactical. Strategic repositioning involves changes in the meaning of the brand. In contrast, tactical repositioning involves changes in the brand tactics—brand design and/or brand communication—without changing the underlying brand strategy.

Common reasons for repositioning a brand involve changes in the target market, including changes in a brand's target customers, changes in the company's goals and resources, changes in the collaborator network, changes in the competitive environment, and changes in the market context.

*Brand extension* is the strategy of using the same brand name in a different product category or a different price tier. Brand extension is different from brand repositioning in that brand repositioning involves a change in the meaning of the brand without necessarily changing its scope by adding new offerings. In contrast, brand extension involves associating the brand with new products and services that are substantively different from its current offerings.

There are two types of brand extensions: vertical and horizontal. *Vertical brand extensions* stretch the brand to a product or service in a different price tier. Depending on the direction in which the brand is being extended, there are two types of vertical brand extensions: *upscale extensions* in which the brand is associated with an offering in a higher price tier, and *downscale extensions* in which the brand is associated with an offering in a lower price tier. *Horizontal brand extensions* involve using a brand in a product category with which it is not currently associated.

The key reason for extending the brand is to leverage its power to a new product or service rather than building a new brand. The key drawbacks of brand extensions are that (1) the existing brand associations tend to hurt rather than help upscale extensions, (2) downscale brand extensions can tarnish the image of the core brand and increase the likelihood of product cannibalization, and (3) associating the brand with diverse product categories in the case of horizontal brand extensions can dilute the brand image.

Brand licensing is a process of leasing brand identifiers to a third party for the purpose of harvesting the power of the brand. The key benefit of licensing for the brand owner is the incremental revenue from increasing the range of products associated with the brand. The key drawback is the licensor's loss of direct control over the brand image due to decreased ability to ensure a brand's consistent positioning. The key benefit of licensing for licensees is that it enables them to obtain brand benefits without having to invest time, money, and other resources to create their own brand. The key drawback for the licensees are the fees that they must pay for the right to use the brand, as well as the forgone opportunity for the licensees to build their own brand.

# BRANDING BRIEF: BRAND REPOSITIONING—BETTY CROCKER

Betty Crocker was invented by the Washburn Crosby Company, a flour-milling company and predecessor of General Mills, in order to personalize responses to consumer questions about baking. The surname Crocker was chosen to honor a popular, recently retired company director, William Crocker. Betty was chosen simply as a friendly sounding name. Betty Crocker's signature was designed by one of the company employees. The Betty Crocker Red Spoon appeared on packaging in 1954 and is now the most recognizable symbol of Betty Crocker, displayed on a variety of cookbooks, magazines, and on over 200 baking mixes, including Hamburger Helper and Bisquick.<sup>34</sup>



To celebrate the 15th anniversary of the Betty Crocker name in 1936, General Mills commissioned a portrait that remained the official likeness of Betty Crocker for nearly 20 years. The 1955 interpretation of Betty Crocker was a softer, smiling version of the original image. The 1965 portrait was a dramatic departure from the earlier two versions, featuring a more modern-looking Betty. The 1972 portrait depicted a more businesslike Betty Crocker, symbolizing women's newly important role outside the home. The 1986 portrait featured Betty Crocker as a friendly professional woman comfortable both in the boardroom and in the dining room. For Betty Crocker's 75th anniversary, a nationwide search found 75 women of diverse backgrounds and ages who embody the characteristics of Betty Crocker. A computerized composite of the 75 women, along with the 1986 portrait of Betty, served as the basis for the image, which aimed to capture the characteristics that make up the spirit of Betty Crocker as one who enjoys cooking and baking, is committed to family and friends, is resourceful and creative in handling everyday tasks, and is involved in her community (Figure 7).35

Figure 7. Betty Crocker's Official Portraits Through the Years



# BRANDING BRIEF: BRAND REPOSITIONING—THE MICHELIN MAN

The Michelin brand character, commonly referred to as the Michelin Man or Bibendum, was introduced in a 1898 poster that depicted him raising a glass to toast his competitors. The slogan *Nunc est bibendum* (Latin for "now is the time to drink"), placed above the Michelin character, became the source of the character's name. The words at the bottom of the poster—*C'est à dire: À votre santé. Le pneu Michelin boit l'obstacle* (French for "That is to say: to your health. The Michelin tire drinks up [overcomes] obstacles")—refer to Michelin's ability to overcome road hazards such as horseshoes, nails, and various sharp objects that were covering roads in France at the time. Accordingly, the Michelin Man is full of air, raising a glass full of metal

scraps, and surrounded by two tattered, flaccid competitors whose caricatured faces resembled the chiefs of Continental Tire and Dunlop at the time. The Michelin character is white because prior to 1912, tires were made primarily from rubber without the addition of carbon, which gives tires their black appearance (Figure 8).







Over the years, Michelin's character has evolved. He no longer has pince-nez glasses with a lanyard and a cigar. He is not speaking Latin either. He has slimmed down, quit smoking, and seems to have been working out (he is now made of automobile tires rather than bicycle tires). His physical characteristics have become more juvenile: his eyes have grown bigger relative to his head and his limbs have become pudgier. These physical changes have made Michelin's character friendlier, more lovable, and less threatening. All these changes are a reflection of the changes in customer demographics. Michelin's original image was designed to appeal to the upper class since at that time bicycling and driving were rich men's avocations. In contrast, today's Michelin Man is egalitarian, appealing to a broader range of customers with different needs, values, and lifestyles.

# BRANDING BRIEF: BRAND REPOSITIONING—PABST BLUE RIBBON

Pabst Brewing Company was established in 1844 in Milwaukee, Wisconsin, and by 1872 had become the second-largest brewery in the United States. After garnering multiple awards at US and international competitions, in 1882 Pabst began hand-tying a blue silk ribbon around the neck of each bottle of its

Best Select beer to identify it as a first-place winner.<sup>36</sup> After patrons started asking bartenders for "the beer with the blue ribbon," the phrase "Blue Ribbon" was added to the Best Select name on the label in 1895. Three years later the beer's name was officially changed to Pabst Blue Ribbon. The practice of hand-tying a blue silk ribbon around each bottle of Pabst Blue Ribbon was ended in 1916 because of a worldwide silk shortage, but resumed in 1933 at the end of Prohibition, and officially terminated in 1950, with the phrase *Blue Ribbon* earning a permanent spot on the label.



Despite the awards and brand name recognition, the sales of Pabst Blue Ribbon, commonly referred to as PBR, began to decline steadily in the 1970s. The brewery was sold in 1985, and the new owners, in a series of cost-cutting measures, closed the flagship brewery in Milwaukee and terminated all advertising. PBR's market share continued to decline until 2002, when sales started showing an unexpected upswing. The unlikely source of new interest in PBR consisted of bike messengers, urban hipsters, college students, millennials, and other young adults who saw the beer's scarcity, lack of advertising, and non-mainstream attitude as a means to express their individuality. Interestingly enough, Pabst was not targeting these drinkers; they were just a group of people who embraced the brand and made it their own.

Rather than reposition PBR to appeal to the new audience, the company decided to maintain its current brand identity in order to retain the authenticity that had attracted these new customers in the first place. Instead, PBR opted to "let customers lead the brand" and used a grassroots approach to create a brand community by sponsoring customer events and using social media to encourage customer interaction with the brand.

On the heels of its domestic growth, PBR decided to tap into the growing Chinese market by launching a specially crafted, reddish-brown strong ale that had more the appearance of brandy than beer. Branded "Blue Ribbon 1844"—to underscore the heritage and authenticity of the brand—the beer was positioned as a luxury beer and priced at \$44, in homage to the year in which the company was founded. The advertising campaign featured a champagne flute-like glass next to the voluptuously shaped bottle of Blue Ribbon 1844, and compared the ale to Scotch whisky, French brandy, and

Bordeaux wine. Thus was PBR, once considered a working-class beer, reborn as a hipster beer in the United States and a luxury spirit in China.

# BRANDING BRIEF: BRAND REPOSITIONING—MORTON SALT'S UMBRELLA GIRL

The Morton Salt Umbrella Girl emerged from a routine advertising presentation in 1911, as Morton Salt was developing its first national consumer advertising campaign designed to promote its new product—free-flowing salt in a round blue package with a patented pouring spout.<sup>37</sup> Earlier that year, the company had begun adding magnesium carbonate as an absorbing agent to its table salt to ensure that it poured freely, and Morton Salt was now eager to share its invention with the public.

One of the ads designed to run in *Good Housekeeping* magazine featured a little girl holding an umbrella in one hand to ward off falling rain, and, in the other hand, a package of salt tilted back under her arm with the spout open and salt running out. The image captured the essence of Morton's innovation, which was also its competitive advantage at the time—that the salt would run in damp weather. The initial copy *Even in rainy weather*, it flows freely ultimately evolved into the now famous slogan, *When It Rains It Pours*.

The Morton Salt Umbrella Girl and slogan first appeared on the blue package of table salt in 1914. Throughout the years the Umbrella Girl has changed her dress and hairstyle to stay in tune with the times. Her image was updated in 1921, 1933, 1941, 1956, 1968, and most recently in 2014 in celebration of her 100th year as the face of the brand. All of these changes, however, have been stylistic in nature, preserving the original meaning of the logo and the positioning of the Morton Salt brand. The Morton table salt package has also been updated through the years, although it still incorporates its other two prominent features: the dark-blue label and the pouring spout (Figure 9).

1914 1921 1933 1941 1956 1968 2014

Figure 9. Morton Salt Umbrella Girl Through the Years

**BRANDING BRIEF: UPSCALE BRAND EXTENSION—** 

### **VOLKSWAGEN PHAETON**

Volkswagen dates back to 1937, when the German government set up a company tasked with designing a car that the German people could afford (Volkswagen literally means "people's car"). Designed by Austrian automotive engineer Ferdinand Porsche, the founder of his namesake company, the car had a small engine and a distinct aerodynamic "beetle" shape designed to minimize air resistance. Over the years, Volkswagen gained a reputation for reliability and practicality. First introduced in the United States in 1949, the car quickly gained traction with consumers, who viewed it as a counterpoint to the large American cars that dominated the roads at the time. Many saw the unique shape of the car as a means to express their identity and individuality, and the Volkswagen "bug," as it was nicknamed, became part of the cultural fabric of America, and the car of the counterculture and the hippie movement.



The Volkswagen Beetle's popularity was greatly enhanced in the early 1960s by the widely popular *Think Small* campaign, considered by many as one of the best advertising campaigns of the twentieth century, which emphasized the car's simplicity and minimalism. Over the years, the Volkswagen Beetle became the top-selling auto import in the United States, achieving the distinction of becoming the single most-produced make of car in history, surpassing the Ford Model T's record sales. As sales began to decline, the Beetle was discontinued in 1979 in most countries, only to be brought back in 1998 as the New Beetle, a retro-themed car representing its first major redesign in 50 years. The Beetle brand was ultimately retired in 2003 after being in production for more than 65 years and having sold over 21 million cars.

Building on the success of the Beetle, Volkswagen became one of the largest car manufacturers in the world, featuring a broad portfolio of consumer brands that ranged from the mainstream brands Volkswagen, Seat, and Skoda to the premium and luxury brands Audi, Porsche, Bentley, Bugatti, Lamborghini, and Ducati. The portfolio of automobiles bearing the Volkswagen brand expanded as well, featuring a series of VW sub-brands that included the entry-level Golf, the more upscale Jetta and Passat, and the Touareg SUV. Despite this broad portfolio of offerings, the company, and, in

particular, its chairman, Ferdinand Piëch—a grandson of Ferdinand Porsche—felt that Volkswagen should have its own luxury vehicle.

In 2002 Volkswagen introduced a full-size luxury sedan named after Phaeton, the son of Helios, Greek god of the Sun. As the legend goes, to prove his ancestry to his friends Phaeton convinced his father to let him drive the chariot of the sun for a day. Once aboard the chariot, Phaeton was unable to control the horses, and the chariot veered toward the Earth and began to scorch it, forcing Zeus to strike Phaeton with a thunderbolt to avoid destruction of Earth. While choosing a name associated with a chariot catastrophe was perhaps not the most intuitive choice, the more controversial choice was the decision to position Phaeton as an extension of the Volkswagen brand rather than as a freestanding brand.

The problem was that in the minds of many consumers Volkswagen was associated with referents like the people's car, hippies, and thinking small. And even though the car itself was meticulously designed, Volkswagen faced an uphill battle trying to sell a \$70,000+ luxury car that prominently featured the VW logo on the front and the back of the car. The fact that the VW Phaeton was sold in Volkswagen's showrooms next to its other models (including the redesigned Beetle) did not help the situation. After four years of dismal sales, Volkswagen decided to withdraw the car from the US market. Interestingly, the biggest market for Phaeton ended up being China, where many consumers unfamiliar with Volkswagen's cultural heritage associated the brand with Germany, precision engineering, and luxury.

# BRANDING BRIEF: HORIZONTAL BRAND EXTENSION—ALKA-SELTZER

Alka-Seltzer was introduced by Miles Laboratories in 1931. The company heavily promoted the new drug, investing in long-term radio sponsorships and becoming one of the top 20 radio advertisers. In the early 1950s, it created its own brand character, Speedy Alka-Seltzer, designed to serve as an embodiment of fast relief. Featuring a cap-like Alka-Seltzer tablet on his head, another tablet forming his torso, and an "effervescent" wand in his hand, Speedy appeared in multiple television commercials and print advertisements until he was retired in 1964.



In the 1960s, the Alka-Seltzer advertising campaign began to feature ads depicting a two- tablet dose, even though the directions on the package, as well as all prior advertising campaigns, advised taking only one tablet. In addition to its potential to double sales, directing customers to take two rather than one tablet was believed to increase the intake of aspirin to a more effective level. Consequently, the company started to package tablets in sets of two in addition to actively promoting the double-tablet dose.<sup>38</sup>



For years, the Alka-Seltzer brand had been promoted primarily based on two functional benefits: its ability to neutralize stomach acid and its two effervescent tablets that rapidly dissolve in water to form a carbonated drink. This positioning is well captured in its famous 1975 tagline: *Plop*, *plop*, *fizz*, *fizz*...*Oh*, *what a relief it is*. The ad campaign solidified Alka-Seltzer's image as a two-tablet effervescent remedy for upset stomach and indigestion.

To capitalize on the popularity of its brand by appealing to a broader market, Alka-Seltzer began introducing different forms, including chewable tablets and gummies. It also launched Alka-Seltzer Morning Relief—effervescent tablets designed to treat the headache and fatigue associated with a hangover. In addition to extending Alka-Seltzer-branded products, the company launched Alka-Seltzer Plus, a series of over-the-counter effervescent tablets designed to treat fever, cold, flu, cough, sinus, and allergy. Alka-Seltzer Plus products were offered in effervescent tablets, capsules, liquid, and packets with dissolvable powder.



This brand extension enabled Alka-Seltzer to greatly expand its target market. In the process of doing so, however, it had to abandon the two unique benefits

that had been traditionally associated with the brand: acid relief and the two effervescent tablets. This dilution of the unique meaning of the brand was an inevitable consequence of extending the meaning of the brand to include a broader set of underlying products.

## **BRANDING BRIEF: BRAND LICENSING—STAR WARS**

The Walt Disney Company—which includes Lucasfilm, Marvel, ABC, ESPN, Pixar, and Walt Disney Studios— is the world's leading licensor. The company sold nearly \$57 billion worth of licensed merchandise in 2016, about three times more than the next closest competitor. The key contributor to Disney's stream of licensing revenues is Star Wars—the most successful licensed franchise of all time.



Premiered in the summer of 1977, *Star Wars* became a surprise hit. In fact, industry expectations were so modest that the movie initially opened only on 42 screens. Ultimately, it became the highest grossing film of the time and winner of six Oscars. One of the few people who saw the market potential of the film was George Lucas, who agreed to waive part of his salary for directing *Star Wars* in exchange for merchandising rights (Lucas sold his company Lucasfilm to Disney in 2012 for \$4 billion). As *Star Wars* became a cultural phenomenon, merchandising revenues eclipsed the receipts from movie tickets.

Star Wars' global merchandising partnerships range from action figures and other collectibles to clothing and accessories, videogames and toys, books, and even food items. In addition, Disney entered into a number of promotional partnerships, pairing *Star Wars* with several big brands including Gillette, Duracell, Fiat Chrysler, Subway, Verizon, and Japan's All Nippon Airways.

The appeal of the Star Wars brand is so strong that it enables Disney to charge much higher rates (sometimes double or triple) for licensing the Star Wars name and the related intellectual property than the industry average, which hovers around 6–7%. Overall, the annual revenues generated from sales of Star Wars products are estimated at about \$5 billion, from which Disney could generate between \$500 million and \$1 billion in revenues from licensing arrangements.<sup>39</sup>

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## CHAPTER SEVEN

# PROTECTING THE BRAND

Nobody has ever built a brand by imitating somebody else's advertising.

—David Ogilvy, founder of Ogilvy & Mather advertising agency

Building a strong brand is crucial for designing a successful business model. Once built, the brand must be protected. To this end, a manager must understand the context in which the brand operates, and specifically, the legal principles governing the way brands function in the market. Therefore, the goal of this chapter is to offer an overview of the key legal concepts that are pertinent to brand management. The information contained in this chapter is not meant as a substitute for professional legal advice; its purpose is to provide basic information on some of the legal concepts. The information contained in this chapter is grounded in United States intellectual property law and may not apply in other countries.

## The Concept of Intellectual Property

Intellectual property involves the legal entitlement attached to the expressed form of an idea or to some other intangible subject matter. Intellectual property rights are divided into four categories: *copyright*, *patent*, *trade secret*, and *trademark*. Even though only one of these categories—trademarks—is directly relevant to brand management, in order to understand the legal protection granted to trademarks, one must understand their relationship to the other types of intellectual property.

## **Copyright**

A copyright gives the creators of original works in any tangible medium of expression the exclusive right to reproduce, distribute, perform, display, license, and to create derivative works based on the copyrighted work. These exclusive rights are subject to limitation by the doctrine of "fair use," which allows use of a copyrighted work for purposes of criticism, comment, news reporting, teaching, or research.

The types of works covered by copyright include literary works such as novels, poems, plays, reference works, newspapers, and computer programs; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs, and sculpture; architecture; and advertisements, maps, and technical drawings.

Copyright involves only the form of expression and does not extend to the underlying idea, procedure, process, system, method of operation, concept, principle, or discovery. For example, if a book describes a new idea, copyright protection only extends to the author's description of the idea but does not protect the idea itself. Copyright is granted for a fixed time period. In the United States, the copyright term varies between 70 and 120 years depending on the type of ownership and the year of copyright.

### **Patent**

A patent for an invention grants an inventor "the right to exclude others from making, using, offering for sale, or selling" <sup>40</sup> the invention. Technically speaking, a patent does not grant the patent owner the right to make, use, offer for sale, sell, or import, but the right to exclude others from doing so.

There are three basic types of patents: *utility patents* protect a new and useful method, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof; *design patents* protect a new, original, and ornamental design for an item; and *plant patents* protect any distinct and new variety of an asexually reproduced plant.

A **utility patent** protects (1) method, including business processes, computer software, and engineering methods; (2) machines, including anything that performs a function; (3) products, including anything manufactured; and (4) compositions of matter, including pharmaceuticals, chemical compounds, and artificial genetic creations. A utility patent cannot be obtained based on a mere idea: It is granted for an example of a new invention and not on the idea of the new invention. To receive a utility patent,

an invention must be useful, novel, non-obvious, and fully described.

Utility patents require that an invention be actually *useful* or at least have a sound theoretical basis for being useful. The utility of the invention must be immediately apparent to a person of ordinary skill in the art. An invention totally incapable of achieving a useful result cannot receive a utility patent. Furthermore, the invention must be credible, meaning that it must be plausible in view of contemporary knowledge or it must be scientifically documented. For example, to be awarded a utility patent, the effectiveness of a drug must be scientifically documented.

Utility patents require that the invention be *novel*. An invention that has already been patented, described in a printed publication, in public use, on sale, or otherwise available to the public (e.g., an oral presentation at a scientific meeting, a demonstration at a trade show, a lecture or speech, a website, online video, or other online material) cannot be patented. Thus, publishing a detailed description of a new invention without patenting it can prevent others from being able to patent the invention (a practice referred to as defensive publication).<sup>41</sup>

Utility patents require that the invention be *non-obvious*. An invention is considered non-obvious if it appears sufficiently different from other inventions described in the past to a person having ordinary skill in the area related to the invention. For example, inventions that differ merely in color or size from inventions described in the past are ordinarily not patentable.

Utility patents require that the invention be *fully described*, such that it enables people of ordinary skill in the relevant field to understand what the invention is, to reproduce it, and to use it without engaging in further experimentation. The full disclosure requirement is a "quid pro quo" that gives the public detailed information in exchange for being excluded from making or selling the invention for the duration of the patent.

A **design patent** involves the ornamental or aesthetic aspect of an article of manufacture. A design patent may include three-dimensional features such as the shape of the product, or two-dimensional features such as patterns, lines, or color. To be legally protected, the design should not be purely functional, and its ornamental/aesthetic features should not be imposed by the technical functions of the product. Unlike a utility patent, a design patent is primarily aesthetic in nature; it protects only the product's appearance and does not protect any technical aspects of the product to which it is applied (which, in turn, can be protected by a utility patent).

Patents are granted for a fixed time period. In the United States, the term

for utility patents is 20 years from the earliest filing date of the application on which the patent was granted. For design patents the term is 14 years from the issue date. In the United States, patent application is made exclusively to the United States Patent and Trademark Office, a federal agency in Washington, D.C.<sup>42</sup>

#### **Trade Secret**

Trade secrets include any confidential business information that provides an enterprise with a competitive edge. Trade secrets can encompass sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients, and manufacturing processes. For example, CocaCola's formula for its flagship product, Coke, the blend of eleven herbs & spices in KFC's original recipe, the ingredients for McDonald's Big Mac special sauce, the recipe for Twinkies, *New York Times*' formula for identifying the books that go on its bestseller list, as well as the customer databases of companies like Amazon, Google, and Facebook, exemplify trade secrets. Broadly defined, a trade secret is any information that (1) is confidential, (2) is used in business, and (3) offers an economic advantage over competitors who are unaware of or do not use the confidential information in question.

Trade secrets are similar to patents in that both may offer a certain degree of legal protection to their holders. However, unlike patents, which require the inventor to register and disclose details of the invention in exchange for the right to exclude others from making or selling the invention for a limited period of time, trade secrets can be protected without registration (disclosing a trade secret defeats its purpose of being a secret) and do not last for a specific number of years. In addition, whereas certain limitations are imposed on an invention to be patented, trade secrets are much broader in scope and can cover virtually any invention provided that they are kept confidential, used in commerce, and provide a competitive edge. Finally, unlike patents, which preclude others from using the invention, trade secrets may be obtained by lawful means such as independent discovery, reverse engineering, and inadvertent disclosure resulting from the trade secret holder's failure to take reasonable protective measures.

### **Trademark**

Trademarks are the form of intellectual property that is most pertinent to

brand management. The essence of trademarks, their key functions, and the key types of trademarks are discussed in the following sections.

## **The Concept of Trademarks**

The Lanham Act, the United States federal trademark statute, defines *trademark* as "any word, name, symbol, or device, or any combination thereof [used or intended to be used in commerce] to identify and distinguish [a producer's] goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."<sup>43</sup> The term *goods* refers to any type of product, tangible or intangible, used in commerce. The term *symbol or device* means virtually anything that identifies the source of the goods or services. <sup>44</sup> Accordingly, a mark can be a number, a drawing, a shape, a sound, a color, or even a fragrance.

Trademark rights enable the owner to prevent others from using an identical or a confusingly similar mark. Thus, similar to patents, trademarks do not grant the right to use a trademark but the right to exclude others from using it. Unlike patents, however, trademarks do not prevent others from making the same goods or from selling the same goods or services under a different mark.

Similar to patents, in the United States trademarks are registered with the United States Patent and Trademark Office. The ® symbol (usually placed in the upper right corner of the mark) informs the public that the mark is registered nationwide. The ® symbol may only be used after the mark has already been registered, only for the goods and services for which it is registered, and only while the registration is still alive.

Trademark rights can also arise from the actual use of the mark rather than through federal registration. Thus, if a product is sold under a brand name that in consumers' minds indicates the product's source, common law trademark rights have been created. A mark's owner may use the sign TM to indicate state common law rights in the mark (as well as to indicate pending federal registration). Unlike federally registered trademarks, which give the owner the exclusive right to use the mark nationwide, common law trademark rights are limited to the geographic area in which the mark is used. Furthermore, unlike registered trademarks, which are governed by federal statute, common law trademark rights are governed by state law.

A trademark is different from a trade name. A *trade name* is an actual or assumed name of a business entity used to identify this entity and distinguish

its business from that of others; it is not a name of a specific product or service. In contrast, trademarks and service marks identify the source of specific goods or services, even if that source is unknown. For example, *Alphabet* is a trade name identifying a Delaware corporation (formerly operating under the trade name Google), whereas *Google* is a trademark and a service mark owned by Alphabet, which enables the public to identify Alphabet's products and services (even though the public might be unaware of the identity of the trademark owner).

A trade name is just that—a name. A trademark on the other hand can involve more than a name. It can be virtually anything—a word, name, symbol, or device, or any combination thereof. More important, a trade name does not inherently constitute an intellectual property, whereas a trademark is an intellectual property that creates value for the business. Unlike trademarks, which are registered and enforced on a federal level, trade names are registered and enforced on a state level. This implies that unlike trademarks, which can claim uniqueness within a particular category of goods and services on a federal level, identical trade names registered in different states can legally coexist.

A trade name is not considered a trademark or entitled to protection under trademark laws unless it actually adorns a product or service and is used to identify and distinguish a company's goods from those created by others and to indicate the source of these goods. For example, *Apple* is both a trade name and a trademark because Apple Inc. uses its trade name, *Apple*, as a trademark to identify its offerings to the public.

To be afforded the legal protection of a trademark, a mark must (1) be used in commerce, (2) identify the source of the goods and (3) distinguish the related goods from those manufactured or sold by others. The latter two functions of a trademark—source-signifying and differentiating—are discussed in more detail in the following sections.

## The Source-Signifying Function of a Trademark

The trademark is a symbol; however, not every symbol is a trademark. To be a trademark, a symbol must identify the source of the goods. The source-identifying function of the trademark means that it must distinguish the goods of one company from the goods of others. It does not mean that it must identify the trademark owner. For example, *Tide* is a trademark for a laundry detergent without customers knowing that it is manufactured by Procter & Gamble.



The trademark owner can be the "source" of the goods in several ways: (1) it can produce the goods (or a component of the goods), (2) it can use the trademark to resell goods produced by others, (3) it can license others to produce/distribute the goods designed by the trademark owner, and/or (4) it can offer the mark for use by others to endorse their goods. Because products and services can have multiple sources, they can involve multiple trademarks. For example, a product might bear the trademarks of its manufacturer, the producer of a specific ingredient of the product, and a certifying agency (e.g., a *Lenovo* computer, featuring *Intel Inside* logo, and *UL* certification by Underwriters Laboratories).

The source-identifying function of a symbol must be distinct from other functions it fulfills. If a symbol is perceived to serve a purpose other than identifying the source of the goods, it might not qualify as a trademark. For example, a symbol that serves a primarily aesthetic role (e.g., graphic design used as decoration) rather than signifying the source of the product might not qualify for a trademark (but might qualify for a design patent). In the same vein, a feature that has utilitarian functionality (e.g., the shape of a bottle designed to facilitate consumption of its contents) might not qualify as a trademark (but might qualify for a utilitarian patent).

The symbol must also indicate the source of the goods or services, rather than simply identify the goods or services themselves. A phrase from a movie cannot be a trademark for the movie; it must be used on other products or services to be considered a trademark. For example, "Bubba Gump Shrimp Co." is not a trademark for the movie *Forrest Gump*. It is, however, a trademark for the seafood restaurant chain inspired by the movie. In the same vein, when created by Walt Disney in 1928, Mickey Mouse could not be trademarked as a movie character because Mickey was the product itself rather than a symbol of a product. Only when applied to other products, such as watches, neckties, and backpacks, could Mickey Mouse be considered a trademark.

## The Differentiating Function of a Trademark

To be considered a trademark, a symbol must create a *distinct commercial impression* that identifies the source of the goods for customers. This

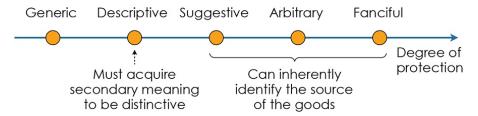
determination is made based on the overall impact of the symbol on customer beliefs about the source of goods. It is a function of factors such as the size and placement of the symbol, the use of other symbols, the overall product design and packaging, industry practices, and any other factors that influence the symbol's impact on customer impressions of the product or service.

Because the purpose of a mark is to distinguish the source of goods and services, it is not protectable if it is likely to cause confusion with a prior mark. The likelihood of confusion is based on the degree to which customers are likely to believe that goods share the same source and is a function of a number of factors, including customers' awareness of the marks and their meaning, the proximity of the relevant products in the market, the type and quality of these products, and the similarity of the marks.

To qualify as a trademark, a symbol must be able to distinguish the goods or services of one company from those of another. A mark can be distinctive in one of two ways: (1) if it *inherently* identifies the source of the product (inherent distinctiveness) or (2) if it has developed a *secondary meaning*, whereby consumers perceive that the name's primary significance is to identify the source of the product rather than the product itself (acquired distinctiveness).<sup>45</sup>

Marks are inherently distinctive if their "intrinsic nature serves to identify a particular source" <sup>46</sup> and they "almost automatically tell a customer that they refer to a brand." <sup>47</sup> A mark that is inherently distinctive is protectable without having to acquire distinctiveness in the public mind. Fanciful, arbitrary, and suggestive marks (discussed in more detail in Chapter 4) are considered inherently distinctive and, therefore, can benefit from legal protection (Figure 1).

Figure 1. Types of Marks Based on Their Distinctiveness



A mark that is merely descriptive is not distinctive unless it acquires secondary meaning, so that "in the minds of the public, the primary significance of [the mark] is to identify the source of the product rather than the product itself."<sup>48</sup> A descriptive mark can attain a secondary meaning if the company is so successful in promoting the brand name in association with the product that consumers come to immediately associate the name with only one producer of that particular type of product. For example, even though the

name *Whole Foods* is not inherently distinctive, it has acquired secondary meaning whereby consumers associate this name with a particular grocery store chain.

Descriptive marks do not become distinctive overnight; they acquire distinctiveness over time. Thus, a name that is descriptive may, through usage by one company, acquire a special meaning so that to consumers the name comes to signify that the product is made by that particular company. For example, the Coca-Cola name was descriptive at the time of its introduction in 1885: It referred to a cola drink made with an extract from leaves of the coca plant. Over time, however, the name *Coca-Cola* became distinctive and acquired secondary meaning when its primary significance became an identifier of source, distinguishing *Coca-Cola* beverages from those of other companies.



In the same vein, the initially descriptive *All Bran* name over time gained distinctive meaning, referring not to any all-bran cereal but a particular brand of all-bran cereal. The same logic holds for surnames. If the primary significance of the name is to identify a particular person as the source of the goods, it is not considered distinctive unless it acquires a secondary meaning. For example, McDonald's, Procter & Gamble, and Mrs. Fields have acquired distinctiveness because of their primary significance as an identifier of source.

To gain distinctiveness, a descriptive mark must not only acquire secondary meaning; its primary significance must be to indicate source, rather than describing the product or serving an alternative function. Thus, the term "secondary" implies the sequence in which the meaning is attained; it does not indicate the relative importance of this meaning. In this context, the "primary" meaning of a mark is the one that pre-dates its use in commerce, and the "secondary" meaning is infused into a mark over time through commercial activities such as advertising, promotion, and sales. To attain distinctiveness, the acquired (secondary) meaning must indicate the source of the goods and must attain primary significance in customers' minds. In other words, secondary meaning exists when "the [mark] and the business have become synonymous in the mind of the public."<sup>49</sup>

For example, the descriptive term "best buy" in the mark *Best Buy* connotes to customers an assertion of superior value, which is the primary meaning of the phrase. During the course of the company's commercial activities, the term "best buy" has acquired a new and different meaning for

the public, indicating a specific retailer. Provided that this secondary meaning indicating the source of the goods has gained primary significance in customers' minds, submerging the descriptive meaning of the term "best buy" in favor of its meaning as an identifier of a specific business entity, the mark *Best Buy* is considered distinct and can be entitled to legal protection.

## **Key Types of Identity Marks**

The Lanham Act distinguishes four key types of identity marks: *trademarks*, *service marks*, *collective marks*, and *certification marks*. In addition, other commonly used marks (subsumed under the four key types) include *geographical indications*, *appellations of origin*, and *trade dress*. These different types of identity marks are discussed in the following sections.

#### **Service Mark**

A service mark is a trademark that involves services rather than goods. Because services are intangible, service marks appear on advertising for the services (unlike trademarks, which normally appear on the product or on its packaging). In most cases, the same rules tend to apply to both trademarks and service marks. Consequently, in this book the term "trademark" is often used in reference to both trademarks and service marks.

### **Certification Mark**

A certification mark is a symbol used by a person other than its owner "to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization."<sup>51</sup> Similar to trademarks and service marks, certification marks denote the source of products in order to distinguish them from similar products on the market and exclude unauthorized persons from using the mark.

Certification marks can state the regional origin of goods (e.g., *Florida* oranges, *Idaho* potatoes, and *Tennessee* whiskey), the materials (e.g., *USDA organic*), the mode of manufacture (e.g., *Fair Trade*), or compliance with a particular standard (e.g., *Energy Star*). Certification marks allow customers to rely on a third party—the owner of the certification mark—to inform them about particular aspects of the product or service. *Geographical indication* 

and *appellation of origin* (discussed later in this section) are often considered as a specific type of certification mark.

Certification marks do not require membership in the certifying organization; they may be used by anyone who can certify that the products involved meet certain established standards. For example, *Woolmark* certifies that the goods are made of 100% pure new wool, *Underwriters Laboratories* (*UL*) certifies that the goods meet certain safety standards, and *Fair Trade* certifies that the manufacturing process conforms to certain social and environmental standards. Certification marks may be used together with the individual trademark of the producer to document that the company's offerings meet the specific standards required for the use of the certification mark (see also the discussion in Chapter 5 on certification cobranding).

#### **Collective Mark**

A collective mark is a trademark or service mark used by the members of a group or organization. The primary function of the collective mark is to inform the public about certain features of the product or service for which the collective mark is used. For example, the *FTD* mark found in many flower stores means that the store is a member of a floral delivery organization (Florists' Transworld Delivery Association). The *AAA* mark indicates membership in the American Automobile Association. The *CPA* mark indicates that the accountant is a member of the Society of Certified Public Accountants. *Star Alliance*, *One World Alliance*, and *SkyTeam Alliance* marks indicate that the airline is a member of a particular network of airlines.

Unlike trademarks and service marks, which must be associated with specific goods or services, collective marks can be used merely to indicate membership in a group or an organization. Furthermore, unlike certification marks, which may be used by anybody who complies with the standards defined by the owner of the certification mark, collective marks may only be used by the members of a specific group or organization. The owner of the collective mark is responsible for ensuring compliance with certain standards (typically reflected in the regulations governing the use of the mark) for its members.

## **Geographical Indication**

A geographical indication is a mark used on goods that have a specific geographic origin and possess qualities or a reputation that stem from the

place of origin. The geographical indication does not protect the technology set out in the standards for that indication; it merely protects the use of the geographical indication as a certification mark. Geographical indications are commonly used for agricultural products, foodstuffs, wine and spirits, handicrafts, and industrial products. A geographical indication must identify a product as originating in a given place, and there should be a clear link between the qualities, characteristics, or reputation of the product and its geographical place of production. A geographical indication prevents a third party whose product does not conform to the applicable standards from using the mark to certify its products.

A geographical indication typically includes the name of the place of origin of the goods. For example, *Darjeeling* is a geographical indication that the tea comes from the Darjeeling district in West Bengal, India; Tequila is a geographical indication for liquor originating from the town of Tequila in the state of Jalisco, Mexico, where the liquor has been produced for over two centuries; *Bordeaux* is a geographical indication for wine originating from the region of Bordeaux in the south of France, where it has been produced since the eighth century; *Tuscany* is a geographical indication for olive oil produced in the Tuscany region of Italy; Jamaica Blue Mountain Coffee is a geographical indication for coffee grown in the Blue Mountains of Jamaica; and Swiss is a geographical indication for watches produced in Switzerland. Although a geographical indication typically consists of the name of the product's place of origin, such as Tequila and Champagne, non-geographic names that are commonly associated with a particular location, such as *Cava* (Catalonia) and Vinho do Porto (Portugal), can also constitute a geographical indication.

Geographical indications are similar to trademarks in that they inform consumers about the source of a product or service. However, there are several notable differences. Trademarks identify a product or service as originating from a *particular company*. In contrast, geographical indications identify a good as originating from a *particular place*. Furthermore, a trademark can be a fanciful, arbitrary, or suggestive word/sign, whereas a geographical indication typically consists of the name of the place of origin of the product, or the name by which the product is known in that place. Finally, because a trademark is linked to a specific company and not to a particular place, it can also be assigned or licensed to anyone, anywhere in the world. In contrast, a geographical indication cannot be assigned or licensed to someone outside of a particular place or not belonging to the group of authorized producers.

Because it certifies the regional origin of certain aspects of the product, in the United States geographical indication is considered and protected as a *certification mark*. When the geographical indication is owned and/or used by the members of a group or organization, it is also considered and protected as a *collective mark*.

The term geographical indication is related to the more general term indication of source, which refers to a country (or to a specific location in that country) as the place of origin of a product. Examples of indications of source are the name of a country mentioned on a product or phrases such as "made in ...," "manufactured in ...," and "product of ...." Based on the type of associations prompted, indications of source can be simple or qualified. Simple indications of source do not create an expectation on the part of the public regarding particular characteristics of the products or services. Swiss clothing, French pasta, and German shoes are simple indications of source. Thus, a simple indication of source does not imply the presence of any special quality, reputation, or characteristic of the product attributable to its place of origin; it merely indicates that the products and services on which the indication of source is used originate in a certain geographic area. In contrast, qualified indications of source, in addition to indicating the geographic origin of goods or services, create an additional expectation regarding the characteristics of the product or service stemming from the reputation of their geographic origin. For example, Swiss watches, French wines, and German cars are qualified indications of source because they convey additional information regarding the characteristics of the underlying products and services. In this context, qualified indications of source are equivalent to geographical indications.

## **Appellation of Origin**

Appellation of origin is a special type of geographical indication. Both geographical indications and appellations of origin inform consumers about a product's geographic origin and a quality or characteristic of the product linked to its place of origin. However, the link with the place of origin must be stronger in the case of an appellation of origin in that the product protected by an appellation of origin must be created exclusively or essentially from its geographic environment. Thus, appellation of origin requires that the raw materials are sourced in the place of origin and that the processing of the product also take place there. In contrast, for geographical indication, the production of the raw materials and product processing do not necessarily have to take place entirely in the defined geographic area; a single criterion

attributable to geographic origin could be sufficient.

For example, *Roquefort* is a blue cheese made in a region around the municipality of Roquefort-sur-Soulzon in France. Roquefort cheese is smooth, with even blue veins, a distinctive aroma, and a robust taste. The characteristics of the milk obtained from the indigenous Lacaune breed of sheep fed according to tradition, the characteristics of the calcareous caves in which the cheese is aged, and the traditional know-how used in the cheese-making process give Roquefort its unique features and taste and qualify it to receive appellation-of-origin status.

Because they indicate a product's geographic origin, appellations of origin refer only to geographic names such as Tequila, Bordeaux, and Champagne. In contrast, a geographical indication can involve symbols such as the Eiffel Tower in Paris, the Matterhorn in Switzerland, the Tower Bridge in London, and the Statue of Liberty in New York.

Similar to trademarks, geographical indications can become generic words and lose their protected status. For example, *Camembert* lost its function as a geographical indication and can now be used on any camembert-type cheese made anywhere in the world. In contrast, *Camembert de Normandie* is a French appellation of origin for a cheese produced only in Normandy.

### **Trade Dress**

Trade dress is a particular type of trademark or service mark.<sup>52</sup> Trade dress is the total image or overall appearance (look and feel) of a product or service that indicates its source and distinguishes it from products and services offered by others. Unlike trademarks, which are symbols placed on the goods or packaging (or used in selling the services), trade dress consists of the overall appearance of the product and its packaging.



Historically, trade dress referred to the manner in which a product was "dressed up" to go to market, including label, package display card, and

similar package elements. Over time, the meaning of the term trade dress was extended to include a product's total image and overall appearance, which extends to features such as size, shape, color or color combinations, texture, graphics, and even certain sales techniques. At present, trade dress can involve both product design (e.g., the pink color of Owens Corning fiberglass insulation) and product packaging (e.g., Tiffany's blue box). Because trade dress refers to the total image or overall appearance of a product/service, all of the features must be viewed as a whole. Accordingly, trade dress may be protectable even if it incorporates elements that are generic or merely descriptive and, hence, cannot be individually protected.

Similar to trademarks, trade dress can be legally protected only if it is both nonfunctional and distinctive. The *nonfunctional* aspect of trade dress means that its features must not create functional benefits for consumers. For example, the color pink in Owens Corning fiberglass insulation products serves no functional purpose (in fact it increases the manufacturing costs) although it effectively identifies the source of the product. In the same vein, the dripping red wax seal of Maker's Mark Kentucky bourbon identifies the source of the product without serving a particular functional purpose. If a particular product design/package feature is functional, it is not protectable as trade dress but instead might be protectable with a utility patent.

In addition to being nonfunctional, trade dress must be *distinctive*. Trade dress can be *distinctive* in one of two ways: by intrinsically identifying the source of the goods or services (inherent distinctiveness) or by developing a secondary meaning over time (acquired distinctiveness). These two criteria have different implications depending on whether the trade dress involves product design or product packaging. According to the United States Supreme Court, because product design "almost invariably serves purposes other than source identification" it is not inherently distinctive and, to be protectable, it must have acquired a secondary meaning.<sup>53</sup> In contrast, trade dress in product packaging can be inherently distinctive without having a secondary meaning (see the Legal Briefs at the end of this chapter).



For example, the trade dress of the iconic Hermès Birkin bag is defined by

"(a) a distinctive three lobed flap design with keyhole shaped notches to fit around the base of the handle, (b) a dimpled triangular profile, (c) a closure which consists of two thin, horizontal straps designed to fit over the flap, with metal plates at their end that fit over a circular turn lock, (d) a padlock which fits through the center eye of the turn lock and (e), typically, a key fob affixed to a leather strap, one end of which is affixed to the bag by wrapping around the base of one end of the handle." This trade dress is nonfunctional because it serves no other purpose than to identify the source of the product. Furthermore, this trade dress is distinctive because even though it involves product design it has acquired a secondary meaning since in the minds of the public the product design clearly and uniquely identifies the source of the product.

#### **SUMMARY**

Intellectual property rights are divided into four categories: copyright, patent, trade secret, and trademark. A *copyright* gives protective rights to creators of original works in any tangible medium of expression from which they can be perceived, reproduced, or otherwise communicated. A *patent* is the right to exclude others from making, using, offering for sale, or selling an invention. There are three basic types of patents: utility patents, design patents, and plant patents. A *trade secret* involves confidential information used in commerce that provides an enterprise with a competitive edge.

A *trademark* is any word, name, symbol, or device, or any combination thereof used in commerce to identify and distinguish a producer's goods from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown. To be afforded legal protection, a trademark must be used in commerce, identify the source of the goods, and differentiate the related goods from those manufactured or sold by others.

The source-identifying function of the trademark means that it must distinguish the goods of one company from the goods of others. The source-identifying function of a symbol must be distinct from other functions it might fulfill. If a symbol is perceived to serve a function other than identifying the source of the goods, it might not qualify as a trademark.

The differentiating function of a trademark means that it must create a distinct commercial impression that identifies the source of the goods to its customers. There are two types of distinctiveness: *inherent distinctiveness* (fanciful, arbitrary, or suggestive brand names) and *acquired distinctiveness* (descriptive brand names that have acquired a "secondary meaning" that

differs from their descriptive meaning). A mark that is inherently distinctive is protectable without having to acquire distinctiveness in the public mind. A mark that is merely descriptive is not inherently distinctive unless it acquires *secondary meaning*, so that in the minds of customers its primary significance is to identify the source of the product rather than the product itself.

There are four key types of identity marks: trademark, service mark, collective mark, and certification mark. A *service mark* is a trademark that involves services rather than goods. A *certification mark* is a symbol used by an entity other than its owner to certify the origin, material, mode of manufacture, quality, accuracy, or other characteristics of goods or services. A *collective mark* is a trademark or service mark used by the members of a group or organization.

Additional commonly used trademarks (subsumed under the four key types) include geographical indications, appellations of origin, and trade dress. A *geographical indication* is a mark used on goods that have a specific geographic origin and possess qualities or a reputation that stem from the place of origin. *Appellations of origin* are a special type of geographical indication, in which the link with the place of origin must be stronger: The product must be created exclusively or essentially from its geographic environment.

*Trade dress* is the total image or overall appearance of a product or service that indicates its source and distinguishes it from products and services offered by others. Unlike trademarks, which are symbols placed on the goods or packaging, trade dress consists of the overall appearance of the product and its packaging. Similar to trademarks, trade dress must be nonfunctional and distinctive. The *nonfunctional* aspect of trade dress means that its features must not create functional benefits for consumers. Trade dress can be *distinctive* in one of two ways: by intrinsically identifying the source of the goods or services (inherent distinctiveness) or by developing secondary meaning over time (acquired distinctiveness).

# Branding Brief: Fighting Brand Generification—Rollerblade

In the United States, roller skates go back to 1863, with the first roller skate having wheels attached in a two-by-two wheel formation. It was not until 1959 that the technology allowed the mass-production of a metal-wheeled skate, which in 1973 was further improved with the development of a

polyurethane wheel. In 1980, two hockey-playing Minnesota brothers came across an inline skate in a sporting goods store and decided that it would make a perfect off-season hockey-training tool. They refined the design of the skate and started assembling skates in the basement of their home. The skates became popular among hockey players and skiers. To grow the market beyond athletes who used the skates for training, the newly found company invested in promoting inline skating as a new sport by engaging in an advertising and public relations campaign and sponsoring inline skating events and competitions. In the aftermath, Rollerblade created one of the fastest growing sports in the world by transforming inline skates into a widely accepted lifestyle product.<sup>54</sup>

Because the term "skating" was typically used for roller skating, the public began referring to the skates with wheels arranged in a single file as rollerblades and the skating activity as rollerblading. In fact, in the early years, the company used the term "rollerblade" to describe the actual product (rather than as a particular type of skate made by Rollerblade). As the popularity of the new sport grew and more competitors entered the market, the term *inline skates* was introduced to describe the generic product. The challenge was that the new term did not register in the minds of the public (and the media), which continued to refer to the skates as rollerblades. Due to the prevalent use of rollerblade as a generic term, the company was concerned about losing its trademark protection and started actively encouraging the use of the terms inline skates and inline skating while simultaneously pointing out the incorrect use of the brand name Rollerblade in reference to the actual skates and the activity of inline skating (Figure 2).

Figure 2. Rollerblade Advertisement Designed to Prevent Brand Generification

Everyday, irregardless of his homework,
Jeffrey went "rollerblading" because it
was to nice to lay around with his nose
in a english book.

Of the seven errors in this headline, the use of "rollerblading" as a verb strikes us
as the most extreme. Rollerblade® is a brand name. It is, also, technically incorrect
to use "rollerblader" and "rollerblades" as nouns. Remember, the careful writer
skates on in-line skates known as Rollerblade® skates.

A.Rollerblade.

Rollerblade's predicament is common among companies that launch successful new-to-the-world products. On the one hand, a company would like the public to associate a particular need or activity with their brand, so

that the brand is the first thing that comes to mind when people are thinking about this need or activity. On the other hand, if the brand name is used by the public to describe a particular activity—such as rollerblading—the brand is in danger of becoming generic and losing its protected status as a trademark.

Rollerblade is not alone in risking generification of its trademark. Xerox has spent millions educating the business world and the media on the appropriate use of its brand name with ads like When you use "Xerox" the way you use "aspirin," we get a headache and If you use "Xerox" the way you use "zipper," our trademark could be left wide open. Similarly, in a response to a 2006 article in *The Washington Post* that the word *google* had entered Merriam-Webster's Collegiate Dictionary, Google responded with a letter objecting to the "genericide" of Google and the lack of delineating the appropriate and inappropriate uses of the word. In addition to informing the public about the proper usage of their brand names, companies also change the way they promote their brands. For example, Johnson & Johnson changed its jingle from I'm Stuck on Band-Aid to I'm Stuck on Band-Aid brand, and Kimberly-Clark is using *Kleenex brand tissue* instead of just *Kleenex* on its packaging and promotional activities. Besides those mentioned above, other trademarks that were once on their way to becoming generic include Jeep, Formica, Hoover, Jacuzzi, and Frisbee.

Even though the use of a brand's name is up to the public, the way a company uses its trademark can make a difference. To protect its trademark status, a brand name should be used in reference to the source of the product rather than the product itself (e.g., *Rollerblade inline skate* rather than *rollerblade*) and should not be used in the plural form (e.g., *Rollerblade skates* rather than *rollerblades*) or as a verb (e.g., *inline skating with Rollerblade skates* rather than *rollerblading*). A simple test for the correct use of a trademark is to remove it from the sentence and check if the sentence still makes sense. If it does not, there is a chance that the trademark is used as a verb or a descriptive term for the product, and hence, it is likely that its use is incorrect.<sup>55</sup>

# Brand Brief: Protecting the Brand—The Exxon Tiger

The history of Exxon Mobil dates back to 1870 when John D. Rockefeller formed the Standard Oil Company. In 1911, the United States Supreme Court divided Standard Oil into 33 different companies, including Standard Oil of New Jersey (Jersey Standard), Socony Oil, and Vacuum Oil. Jersey Standard became Exxon Corporation in 1972 and in 1999 joined with Mobil Oil

Corporation, formerly Socony-Vacuum Oil, to form Exxon Mobil Corporation.

In the 1950s, Jersey Standard, which marketed its products under the brand *Esso* (the phonetic pronunciation of the initials *S* and *O* in *Standard Oil*), started using a tiger as a means to represent quality and power. Esso's tiger rose to fame in 1959 when the company coined the phrase *Put a tiger in your tank*. The phrase was featured in numerous ads, jingles, and TV commercials and became so ubiquitous that *Time* magazine pronounced 1964 "The Year of the Tiger Along Madison Avenue." In 1965, Exxon federally registered its "Whimsical Tiger" for use in connection with the sale of petroleum products.

In the early 1980s, Exxon decided to phase out the use of its cartoon tiger and begin using a live tiger, on the premise that the cartoon tiger was too whimsical and, therefore, inappropriate in light of oil shortages that were prevalent at the time. Accordingly, Exxon discontinued use of the cartoon tiger in all advertising, point-of-sale material, and company publications, and began to adopt a new look for its gas stations, modernizing the gas pumps and eliminating its cartoon tiger on the pump panels. Even though Exxon was no longer using the cartoon tiger, it still intended to maintain its exclusive rights to use the tiger in connection with its motor oil and gas products. Because a trademark can be protected only if it is actually used in commerce, Exxon decided to use the cartoon tiger on a limited basis as a way to protect its cartoon tiger trademark while shifting toward a live tiger.<sup>57</sup>

In 1989, the Exxon Valdez, an oil tanker owned by an Exxon subsidiary, spilled more than 11 million gallons of oil in Alaska, causing massive destruction to the flora and fauna in the area. In response to the negative publicity, Exxon decided to pursue a "softer," "warmer," and "friendlier" advertising campaign. To this end, Exxon reintroduced the widespread use of its cartoon tiger but portrayed it in a different light. In the words of its artist, "Today's Tiger is now cast in a more humanitarian role. He is polite to the elderly, plants trees for ecology and has an overall concern for the environment."<sup>58</sup>

In 1991, Exxon started to use the name *Tiger Mart* for some of its convenience stores (formerly named *Exxon Shops*) and to feature the cartoon tiger on the permanent exterior signage at these stores, as well as on point-of-sale materials, displays, fountain beverage cups, insulated mugs, and billboards. Exxon's use of its cartoon tiger in connection with the sale of food items prompted legal action from Kellogg, which used its own cartoon tiger—Tony—to brand its products. In fact, Kellogg had been using a cartoon tiger in connection with "Kellogg's Frosted Flakes" cereal since 1952 when it

registered its "Tony The Tiger" name and illustration in the United States Patent and Trademark Office (Figure 3).

Figure 3. The Exxon Tiger and Tony the Tiger



Until Exxon started using its mascot to promote food and beverages, both tiger characters coexisted peacefully, since the likelihood that consumers would confuse a brand used in connection with motor fuels with a brand used in connection with cereal was deemed rather low. The usage of Exxon's tiger on food products increased the possibility that consumers would confuse the two brands, thus causing a gradual diminution in the Kellogg mark's distinctiveness, effectiveness, and, hence, value. In fact, a study reported by Kellogg revealed that when consumers were shown Exxon's tiger, 70% were actually thinking of Tony the Tiger. In 2001, the court upheld Kellogg's claim for brand dilution by blurring, and the case was settled shortly thereafter.

# LEGAL BRIEF: LANDMARK CASES ON TRADEMARK DISTINCTIVENESS

Abercrombie & Fitch v. Hunting World 537 F.2d 4 (2d Cir. 1976) is a United States Second Circuit Court of Appeals case that established the spectrum of trademark distinctiveness, identifying five categories of trademarks accorded differing degrees of protection. The classification of trademarks as "(1) generic, (2) descriptive, (3) suggestive, (4) arbitrary[,] or [(5)] fanciful" was embraced by the Supreme Court (e.g., in *Qualitex Co. v. Jacobson Products Co., Inc.* and *Two Pesos v. Taco Cabana*) and is now a standard approach to evaluating the legal protection afforded by a trademark. (The five types of trademarks are discussed in more detail in Chapter 4.) More important, the Abercrombie Court established the dividing point for a given term to qualify as a trademark in the absence of a secondary meaning. Specifically, the court determined that a descriptive term can receive trademark protection if it develops a secondary meaning, whereas "if a term is suggestive, it is entitled to registration without proof of secondary meaning." The court further determined that the classification of trademarks is market-

specific, such that "a term may be generic in one market and descriptive or suggestive or fanciful in another."

Polaroid Corporation v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. **1961)** is a United States Second Circuit Court of Appeals case that delineates the criteria for establishing the likelihood of confusion. In particular, the court provided eight factors to consider when determining whether or not a mark is likely to cause confusion: (1) the strength of the mark (e.g., whether the mark is distinctive), (2) the degree of similarity between the two marks (e.g., the extent to which the marks, considered in their entirety—including appearance, sound, meaning, and commercial impression—are alike), (3) the proximity of the products (e.g., whether the products are sufficiently similar that an ordinary prudent purchaser is likely to purchase one item believing that he is purchasing the other), (4) the likelihood that the prior owner will bridge the gap (e.g., if products are currently dissimilar, is it likely that the prior owner of the mark will expand the product line to launch similar products), (5) actual confusion (e.g., evidence that ordinary prudent purchasers have actually been confused), (6) the reciprocal of defendant's good faith in adopting its own mark (e.g., whether the defendant adopted the mark intending to cause confusion), (7) the quality of the defendant's product, and (8) the sophistication of the buyers (e.g., whether the purchasers are familiar with the product category and exercise care when deciding which product to purchase). Note that these factors, also referred to as the "Polaroid factors," are not an exhaustive list and courts can take other factors into account depending on the specifics of the case at hand. In addition, these factors are not universal, and each federal circuit court of appeals has its own multi-factor test (similar in spirit to the Polaroid factors) for evaluating the likelihood of confusion.

### LEGAL BRIEF: LANDMARK CASES ON PRODUCT DESIGN

**Kellogg Co. v. National Biscuit Co. 305 U.S. 111 (1938)** is a United States Supreme Court case that established the importance of functionality in evaluating a mark's eligibility for legal protection. The functionality doctrine stemming from this case states that product designs that are intrinsically functional cannot be protected under trademark laws because this would impede market competition. Specifically, Nabisco complained in its lawsuit about Kellogg's use of the term *Shredded Wheat* and the similarity of its pillow-shaped cereal biscuits to Nabisco's cereal biscuits. The Supreme Court, however, ruled that the term *Shredded Wheat* was generic, had not acquired a secondary meaning, and, therefore, could not be granted trademark protection. Furthermore, the Court ruled that the shape was functional and

could be copied if its patent expired so that its benefits could be freely enjoyed by the public. The court decision was subsequently codified into law as part of the Lanham Act.

**Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844 (1982)** is a United States Supreme Court case that set forth the standard for analyzing claims of contributory liability on a trademarked property. More important, the Court offered a clear articulation of the concepts of functionality and secondary meaning:

In general terms, a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. [...] To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of [the mark] is to identify the source of the product rather than the product itself.<sup>59</sup>

Disc Golf Association, Inc. v. Champion Discs, Inc., 158 F.3d 1002 (9th Cir. 1998) is a United States Ninth Circuit Court of Appeals case that delineates the criteria for establishing the functionality of product design. In particular, the court provided four factors to consider when determining whether a particular product feature serves a functional purpose: (1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture. Thus, in order to establish nonfunctionality, the product feature must serve no purpose other than identification. A product feature need only have some utilitarian advantage to be considered functional. Furthermore, the availability of alternative designs by itself is insufficient to prove nonfunctionality; there must be a sufficient number of alternative designs (and alternative methods of manufacture) such that providing trademark protection to one design would not hinder competition. Finally, even if a particular feature does not create utility for customers, it might nevertheless create utility for the company by achieving economies in manufacture. Because functionality is sometimes difficult to discern, the fact that a particular feature has been granted a utility patent or that the seller advertises the utilitarian advantages of a particular feature is considered to constitute evidence of functionality.

# LEGAL BRIEF: LANDMARK CASES ON THE ROLE OF COLOR AS A TRADEMARK

In Re Owens-Corning Fiberglas Corp., 744 F.2d 1116 (Fed. Cir. 1985) is a United States Federal Circuit Court of Appeals case that determined color alone can be registered as a trademark. The appellant, Owens-Corning Fiberglas Corp., a manufacturer of fibrous glass home insulation, applied to the United States Patent and Trademark Office (USPTO) for trademark registration of the color pink, which covered the entire surface of its insulation products. USPTO denied registration of the pink color mark based on the fact that while color in the form of a design, such as a square or circle, could constitute a valid trademark, color indiscriminately applied to the entire surface of a product could not function, by itself, as a trademark. The USPTO decision was grounded in the color-depletion theory, which asserts that there are a limited number of colors in the palette, and that it is not in the public interest to foster further limitation by permitting trademark registrants to deplete the reservoir. Thus, in the Campbell Soup Co. case, the court refused to protect the red and white colors of Campbell's labels on the grounds that if Campbell were to "monopolize red in all of its shades" competition would be affected in an industry where colored labels were customary. 60

The Owens-Corning court opined that overall color is akin to an overall surface design, for which trademark registration has been held to be available when the statutory requirements are met. To determine registrability of color as a trademark, the court identified several factors that must be considered: whether the color was functional, whether the color was solely ornamental without serving the purpose of identifying the source of the product, whether the color was part of an arbitrary, distinctive design and, if not, whether it had acquired secondary meaning. Accordingly, the court determined that Owens-Corning was entitled to register the color pink as a trademark for fibrous glass residential insulation.

Brunswick Corp. v. British Seagull Ltd., 35 F.3d 1527 (Fed. Cir. 1994) is a United States Federal Circuit Court of Appeals case that delineated the role of de jure functionality of color with respect to its registrability as a trademark. Brunswick Corporation appealed the decision of the United States Patent and Trademark Office to refuse to register the color black as a mark for Mercury's outboard motors. The court ruled that although the color black does not make the engines function better and the paint on the external surface of an engine does not affect its mechanical purpose, color is de jure functional because it "exhibits both color compatibility with a wide variety of boat colors and ability to make objects appear smaller." With these advantages for potential customers, the court found a competitive need for engine manufacturers to use black on outboard engines. Based on this competitive need, the court determined that the color was de jure functional.

In distinguishing de facto and de jure functionality, the court opined that de facto functionality means that the design of a product has a function—for example, a bottle of any design holds fluid. De jure functionality, on the other hand, means that the product is in its particular shape because it works better in this shape. According to the court, the "crux" of the distinction between de facto and de jure functionality—and ultimately determining eligibility for trademark protection or not—is a design's effect on competition.

The court further drew a distinction between the Brunswick case and the Owens-Corning case. The court noted that even though Owens-Corning sought to register the color pink as applied to its fibrous glass insulation, no other insulation manufacturer colored any of its products, and there was no reason to dye the insulation pink or any other color because, in use, it is not open to general view. In this context, Owens-Corning alone undertook the additional, unnecessary step of coloring the insulation. In contrast, all outboard engine manufacturers color their products, seeking colors that easily coordinate with the wide variety of boat colors (and sometimes also to decrease the apparent size of the engine). Because these features are important to consumers, the court found a competitive need for the color black and that registration of Mercury's proposed mark would hinder competition.

**Qualitex Co. v. Jacobson Products Co., Inc., 514 U.S. 159 (1995)** is a United States Supreme Court case in which the Court held that a color can serve as a trademark separately from any trade dress protection, provided that it has acquired secondary meaning in the market. Specifically, the Court opined:

The imaginary word "Suntost," or the words "Suntost Marmalade," on a jar of orange jam immediately would signal a brand or a product "source"; the jam's orange color does not do so. But, over time, customers may come to treat a particular color on a product or its packaging (say, a color that in context seems unusual, such as pink on a firm's insulating material or red on the head of a large industrial bolt) as signifying a brand. And, if so, that color would have come to identify and distinguish the goods—i.e., "to indicate" their "source"—much in the way that descriptive words on a product […] can come to indicate a product's origin.<sup>61</sup>

The Court further ruled that whereas functional features cannot be trademarked, color does not always play a functional role. Specifically, the Court opined:

The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time [...], after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). [...] Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. [...] It would seem, then, that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm's goods and identifies their source, without serving any other significant function.62

#### LEGAL BRIEF: LANDMARK CASES ON TRADE DRESS

**Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992)** is a United States Supreme Court case that established that trade dress can be inherently distinctive and, therefore, can be protected under the Lanham Act. Specifically, the Court opined:

Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act. [...] [T]he Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it "has become distinctive of the applicant's goods in commerce." [...] This acquired distinctiveness is generally called secondary meaning."<sup>63</sup>

The Court further argued that an inherently distinct trade dress does not need to acquire secondary meaning in order to gain trademark protection under the Lanham Act:

Protection of trade dress, no less than of trademarks, serves the [Lanham] Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers." [...] By making more

difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position. [...] Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator's dress in other markets and to deter the originator from expanding into and competing in these areas.<sup>64</sup>

Following this line of reasoning, the Court ruled that the décor of a chain of Mexican restaurants, defined as "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals […]" is a distinct trade dress and, hence, protectable without proof of secondary meaning.

**Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205 (2000)** is a United States Supreme Court case that articulated the differences in the trademark protection afforded to a trade dress in packaging and a trade dress in design with respect to the degree to which they have acquired secondary meaning.

Drawing on the *Qualitex* case, which ruled that color can be protected as a trademark only if it shows a secondary meaning, the Court further opined:

[D]esign, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf—their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost automatically tell a customer that they refer to a brand," and "immediately . . . signal a brand or a product 'source.'" [...] In the case of product design, as in the case of color, [...] consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.<sup>65</sup>

The Court also drew a line between the current ruling and its ruling on the *Two Pesos* case, which accepted, in principle, that trade dress can be inherently distinctive without having to demonstrate secondary meaning. In the Wal-Mart case, however, the Court asserted that the décor of a restaurant does not constitute product design and is more likely to play the role of product packaging, and as such does not require a secondary meaning to be distinctive.

The Court further noted that there is a fine line between product-design and product-packaging trade dress, opining that close cases must be classified as design:

[A] classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more stylish to drink from the former. [...] To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning.<sup>66</sup>

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# CHAPTER EIGHT

# **BRAND ANALYSIS AND PLANNING**

A goal without a plan is just a wish.

—Antoine de Saint-Exupéry,
French writer, author of *The Little Prince* 

To build a strong brand, a manager must have a clearly articulated understanding of how the brand will create market value, including the goal the company aims to achieve with its brand and the brand-related activities designed to achieve this goal. This understanding is reflected in the brand management plan, which outlines the process of creating, growing, and defending the company's brand. The key aspects of brand management are summarized in the brand value map, which outlines the ways in which the brand creates value for target customers; the brand positioning statement, which offers a succinct outline of the brand strategy; and the brand audit, which offers an assessment of the current state of the brand. The different aspects of brand analysis and planning are the focus of this chapter.

# **The Brand Management Plan**

The brand management plan is an actionable document that guides the process of creating, growing, and defending a company's brand. The key elements, the logic, and the organization of the brand management plan are outlined in more detail below.

# The G-STIC Framework for Brand Management

Because the brand is one of the tools the company has at its disposal to create market value, the brand management plan is part of a company's overall marketing plan. The key difference between these two plans is their scope: A company's marketing plan addresses a broader range of decisions, including the product, service, brand, price, incentives, communication, and distribution aspects of the offering, whereas the brand management plan focuses only on issues pertaining to managing a particular brand. Thus, the brand management plan outlines the goal the company aims to achieve with its brand and the specific activities aimed at achieving this goal.

The backbone of the brand management plan is the action plan guided by the G-STIC (Goal-Strategy-Tactics-Implementation-Control) framework (outlined in the first chapter), which articulates the goal(s) the company aims to achieve with its brand and identifies the specific activities directed at achieving this goal. Similar to the process of managing an offering, the brand management action plan involves five key elements: setting a *goal* that defines the ultimate criterion for a brand's success, defining a *strategy* that articulates the ways in which the brand creates market value, designing the *tactics* that identify the specific brand elements, defining an *implementation* plan that delineates the logistics of creating and managing the brand, and identifying the *control* processes that evaluate the current state of the brand and monitor the environment in which the brand operates (Figure 1).

Specific goal(s) to be Goal achieved by the brand **Focus Benchmarks** Value created by the Strategy brand in the target market Target market Value proposition Actionable brand **Tactics** elements Brand design Communication The logistics of **Implementation** building the brand Development Deployment Evaluating the brand Control (brand audit) Performance Environment

Figure 1. The G-STIC Framework for Brand Management

Because it outlines the company's goal and the specific activities aimed at achieving this goal, the G-STIC framework is the core of the company's brand management plan. The organization and the key elements of the brand management plan are outlined in the following sections.

# The Structure of the Brand Management Plan

The typical brand management plan comprises eight components: executive

summary, situation overview, goal, strategy, tactics, implementation, control, and exhibits.

#### **Executive Summary**

The executive summary offers a high-level overview of the key aspects of the brand management plan. It specifies the brand-related goal and outlines the key actions needed to achieve this goal.

#### Situation Overview

The situation overview provides an overview of the environment in which the brand operates. It involves two components: *company overview* and *market overview*.

- The **company overview** offers relevant information about the company managing the brand, including its goals, market performance, history, culture, and resources. A part of the company overview, the *brand overview* provides the background information on the focal brand including recent strategic initiatives and tactical activities involving the brand, the products/services associated with the brand, and the other brands in the company's portfolio.
- The **market overview** outlines the key aspects of the market in which the brand operates, highlighting factors that are particularly relevant for brand management: *customers* for whom the company tailors its brand; *collaborators* that work with the company to build and manage the brand; *competitors* with brands that aim to fulfill the same needs of the same customers; and the relevant economic, technological, sociocultural, regulatory, and physical *context* in which the brand operates.

#### Goal

The goal defines the desired outcomes the company aims to achieve with a particular brand. Defining the brand goal involves two components: *focus* and *benchmarks*.

- **Goal focus** outlines the key outcome(s) that the company aims to achieve with a particular brand. The goal focus might involve both strategic goals (e.g., increasing brand power) and monetary goals (e.g., increasing brand equity).
- **Performance benchmarks** quantify the desired outcome (e.g., the desired increase in brand power and brand equity) and establish a time frame for achieving this outcome.

#### **Strategy**

The strategy articulates the brand's target market and the value it aims to create in this market. The brand strategy includes two components: *target market* and *value proposition*.

- The **target market** defines the brand's target customers, competitors targeting the same customers, collaborators working with the company to create customer value, the company managing the offering, and the context in which the brand operates.
- The **value proposition** of the brand reflects the benefits that the brand creates for target customers, the company, and its collaborators.

#### **Tactics**

Tactics translate the brand strategy into a set of actionable decisions that define the key aspects of the brand. The brand tactics include two components: *brand design* and *brand communication*.

- **Brand design** articulates the elements that define the essence of the brand. Brand design involves *brand identifiers*—name, logo, motto, character, soundmark, product design, and packaging—that are created, managed, and owned by the company for the primary purpose of identifying the brand and differentiating it from the competition, and *brand referents*—needs, benefits, experiences, occasions, activities, places, people, concepts, objects, products and services, and other brands—the meaning of which the company aims to leverage by linking them to its brand name.
- **Brand communication** relates the brand design—identifiers and referents—to target customers in order to build the desired brand image in their minds. Brand communication decisions involve choosing the *brand media*, which defines the touchpoints between the brand and its target customers, and the *creative execution*, which defines the means (e.g., message wording, print copy layout, video script, and soundtrack orchestration) used to express the different aspects of the brand's strategy and tactics.

#### **Implementation**

Implementation delineates the *development* of the different aspects of the brand and the *deployment* of the brand in the market.

• Brand **development** outlines the processes by which the company will

develop the resources needed to implement its strategy and tactics, as well as the specific activities involved in building the brand.

• Brand **deployment** delineates the process of bringing the brand to market by communicating it to its target audience.

#### **Control**

Control identifies the processes for evaluating the company's progress toward its goal. The control section entails two components: *performance evaluation* and *market analysis*.

- **Performance evaluation** defines the processes of tracking the market performance of the brand (e.g., the ability of the brand to influence the behavior of target customers and the value the brand creates for the company).
- **Market analysis** defines the processes by which the company monitors the market in order to identify new brand-related opportunities and threats.

#### **Exhibits**

Exhibits detail specific aspects of the brand management plan. Common brand management exhibits include the *brand value map*, *brand design guidelines*, *brand communication plan*, and *brand audit*.

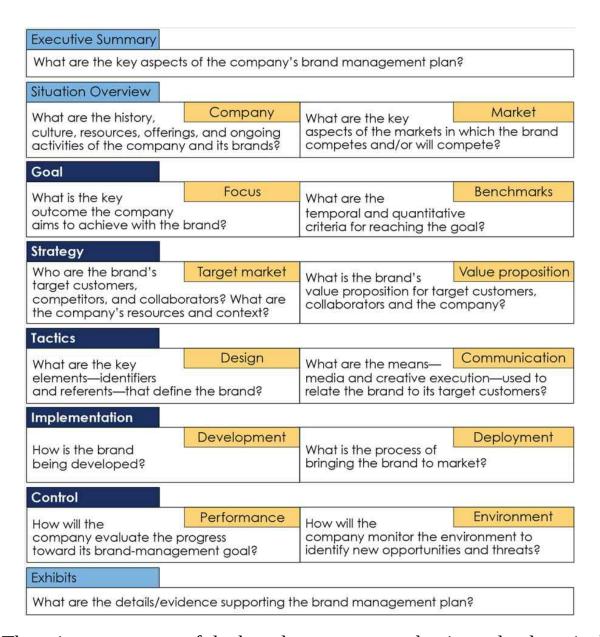
- The **brand value map** outlines the key aspects of a brand's strategy and tactics, focusing on the ways in which the brand creates value for target customers. The brand value map is discussed in more detail later in this chapter.
- Brand design guidelines articulate the ways in which brand elements should be used in order to achieve consistent brand presentation across different markets, offerings, and media formats. Common types of brand design guidelines include specifications of the usage of the brand name, logo, typography, and colors.
- The brand communication plan outlines the key aspects of a brand's communication campaign, including the target audience, the message to be communicated, the media and the creative solution to be used, the logistics of deploying and managing the communication, and the ways in which communication effectiveness is measured.
- The **brand audit** assesses the current state of a brand and the way it creates and captures market value. The brand audit represents the *control*

aspect of the G-STIC brand management plan. The brand audit is discussed in more detail later in this chapter.

# **Putting It All Together**

The eight components of the brand management plan can be grouped into four main sections: an *executive summary* that sets out the main aspects of the brand management plan; a *situation overview* that provides the relevant background on the environment in which the brand operates; an *action plan* that outlines the goal, strategy, tactics, implementation, and control aspects of managing the brand; and *exhibits* that provide additional brand-related information. The main component of the brand management plan is the action plan defined by the G-STIC framework. The elements of the brand management plan and the key questions that they aim to address are shown in Figure 2.

Figure 2. The Brand Management Plan



The primary purpose of the brand management plan is to clearly articulate the company's branding goal and the desired course of action and effectively communicate them to the relevant parties: employees, collaborators, and stakeholders. Because brand building is a collaborative effort, having a common understanding of the primary goal and the proposed course of action to achieve that goal is essential for an offering's success.

To be effective in building strong brands, the brand management plan should follow three main principles: it should be actionable, meaning that it should delineate when and how the company will build a strong brand; it should be clear, meaning that it must be presented in a systematic manner that underscores the logic of the proposed course of action; and it should be succinct, meaning that it should present only information that is pertinent to the proposed course of action.

# **The Brand Value Map**

The brand value map zeroes in on two components of the brand management plan—brand strategy and brand tactics—to identify the ways in which the brand creates value for target customers. Accordingly, the brand value map comprises four key components: the target market, customer value, brand design, and brand communication.

The two aspects of the *target market* that are particularly relevant to determining a brand's ability to create customer value are the choice of *target customers* for whom the company aims to create value with its brand and the *competing brands* that aim to create value for the same customers. The *customer value* created by the brand is delineated by the brand's *value proposition* for these customers, which reflects all relevant benefits and costs associated with the brand, as well as by the *brand mantra*, which outlines the essence of the brand.

Following articulation of the brand strategy, reflected in the choice of the target market and the value proposition, are the brand tactics, and specifically the design and communication of the brand. The *brand design* involves the selection of *brand identifiers* and *brand referents*. *Brand communication* outlines the *media* used to make target customers aware of the meaning of the brand and the *creative means* used to express the brand message.

The four components of the brand value map and the relevant questions that need to be addressed at each point are illustrated in Figure 3.

**Target Market** Brand Design **Identifiers** Customers What company-owned What customer need elements (name, logo, motto, character, does the brand aim to fulfill? soundmark, product design, packaging) Who are the customers with this need? uniquely identify the brand? Competitors Referents What concepts (needs, What other brands aim benefits, experiences, occasions, activities, to fulfill the same need of places, people, objects, products, services) the same target customers? define the meaning of the brand? **Customer Value Brand Communication** Value Proposition Media What are the key touch points (TV, radio, print, online, place, What value does the brand create for target customers? in-person, packaging) of the brand with its target customers? Brand Mantra Creative How are the brand design and brand positioning expressed in What is the essence of the brand? a company's communication with What does the brand represent? its customers?

Figure 3. The Brand Value Map

**Brand Tactics** 

**Brand Strategy** 

Because it articulates the ways in which the brand creates value for its target customers, the brand value map is the cornerstone of the brand management plan. The brand value map captures the essence of the company's brand-building efforts and identifies the key decisions that managers must make to build a strong brand.

The brand value map is particularly useful when communicating with entities that are not intimately familiar with the brand and that do not necessarily need the level of detail presented in the brand management plan. Thus, the brand value map is often used internally to communicate with entities that are not directly involved in brand-building, including product design and customer service teams, the sales force, and senior management. The brand value map is also used in interactions with the company's collaborators—including advertising, public relations, social media, and marketing research agencies.

# **Brand Postioning Statement**

The brand positioning statement is an internal company document that succinctly outlines the essence of a brand's strategy. Its primary purpose is to share the essence of a brand's strategy with the relevant entities involved in creating, managing, and supporting the brand. Similar to the brand value map, the brand positioning statement aims to ensure that different entities within the company—research and development, marketing, sales force, senior management, finance, operations—have a clear understanding of the key aspects of the brand strategy. In addition to internal sharing, the brand positioning statement aims to inform the company's collaborators—advertising and public relations agencies, channel partners, and external sales force—of the brand strategy in order to align their efforts with the desired brand image. Unlike the brand value map, the brand positioning statement focuses only on the key aspects of brand strategy and does not address brand tactics.

The positioning statement involves three key components: *target customers*, *frame of reference*, and *primary benefit(s)*.

- **Target customers** are the individuals in whose minds the company aims to establish the brand image it wants to project and for whom the brand aims to create value.
- The **frame of reference** identifies the reference point used to define the brand. Based on the nature of the reference point, the frame of reference

can be either noncomparative (using customer needs to define the brand) or comparative (using other brands as a reference point).

• The **primary benefit** identifies the principal reason why customers will prefer the company's brand. Most positioning statements identify a single benefit, although positioning statements featuring multiple benefits are not uncommon. The primary benefit could also involve justification of why the brand can claim this benefit.

The positioning statement is a blueprint of the main way(s) in which a brand creates customer value. Accordingly, the core questions the brand positioning statement must answer is: Who are the brand's target customers and why would they prefer this brand?

The components of a brand positioning statement are shown in the following examples. For illustration purposes, each brand positioning statement is shown in both a noncomparative and comparative format.

**Example A (Noncomparative Positioning):** For [target customers][brand] offers [frame of reference] that is [primary benefit] because [justification of the benefit].

For the tradesman who uses power tools to make a living, DeWalt offers dependable professional tools that are engineered to be tough and are backed by a guarantee of repair or replacement within 48 hours.

**Example A (Comparative Positioning):** For [target customers][brand] offers [frame of reference] that is more [primary benefit] than [competition] because [justification of the benefit].

For the tradesman who uses power tools to make a living, DeWalt offers professional tools that are more dependable than any other brand because they are engineered to be tough and are backed by a guarantee of repair or replacement within 48 hours.

**Example B (Noncomparative Positioning):** For [target customers][brand] is the [frame of reference] that provides the best [primary benefit] because [justification of the benefit].

For all men who shave, Gillette is the razor that provides the best shaving experience because it uses the most innovative shaving technology.

**Example B (Comparative Positioning):** For [target customers][brand] is the [frame of reference] that provides [primary benefit] than [competition]

because [justification of the benefit].

For all men who shave, Gillette is the razor that provides a better shaving experience than Harry's because it uses the most innovative shaving technology.

**Example C (Noncomparative Positioning):** [Brand] is the [frame of reference] that gives [target customers][primary benefit] because [justification of the benefit].

Mountain Dew is the soft drink that gives young, active consumers who have little time for sleep the energy they need because it has a very high level of caffeine.

**Example C (Comparative Positioning):** [Brand] is the [frame of reference] that gives [target customers] more [primary benefit] than [competition] because [justification of the benefit].

Mountain Dew is the soft drink that gives young, active consumers who have little time for sleep more energy than any other brand because it has a very high level of caffeine.

**Example D (Noncomparative Positioning):** [Brand] is a good [frame of reference] for [target customers] because [primary benefit].

Gatorade is a good source of hydration for athletes because it rehydrates, replenishes, and refuels.

**Example D (Comparative Positioning):** [Brand] is a better [frame of reference] for [target customers] than [competition] because [primary benefit].

Gatorade is a better source of hydration for athletes because it rehydrates, replenishes, and refuels in ways that water can't.

The brand positioning statement follows directly from a brand's positioning (discussed in Chapter 3), yet it is broader in scope and also identifies the brand's target customers. The brand positioning statement is a highly condensed summation of the brand's strategy and is used to guide brand design and brand communication as well as the other marketing tactics—product, service, price, incentives, communication, and distribution.

The brand positioning statement is typically reflected in the brand motto. The difference between the brand positioning statement and brand motto is defined by their distinct roles in managing the brand. The brand positioning statement is more general in nature and can be thought of as an executive summary of a brand's strategy, whereas the brand motto is a specific branding tactic that stems from the brand strategy.

In addition to their different level of generality, the brand positioning statement and the brand motto are designed for different audiences. The brand positioning statement is an internal company document written for company employees, stakeholders, and collaborators; it is not shared with customers. In contrast, the brand motto is written for the brand's target customers. Consequently, the brand motto is concise and uses catchy, memorable phrases designed to capture customers' attention, whereas the brand positioning statement is written in a logical, straightforward manner to succinctly communicate the essence of the brand's strategy. To illustrate, Gillette's positioning statement can be written as: *For men, Gillette offers the best shaving experience*, whereas its motto is the memorable *Gillette. The Best a Man Can Get.* In the same vein, BMW's positioning statement can be articulated as: *BMW offers discriminating drivers the ultimate driving experience*, whereas its brand motto is: *The Ultimate Driving Machine*.

#### **Brand Audit**

The brand audit represents the control aspect of the brand action plan. It assesses the current state of a brand, focusing on the way the brand creates and captures market value. In doing so, the brand audit examines both the company's actions and the market impact of these actions. The brand audit involves four key components: the *brand action plan audit*, the *brand implementation audit*, the *customer value audit*, and the *company value audit*.

#### **Brand Action Plan Audit**

Auditing the brand action plan involves evaluating the soundness of the company's brand action plan and its ability to create and capture market value. The brand action plan audit aims to ensure that there are no fundamental flaws in the company's brand strategy and tactics and that, if adequately implemented, this plan will enable the company to reach the goals set for the brand.

The brand action plan audit involves three main components: the *brand strategy audit*, the *brand tactics audit*, and the *marketing mix audit*.

• The **brand strategy audit** evaluates the viability of the company's brand strategy with respect to its ability to achieve the strategic and monetary goals the company has set for the brand. The brand strategy audit assesses the choice of target market and the value the brand aims to create for target customers, the company, and its collaborators.

- The **brand tactics audit** evaluates brand design and brand communication with respect to the degree to which they are consistent with the overarching brand strategy.
- The **marketing mix audit** evaluates the degree to which the other tactics defining the offerings associated with the brand—product, service, price, incentives, communication, and distribution—are consistent with the brand's strategy and tactics.

# **Brand Implementation Audit**

The brand implementation audit evaluates the ways in which the brand's strategy and tactics are implemented in the market. The brand implementation audit is particularly important for brands that are used across different media formats and multiple markets, as well as for brands that are not directly managed by the company, as in cases involving franchising and licensing. For example, large multinational franchises like McDonald's, Pizza Hut, Taco Bell, and KFC must ensure that every one of their franchisees around the world uses their brand across all media formats—television, print, outdoor, and point-of-purchase advertising; packaging; and employee apparel—in a manner that is consistent with the guidelines articulated in the company's brand action plan.

The brand implementation audit involves assessments of the *brand design* and the *brand communication*.

- The **brand design audit** examines the degree to which brand elements—identifiers and referents—are consistent with the brand action plan across all markets in which the brand is used. Specifically, the *brand identifier audit* aims to ensure that all proprietary brand elements (such as name, logo, motto, character, soundmark, product design, and packaging) are correctly implemented as prescribed by the brand action plan. Similarly, the *brand referent audit* aims to ensure that brand referents used across different markets (including the words used to describe the brand, the imagery associated with the brand, and the choice of a celebrity endorser) are consistent with the brand strategy and tactics.
- The **brand communication audit** examines the use of specific media and creative elements to convey the meaning of the brand to the target market. Specifically, the *brand media audit* aims to ensure that the media used to communicate the brand—including the media format, the markets reached by this media, and the scheduling of the media

communication—are consistent with the overarching brand strategy and tactics. In the same vein, the *creative execution audit* aims to ensure that the means used to express the brand—message wording, print copy layout, video script, and soundtrack orchestration—are aligned with the brand design and the meaning of the brand.

#### **Customer Value Audit**

The customer value audit assesses the impact of the company's brand-building activities on its target customers. Unlike the brand action plan audit and brand implementation audit, which involve assessments of the company's own activities, the customer value audit examines the ways in which target customers react to the company's activities.

The customer value audit involves two components: the *brand image audit* and the *brand value audit*.

- The **brand image audit** examines how customers perceive the focal brand, including their awareness of the brand and the specific associations evoked by the brand. In this context, the brand image audit aims to ensure that the meaning of the brand is adequately represented in customers' minds. Brand image is typically assessed by conducting customer research (discussed in more detail in Chapter 10).
- The **brand value audit** examines the value that customers derive from the brand. The brand value audit spans the three dimensions of value: psychological, functional, and monetary. Methods for assessing the value a brand creates for target customers are discussed in Chapter 10.

# **Company Value Audit**

The company value audit examines the ways in which the brand creates value for the company. Knowing the value of the brand is particularly relevant in cases of corporate mergers and acquisitions, when the company must determine the monetary compensation it should receive for its brand. Furthermore, the assessment of brand value can serve as a benchmark for evaluating the outcome of a company's brand-building activities, which, in turn, enables the company to identify the most effective and cost-efficient ways to develop strong brands.

The company value audit involves two components: the *brand power* audit and the *brand equity audit*.

- The **brand power audit** examines a brand's ability to influence the behavior of the different market entities. Specifically, the customer behavior audit involves evaluating the impact of the brand on the likelihood that customers will purchase the branded offering, use this offering frequently, and recommend the brand to their peers. In addition to examining the ways in which the brand influences the behavior of target customers, the brand power audit examines a brand's ability to influence the behavior of the company's collaborators, employees, and stakeholders. The essence of brand power is outlined in Chapter 9, and methods for measuring brand power are discussed in Chapter 10.
- The **brand equity audit** offers an assessment of the monetary value of the brand to the company. The essence of brand equity is outlined in Chapter 9, and methods for measuring brand equity are discussed in Chapter 10.

The four key components of the brand audit—the brand action plan audit, the brand implementation audit, the customer value audit, and the company value audit—and the relevant brand management activities are illustrated in Figure 4.

Company value audit **Brand Action Plan Customer Actions** Company value **Brand Goal Customer Behavior** Marketing Tactics Market Forces Usage Product Service Customers Price (Incentives Brand Strategy Competitors Customer Value Communication Collaborators Target market Value proposition (Psychological)(Functional)(Monetary) Context Distribution Customer Experience **Implementation** Brand image (Communication Brand implementation audit Customer value audit Brand action plan audit

**Figure 4. The Brand Audit** 

#### **SUMMARY**

Building strong brands requires focus and discipline. To this end, a company must employ a systematic approach to managing its branding efforts. There are four key analysis and planning activities that can ensure that the company's brand-building efforts will come to fruition. The strategic documents stemming from these activities are the brand management plan, the brand value map, the brand positioning statement, and the brand audit.

The *brand management plan* is an actionable document that guides the process of creating, growing, and defending a company's brand. The typical

brand management plan comprises eight components: *executive summary*, *situation overview*, *goal*, *strategy*, *tactics*, *implementation*, *control*, and *exhibits*. Because it outlines the company's goal and the specific activities aimed at achieving this goal, the G-STIC framework is the backbone of the company's brand management plan.

The *brand value map* outlines the main aspects of a brand's strategy and tactics, focusing on the ways in which the brand creates value for target customers. It involves four key components: the *target market* in which the brand operates (target customers and competitive brands), the brand's *value proposition* for target customers, the *brand design* (brand identifiers and brand referents), and *brand communication* (brand media and creative execution).

The *brand positioning statement* is an internal company document that succinctly outlines a brand's strategy. Its primary purpose is to share the essence of a brand's strategy with the relevant entities involved in creating, managing, and supporting the brand. The positioning statement involves three key components: target customers, frame of reference, and primary benefit(s). The primary benefit could also involve justification of why the brand can claim this benefit.

The *brand audit* represents the control aspect of the brand action plan. It assesses the current state of a brand, focusing on the way the brand creates and captures market value. The brand audit involves four key components: the *brand action plan audit*, which evaluates the soundness of the company's brand action plan and its ability to create and capture market value; the *brand implementation audit*, which evaluates the ways in which the brand's strategy and tactics are implemented in the market; the *customer value audit*, which assesses the impact of the company's brand-building activities on its target customers; and the *company value audit*, which examines the ways in which the brand creates value for the company.

# BRAND MANAGEMENT TOOLBOX: COMPANY-BASED BRAND AUDIT TEMPLATE

The company-based brand audit includes four key components: the *brand action plan audit*, the *brand implementation audit*, the *customer value audit*, and the *company value audit*.

#### **Brand Action Plan Audit**

# **Brand Strategy**

#### Target Market

- *Customers*. Who are the customers buying/using the brand? Are they the type of customers that can enable the company to achieve its goals?
- *Collaborators*. What entities collaborate with the company to manage the brand? Do they enhance or detract from the value of the brand? Are they the type of collaborators that can enable the company to achieve its goals?
- *Company*. What are the company's core competencies and strategic assets? Are these competencies and assets aligned with the brand?
- *Competitors*. What other brands identify offerings that aim to fulfill the same need of the same target customers?
- *Context*. What are the relevant aspects of the economic, technological, sociocultural, regulatory, and physical context in which the brand aims to create value?

#### **Value Proposition**

- *Customer value*. What value does the brand aim to create for target customers?
- *Collaborator value*. What value does the brand aim to create for collaborators?
- *Company value*. What value does the brand aim to create for the company?

#### **Brand Tactics**

#### **Brand Design**

- *Brand identifiers*. What are the company-owned elements—name, logo, motto, character, soundmark, product design, and packaging—that distinguish the brand? Are they consistent with the underlying brand strategy?
- *Brand referents*. What other elements—needs, benefits, experiences, occasions, activities, places, people, concepts, objects, products and

services, and other brands—are associated with the focal brand? Are they consistent with the underlying brand strategy?

#### **Brand Communication**

- *Brand media*. How is the brand communicated to target customers? What media formats does the company use to communicate the brand? How does brand communication across different media formats connect with target customers? Are these media formats and customer touchpoints aligned with the underlying brand strategy?
- *Brand creative*. What are the creative means—message wording, print copy layout, video script, and soundtrack orchestration—used to communicate the brand? Are they aligned with the underlying brand strategy?

# **Marketing Mix**

- *Product*. What products are associated with the brand? Are these products consistent with the essence of the brand?
- *Service*. What services are associated with the brand? Are these services consistent with the essence of the brand?
- *Price*. What is the price point at which the branded products and services are sold? Are these price levels consistent with the essence of the brand?
- *Incentives*. What incentives are associated with the branded products and services? Are these incentives consistent with the essence of the brand?
- *Communication*. How is the branded offering communicated to target customers? Is this communication consistent with the essence of the brand?
- *Distribution*. How is the branded offering delivered to target customers? Is this distribution format consistent with the essence of the brand?

# **Brand Implementation Audit**

- *Brand design*. How are the brand design elements—identifiers and referents—presented to target customers? Is their implementation consistent with the brand action plan?
- *Brand communication*. How is the brand communicated to target customers? Are the communication media (e.g., media format, markets

reached, and scheduling) and creative means (e.g., message wording, print copy layout, video script, and soundtrack orchestration) consistent with the brand action plan?

#### **Customer Value Audit**

- *Brand image*. Are target customers aware of the brand? What are the key associations evoked by the brand in customers' minds? Are these associations consistent with the essence of the brand?
- *Brand value*. What value does the brand create for target customers? Do target customers find the brand relevant? What psychological, functional, and monetary value does the brand create for target customers?

# **Company Value Audit**

- *Brand power*. How does the brand influence the behavior of target customers, collaborators, and company employees and stakeholders? Does the brand make customers more likely to purchase the branded offering, use this offering more frequently, and recommend the brand to their peers? How does the brand benefit the company's relationship with its collaborators, employees, and stakeholders?
- *Brand equity*. What monetary value does the brand create for the company? What is the fair market price for the brand?

#### **ADDITIONAL READINGS**

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# PART FOUR

# **MEASURING BRAND IMPACT**

### INTRODUCTION

Truth is ever to be found in the simplicity, and not in the multiplicity and confusion of things.

 Isaac Newton, English physicist, mathematician, and astronomer

Aby the brand for the company, its customers, and its collaborators. Understanding the value of the brand for the company is important because it helps justify the resources involved in building a brand by considering them as a long-term investment in brand equity rather than a short-term promotional expense. Understanding the value a brand creates for customers is important because it enables the company to position the brand in a way that maximizes customer value, which in turn enables the company to capture some of this value. In the same vein, understanding the value a brand creates for its collaborators enables the company to create greater value for its collaborators as well as to capture some of this value. The issue of assessing the value created by brands for the three key market entities—the company, its customers, and its collaborators—is addressed in Part Four of this book.

**Chapter 9** outlines a framework for assessing the value of a brand. Specifically, this chapter defines the concept of brand equity as a measure of the monetary value of the brand to the company. This chapter further introduces the concept of brand power as a measure of a brand's ability to influence the behavior of target customers, company collaborators, and company employees.

**Chapter 10** outlines the key research methods for examining the impact of brands on customer beliefs, emotions, and behavior as well as the way brands create value for the company. Specifically, this chapter focuses on the issues of measuring brand image, the customer value of a brand, brand power, and brand equity.

The topics discussed in these two chapters offer a broader understanding of the process of measuring brand value and outline a set of specific brand valuation tools.

# CHAPTER NINE

# BRAND EQUITY AND BRAND POWER

What's in a name? That which we call a rose by any other name would smell as sweet.

—William Shakespeare,English poet and playwright

Brands are one of the company's most valuable assets. For a company to succeed in building strong brands, it must have a clear understanding of the sources and the outcomes of brand value as well as the metrics and processes for assessing the value of the brand. The two aspects of brand value —brand equity and brand power—are the focus of this chapter.

### **Brand Equity**

Brand equity is the monetary value of the brand; it is the premium that is placed on a company's valuation because of brand ownership. The monetary value of a brand is reflected in the financial returns that the brand will generate over its lifetime.

The issue of brand valuation came into prominence in the 1980s when the wave of mergers and acquisitions, including the \$25 billion buyout of RJR Nabisco, served as a natural catalyst for the increased interest in brand valuation and the development of more accurate brand valuation methodologies. Because the value of the brands owned by a company is not reflected in its books, setting a fair price for brand assets that a firm has built over time is not trivial: In fact, the value of a company's brands could exceed the company's tangible assets. Therefore, understanding the concept of brand equity, managing its antecedents and consequences, and developing methodologies to measure brand equity is of utmost importance for ensuring a

company's financial well-being.

Brand equity is related to goodwill—an accounting term referring to the monetary value of all intangible assets of a company. Goodwill is a way to document that, in addition to tangible assets such as property, plants, materials, and investments, a company's assets also include an intangible component comprising brands, patents, copyrights, know-how, licenses, distribution arrangements, company culture, and management practices. Goodwill is similar to brand equity in that it is a measure of a company's intangible assets; however, the scope of goodwill is much broader and includes not only the value of the company's brand, but also the value of the company's other intangible assets.

Goodwill is recorded on a company's books when it acquires another entity and pays a premium over the listed book value of assets. For example, if a company pays \$1 billion to acquire another company with book assets of \$500 million, the other \$500 million would be recorded in the books of the acquirer as goodwill. One of the reasons for the discrepancy between the book value and the market value of a brand is that acquired brands are recognized as assets for tax and accounting purposes, whereas internally generated brands are not.<sup>67</sup> Thus, a company that has built a brand from scratch cannot recognize it as an asset in its financial statements because it developed these brands internally and charged the related costs to expenses. In this context, goodwill is a way to recognize the market value of a brand when it is acquired.

There are several reasons why a company can benefit from having an accurate estimate of the value of its brands. Knowing the monetary value of a brand is important in *mergers and acquisitions* to determine the premium over the book value of the company that a buyer should pay. Knowing the monetary value of its brand(s) is also important in order to determine the value of the entire company for *stock valuation* purposes. Brand valuation is also important to help secure company *financing* and ensure better financial terms, as well as in *licensing* to determine the correct price premium that brand owners should receive from licensees for the right to use their brand. Having an accurate estimate of the value of the brand also matters in *litigation* cases involving damages to the brand to determine the appropriate magnitude of monetary compensation. Assessing the value of the brand is also important for evaluating the *effectiveness* of a company's brand-building activities, for cost-benefit analysis to justify brand-building expenditures, as well as to decide on the allocation of resources across brands in a company's portfolio.

Brand equity is not created in a vacuum; it stems from a brand's ability to

influence the behavior of the entities defining the markets in which it operates. Therefore, to understand and manage brand equity, one must understand the ways in which brands create market value. The issue of brand power as a source of market value and a driver of brand equity is addressed in more detail in the following section.

#### **Brand Power**

Unlike brand equity, which reflects the monetary value of the brand to the company, brand power reflects the brand's ability to influence the behavior of the relevant market entities—its target customers, its collaborators, and the company employees.

A brand's power stems from its image in people's minds, which reflects all beliefs, values, emotions, and behaviors associated with the brand. A brand's image is a result of a company's brand-related activities, which reflect the design of the brand and the brand-related communication. Brand image then determines the power of the brand, which reflects this brand's ability to influence the behavior of its target customers, its collaborators, and company employees and stakeholders. The change in the behavior of the different market entities defines the power of the brand.

Brand power benefits the company in several ways. Brand power increases the likelihood that target customers will purchase the branded offering, that they will use it frequently, and that they will be more likely to endorse this offering. Greater brand power also influences collaborators' behavior by increasing their willingness to work with the company. In addition, brand power helps the company attract a skilled workforce while enhancing employee loyalty and productivity. The impact of brand power on these three constituencies—target customers, collaborators, and company employees—is discussed in more detail in the following sections.

#### **Customer-Based Brand Power**

Customer-based brand power is the differential impact of brand knowledge on consumers' response to a company's marketing efforts.<sup>68</sup> This means that a brand has greater power when customers react more favorably to an offering because they are aware of the brand. Customer reaction to brands involves three key aspects: *purchase*, *usage*, and *advocacy*.

• Purchase. Because brands create customer value, they generate

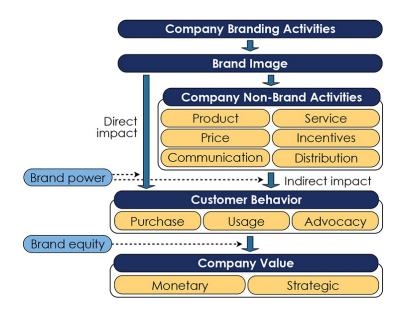
incremental demand for a company's offerings and increase the likelihood that customers will purchase the branded offering. Thus, a customer who is not interested in an unbranded product might be interested in the same product when it is associated with a brand that this customer finds meaningful and relevant.

- **Usage.** In addition to increasing the likelihood of purchasing a company's products and services, brands tend to facilitate usage of the offering. Thus, customers are likely to use products and services associated with their favorite brands more frequently.
- Advocacy. Powerful brands are also more likely to encourage customers
  to promote the company's offerings (e.g., by sharing on social media),
  which, in turn, is likely to create greater brand awareness and bolster
  existing brand preferences, ultimately increasing demand for the branded
  offerings.

The nature and magnitude of customers' reaction to a company's brand are a function of this brand's power, such that more powerful brands will have a greater impact on customers' behavior, meaning that customers will be more likely to buy, use, and advocate for the branded offerings. The changes in customer behavior, in turn, create monetary (e.g., incremental revenues generated by the brand) and strategic (e.g., ability to extend the product line with the support of the brand) value for the company. The monetary equivalent of the company value created by the brand reflects the brand's equity.

Brands influence customer behavior in two ways: directly and indirectly. Brands might directly influence customer behavior by creating value above and beyond the value created by the relevant product and service. For example, a person riding a Harley-Davidson, wearing a Rolex watch, or carrying a Timbuk2 messenger bag might derive value from using the brand as a means of self-expression. In addition to their direct impact, brands can influence customer behavior by enhancing the value created by the other attributes of the company offering: product, service, price, incentives, communication, and distribution. The ways in which brands can have an indirect impact on customers' behavior are illustrated in Figure 1 and discussed in more detail below.

Figure 1. The Impact of Brand Power on Customer Behavior



- Enhanced product and service experience. Products and services associated with strong brands are often perceived to be more powerful, reliable, durable, safe, attractive, tasty, and or visually appealing than their unbranded counterparts. For example, consumers are more likely to rate the taste of a beer as more enjoyable if they like the brand and might evaluate a drug as more effective if it is associated with an established brand. In addition to believing that products associated with strong brands are likely to perform better, customers also tend to be more tolerant of inconsistencies in the performance of branded products and services, which sustains customer loyalty during a marketing crisis.
- **Greater willingness to pay.** Because brands create customer value, offerings associated with strong brands command a price premium over unbranded offerings. The pricing power of brands is clearly evident in categories in which identical products are available in both branded and unbranded variants. Thus, Bayer's aspirin, Morton's salt, and Owens Corning's pink insulation command higher prices compared to their unbranded counterparts. In addition to increasing customer willingness to pay a higher price for the company offerings, strong brands tend to alter customer sensitivity to price changes, such that their response is more elastic to price decreases and more inelastic to price increases. This means that if a company lowers the price of a branded product, it is likely to gain more customers compared to an unbranded offering, whereas if it raises the price of a branded product, it is likely to lose fewer customers.
- **Increased effectiveness of incentives.** Customers are likely to react more favorably to incentives offered by a brand they patronize. In addition to taking advantage of incentives offered by a strong brand, customers are also less likely to be swayed by incentives offered by

competitors.

- Greater communication effectiveness. Customers are likely to react
  more favorably to communication from strong brands compared to
  communication from lesser known brands or unbranded offerings. In
  addition, in the case of strong brands, consumers tend to be more
  receptive to the communicated information, more likely to remember this
  information, and more likely to make a corresponding change in their
  behavior.
- **Greater willingness to extend effort to acquire the offering.** Customers are more willing to search for branded offerings across distribution channels and forgo a convenient retailer that does not carry their favorite brand. For example, a customer might choose to shop at a retailer that is further away, has less convenient working hours, and has a longer check-out time merely because the retailer carries this customer's favorite brands.

# **Collaborator-Based and Company-Based Brand Power**

Because brands provide numerous benefits to collaborators—including bolstering customer demand, enhancing collaborators' offerings, and strengthening collaborators' brands (see Chapter 3 for a detailed discussion of brand benefits for collaborators)—the company can leverage the power of its brands to influence collaborator behavior. In this context, collaborator-based brand power reflects a brand's ability to influence collaborators' behavior in a way that creates value for the company. A brand has greater power when its collaborators react more favorably to a company's offering because of its brand.

An important benefit of brand power is the greater collaborator cooperation and support. For example, retailers are more likely to carry, keep a larger inventory of, display, and promote offerings with stronger brands. Another important brand benefit involves greater pricing power, whereby collaborators are willing to accept less favorable (compared to a weaker brand or generic offering) financial terms, including lower profit margins and fewer incentives such as volume discounts, slotting allowances, cash discounts, and inventory financing.

In addition to influencing the behavior of its target customers and collaborators, brands can influence the behavior of company employees. Thus, an important benefit of brand power is a brand's ability to facilitate

attracting and retaining a skilled workforce. This is because employees often place a premium on working for companies whose brands resonate with their own needs, preferences, and value system, which means that companies with strong brands find it easier to attract the best candidates while retaining their current employees.

Strong brands can also help reduce the cost and increase the productivity of the company's workforce. Thus, employees are often willing to forgo higher compensation and accept a lower salary to work for a company with a brand whose mantra resonates with their own values. An additional benefit of brand power is a brand's ability to build, enhance, and sustain the company culture. This is because a brand can create a strong sense of identification among its employees, increase their morale, and bolster their teamwork.

# **Brand Power and Brand Equity**

Greater brand power does not automatically lead to greater brand equity. For example, the brand equity of Nissan is estimated to be higher than the brand equity of Porsche, even though Porsche is a stronger brand as reflected in its greater price premium compared to Nissan. In the same vein, even though Audi and Lexus have greater brand power, indicated by their price premium and their ability to influence market behavior to a greater extent than Volkswagen and Toyota, the latter are estimated to have greater brand equity. Likewise, even though Armani and Moët & Chandon have greater brand power than Gap and McDonald's, the brand equity of the latter is estimated to be higher.<sup>69</sup>

Because brand equity is a function of brand power as well as a company's ability to utilize this power in a given market, brand equity is not always a perfect indicator of brand power. Brand equity reflects the degree to which the company is able to utilize the power of the brand, which in turn is determined by the company's strategy and tactics as well as the impact of the various market forces.

Brand power stems from a company's brand-building activities that involve designing and communicating the different aspects of the brand. These activities are guided by the company's strategic choice of a target market for its brand and the brand's value proposition. The company's brand strategy, in turn, is guided by the monetary and strategic goals it aims to achieve with this brand.

A company's branding activities help establish a brand's image in

customers' minds. Following the formation of a brand image, customers assess the value a brand creates for them on three dimensions: psychological, functional, and monetary. Customers' assessment of the value of the brand then influences their market behavior and, specifically, the likelihood that they will purchase and use the branded offering and promote the brand to others. Customers' market actions, in turn, generate value for the company, helping it to achieve its strategic goals.

The impact of the brand on customer behavior and its ability to create company value is also a function of two types of external factors: a company's non-brand activities and the various market forces. A company's non-brand activities, which involve the other marketing tactics—product, service, price, incentives, communication, and distribution—can influence the impact of the brand on customer behavior. For example, customers might not purchase an offering despite their liking the brand simply because the branded product or service is inferior, because the price is high, because customers are unaware of the offering's benefits, and/or because the offering has limited distribution.

In the same vein, a brand's ability to create company value depends on the various market forces. Thus, brand equity is a function of market size, such that brands targeting larger customer segments are likely to generate greater value for the company. A brand's equity also depends on collaborators' actions and is likely to be greater when the brand enjoys the support of the company's collaborators. A brand's equity also depends on the competition; aggressive competitive activities can lower the market share of a company's offering despite the power of its brand. A brand's ability to create company value can also be influenced by changes in the economic, sociocultural, technological, regulatory, and physical context in which the brand operates. For example, changes in trademark laws can limit a brand's ability to sustain its brand power, and an import tariff can dramatically reduce a company's sales volume, thus influencing its ability to translate brand power into brand equity.

Because brand power and brand equity are not perfectly correlated, it is possible to identify instances in which a brand's power exceeds its monetary value, as well as instances in which a brand's monetary valuation is overstated relative to the brand's power. A brand is undervalued when its brand equity does not take into account the full market potential of the power of this brand. In contrast, a brand is overvalued when its equity overstates the underlying brand power. From a marketing perspective, brands whose equity is undervalued, meaning that their brand power is not fully monetized, present

brand-building opportunities. From an investment perspective, undervalued brands present acquisition opportunities. Examples of undervalued brands that have been successfully revived are given at the end of this chapter.

#### **SUMMARY**

Building strong brands requires a clear understanding of the sources and the outcomes of brand value as well as the metrics and processes for assessing the value of the brand. The two main aspects of brand value are brand equity and brand power.

Brand equity reflects the monetary value of the brand and the premium that should be placed on a company's valuation because of brand ownership. Unlike goodwill, which reflects the monetary value of all intangible assets of a company including patents, licenses, and know-how, brand equity focuses on the monetary value associated with a particular brand. Tracking brand equity is important in mergers and acquisitions, for stock valuation purposes, to secure financing, to determine licensing fees, to assess damages in litigation, as well as to measure the effectiveness of brand-building activities.

*Brand power* reflects the brand's ability to influence the behavior of the relevant market entities—its target customers, its collaborators, and the company employees.

Customer-based brand power is the differential impact of brand knowledge on consumers' response to a company's marketing efforts. A brand has greater power when customers react more favorably to an offering because they are aware of the brand. Customer reaction to brands involves three key aspects: purchase, usage, and advocacy. Brands influence customer behavior in two ways: directly and indirectly. Brands directly influence customer behavior by creating value above and beyond the value created by the relevant product and service. In addition, brands can indirectly influence customer behavior by enhancing the product and service experience, increasing customers' willingness to pay, enhancing the effectiveness of company incentives and communication, and increasing customers' willingness to expend effort to acquire the offering.

*Collaborator-based brand power* reflects a brand's ability to influence collaborators' behavior in a way that creates value for the company. A brand has greater power when its collaborators react more favorably to a company's offering because of its brand.

Company-based brand power reflects a brand's ability to influence the

behavior of company employees. Greater brand power enables the company to attract a skilled workforce while enhancing employee loyalty and productivity.

Brand power and brand equity are not perfectly correlated, creating market opportunities when a brand's power exceeds the brand's monetary valuation. Brands whose equity is undervalued, meaning that their brand power is not fully monetized by the company, present brand-building opportunities.

## BRANDING BRIEF: REVIVING "DEAD" BRANDS

**Brim**, a brand of decaffeinated coffee, was launched in 1961 by General Foods, which spent millions of dollars to promote the brand with the catchy slogan *Fill it to the rim—with Brim!* Thirty-four years later, following a series of corporate mergers and acquisitions, Brim coffee was discontinued and Brim ceased to exist as a brand. As a result, Brim's equity as a brand was effectively reduced to zero. Yet, just because Brim's owner (Kraft) stopped selling Brim coffee, the brand power reflected in its ability to influence customer behavior did not disappear overnight. A decade later another company acquired and resurrected the brand after discovering that nearly nine out of ten people over the age of 25 could recognize the brand.<sup>70</sup>



The brand was revived in 2014 when Sensio Inc., which acquired the rights to the name, reintroduced Brim as a drip-coffee machine with the goal of building Brim into a dominant brand in the US coffee maker space dominated by Mr. Coffee and Black & Decker. For Sensio, it was an opportunity to establish itself in the drip-coffee-machine market by capitalizing on the fact that Brim was a well-known brand among 40-plus-year-olds, who were the primary buyers of drip-coffee machines. Brim was relaunched with a social media and public relations campaign and made available through a variety of retailers including Walmart, Target, and Amazon.<sup>71</sup>

**Nuprin**, an ibuprofen-based anti-inflammatory and analgesic drug, was introduced by Bristol-Myers as a chemically identical substitute for Advil (marketed by Pfizer) and Motrin (marketed by Johnson & Johnson). Bristol-Myers heavily advertised Nuprin in the late 1980s and early 1990s in a campaign that included a Super Bowl commercial featuring legendary tennis player Jimmy Connors. In 1990 alone, Bristol-Myers spent close to \$30 million advertising Nuprin in the mass media. Promoted as *The Body Pain* 

*Medicine* and as *Little. Yellow. Different. Better*, Nuprin gained national awareness with its taglines *Tell Nuprin where it hurts* and *Nupe it*. In the late 1990s, Nuprin was discontinued, bringing its brand equity virtually to zero despite the strength of the brand in the minds of the public. Realizing that the brand had retained some of its power, in 2014 Shasun Pharmaceuticals, the world's leading vertically integrated manufacturer of ibuprofen and its derivatives,<sup>72</sup> acquired the rights to the Nuprin brand and subsequently developed and commercialized ibuprofen tablets under the Nuprin name.



**White Cloud**, a brand of bathroom tissue marketed by Procter & Gamble, was introduced in 1958; by 1993 it had attained 5% of the bathroom tissue market, becoming Procter & Gamble's second-largest-selling brand in that market. The company's bestselling brand was Charmin—a brand that P&G acquired in 1957— with a 20% market share. Both brands were heavily advertised, with the company spending about \$8 million on each of the two brands in 1992.<sup>73</sup> Yet, in 1993, in an effort to streamline its product lines and build global brands that dominate their categories and span markets, P&G made the decision to discontinue the White Cloud brand and rebrand the White Cloud product line as Charmin Ultra. To prevent customer attrition, many of the packages of White Cloud sold in 1993 included the statement: "Soon White Cloud will change its name to Charmin Ultra," while Charmin Ultra was promoted as the *softest*, *thickest bathroom tissue ever*.



Unfortunately, P&G allowed the White Cloud trademark to lapse when it discontinued the product, and in 1996 a company known as Paper Partners claimed the trademark and registered it for use with bathroom tissue. The company, which meanwhile rebranded itself as White Cloud Marketing, signed an exclusive agreement with Walmart—the nation's largest retailer and P&G's largest customer—to sell White Cloud bathroom tissue at its stores as a private label. In addition, Walmart acquired rights to the White Cloud name for disposable diapers and began selling them in its stores in 1999. Two years later, Walmart began rolling out White Cloud liquid and powder laundry detergents, liquid fabric softeners, and dryer sheets, directly competing with P&G's offerings. Ten years after the brand's relaunch by Walmart, White

Cloud sales reached \$600 million, and its bathroom tissue received the highest overall ratings, including a Best Buy rating from *Consumer Reports*.

# BRANDING BRIEF: TYLENOL—WEATHERING A BRAND CHRISIS

Tylenol, an acetaminophen-based pain reliever, was developed by McNeil Laboratories (later acquired by Johnson & Johnson) in 1950 and was initially available exclusively as a prescription drug. Tylenol rapidly gained popularity among hospitals, in part because it offered similar benefits to those of aspirin but was less irritating to the stomach, and in part because it was offered to hospitals at a very competitive price compared to other acetaminophen products. After Tylenol became available without a prescription, Johnson & Johnson built on its widespread use by the medical profession and began advertising Tylenol as *the pain reliever hospitals use most*. By 1982, Tylenol had captured 35% of the over-the-counter analgesic market, generating over \$400 million in sales revenues and making it the most profitable brand for Johnson & Johnson.

# **TYLENOL**

In the fall of 1982, following a series of deaths from cyanide poisoning traced back to Tylenol capsules, Johnson & Johnson announced that it would withdraw and destroy all 31 million bottles of Tylenol capsules from the United States market. Even though capsules, which were introduced several years earlier as an alternative to tablets, accounted for 40% of total sales of Tylenol, following the news the market share of Tylenol fell to less than 7% as many retailers started pulling all types of Tylenol off their shelves, including capsules, tablets, and elixirs. A number of marketing experts predicted that Tylenol would not be able to recover from this crisis.

Johnson & Johnson's own research, which was conducted in the weeks following the crisis, suggested that even though many consumers were concerned about taking Tylenol products, there was considerable goodwill toward the brand among the public. Building on this trust, Johnson & Johnson developed a brand recovery strategy, the cornerstone of which was direct communication and openness to the public. The company engaged in an extensive public relations campaign that included calls to reporters and press conferences aimed at informing the public about all new developments. In addition, Johnson & Johnson developed a 60-second commercial featuring its medical director who, in his now classic speech, informed the public about the

problem and how the company was addressing it, while at the same time underscoring the public's trust in Tylenol:

You're all aware of the recent tragic events in which Extra-Strength Tylenol capsules were criminally tampered with in limited areas after they left our factories. This act damages all of us—you the American public because you have made Tylenol a *trusted* part of your healthcare and we who make Tylenol because we've worked hard to earn that *trust*. We will work even harder to keep it. We have voluntarily withdrawn all Tylenol capsules from the shelf. We will reintroduce capsules in tamper—resistant containers as quickly as possible. Until then, we urge all Tylenol capsule users to use the tablet form and we have offered to replace your capsules with tablets. Tylenol has had the *trust* of the medical profession and 100 million Americans for over 20 years. We value that *trust* too much to let any individual tamper with it. We want you to continue to *trust* Tylenol.

An estimated 85% of consumers saw the commercial at least once during the first week of airing. Once marketing research showed that Tylenol had started to regain consumers' trust, Johnson & Johnson expanded the campaign with commercials featuring consumers' testimonies, simultaneously highlighting hospitals' trust in the brand. By February 1983, only six months after the poisonings were first reported, Tylenol managed to recapture most of its precontamination market share. Johnson & Johnson's investment in building a strong brand paid off. In the words of Johnson & Johnson's chief executive, James Burke, *We were cashing in on nearly a hundred years of trust that has been built in.* 

## **ADDITIONAL READINGS**

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# CHAPTER TEN

# **BRAND RESEARCH**

*Research* is creating new knowledge.

—Neil Armstrong, American astronaut

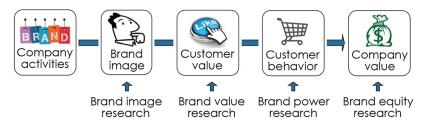
**B**uilding strong brands calls for a clear understanding of how brands create market value. To this end, brand research aims to identify the processes by which brands create value and develop a portfolio of methodologies for measuring the market impact of a brand. Building on the discussion in Chapter 9 on assessing brand equity and brand power, this chapter outlines the key approaches for examining a brand's market impact.

# The Framework for Measuring Brand Impact

The primary goal of brand research is to facilitate managerial decision making by providing insights into the ways brands influence market behavior. Accordingly, brand research must be motivated by managerially relevant questions, use effective research methods, and collect meaningful data that inform a company's brand management strategy and tactics.

The brand management framework outlined in Chapter 2 delineates the process by which a brand can influence customer behavior. Following a company's branding activities, customers form a subjective interpretation of the brand—a brand image—in their minds. The brand image then serves as a basis for assessing the attractiveness of the brand in terms of the customer value it creates. Customers' assessment of the brand, in turn, influences their behavior: the likelihood that they will purchase the offering, the degree to which they are likely to use the branded offering and interact with the brand, and the extent to which they are likely to share their brand experience and become brand advocates. Customers' market behavior then creates value for the company, increasing the equity of its brands (Figure 1).

Figure 1. The Framework for Measuring Brand Impact



The framework outlined in Figure 1 implies that there are four key sets of questions that a manager needs to ask in order to assess the impact of the brand on its target customers:

- How is the brand represented in the minds of its target customers? What are the key aspects of the *brand image*?
- How does the brand create *value* for target customers? What are the functional, psychological, and monetary benefits conferred by the brand?
- How does the brand change customers' behavior? What is the *power of the brand*?
- What is the monetary value of the brand to the company? What is the *brand equity*?

To create market value, a manager must have a clear understanding of the brand image that exists in customers' minds, the customer value associated with this image, the ways in which the brand can change customers' behavior, and the monetary value of the brand to the company. The key approaches for assessing the different aspects of the brand's market impact—brand image, customer value, brand power, and brand equity—are discussed in the following sections.

# **Examining Brand Image**

Brand image is the network of associations that consumers link to a particular brand name. Because this network exists in people's minds, brand image is not readily observable. Accordingly, examining brand image employs research methods that aim to uncover the deeper meaning that people associate with a given brand. In this context, brand research typically focuses on two key aspects of a brand's image: customers' *awareness* of the brand name and the *associations* linked to this brand name.

# **Assessing Brand Awareness**

People vary in the degree to which they are cognizant of the brand. For example, some might never have heard of a particular brand, others might have heard the brand name but are unaware of the other brand elements, while still others might be familiar with the brand name and the other brand elements but are unaware of the meaning of the brand.

The most basic level of examining brand awareness involves testing whether target customers are familiar with the brand name. A more comprehensive measure of brand awareness extends beyond the brand name to include some or all of the other brand identifiers (logo, motto, character, soundmark, product design, and packaging) and brand referents (e.g., needs, benefits, usage occasions, experiences, places, and people). For example, brand research might examine the level of a customer's awareness of the brand logo, character, or the spokesperson. A more comprehensive evaluation of brand awareness aims to determine not only whether target customers are familiar with the name of the brand but also whether all other aspects of the brand are adequately represented in customers' minds.

Brand awareness is typically measured in terms of *brand recall* and *brand recognition*.

- Brand recall. Measuring brand recall typically involves asking target customers to identify brands in a particular product category or associated with a particular need or usage occasion. For example, customers might be asked to list all cereal brands that come to mind (category-based brand recall) or all breakfast-related brands (occasionbased brand recall).
- **Brand recognition.** Measuring brand recognition typically involves prompting a particular brand in people's minds and asking them whether this brand is familiar. For example, target customers might be asked to identify familiar brands from a list of brands presented to them. Because brand recognition merely indicates that customers can identify the focal brand, it is a weaker measure of brand awareness than brand recall, which requires customers to evoke rather than merely recognize the brand.

# **Examining Brand Associations**

Brand-association research strives to uncover the mental constructs and connections in a customer's mind that are linked to a given brand name. Unlike brand awareness, which merely reflects whether customers are

informed about the elements of a given brand, brand associations reflect the idiosyncratic brand image that exists in an individual's mind. Accordingly, brand-association research implies a certain level of customer awareness with the brand and, in this context, aims to examine how the brand is represented in the minds of these customers.

Association research typically examines four key aspects of brand associations: *type*, *breadth*, *valence*, and *strength*.

- **Type of associations** identifies the key mental constructs (brand identifiers and referents) that are linked to a particular brand name in people's minds.
- **Breadth of associations** reflects the number and diversity of mental constructs associated with a particular brand name.
- **Valence of associations** reflects the favorability of the associations between the brand name and the relevant constructs in people's minds.
- **Strength of associations** reflects the degree to which the brand name is associated with a particular mental construct. For example, strength of associations might reflect the potency of the relationship between the focal brand and a particularly relevant product category, such that the name of the brand evokes the category and vice versa. For example, the brand Google tends to evoke the concept of online search, and the concept of online search tends instantly to bring the Google brand to one's mind.

Brand associations are examined using a variety of research methods that aim to uncover the mental connections between a given brand name and the relevant constructs in people's minds. In its simplest form, a brand association study asks respondents to list all thoughts that come to mind when the focal brand is mentioned (also referred to as free associations). Respondents' answers are then used to construct this brand's associative network (similar to the one shown in Figure 5 in Chapter 3), where referents mentioned first and those mentioned multiple times are interpreted as signifying stronger associations. For visualization purposes, the strength of the brand associations can be reflected in the distance between the relevant mental constructs.

Association studies can also involve a predetermined sequence of questions that ask respondents to identify brand-specific associations with respect to specific needs, benefits, experiences, occasions, activities, places, people, concepts, objects, products and services, and other brands (also referred to as directed associations). For example, respondents might be asked to identify the particular occasions when the brand is likely to be used, the

type of people that are most likely to use the brand, the type of products that are most likely to be identified with the brand, and other brands similar to the focal brand.

Association studies might also involve a comparison task in which respondents are asked to compare the brand to different items, including people, countries, animals, cars, trees, magazines, and sports. For example, respondents might be asked to imagine that a given brand is an animal and then asked what animal the brand would most likely be. To gain a deeper insight into their responses, customers are often asked to further articulate the reasons for making the particular comparison. As with the other types of brand-association studies, the results of such comparisons are qualitative in nature and are typically used for exploratory purposes.

An alternative approach for assessing the strength of brand associations involves using implicit measures such as response time. These approaches are based on the view of memory as a network of interrelated concepts, such that when one concept (e.g., a brand name) is activated, the concepts most closely connected to it are activated as well. Nodes that are frequently activated together, such as those representing close semantic relations, form stronger connections (reflected in the shorter links between the nodes) that are retrieved faster by the brain. In this context, the spreading-activation theory implies that by examining people's mental processes—such as measuring response time for determining whether a brand possesses a certain quality (as suggested by the Implicit Associations Test), tracking eye movements, recording the electrical activity of the brain (EEG), and detecting changes associated with blood flow in the brain (fMRI)—one can gain insight into the specifics of the brand image formed in an individual's mind.

# **Assessing the Customer Value of a Brand**

The customer value of a brand reflects customer benefits and costs associated with the brand. Unlike brand-image research, which aims to uncover customer perceptions of the essence of the brand, studies examining brand value focus on the personal significance of the brand for target customers. There are three dimensions on which brand value can be examined: *functional*, *psychological*, and *monetary*.

# **Assessing the Functional Value of a Brand**

The functional value of a brand reflects the functional benefits (and costs)

resulting from associating this brand with a particular product or service. Because one of the key functions of a brand is to identify the company's offering, one measure of the functional value of a brand is the degree to which it enables target customers to distinguish the branded offering from those made by other companies. The more distinct the branded offering is and the lower the likelihood of confusing it with unrelated offerings, the greater the functional value of the brand. In this context, the functional value of a brand can be measured by the ease of identifying the branded offering among similar offerings as well as by the likelihood of confusing the focal offering with other offerings branded by a different company.

In addition to identifying the company's offering, another functional benefit created by the brand is its ability to enhance the perceived performance of an offering. For example, people might believe that a branded product is functionally superior to an identical unbranded product, as in the case of branded and generic pharmaceutical products. In this case, the functional value of a brand can be measured by comparing customer ratings of the perceived performance of branded and unbranded versions of the product.

# Assessing the Psychological Value of a Brand

The psychological value of a brand is reflected in the degree to which target customers find the brand personally relevant. Accordingly, one approach to measure the psychological value of a brand is by asking respondents to assess brand relevance on a numeric scale (such as the Likert scale discussed at the end of this chapter) and then interpret their answers as indicative of the value they associate with the brand. A somewhat more subtle approach to measuring brand relevance involves presenting respondents with pairs of overlapping circles that represent the customer and the brand, whereby choosing circles with a greater degree of overlap indicates greater brand relevance (see the brand relevance scale at the end of this chapter). Another popular method for assessing the psychological value of a brand involves asking target customers to collect pictures representing their thoughts and feelings about a particular brand and then using these pictures as the basis for in-depth interviews to gain better insight into the role brands play in people's lives.<sup>74</sup>

Assessing the psychological value of a brand can also involve tasks that aim to elicit customers' brand-specific beliefs, attitudes, and motivations by asking them to elaborate on ambiguous objects, enabling them to express thoughts that originate on a deeper level than those tapped by explicit questions. To this end, respondents can be presented with an ambiguous or

incomplete stimulus (a picture or a story) featuring the brand and asked to interpret and/or complete it. For example, respondents might be given the beginning of a dialogue between two consumers discussing the brand and asked to complete it (or fill in the blanks). Alternatively, respondents might be shown a picture featuring two consumers discussing the brand and be asked to write down the likely dialogue—either as text under the picture or by filling in empty cartoon-like bubbles that are placed in the picture to capture the thoughts of the participants.

# **Assessing the Monetary Value of a Brand**

A popular approach to assessing the monetary value of a brand involves asking customers to indicate the price premium they are willing to pay for the branded offering. Specifically, respondents might be asked to state the price they are willing to pay for branded and unbranded versions of functionally identical offerings, with the price difference indicating the monetary value of the brand for consumers. From a conceptual standpoint, this approach parallels the market-based approach for estimating brand equity discussed later in this chapter.

A similar approach to assessing the monetary value of a brand involves providing respondents with the description and the price of an unbranded offering and asking them to identify the price at which the branded version of the same offering would be equally attractive as the unbranded version. (Alternatively, respondents might be presented with a branded version of the offering and asked to indicate the price of the generic version of the same offering.) Another popular approach to identifying the monetary value of a brand involves conjoint analysis in which individuals are asked to make a choice between a series of pairs of branded and identical unbranded options that vary in price. The monetary value customers assign to the brand is then defined by the price at which they find the two options equally attractive.

# **Measuring Brand Power**

Brand-driven behavior reflects the impact of the brand on customer actions. Examining brand-driven behavior focuses on three types of customer activities: *brand choice*, *brand usage*, and *brand advocacy*.

# **Assessing Brand Choice**

Brand choice research aims to identify the impact of the brand on the sales of the branded offerings. A key challenge in assessing brand choice is that the brand is only one of many factors influencing a customer's behavior; other variables such as product/service quality, price, incentives, communication, and availability also can have a significant impact on choice. Therefore, isolating the impact of the brand from that of the other market factors is essential for assessing the true power of a brand. To this end, a popular approach to examining the impact of the brand on customer choice involves using test markets in which some of the individuals are offered the branded version of the product and others are offered an unbranded version of the same product. Another popular approach to examining brand choice involves measuring purchase intentions (discussed in more detail at the end of this chapter).

# **Assessing Brand Usage**

Examining brand usage focuses on the impact the brand has on the way customers interact with the company's products and services. Common approaches for identifying brand usage involve different exploratory methods: observation, interviews, and activity-based research. For example, researchers might visit consumers in their homes or offices to observe their behavior in their natural environment in order to gain insight into their needs, daily rituals, and product usage. A less intrusive method of observation involves remote monitoring, whereby the behavior of consumers who have consented to participate in the study is tracked using video cameras embedded in their homes, offices, and even cars. Researchers might also interview consumers to gain better insight into how they interact with brands and the role brands play in their overall consumption experience. Brand usage can also be examined using activity-based methods such as creating a picture-based or photo-based narrative depicting a customer's experience with the brand.

# **Assessing Brand Advocacy**

Examining brand advocacy aims to identify the impact of the brand on the likelihood that customers will become brand advocates and will try to convince others of the value of the brand and the offerings associated with it. A popular approach to assessing a brand's ability to create brand advocates is the Net Promoter Score (discussed in more detail at the end of this chapter), which examines individuals' intent to endorse a particular brand or offering. An alternative approach to measuring brand advocacy involves analyzing the

content of consumers' online communication. The rapidly growing popularity of this approach stems from the fact that a large proportion of brand recommendations occur online and, hence, are readily observable and can be analyzed to single out the drivers of positively valenced brand communication. In addition to analyzing the content of customer communication, which reflects what customers are saying about the brand, brand advocacy can be examined by analyzing the tone (sentiment) of customer communication, which focuses on factors such as emotionally laden words, phrases, and syntax to identify how customers feel about the brand.

# **Measuring Brand Equity**

Despite the importance of brand equity, there is no single universally agreedon methodology for its assessment; rather, there are several alternative methods, each emphasizing different aspects of brand equity. Three common approaches to measuring brand equity are the *cost approach*, the *market approach*, and the *financial approach*. All of these approaches view brands as separable and transferable company assets that have the ability to generate a stream of revenue. Furthermore, because their ultimate goal is to assess the financial value of a company's brands, all three approaches follow fundamental accounting concepts. Where these approaches differ is in conceptualizing the sources of brand equity and the reliance on different methodologies to quantify the value of the brand.

# **Cost Approach for Measuring Brand Equity**

The cost approach involves calculating brand equity based on the costs involved (e.g., marketing research, brand design, communication, management, and legal costs) to develop the brand. The cost method can be based on the historical costs of creating the brand by estimating all relevant expenditures involved in building the brand, or it can be based on the replacement cost—the monetary expense of rebuilding the brand at the time of valuation.

In general, the cost approach is fairly intuitive and is commonly used for evaluating a company's tangible assets. The challenge in applying this approach to assessing brand equity is that estimating the costs a company must incur to build an identical brand is extremely complicated, especially in the case of well-established brands that over the course of many years, and in some cases decades, have carved out a place in customer minds. Because of

this limitation, the cost approach is more relevant for assessing the value of freshly minted brands for which the brand replacement costs can be easily identified—although even in this case accuracy is constrained because the cost approach might not take into account a brand's full potential to create market value.

# **Market Approach for Measuring Brand Equity**

The market approach measures brand equity as the difference between the sales revenues of a branded offering vs. sales revenues of an identical unbranded offering, adjusted for the costs of building the brand. For example, to assess the value of the Morton Salt brand, one would compare the sales revenues generated by the branded product with the sales revenues generated by its generic equivalent—regular salt—and then subtract the cost of managing the brand. This approach is summarized by the following equation:

 $Brand\ equity = Sales\ revenues_{(Brand)} - Sales\ revenues_{(Generic)} - Branding\ costs$ 

In cases when a generic equivalent of the branded product is not readily available in the market, an alternative approach might involve using a test market to estimate the price difference between a single unit of a branded offering and (a prototype of) an identical unbranded offering, adjusted for sales volume and branding costs. This version of the market approach to assessing brand equity can be summarized by the following equation:

Brand equity =  $(Price_{(Brand)} - Price_{(Generic)}) \cdot Sales volume_{(Brand)} - Branding costs$ 

A key advantage of the market approach over the cost-based approach is that it requires fewer assumptions in assessing the value of a brand. At the same time, the market approach has a number of important drawbacks that limit its validity and relevance. One of the largest drawbacks is that this method focuses only on one metric of brand value (the price premium) and does not consider other aspects of value created by the brand, such as more favorable terms for a branded product from a company's collaborators as well as a brand's impact on a company's ability to recruit and retain skilled employees. Furthermore, this approach assumes that the company has fully utilized the value of its brand and, hence, does not take into account the value created by potential product-line extensions, brand extensions, and licensing opportunities.

The market approach also does not include the potential differences in the cost structure associated with branded and unbranded products, whereby the

difference in prices could also be attributed to differences in production costs rather than the price premium commanded by the brand. Another important limitation of the market approach is that it does not account for the future risks associated with the brand, which can include the loss of trademarks, changes in the competitive landscape, and changes in customer preferences. In addition, the market approach is not readily applicable to companies using an umbrella-branding strategy, in which a single brand is used across different product lines in diverse product categories.

# **Financial Approach for Measuring Brand Equity**

The financial approach assesses brand equity as the net present value (NPV) of a brand's future earnings. This approach typically involves three key steps: estimating the company's future cash flows, estimating the contribution of the brand to these cash flows, and adjusting these cash flows using a risk factor that reflects the volatility of the earnings attributed to the brand. The financial approach is summarized by the following equation:

Brand equity = NPV of future cash flows  $\cdot$  Brand contribution factor  $\cdot$  Risk factor

By considering a wider range of factors, the financial approach addresses some of the shortcomings of the cost-based and market-based approaches. At the same time, the financial approach is also subject to several important limitations. The first limitation is the ability to accurately estimate the after-tax operating profit of the branded offerings. For example, according to Interbrand, the highest and lowest stock price estimates for the top ten brands differed by an average of 57% across all ten stocks (for some stocks like Apple, this difference was over 100%).<sup>75</sup> Given that the assessment of the company's future earnings is the basis for calculating brand equity, such a large variation in a company's future earnings undermines the accuracy of the subsequent brand valuation.

Another limitation is that a brand's ability to generate future cash flow is contingent on a number of extraneous factors. Specifically, a brand's ability to generate value for the company is subject to two types of risks: the risk associated with the particular brand and the risk associated with the market(s) in which this brand operates. For example, a brand's reputation can be damaged by a product failure as occurred in the Tylenol poisonings (1982), the Ford-Firestone tire recall (2000), and the BP Gulf of Mexico oil spill (2010). The cash flow generated by a brand can also be influenced by a change in the market in which it operates. To illustrate, the switch to digital

technology greatly reduced the size of the existing market for Kodak and Xerox, significantly diminishing the market value of these brands.

Furthermore, it is difficult to separate the cash flow attributable to the brand from the cash flow attributable to non-brand factors like production facilities, patents and know-how, product performance, supplier and distribution networks, and management skills. Consider, for example, two pizza companies, one distributing its pizzas through a delivery service and the other selling its pizzas to cafeterias. Both companies might have similar sales revenues and profits yet vary significantly in terms of their brand equity. For the company that sells its pizzas directly in competition with other pizzadelivery companies such as Domino's, Pizza Hut, and Papa John's, the brand plays an important role in driving company sales and profits. In contrast, for the company that sells its pizzas to cafeterias that offer their customers a single pizza option, the brand is likely to play a minor role in driving sales, with product quality, service, and the distribution network being the key revenue drivers. The assessment of brand contribution can be further complicated when a company manufactures both branded and unbranded (e.g., sold to retailers as a private label) versions of the same product.

Another important limitation of the financial approach is the difficulty of accurately estimating the lifetime of a brand, which is a prerequisite for defining the duration of the future cash flow attributable to the brand. The financial approach also does not take into account the brand value that has not been fully realized in the market, such as the value stemming from future brand extensions and licensing agreements.

The valuations produced by different brand equity models are closely tied to their assumptions, such that small changes in the underlying assumptions can lead to significant changes in brand valuations. Consider, for example, the brand equity valuations generated by two of the most prominent brand-valuation consultancies: Interbrand and Kantar Millward Brown (discussed in more detail at the end of this chapter). Interbrand estimated the brand equity of Apple (which topped its 2015 list of the most valuable brands) to be about \$170 billion, whereas the BrandZ method developed by Kantar Millward Brown placed the value of Apple's brand at about \$247 billion. The \$77 billion difference in these two estimates exceeds the value of Visa, MasterCard, Sony, Starbucks, Prada, Ford, Harley-Davidson, Chevrolet, FedEx, Corona, Lego, and Porsche combined. In the same vein, according to Kantar Millward Brown, McDonald's' brand equity was \$81 billion, yet Interbrand estimated its value at less than half that amount—\$40 billion. Furthermore, comparing year-to-year changes in the brand equity of Apple,

Kantar Millward Brown recorded an increase in 2015 of 67%, from \$148 billion to \$247 billion. This \$99 billion annual jump in the brand equity of Apple is greater than the brand equity of Coca-Cola. Given Apple's already strong brand image and market presence, and in the absence of major brand-related events, it is rather unlikely that the value of the brand has increased by two-thirds in a single year.

The dramatic differences in the value of the brand produced by different valuation methods and over time underscore the importance of developing alternative valuation methods that employ testable assumptions and use converging methods to measure brand value. Such approaches must take into account the strategic value of brands, including the potential for extending the brand beyond its current target markets and product categories, as well as the brand's power to influence the behavior of different market entities.

#### **SUMMARY**

The primary goal of brand research is to facilitate managerial decision making by providing insights into the ways brands influence market behavior. Specifically, brand research addresses four key questions: How is the brand represented in the minds of its target customers? How does the brand create value for target customers? How does the brand change customers' behavior? What is the monetary value of the brand to the company? These four questions are addressed by conducting brand research in four domains: brand image, brand value, brand power, and brand equity.

Brand-image research examines customers' subjective interpretation of the meaning of the brand and involves examining two factors: customers' awareness of the brand name and the associations linked to this brand name. Brand-awareness research examines the degree to which consumers are cognizant of the brand. Brand awareness is measured in terms of brand recall and brand recognition. Brand-association research aims to identify the idiosyncratic image of the brand that exists in customers' minds. Brand associations are measured using association studies that aim to uncover the mental connections between a given brand name and the relevant constructs in people's minds.

*Brand-value research* examines the personal significance of the brand for target customers. There are three dimensions on which brand value can be examined: functional, psychological, and monetary. Assessing *functional value* involves examining the functional benefits (and costs) resulting from associating this brand with a particular product or service. *Psychological* 

*value* is typically examined by investigating the degree to which target customers find the brand personally relevant. Examining the *monetary value* of a brand involves identifying the price premium that customers are willing to pay for the branded offering.

*Brand-power research* examines a brand's ability to change the behavior of its target customers, collaborators, and company employees and stakeholders. Examining brand-driven behavior focuses on three types of customer activities: *brand choice* (the likelihood that a customer will purchase the company's offering), *brand usage* (the way customers interact with the company's products and services), and *brand advocacy* (the likelihood that customers will become brand advocates).

Brand-equity research examines the monetary value of the brand to the company. There are three common approaches to measuring brand equity: the cost approach, market approach, and financial approach. The *cost approach* involves calculating brand equity based on the costs (historical or replacement) involved in building the brand. The *market approach* measures brand equity as the difference between the revenues of a branded offering vs. revenues of an identical unbranded offering, adjusted for the costs of managing the brand. The *financial approach* measures brand equity as the net present value of a brand's future earnings. Common challenges in measuring brand equity involve assessing the revenues and profits uniquely attributed to the brand, identifying the uncertainty associated with a brand's ability to generate revenues in the future, estimating the lifetime of a brand, and determining the value of future brand extensions and licensing agreements.

## Branding Brief: Core Brand Research Methods

Based on the type of insight sought, research methods fall into three basic types: *exploratory*, *descriptive*, and *causal*.

- *Exploratory methods* are used to identify potential problems, develop ideas, and formulate research hypotheses. Exploratory methods aim to attain a general understanding of the observed phenomena without quantifying the obtained insights (e.g., identifying what percentage of target customers are aware of the brand) or making cause-and-effect attributions. Common exploratory methods include observational studies, interviews, and action-based tasks.
  - *Observational studies* examine customers' behavior in their natural environment. This type of research can involve observing customers'

actual behavior (directly or remotely, for example by using video cameras installed in customers' homes) as well as observing their behavior online, including the websites they visit, the content they focus on, and their online communication. Social media, in particular, has become a major venue used by companies to examine how people learn about brands and share their brand experiences. The wealth of readily available brand-related information has contributed to the rapid growth of methodologies—including content analysis, sentiment analysis, and social network analysis—that explore online communication.

- *Interviews* aim to explore in depth the brand-related views, experiences, beliefs, and motivations of individuals in order to identify the role brands play in their lives and to uncover drivers of their brand preferences and purchase behavior. Interviews can be done on a one-one basis or in groups, referred to as focus groups (discussed later in this chapter).
- *Activity-based studies* examine people's brand-related beliefs, emotions, and motivations by asking them to perform a particular task such as drawing a picture or creating a narrative by arranging a series of images. Activity-based studies are based on the idea that people's beliefs, feelings, and motivations are better captured by actions rather than words. Accordingly, these methods rely on non-verbal activities to uncover the role brands play in consumers' lives.

Descriptive methods aim to provide information about the characteristics (e.g., demographics, beliefs, and behavior) of a particular customer segment. For example, descriptive research might examine brand awareness across consumers from different demographics and the existence of an association (but not causation) between brand preference and the company's brand-building expenditures. Unlike exploratory methods that typically yield qualitative information, descriptive methods produce quantifiable outcomes. Descriptive studies are usually guided by an initial hypothesis that is informed by exploratory studies.

The growth of social media has contributed to blending the lines between exploratory and descriptive research because the wealth of readily available online data enables companies not only to interpret the content of consumers' online communication, their information search patterns, and their online choice behavior, but also to quantify this information by assessing the magnitude of the observed effects.

• by dividing participants into groups and presenting them with different versions of the offering. Unlike exploratory and descriptive methods, which gather information without varying (manipulating) the context in which the focal phenomenon exists, causal methods involve changing one factor in order to establish whether it has a causal impact on another factor. For example, rather than ask consumers whether they would be willing to pay extra for a branded product, causal research might vary the presence of a brand—by designing an experiment in which some of the respondents see a branded offering and others see an identical unbranded offering—and examine its impact on sales.

The simplest version of an experiment, referred to as *A/B testing*, involves two conditions: an experimental condition used to measure the impact of the factor of interest (e.g., brand name) and a control condition used as a basis of comparison. To ensure a valid test of causality, the control condition should be identical to the experimental condition in all aspects except for the factor of interest. To this end, the experiment should include respondents with similar profiles who are presented in the same manner with versions of the offering that vary only on the factor being tested. Provided that the two conditions are identical in all aspects other than the factor being tested, any difference in the market response to the experimental and the control conditions can be uniquely attributed to the factor of interest.

## **BRANDING BRIEF: INTERBRAND VALUATION METHOD**

Interbrand's brand-valuation methodology is one of the most popular approaches to assess the monetary value of the brand. It involves four key components: *market segmentation*, *financial analysis*, analysis of the *role of brand* in purchase decisions, and analysis of a *brand's strength*.

- Market segmentation identifies groups of customers that are likely to behave differently toward the focal brand. Because the value created by a brand can vary across customers, distinct customer segments are analyzed separately to take into account the differences in brand perceptions across markets.
- *Financial analysis* captures the overall financial return to investors, or a brand's *economic profit*—a term referring to the after-tax operating profit of the brand adjusted for the capital used to generate this profit.

- Role of brand reflects the degree to which the purchase decision is a function of the brand as opposed to other factors (e.g., price, convenience, or product features). The Role of Brand Index (RBI) quantifies this as a percentage and is estimated using one of three methods: primary research, a review of the historical role of brands for companies in that industry, and expert panel assessment.
- Brand strength reflects the ability of the brand to create and sustain customer loyalty. Brand strength is scored on a 0–100 scale, based on an evaluation of ten key criteria organized into two categories: internal and external. Internal factors reflect the way the brand is understood and managed by the company and includes four key factors: clarity within the company about what the brand stands for, its target customers and value proposition; commitment to the brand and a belief in the importance of the brand; legal protection; and responsiveness to market changes. External factors reflect the way the brand is perceived by the public and involve six key dimensions: brand authenticity and a welldefined heritage, relevance to customer needs, brand differentiation and the degree to which customers believe the brand to be distinct from the competition, consistency of brand design and communication across all touchpoints and formats, brand presence in traditional and social media, and brand familiarity and understanding of the distinctive characteristics of the brand. Brand strength is then converted to a brand-specific discount rate that reflects the future risk associated with the brand (the strength of the brand is inversely related to the level of risk associated with the brand's financial forecasts).

The brand value (the net present value of brand earnings) is then calculated by multiplying the economic profit (derived from the financial analysis) by the role of the brand index (derived from the role of brand analysis) and adjusting for brand risk (using the discount rate derived from the brand strength analysis).<sup>77</sup>

## **BRANDING BRIEF: BRANDZ VALUATION METHOD**

BrandZ is a popular brand valuation method developed by Kantar Millward Brown, a global market research organization. Similar to Interbrand's approach, the BrandZ method relies on financial research to calculate current and future earnings that can be attributed directly to a brand. A distinct characteristic of the BrandZ approach is that, unlike most other methods that derive the consumer point of view from panels of experts, BrandZ relies on

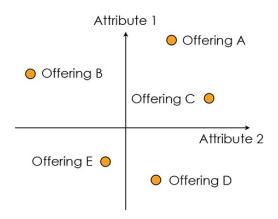
ongoing, in-depth quantitative consumer research on a category-by-category and market-by-market basis, covering over three million consumers in over 50 global markets. The BrandZ valuation method involves three key steps.<sup>78</sup>

- The first step involves calculating the *financial value* of the brand. This step begins with identifying the *corporate earnings* associated with the brand. In the case of companies owning multiple brands, the corporate earnings are apportioned across the brand portfolio based on information from annual reports and other sources. This analysis yields a metric referred to as the *attribution rate*. Multiplying the corporate earnings by the attribution rate yields the *brand earnings*, the amount of corporate earnings attributed to the offerings associated with a particular brand. The *financial value* of the brand is then calculated by multiplying the brand earnings by a *brand multiple*, a factor that assesses future earnings prospects as a multiple of current earnings. The derivation of the brand multiple is similar to the calculation used by financial analysts to determine the market value of stocks as a function of their current earnings (e.g., 10x earnings).
- The second step involves calculating *brand contribution* by peeling away the non-brand factors that contribute to the financial valuation of the branded offerings. These factors include in-market and logistical factors such as price, availability, and distribution that influence the value of the branded business. The goal is to place a value on the brand image, which exists in the minds of the public, with respect to its ability to create value for the company (e.g., to drive sales by predisposing consumers to choose the brand or to pay more for it). Specifically, the BrandZ approach identifies three key drivers of the value of a brand: meaning (the degree to which people have an affinity for the brand), differentiation (the degree to which a brand is perceived as unique), and prominence (the degree to which consumers have top-of-mind awareness of the brand). The purchase volume and any extra price premium delivered by these brand associations reflect the unique role played by the brand and are referred to as the *brand contribution*.
- The final step in the BrandZ approach involves calculating *brand value*, which refers to the dollar amount that a brand contributes to the overall value of the firm. The brand value is calculated by multiplying the financial value by the brand contribution.

## BRAND RESEARCH TOOLBOX: BRAND POSITIONING MAP

Brand positioning maps reflect customers' perceptions of the company's brand relative to other brands in the market. Positioning maps typically involve two dimensions, each representing an important attribute describing the brand. Competing brands are then placed on the map based on customers' perceptions of their performance on these attributes (Figure 2). Brands that are closer to one another on the map are likely to be perceived similarly by customers and, hence, are more likely to compete directly. Because they are based on customers' perceptions of a brand's performance, positioning maps are also referred to as perceptual maps.

**Figure 2. Brand Positioning Map** 



Note that because they reflect customers' perceptions of the brand, positioning maps are customer-specific, such that a brand's position on the value map might vary across customers with different needs and preferences. In the case of attributes for which customer preferences are homogeneous, with higher levels of performance uniformly preferred by all customers, the "ideal" competitive position is in the upper right section of the map. In contrast, when customer preferences are heterogeneous and customers have different valuations of the attributes defining the positioning map (e.g., those reflecting personal taste), perceptual maps might end up with multiple "ideal" competitive positions. In such cases, multiple positioning maps can be developed, each reflecting the tastes of a particular customer segment.

Positioning maps are often derived by asking customers to rate the performance of different brands on the two most important attributes (identified with the help of focus groups, online discussions, or alternative research techniques). Attributes commonly used as the key positioning dimensions include price, overall quality, and performance on specific attributes such as power, speed, compatibility, reliability, and durability. Customer ratings are then used as coordinates and plotted onto a two-dimensional map representing their relative positions. In cases when three or more attributes play a key role in customers' decisions, multiple positioning maps are created, each reflecting the brand's performance on two of these

attributes.

The two-attribute plots, although very popular, are just one way to develop perceptual maps. Instead of asking customers to rate different brands on predefined attributes, positioning maps can be derived based on people's ratings of the similarities among the available brands. In this case the underlying dimensions used to plot the brands are statistically derived based on the pattern of people's responses. With this approach managers are not required to identify which attributes matter the most to customers. At the same time, because similarity-based positioning maps are statistically derived, the resulting dimensions defining these maps are often difficult to interpret and act on.

## **BRAND RESEARCH TOOLBOX: SEMANTIC DIFFERENTIAL**

The semantic differential is a general approach for assessing affective responses and widely used for measuring people's attitudes. Developed by American psychologist Charles Osgood, the semantic differential was designed to measure the meaning (semantics) of words and their referents.<sup>79</sup> Respondents are asked to rate different words or objects on a bipolar scale anchored with contrasting adjectives at each end. Respondent answers are often connected with lines to offer a visual representation of the semantic profile of a given word (Figure 3).

Bad Good Нарру Sad Strong Weak Brand A Decisive Indecisive Brand B Active **Passive Fast** Slow

**Figure 3. The Semantic Differential Method** 

The semantic differential identifies three basic dimensions that capture most of the unique information in people's responses: evaluation, potency, and activity. The evaluation dimension reflects the degree to which a person perceives a given object positively or negatively and involves scale anchors such as good—bad, nice—awful, and helpful—unhelpful. The potency dimension reflects the strength of the evaluated object and is defined by contrasting adjectives such as strong—weak, powerful—powerless, and big—little. Finally, the activity dimension examines the level of energy associated with the object

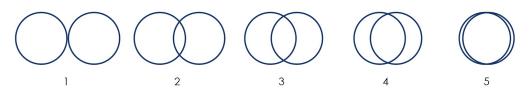
and is defined by anchors such as active—passive, alive—dead, fast—slow, and young—old. These three dimensions of affective meaning are fairly robust and have been validated by numerous studies across different cultures.

Because of its universal nature as a method for measuring people's affective responses to various concepts, the semantic differential method is commonly used in brand research to uncover customers' emotional reactions to a brand. A modified version of the semantic differential method involves mapping consumer attitudes toward different brands on the same scale (as shown in Figure 3) in order to compare the way these brands are perceived by customers.

#### Brand Research Toolbox: Brand Relevance Scale

The brand relevance scale is a method for evaluating the degree to which a brand is perceived to be personally relevant to its target customers.<sup>80</sup> The scale consists of pairs of circles, one representing the customer and the other representing the brand. Respondents are asked to identify the pair that best reflects the degree to which they perceive the brand reflects their inner beliefs, values, and personality. The scale typically involves five (shown in Figure 4) or seven pairs of circles ranging from non-overlapping to nearly fully overlapping.

**Figure 4. The Brand Relevance Scale** 



The brand relevance scale is based on the idea that brand relationships bear similarities to interpersonal relationships and, hence, can be described in terms of the consistency of the values represented by the brand and the values held by its target customers. The use of simple geometric figures (circles) makes it easier for respondents to assess the degree to which they feel connected with the brand and to which their values overlap with those held by the brand.

In addition to its simplicity, an important advantage of this scale is that it enables individuals' responses to be quantified. Because the brand relevance scale is ordinal in nature (meaning that it allows ordering individuals' responses based on the degree to which they find the brand personally relevant), it can be assigned numeric values that can then be used to combine

individual responses into an aggregate brand relevance score.

# BRAND RESEARCH TOOLBOX: THE TOP-BOX APPROACH FOR MEASURING PURCHASE INTENT

The top-box score is a method for measuring customers' intent to acquire a branded product or service, usually within a certain time frame (month, quarter, year). A popular approach to estimating purchase intent involves a five-point scale with responses ranging from "definitely would buy" to "definitely would not buy."

- □ *Definitely would buy*
- □ Probably would buy
- □ *Might or might not buy*
- □ Probably would not buy
- □ *Definitely would not buy*

The popularity of this approach stems from its simplicity: It is easy to execute and interpret. Despite its popularity, and in part because of its simplicity, this approach has several drawbacks. An important shortcoming of asking individuals to directly express the likelihood of their purchasing a given offering is that people have a tendency to overstate the actual probability that they will buy the offering. This tendency is often attributed to the social desirability bias—a psychological phenomenon that reflects respondents' inclination to answer questions in a way that they believe they are expected to answer. To account for the fact that people tend to overestimate the probability of actually purchasing the offering, the stated purchase responses are typically corrected.

A common methodology for correcting the overestimation bias involves using adjustment coefficients derived from comparing predicted and actual purchase rates within the specific industry. To illustrate, for consumer packaged goods, respondents' answers are adjusted as follows: "Definitely would buy" responses are reduced by 20% (which implies that only 80% of those stating that they will definitely buy the product will end up buying it); "probably would buy" responses are reduced by 70% (which implies that only 30% of those stating that they will probably buy the product will end up buying it); and responses falling into the three remaining categories are considered to be no-purchase responses. Because the analysis of responses is focused on the first two answers, this method is often referred to as the top-box approach.

### Brand Research Toolbox: Net Promoter Score

The net promoter score stems from the idea that people's true preference for a given offering is reflected in the likelihood that they will recommend this offering to others. Accordingly, the net promoter score is a metric designed to measure the likelihood that customers will spread positive word of mouth about a company, its products, and/or its brands.<sup>81</sup>

The net promoter score is calculated by asking the company's customers to indicate the likelihood that they will recommend the company's brand to another person (*How likely is it that you will recommend this brand to a friend or colleague?*). Responses are typically scored on a 0–10 scale, with 0 meaning extremely unlikely and 10 meaning extremely likely.

Based on their responses, customers are divided into one of three categories: *promoters* (those with ratings of 9 or 10), *passives* (those with ratings of 7 or 8), and *detractors* (those with ratings of 6 or lower). The net promoter score is then calculated as the difference between the percentage of a company's promoters and detractors. For example, if 40% of a company's customers are classified as promoters and 25% are classified as detractors, the company's net promoter score is 15%.

The net promoter score has gained popularity among managers because of the intuitive appeal of its underlying assumption that a person willing to recommend an offering must find it attractive. Another contributor to the popularity of this method is its simplicity: It involves a single straightforward question. Despite its popularity, the net promoter score is not universally applicable. For example, people might be unwilling to recommend an offering to others if they think that the value created by the brand is idiosyncratic, and that people with different needs and preferences might not appreciate the brand. As a result, the net promoter score is best used in combination with other research methods to gain a better understanding of customers' reaction to the company's brand.

# BRAND RESEARCH TOOLBOX: LIKERT SCALE FOR DEVELOPING BRAND SURVEYS

The Likert scale (named after its inventor, psychologist Rensis Likert) is a popular tool used in survey research to measure people's beliefs about a particular issue. The Likert scale involves showing respondents a series of statements and asking them to indicate the extent to which they agree/disagree

with them. Examples of such statements include "the product is easy to use," "I am satisfied with the service," and "the price is fair."

Following each statement, respondents are typically offered a choice of five to nine pre-coded responses, with the neutral point being "neither agree nor disagree." The most popular version of a Likert scale involves a five-point response scale: *strongly disagree*, *disagree*, *neither agree nor disagree*, *agree*, *strongly agree* (Figure 5).

Figure 5. Likert Scale



Typically, the Likert scale is an odd-point scale; however, an even-point version of the scale (lacking the neutral option of neither agree nor disagree) is sometimes used to force respondents to decide whether they lean more toward agreeing or disagreeing with each statement.

The original Likert scale aims to assess people's beliefs by measuring whether they agree or disagree with a particular idea. Likert-type scales can also be used to measure other factors, such as frequency, importance, and likelihood. Thus, the Likert scale is a universal tool that has been used as the basis for developing specific scales such as the Net Promoter Score.

# BRAND RESEARCH TOOLBOX: PERSONAL INTERVIEWS AND FOCUS GROUPS

Personal interviews aim to explore in depth people's views, experiences, beliefs, and motivations in order to uncover their unmet needs, understand how they make decisions, and identify factors that influence their behavior. Interviews can be conducted in person or indirectly, using questionnaires administered by mail or online. Based on the way they are conducted, interviews can be structured, unstructured, and semi-structured.

- *Structured interviews* are akin to questionnaires; all participants are asked the same predefined questions without being asked follow-up questions.
- *Unstructured interviews* do not follow a predetermined agenda and resemble a conversation in which respondents' answers determine the course of the interview.
- Semi-structured interviews combine features of both structured and

unstructured interviews: They have an overarching narrative of questions but also allow follow-up questions when responses warrant further elaboration.

Interviews can be done on a one-on-one basis or in groups, referred to as focus groups. Focus-group research involves engaging participants in a free-flowing discussion aimed at revealing their collective opinions on a given topic. Participants in these groups usually are the company's target customers, whose views, insights, and ideas the company aims to explore in an interactive social context.

Focus groups are typically moderated by a professional facilitator whose role is to keep the discussion on point, explore potentially interesting ideas suggested by participants, and ensure that all participants have the opportunity to share their insights. The facilitator can also offer a meaningful interpretation of the discussion and relate it to the managerial questions the company aims to address.

A key advantage of focus groups over one-on-one interviews is that they offer a broader range of insights, ideas, and opinions that stem from the socially interactive nature of the group discussion. Focus groups shed light on social dynamics, indicating how an individual's ideas are likely to be received by others. On the downside, group interactions can influence the discussion in a way that overemphasizes some ideas and overlooks others.

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- <sup>19</sup> www.nestle-nespresso.com
- <sup>20</sup> United States Supreme Court, *Wal-Mart Stores*, *Inc.* v. Samara Brothers, *Inc.*, 529 U.S. 205,

- 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000). See also *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).
- <sup>21</sup> A company might prefer to use the phonetic spelling rather than the grammatically correct one in order to protect the brand. For example, because *zapatos* is the common word for shoes in Spanish, it cannot be legally protected, whereas Zappos affords a greater degree of legal protection.
- <sup>22</sup> www.bmwdrives.com
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- <sup>24</sup> The appearance and the atmosphere of a restaurant are considered a form of packaging the underlying service; see the legal brief on trade dress discussion at the end of Chapter 7.
- <sup>25</sup> http://press.tiffany.com
- <sup>26</sup> www.unilever.com
- <sup>27</sup> www.gap.com
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- <sup>41</sup> In the United States, there is an exception to these requirements for disclosures made by the inventor less than one year before the patent application was filed. Thus, inventors can file a patent application within a year of their public disclosure of the invention. An invention cannot be patented if it has been for sale for over one year prior to the patent filing ("on-sale bar").
- <sup>42</sup> Note that even though the issuance of a patent by the USPTO may carry a presumption of validity, it is not uncommon for the patent basics behind an issued patent to be challenged in federal district court.
- <sup>43</sup> The Lanham Trademark Act, 15 U. S. C. § 1127. See also *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000).
- <sup>44</sup> The United States Supreme Court ruledthe term *trademark* to mean virtually anything that is used in commerce to identify and distinguish a producer's goods from those manufactured or

- sold by others and to indicate the source of the goods. Specifically, the Court ruled that the definition of a trademark as "word, name, symbol, or device, or any combination thereof," articulated in the Lanham Act "read literally, is not restrictive [...] since human beings might use as a 'symbol' or 'device' almost anything at all that is capable of carrying meaning." *Qualitex v. Jacobson Products*, 514 U.S. 159 (1995).
- United States Supreme Court, *Wal-Mart Stores*, *Inc. v. Samara Brothers*, *Inc.*, 529 U.S. 205, 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000). *Two Pesos*, *Inc. v. Taco Cabana*, *Inc.*, 505 U.S. 763, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992). See also *Ralston Purina Co. v. Thomas J. Lipton*, *Inc.*, 341 F. Supp. 129, 133, 173 USPQ 820, 823 (S.D.N.Y. 1972).
- <sup>46</sup> Two Pesos v. Taco Cabana, 505 U.S. 763, 768 (1992).
- <sup>47</sup> *Qualitex v. Jacobson Products*, 514 U.S. 159, 162–163 (1995).
- <sup>48</sup> *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844, 851, n. 11 (1982).
- <sup>49</sup> *Abraham Zion Corp. v. Lebow*, 761 F.2d 93, 104 (2nd Cir. 1985).
- <sup>50</sup> The Lanham Trademark Act, 15 U. S. C. § 1127.
- <sup>51</sup> 15 U.S.C. § 1127.
- <sup>52</sup> Trade dress is considered a "symbol" or "device" within the meaning of the Lanham Act, 15 U.S.C. §1027.
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- <sup>54</sup> www.rollerblade.com
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- <sup>59</sup> Inwood Laboratories v. Ives Laboratories, 456 U.S. 844, 851, n. 10, 11 (1982).
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