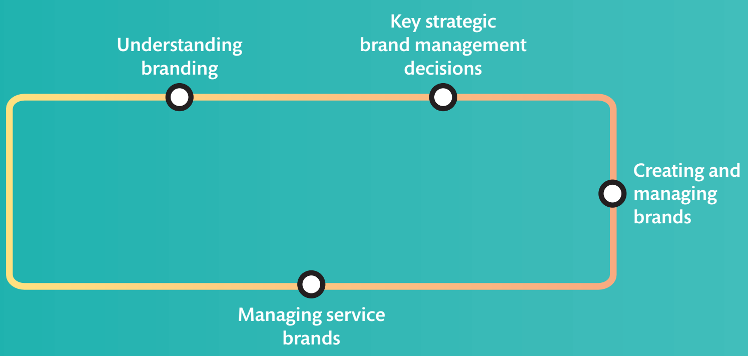
CHAPTER 12
Creating and managing brands and brand equity

In this chapter, we will address the following questions:

1. What do we understand by branding?
2. What are the key strategic brand management decisions?
3. How do we create and manage brand identities?
4. What is brand equity and how do we measure it?

Procter & Gamble successfully markets nearly 300 brands in 160 countries.
Source: Courtesy of Procter & Gamble UK

CHAPTER JOURNEY



One of the most valuable intangible assets of a firm is its brands, and it is incumbent on marketing to properly manage their value. Building a strong brand is both an art and a science. It requires careful planning, a deep long-term commitment, and creatively designed and executed marketing. A strong brand commands intense consumer loyalty, and at its heart is a great product or service. Building a strong brand is a never-ending process. A strong brand aims to command intense customer loyalty. The most successful brands in the world are worth billions to companies. Zara, the Spanish fashion retailer brand, has a brand value of €9.5 billion. IKEA, the Swedish furniture brand, is valued at €9 billion while BMW, the German car manufacturer, is valued at €21 billion.[1] How marketers create and manage brands is of the utmost importance. More than one-third of the world's powerful brands are European.

Marketers of successful 21st-century brands must excel at the strategic brand management process. Strategic brand management combines the design and implementation of marketing activities and programmes to build, measure and manage brands to maximise their value. It has four main steps:[2]

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

Chapter 10 reviewed positioning; the latter three topics are discussed in this chapter.

One of the master marketers at creating brands is Procter & Gamble.[3]

Procter & Gamble (P&G) is one of the most skilful marketers of consumer packaged goods, competing with companies such as Europe's Unilever, Colgate-Palmolive, L'Oréal, Germany's Henkel and the UK and Dutch company Reckitt Benckiser. P&G owns many household brands such as Olay, Fairy Liquid, Pringles, Pampers, Braun, Pantene, Oral-B, Ariel, Crest, Wella, Always and Gillette, to name but a few. The company's scope and accomplishments are staggering. It markets nearly 300 brands in more than 160 countries; it is a global leader in seven of the 12 different product categories in which it competes; P&G has 23 brands with annual sales of between €1 billion and more than €10 billion, and 14 with sales of between €500 million and €1 billion – many of those with billion-euro potential. Nearly all of its 23 top brands and the vast majority of its €500 million to €1 billion brands hold the number one or two positions in their category or segment, and they all have significant growth and value creation potential. They have total worldwide sales of more than €84 billion a year.[4]

Its sustained brand leadership rests on a number of different capabilities and philosophies:

- **Customer knowledge.** P&G studies its customers – both end consumers and channel members – through continuous market research and intelligence gathering. It spends more than €100 million annually on more than 10,000 formal consumer research projects and generates more than 3 million consumer contacts via email and call centres. It also puts more emphasis on getting its researchers out into the field, where they can interact with consumers and retailers in their natural environment.

- **Long-term outlook.** P&G takes the time to analyse each opportunity carefully and to prepare the best product. It then commits to making this product a success. It struggled with Pringles potato chips for almost a decade before achieving market success.
- **Product innovation.** P&G is an active product innovator, devoting over €2 billion (3.5 per cent of sales) to innovation research, an impressively high amount for a packaged goods company. It employs more science PhDs than Harvard, Berkeley and MIT combined and applies for roughly 3,000 patents each year. Part of its innovation process is developing brands that offer new consumer benefits. In the 18 years the New Product Pacesetters™ list has been published, P&G has had 148 products make the top 25 in non-food categories – more than their six largest competitors combined. Six times in the past 18 years, P&G has had both the no.1 and no. 2 non-food products in the same year. For the 2013 New Product Pacesetters™ list, they were the big winners with seven of the top 10 most successful non-food products including Tide Pods (no. 1), ZzzQuil (no. 3), Vidal Sassoon Pro Series (no. 4), Downy Infusions (no. 6), Always/Tampax Radiant (no. 8), Secret Outlast (no. 9) and Puffs Basic (no. 10).[5]
- **Brand extension strategy.** P&G produces its brands in several sizes and forms. This strategy gains more shelf space and prevents competitors from moving in to satisfy unmet market needs. P&G also uses its strong brand names to launch new products with instant recognition and much less advertising outlay. The Mr Clean brand has been extended from a household cleaner to a bathroom cleaner, and to a carwash system. Old Spice was successfully extended from men's fragrances to deodorant. Old Spice has toppled Right Guard to become the leading deodorant and antiperspirant for men.[6] Olay has extended into a bodywash called Olay Total Effects.[7]
- **Multibrand strategy.** P&G markets several brands in the same product category, such as Luvs and Pampers nappies and Oral-B and Crest toothbrushes. Each brand meets a different consumer desire and competes against specific competitors' brands. At the same time, P&G prunes carefully to reduce its vast array of products, sizes, flavours and varieties to assemble a stronger brand portfolio focused on the best products.
- **Brand-management system.** P&G originated the brand-management system, in which one executive is responsible for each brand. The system has been copied by many competitors but not often with P&G's success.

P&G's success is based not on doing one thing well, but on successfully orchestrating the myriad factors that contribute to form brand leadership.[8]

Rather than ugly scaffolding, the marketing manager of Louis Vuitton chose to use an iconic image of the brand to conceal the building during renovation works to maintain the brand image of the flagship store.

Source: Jacques Demarthon/AFP/Getty Images

The main benefit of a brand is that customers will remember your business. Branding is all about creating value for the customer through all aspects of marketing, which reflects the image that the brand wishes to convey. Managing brands means managing all aspects of the company. In branding, 'everything matters'.

Louis Vuitton, the French luxury handbags brand, is the world's most valuable luxury brand for the eighth consecutive year and is one of the most profitable brands in the world with profit margins approaching 40 per cent and a brand value of €22 billion.[9]

For Louis Vuitton 'everything matters' in branding, and it closely manages and controls every aspect of how its brand is perceived. During renovation work at its flagship store on the Champs-Elysées in Paris, it used a giant visual of Louis Vuitton luggage to cover the ugly scaffolding – so that its store continued to reflect its brand image – see the picture.

Understanding branding

Brands can be extremely valuable assets and an engine for growth within companies. A core management skill of marketers is their ability to create, maintain, enhance and protect brands through their use of all the marketing mix variables. Building a brand is a very expensive and long-term development for companies and must be managed with great expertise.

What is a brand?

A **brand** is a name, symbol, logo, design or image, or any combination of these, which is used to identify a product or service and distinguish it from those of competitors. A brand is an entity which offers customers (and other relevant parties) added value over and above its functional performance.[10] A successful brand is an identified product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique, sustained added value that matches their needs most closely.[11] A brand basically exists to distinguish a particular product or service from its competitors. A brand is the embodiment of customer goodwill or their feelings and experiences accumulated during the lifetime of use and engagement with the brand. The Chartered Institute of Marketing (UK) defines a brand as a symbol that represents the consumer's experience with an organisation, product or service. A brand is a product or service whose dimensions differentiate it in some way from other products or services, designed to satisfy the same need. It can be viewed as a holistic, emotional and intangible experience. A brand can be strong enough to evoke feelings of belonging, love and affection. Research has continually identified the emotional responses associated with brands, such as sensory pleasure, aesthetic beauty or excitement.[12] For example, 35 per cent of consumers said 'Mercedes' when asked to name a car that described quality, a reflection of how the brand Mercedes is associated with quality and luxury in the market.

Powerful brands create meaningful images in the mind of the consumer. Nokia, L'Oréal, Gucci, Moët & Chandon, Chanel, Cartier and Audi are all European brands that command a strong position and image in consumers' minds, have a price premium and elicit deep customer loyalty. Newer companies such as Google, Innocent, Red Bull and Zara capture the imagination of consumers and have quickly become major brands. Brands such as Ryanair and EasyJet, Aldi and Lidl have all captured market share and brand loyalty in the low-price, low-service area.

Branding is the process of endowing products and services with the power of a brand. It is all about creating differences between offerings. Marketers need to teach consumers 'who' the offering is, by giving it a name and other brand elements to identify it, as well as what the offering does and why consumers should care. Branding creates mental structures that help consumers organise their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm.

Branding has been around for centuries as a means to distinguish the products or services of one company from those of another.[13] In 2700 BC, Egyptians used such trademarks on farm animals to protect them from being stolen. In Europe the medieval guilds required craftspeople to put trademarks on their products to protect themselves and their customers against inferior quality.[14] In 1266, according to an English law, bakers were obligated to put their specific symbol on every product they sold. In the fine arts, branding began with artists signing their works. Nowadays the influence of brands in our society is widespread, evidenced by the fact that children as young as three years old can recognise brand logos.[15]

For better or worse, branding effects are pervasive.[16] One research study that provoked much debate about the effects of marketing on children showed that pre-schoolers felt identical food items – even carrots, milk and apple juice – tasted better when wrapped in McDonald's packaging than when in unmarked wrappers.[17] Brands now count Facebook fans and Twitter followers. Some companies even have museums dedicated to the history of the brand, such as the Gucci Museum in Florence.[18]

The roles of brands

Brands play many roles. Two of the main roles are functional and emotional roles.

- **Functional role of brands.** This relates to the actual performance of the product or service. Did the product work; did the service provide what was needed? The focus is on the tangible, rationally assessed product or service performance and benefits that satisfy the consumer's practical needs. Functional aspects of products and services were prevalent in the early 20th century as companies stressed how well their offerings worked. This was because in some cases the functionality could not be assured. Unlike nowadays car owners did not always expect their cars to start and many people could service their own cars. Nowadays we are more assured that the products or services will work and many of the functional benefits of products and services are similar, so rather than competing on functionality there has been a major move to brand management investing in designing an emotional connection.
- **Emotional role of brands.** This is concerned with the move away from the functionality of the brand to connecting with the customer emotionally – building emotional ties with the customer rather than focusing on how the product or service works.[19] Nike, for example, does not mention its product or the functional values of its sports shoes or the rational benefits of wearing them, but relates to the emotional connection to great athletics. Nike is about winning and all the emotions connected with winning. **Emotions** are an affective state of consciousness in which feelings of joy, sorrow, fear, hate or the like are experienced and these emotions can play a powerful role in the customer's selection, satisfaction and loyalty towards brands. Marketers need to understand the emotional dynamics involved when a customer selects and decides to continue to use a product or service brand. Research has confirmed that modern consumers no longer simply buy products and services; instead they buy experiences and dreams.[20] **Emotional branding** is engaging the consumer on the level of senses and emotions; forging a deep, lasting, intimate emotional connection to the brand that transcends functional satisfaction; it involves creating a holistic experience that delivers an emotional fulfilment through a special bond with the brand.[21] As Robert Polet, chief executive of the Gucci Group, noted: 'We are not in the business of selling handbags. We are in the business of selling dreams!'[22] Marketing is not a battle of products and services, it is a battle of perceptions. The power of a brand lies in what resides in the minds of customers – what they learned, felt, saw and heard about the brand as a result of their experiences over time and how they feel about the brand.

Many marketing experts believe that a good brand should have both functional and emotional bond or pact components. In other words, they should appeal to the head (actually work as desired) and the heart (have an emotional connection). A **brand promise** embodies a clear idea and value proposition, and it connects with people on functional *and* emotional levels.[23]

The marketing insight box reviews the Lexus brand which uses a range of emotional branding connections to consistently gain the top ranking customer satisfaction spot in its industry.

Marketing insight

Toyota's Lexus creates an emotional brand connection

The idea of Toyota competing in the luxury BMW and Mercedes brand arenas in Europe was something both the market and Toyota did not think was possible. Toyota was not positioned as a premium brand in the minds of consumers, so what it had to do to compete in this market segment was to create a premium brand. Although it shared engineering, chassis and design elements with other Toyota cars, the Lexus was the model developed to go beyond that and into the luxury domain in functionality – a great car – and also emotional connection with the customer. According to Toyota, it 'always focused on what matters most to the luxury customer. This is why we build products that are not only admired on the outside but also highly refined on the inside. And why we don't simply produce fine cars but pursue perfection to create the finest luxury vehicles on the road. It's also why we don't merely offer an excellent dealership experience but one that is unequalled in the luxury automotive category. And why we promise to make the most of every moment our customer spends with us.'

This focus on the customer experience gained Lexus the no. 1 spot in the J.D. Power 2014 Customer Satisfaction Index Study. Lexus and Jaguar rank highest in a tie in the overall vehicle ownership satisfaction survey of 2014 – the 11th time in 13 years.[24] Lexus has shown its consistency in brand positioning, creating a brand experience valued by the customer. Almost 96 per cent of Lexus customers said that their cars were perfectly serviced.

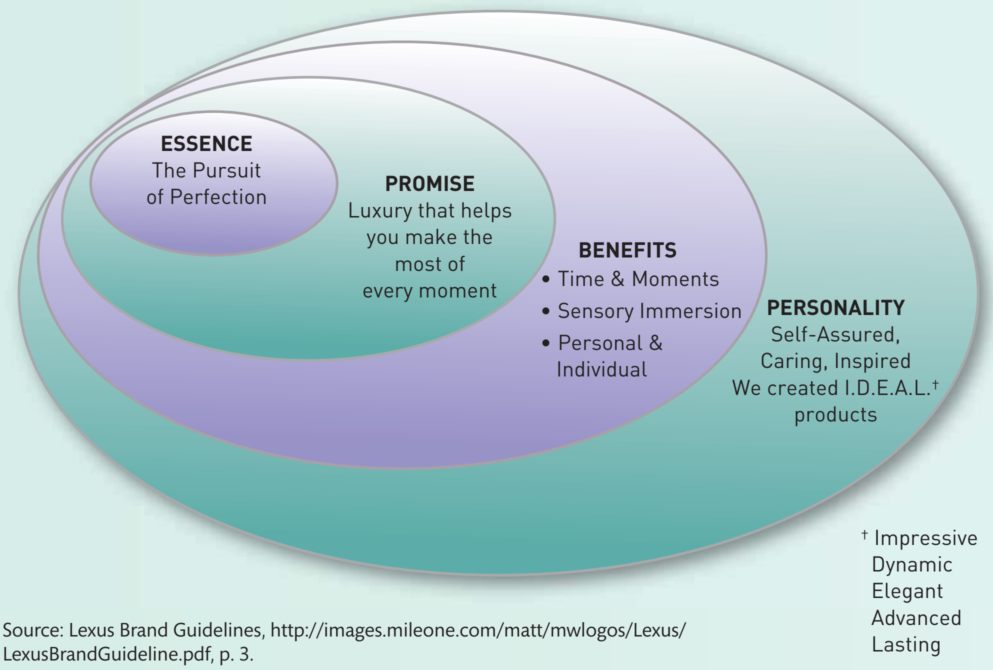
The Lexus luxury dealership experience reflects Toyota's understanding that the branding goes beyond the car into every aspect of the offering:

- the way the salesperson approaches customers in the showroom;
- how he or she is dressed (in a suit, compared to Saturn salespeople in polos);
- the layout of the showroom;
- the choice of luxury building materials and interiors – slate floors and leather chairs in the waiting areas;
- the cleanliness of service areas.

Thus the branding of Lexus continues after the sale. Toyota offers further service assistance through the Lexus helpline, encourages the Facebook community to support each other and has a customer-friendly brand's website.[25]

The Lexus brand engages emotionally with its customer. It is aligned to the Essence – the pursuit of perfection; the Promise – the most of every moment; the Benefits – time and moments; sensory immersion and the owner's personality – someone who sees themselves as self-assured, caring and inspired.[26]

LEXUS BRAND



Source: Lexus Brand Guidelines, http://images.mileone.com/matt/mwlogos/Lexus/LexusBrandGuideline.pdf, p. 3.

In our consumer culture, people no longer consume for merely functional or emotional satisfaction. Consumption becomes meaning-based, and brands are often used as symbolic resources for the construction and maintenance of identity.[27] Brands are consumed because of what they symbolise.[28] People can express themselves – their identities – through their brand choices. Take a look around you; look at how people brand themselves by the clothes they wear, the people they associate with, the places they go, what they consume, what music they listen to, and what they upload on their iPods or to their online social networking site. This is all part of personal branding, and shows how the concept of branding is so prevalent within our society that it permeates into the core of life.[29] A **lifestyle brand** is a brand that attempts to embody the interests, attitudes and opinions of a group or a culture and can be seen as a way to break free of the cutthroat competition within a category by connecting with consumers on a more personal level.[30] Two companies that are lifestyle brands are Italian car manufacturer Ferrari and Apple which have linked into people's lifestyles, creating almost a club of people who buy into the beliefs of the product. As the president of Ferrari, Luca di Montezemolo, noted: 'We make cars, they make computers, but Apple and Ferrari join in the same passion and love towards the product, the absolute care about technology and design.' Consumers aspire to having the lifestyle promoted by these products, feeling that when they buy the brand they are part of something and have a sense of belonging. Nike aligns people who want to push their limits; The Body Shop, those who value nature.[31]

San Pellegrino

Water is water, yet many companies have created brand images for their water for which they can charge a premium price. The brand names of the water companies carry the aura of quality, and customers can tell the difference between each brand. San Pellegrino, the Italian mineral water, reflects classic elegance and memorable lifestyle moments; like the savouring of food, the enjoyment of friends and family, and the pleasure of sharing. It has a brand image as an icon of style and refinement on the finest tables around the world. San Pellegrino's Fabio degli Esposti, International Business Unit director, says: 'In capturing snapshots of life's celebrated moments, our campaign maintains the brand's classic image while continuing to resonate with today's consumers.'

The self-expressive function of brands can be related to the notion of *conspicuous consumption*, a term used to describe the acquisition of products and services mainly for the purpose of attaining or maintaining social status.[32]

Let us distinguish between brand identity and brand image. **Brand identity** is the way a company aims to identify or position itself or its product or service in the minds of the consumer. **Brand image** is the way the consumer actually perceives the visual or verbal expressions of a brand, which leads to the psychological or emotional associations that the brand aspires to maintain in the mind of the consumer.[33] So identity is company planned while image is in the mind of the consumer. For the right brand image to be established in the minds of consumers, the marketer must convey brand identity through every available marketing mix variable. Brand identity should be diffused in everything the company does.

The power of the brand lies in what resides in the mind of the consumer. **Brand knowledge** consists of all the thoughts, feelings, images, experiences, beliefs and so on that become associated with the brand. In particular, brands must create strong, favourable and unique brand associations with customers. Think of Volvo (safety), Hallmark (caring) and Red Bull (adventure). Understanding consumer brand knowledge – all the different things that become linked to the brand in the minds of consumers – is thus of paramount importance because it is the foundation of **brand equity** – which is the added value the brand gives a product or service as compared with its generic equivalent. It is the company assessment of the brand value to the organisation.

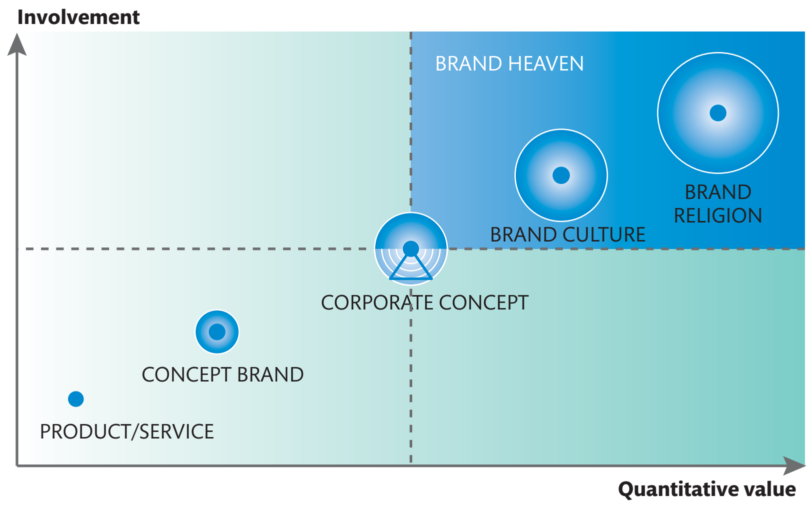


Figure 12.1 Brand religion model

Source: From *Corporate Religion*, Financial Times Prentice Hall (Kunde, J. 2002), © 2002 Pearson Education. Reproduced with permission. Kunde & Co. (2011) http://kunde-co.com/corporate-religion.asp.

Brands are often considered a company's most valuable asset. It is the value above and beyond its objectively perceived value.[34]

The **brand religion model**[35] describes the evolution of the role of brands in consumers' lives as a five-stage process. Figure 12.1 highlights the steps that customers can go through as they move forward in their beliefs about brands. Weak brands play the role of mere *products or services* in people's lives; they have no meaning beyond their functionality. *Concept brands* carry with them emotional values that resonate with consumers and call for increased involvement. *Corporate concepts* are those brands which reflect the corporate strategy, expressing a wider philosophy that extends throughout the company. More valuable still are those brands that become **brand cultures**, seen by consumers as being fully embedded in their social lives. The most coveted place on this evolution is when a product or service achieves a status of a *brand religion*, when consumers view it as a total way of life.

For branding strategies to be successful and brand value to be created, consumers must be convinced there are meaningful differences among brands in the same category. Brand differences are often related to attributes or benefits of the product or service itself but can also be on any aspect of the marketing mix. Chanel No. 5 perfume has become a leader by creating relevant and appealing images and advertising aligned to customer motivations and desires using its 'Now and Forever' promotions. Often these intangible images are the only way to distinguish brands.

Marketers can apply branding virtually anywhere a consumer has a choice. It is possible to brand a physical good (Pantene shampoo, BMW X5 series), a service (France Telecom, Aviva general insurance), a shop (Les Galeries Lafayette, Carrefour), a person (David Beckham, Jamie Oliver), a place (Paris, the Costa del Sol), an organisation (UNICEF, the Automobile Association), a group (U2 or Coldplay) or an idea (free trade, freedom of speech).[36]

Managing brands: consumers and channels

Brands provide many advantages to customers and companies, and valuable functions for companies within their channels of distribution and networks:[37]

- Brands signal a certain level of quality or expected level of satisfaction.[38]
- Brands reduce the perceived risk in purchasing, and the time needed to make decisions. As consumers' lives are often complicated, rushed and time starved, the ability of a brand to simplify decision making and reduce risk is invaluable.[39]

- A brand offers legal protection for unique features.[40] The brand name can be protected through registered trademarks. These intellectual property rights ensure that a company can safely invest in a brand and reap the benefits of a valuable asset.
- Brands create greater customer loyalty, which provides predictability and security of demand for the company and creates barriers to entry that make it difficult for other companies to enter the market.
- Brand loyalty also means that companies are less vulnerable to competitive marketing activities or to business crises.
- Brand loyalty can also translate into customer willingness to pay a higher price – often 20–25 per cent more than for competing brands.[41] Brand loyalty often ensures that customers are more receptive to price increases.
- Brands are hard to copy. Although competitors may duplicate many of the marketing mix activities, they cannot easily match lasting impressions left in the minds of individuals by years of marketing activity and customer experiences.
- Branding can be a powerful means to secure a competitive advantage.[42]
- Brands help companies to differentiate their offerings from others. Think of the perception of the high level of service provision from airlines such as Air France-KLM, British Airways and Lufthansa as opposed to low price, minimal service from Ryanair and EasyJet. All offer the customer air travel, but the brands reflect different levels of service.
- Brands increase marketing communication efficiencies.
- Brands elicit stronger support from channel and supply network partners.
- Brands create growth opportunities through brand extensions and licensing.
- Brands help companies to segment their markets and enable them to have a variety of products or services within the same market but aimed at different target markets. Consider how L’Oréal manages its many brands.

L’Oréal Paris

L’Oréal is famous for its slogan ‘Because you’re worth it’, and it is this brand and slogan which provide the company with one-third of all the profit made by the L’Oréal group of brands. Let’s put that in perspective. L’Oréal owns a large number of the leading cosmetic and beauty brands including:

- L’Oréal Professional hair products, Maybelline cosmetics, Garnier hair products;
- Vichy skin care, Biotherm skin care, Kiehl’s, Lancôme cosmetics, Shu Uemura cosmetics, Redken hair products, Helena Rubenstein, Elvive hair care and Plénitude skin care range.

Why would L’Oréal want to own so many competing brands and also keep innovating and bringing out new brands? Simple. Each brand is positioned towards a different type of consumer. Lancôme, for example, is one of the heavyweights of the cosmetics world, creating pure glamour for those for whom money is no object to beauty. Shu Uemura is the work of Mr Shu Uemura, a Japanese make-up artist, and in typical Japanese fashion offers a high-quality blend of art, technology and style. Maybelline focuses on a larger, younger market with the ‘Maybe she’s born with it. Maybe it’s Maybelline’ tagline. The L’Oréal brand sits nicely in the mainstream – it has good, consistent products at affordable prices, and has captured the imagination of a select target market with the ‘Because you’re worth it’ slogan.[43]

Strategic brand management decisions

Brand management uses the choice, design and implementation of marketing mix activities to build, measure and manage the brand value.[44] **Strategic brand management** is the long-term effort of consciously providing an offering with an identity that is understood on all levels. It is the sustained effort by the company to encourage people to see its brand in the light in which it portrays it. This is a focus on people both internally and externally and includes customers, employees, suppliers and resellers.

Strategic brand management can dramatically increase corporate success, according to a study by Booz Allen Hamilton, which noted that 80 per cent of European companies that are managed with a strong brand focus have operating profits twice as high as the sector average.[45] Companies' stock values reflect a belief that strong brands result in better earnings and profit performance, which, in turn, create greater value for shareholders.[46] See the marketing insight box.

An important issue is to have a **brand vision** that offers a clear and consistent message about the value of the brand. A brand vision involves recognising the inherent potential of a brand, which is based in part on its brand equity – the value of the brand to the company. The brand value is increased if the right marketing processes, programmes and activities are put in place.

There must be clear value propositions from the consumer perspective. The long-term brand vision is operationalised through both long- and short-term marketing endeavours. Marketers must provide a clear sense of direction for each employee within the company to appreciate how their role affects brand values. The four core activities are:

1. Ensure identification of the brand with customers and an association with the brand in customers' minds with a specific product or service class or customer need.
2. Firmly establish the brand meaning in the minds of customers (by strategically linking a host of tangible and intangible brand associations).
3. Elicit the proper customer responses to this brand identity and brand meaning.
4. Convert brand response to create an intense, active loyalty relationship between the customer and the brand.

Marketing insight

Europe's brand-oriented companies almost twice as successful

Brand-oriented companies enjoy a high public profile and consumer confidence, which are painstakingly developed over time as a result of high-quality and innovative products and services, and often resource-intensive communication. Brands created in this way then generate more added value and often constitute the most valuable asset of the company. The consumer confidence that has been built up is extremely important for brand-oriented companies and constitutes a strategic element to competition.

Strategic brand management can dramatically increase corporate success, according to a study by Booz Allen Hamilton and branding experts Wolff Olins. The study is based on interviews with leading marketing and sales executives at Europe's top 500 companies.

Some 90 per cent of the companies surveyed are convinced that brand orientation is a key factor in their success – a twofold increase compared to five years ago. 'However, only 18 per cent of companies currently place brand management at the heart of their activities and have a clear understanding of the brand across the entire organisation,' said Booz Allen vice-president Gregor Harter. The small group of companies which do are 'proving to be exceptionally successful'.

The study places companies into one of three categories:

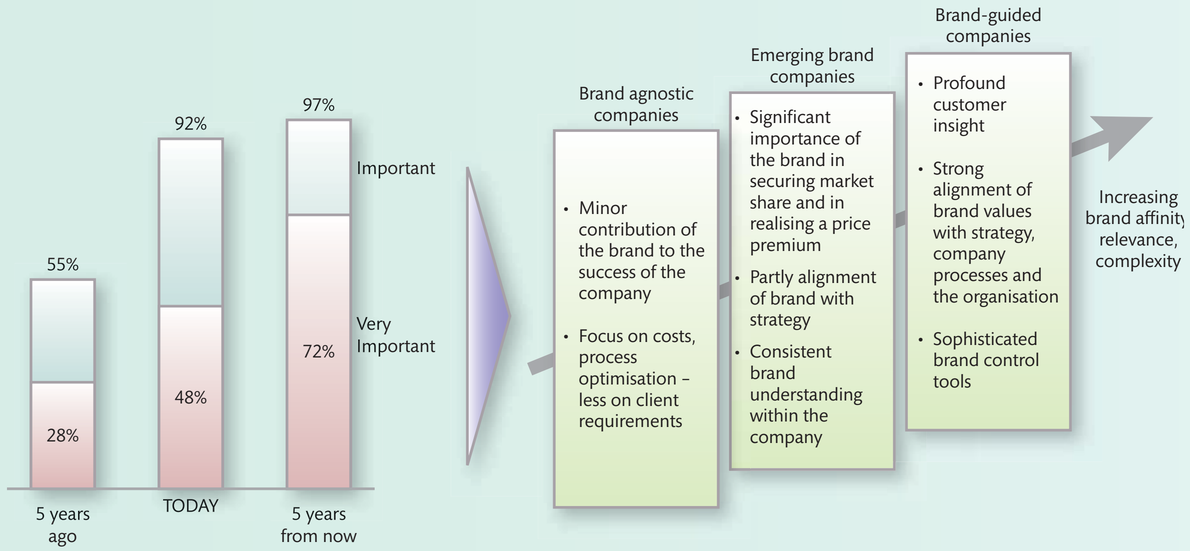
1. **Brand agnostic companies:** management assumes that branding makes only a modest contribution to corporate success, as it focuses instead on factors such as costs and optimising processes.
2. **Emerging brand companies:** on the threshold of full-brand orientation. These companies recognise the growing importance of a brand's contribution to value and have already begun to embed it into their corporate strategy.
3. **Brand-guided companies:** already rigorously implementing brand management to achieve corporate success. The study revealed a clear correlation among brand-guided companies, the application of sophisticated marketing techniques and corporate success.

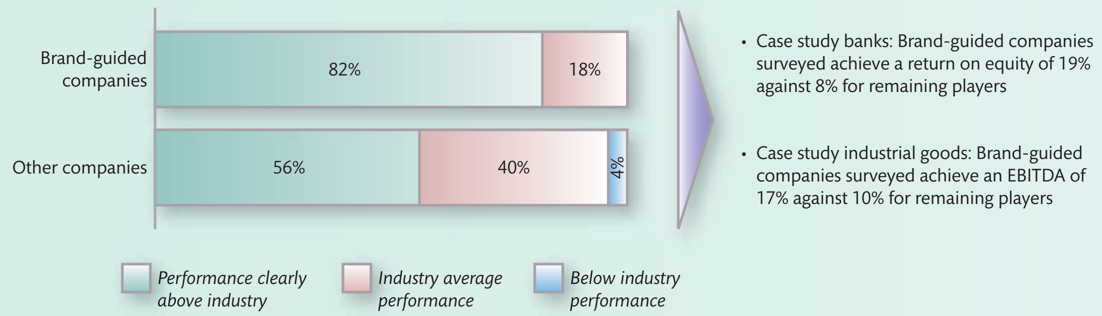
Companies with a strong brand orientation more frequently measure the key ratios that enable them to manage their marketing performance. For example, 45 per cent regularly calculate their share of their customers' total spend, compared to 24 per cent of the other companies surveyed; 64 per cent of brand-guided companies regularly examine whether their brand position allows any degree of price flexibility, compared to only 20 per cent of brand-agnostic or emerging-brand companies.

The study also revealed another common trait shared by brand-guided companies. Brand management is handled at the strategic management level of the organisation and is closely tied to developing strategy and managing the organisation.

The best brands play a different, connected, collaborative role, and they are fascinating. Growth is no longer just a matter of market share. In a world dominated by constraint, the brands that grow do so by understanding and meeting more and more needs and producing products and services to meet those needs. Growth is about share of mind and wallet, not simply share of market.

Sources: Wolff Olins (2012) Game Changers: A report by Wolff Olins Five behaviours that are shaping the future of business, http://gamechangers2012.wolffolins.com/static/report/files/WO_GameChangesReport.pdf; Gregor Harter, Alex Koster, Dr Michael Peterson and Michael Stomberg, *Managing Brands for Value Creation* (2005), Booz, Allen, Hamilton; German Brand Association (2009) European Commission Consultation Follow-up to the Green Paper on Consumer Collective Redress: www.c.europa.eu/consumers/redress_cons/responses/CP_GBA_en.pdf.





Importance of brand orientation in company performance
*According to the statements of the interviewees

Source: Booz Allen Wolff Olins, European Survey Among Marketing and Sales Officers, 8/2004. In G. Harter, A. Koster and M. Peterson (2005) *Managing Brands for Value Creation*, Booz & Co., p. 2, Exhibit 1, Exhibit 2.

Different marketing activities have different strengths and can accomplish different objectives. Marketers should therefore engage in a range of marketing mix activities, each of which plays a specific role in building or maintaining the brand. Sometimes marketers do not understand the real importance of all aspects of marketing to their brand until they change a crucial element of the brand and over time see the effects. An example is Burberry, the British luxury brand, which had to be repositioned skilfully after it lost control of aspects of its marketing.

Burberry

Burberry found, to its cost, that how the consumer views a company and its brand can change. The familiar check pattern, synonymous throughout the world as the Burberry brand of luxury and elitism, began to be worn by more and more people, including C-grade celebrities. The distinctive beige Burberry check, once only associated with A-listers, had become the uniform of a rather different social group within the UK called 'chavs'. 'Chav' is a mainly derogatory slang term for a person fixated on low-quality or counterfeit goods and is often associated with anti-social behaviour. Burberry's appeal to 'chav' fashion sense is a sociological example of prole drift (short for proletarian drift), where an up-market product begins to be consumed *en masse* by a lower socioeconomic group. Burberry argued that the brand's popular association with 'chav' fashion sense was linked to counterfeit versions of the clothing.

Burberry had to react fast to the damage to its brand image. From a product perspective it removed the checked pattern from all but 10 per cent of its product range and discontinued sales of baseball caps from its product line. Burberry also cracked down on fake/counterfeit goods, which allowed what it considered to be the wrong sort of people to look as if they were wearing the brand. It took legal action against high-profile infringements of the brand and invested heavily in protecting against counterfeit. Burberry also changed its supply network, and again became available only in upmarket shops, reflecting its brand image.[47]

Strategic brand management focuses on building the brand after the positioning choices (Chapter 11) have been made. It is the planning and implementing of a brand management programme which consists of the following six main features:

1 Creating and managing brand identities: names, logos, slogans and images.
2 Managing individual or house brands.
3 Manging brand extensions.
4 Managing brand portfolios.
5 Brand reinforcing and revitalisation.
6 Growing and sustaining brand equity.

We will look at each of these in turn.

Creating and managing brand identities: names, logos, slogans and images

As more and more firms realise that the brand identities associated with their offerings are among their most valuable assets, creating, maintaining and enhancing the strength of those brand identities has become a marketing management imperative.[48] There are three main challenges to creating and managing brand identities:

1 The initial choices need to be made for the brand identities making up the brand. These include the brand names, URLs, logos, symbols, characters, slogans, jingles, websites, product or service design and features, signage, packaging and so on. Juicy Couture is an edgy, contemporary cutting-edge fashion brand and so uses a somewhat risqué name linked to a rebellious attitude.[49]

2 All accompanying marketing mix activities like product, prices, place, promotion, physical evidence, process and people must support the brand.
3 Other associations need to be transferred indirectly to the brand by linking it to other entities (people, places or things) called secondary brand associations. The brand name Credit Suisse, used as a symbol of reliability in commercial banking, leverages the perceived view of the country as reliable in banking. Audi's slogan 'Vorsprung durch Technik' solidified its association with Germany – renowned for excellent engineering – and has become one of the best-known slogans in advertising.

Choosing brand elements

Brand elements are devices that can be trademarkable and that identify and differentiate the brand. Most strong brands employ multiple brand elements. Nike uses the distinctive 'swoosh' logo – one of the most recognised brand logos in the world, the empowering 'Just Do It' slogan, and the 'Nike' name based on the Greek winged goddess of victory. Marketers should choose brand elements to build as much brand equity as possible. The test is how consumers would think or feel about the offering if the brand elements were all they knew.

Brand element choice criteria

There are six main criteria for choosing brand names, listed below. The first three – memorable, meaningful and likeable – are 'brand building'. The latter three – transferable, adaptable and protectable – are 'defensive' and deal with how to leverage and preserve the equity in a brand name in the face of challenges.

In general, brand names should be short and simple, easy to pronounce and spell, pronounceable in only one way and one language, and easy to recognise and remember. Many, such as BBC and MasterCard, follow the criteria below, while some very successful names do not – such as Birkenstock, Adidas and Stella Artois.

1 **Memorable.** How easily is the brand element recalled and recognised? Short names such as Virgin, Sky, Dove and Zara are memorable brand names.
2 **Meaningful.** Is the brand name credible and suggestive of the product or service? Does it suggest something about a product ingredient or service quality, or the type of person who might use the brand? Consider the inherent meaning in names such as Crisp'n Dry, Head and Shoulders, Fast Fit Exhausts, Right Guard deodorant, Sure Underarm Protection, Energizer Batteries and Lean Cuisine low-calorie foods.
3 **Likeable.** How aesthetically appealing is the brand name? Is it likeable visually, verbally and in other ways? A trend is playful names like Flickr photo sharing. Brand names such as Mr Muscle, Little Chef and Shake n' Vac are likeable names. Many characters associated with brands are also inherently likeable. Think of Snuggle the fabric softener bear, or Tony the Tiger from Frosties.[50]
4 **Transferable.** Can the brand element be used to introduce new products or services in the same or different categories? Does it add to brand equity across geographic boundaries and market segments? Though American, Amazon did not use an American word so that the brand could be used across the globe.
5 **Adaptable.** How adaptable and updatable is the brand name? Take Zara – the brand name is adaptable and timeless across its markets.
6 **Protectable.** How legally protectable is the brand name? Names that become synonymous with product or service categories can be difficult to manage. Brand names such as Kleenex, Hoover, Sellotape, Google, Xerox and Band-Aid have all become known as the general title for the product or service. For example, you hear people saying, 'Did you google that?', or, 'Do you have a band-aid?'

See marketing in practice for more discussion of brand names.

Developing brand elements

Brand elements can play a number of brand-building roles.[51] Brand elements should be easy to recognise and recall, and inherently descriptive and persuasive. The likeability and appeal

Marketing in practice

Brand names come in many styles.

- **Acronym:** a name made of initials, e.g. BP, UPS and IBM.
- **Descriptive:** names that describe a product benefit or function; Whole Foods, Volkswagen and Airbus.
- **Alliteration and rhyme:** names that are fun to say and stick in the mind; Planters Peanuts and Dunkin' Donuts.
- **Evocative:** names that evoke a relevant vivid image, e.g. Amazon and Crest.
- **Neologisms:** completely made-up words, e.g. Wii and Kodak.
- **Foreign word:** adoption of a word from another language, e.g. Volvo and Samsung.
- **Founders' names:** using the names of real people and the founder's name, e.g. Henkel and Adidas. Alfa Romeo combines an acronym from Anonima Lombarda Fabbrica Automobili (ALFA) with Romeo added when Nicola Romeo bought ALFA in 1915.
- **Geography:** many brands are named after regions and landmarks, e.g. Dijon Mustard – named after the town of Dijon where it was first made.

Remember – many of the rules can and will be broken – think Diageo or even Google which is a cutesy misspelling of the mathematical term 'googol'.

Source: R.L.G (2014) Branded a fool, *The Economist*, www.economist.com/blogs/prospero/2014/10/johnson-brand-names: Merriam Associates (2009) Styles and types of company and product names, http://merriamassociates.com/2009/02/styles-and-types-of-company-and-product-names/

of brand elements may also play a critical role in awareness and associations, leading to high brand equity.[52] The Snap, Crackle and Pop characters from Kellogg's reinforce the sense of magic and fun for breakfast cereals. The three elf brothers made their debut in 1933 but have since had several makeovers and still maintain their popularity with children all over the world. Birds Eye also developed an image that remains relevant today – Captain Birdseye still sails the Birds Eye ship. Many UK-based insurance companies have used symbols of strength (the Rock of Gibraltar for Prudential and the stag for Hartford), security (the eagle of Eagle Star with the tag line 'we will take you under our wing'), and agility and strength (the horse for Lloyds Bank).

Brand slogans

Brand slogans or taglines are an extremely efficient means to build and manage brands, and are externally focused. **Brand slogans** are part of a persuasive appeal that is intended to convey in words something good or to remind consumers of a brand's attributes. For example; L'Oréal – 'Because you're worth it'; or PlayStation – 'Live in your world, play in ours'.[53] Brand slogans or taglines help to attain humanlike personality traits for the brand which allow consumers to develop emotional attachments. Therefore the brand slogans or taglines can function as useful 'hooks' or 'handles' to help consumers grasp what the brand is and what makes it special – summarising and translating the intent of the total marketing programme. Think of the inherent brand meaning in slogans such as KitKat's – 'Have a break – have a KitKat'; Carlsberg's – 'Probably the best lager in the world' or its more recent –'That calls for a Carlsberg'; Boots' – 'Trust Boots'; Gillette's –'The best a man can get'; Burger King's – 'Have it your way'.

These slogans can be used globally with greater or lesser success. A great example is the 'Snap, Crackle and Pop' slogan, which has been translated across Europe:[54]

English: 'Snap! Crackle! Pop!'
French: 'Cric! Crac! Croc!'
Spanish: 'Pim! Pum! Pam!'
German: 'Knisper! Knasper! Knusper!'
Swedish: 'Piff! Paff! Puff!'
Finnish: 'Riks! Raks! Poks!'
Dutch: 'Pif! Paf! Pof!'

The Snap! Crackle! and Pop! slogan has been translated into many European languages.
Source: Courtesy of the Kellogg Group

In a survey of 1,000 German consumers aged 14–49, some slogans did not work. When asked to translate 12 popular advertising slogans, almost two-thirds did not properly understand them. For example, Adidas's 'Impossible is nothing' was translated as 'An imposing nothing', and 'Welcome to the Becks experience' was translated as 'Welcome to the Becks experiment'.[55]

Brand mantras

To support the intent of brand positioning and the way companies would like consumers to think about the brand, it is often useful to define a brand mantra as an internal focus for the brand whereas the brand slogan or tagline is an external focus.[56] A **brand mantra** is an articulation of the heart and soul of the brand and is usually a short, three- to five-word phrase that captures the irrefutable essence or spirit of the brand. Its purpose is to ensure that all employees within the organisation and all external marketing partners understand what the brand fundamentally represents, so they can adjust their actions accordingly. Disney – Fun, Family and Entertainment is a good example of a brand mantra and its brand slogan is 'Where dreams come true'. BMW has a brand mantra – the Ultimate Driving Machine – which is also used as its brand slogan; unusual, but it works for BMW.

Brand mantras must economically communicate what the brand is and what it is *not*. What makes for a good brand mantra? A high-profile and successful examples is Nike, which shows the power, range and utility of a well-designed brand mantra.

Nike

Nike has a rich set of associations with consumers, based on its understanding of consumer motivations, innovative product designs, its sponsorship of top athletes, its award-winning advertising, its competitive drive and its irreverent attitude. Internally, Nike marketers adopted the three-word brand mantra, 'authentic athletic performance', to guide their efforts. Thus, in Nike's eyes, its entire marketing programme – its products and how they are sold – must reflect those key brand values. Over the years, Nike has expanded its brand meaning from 'running shoes' to 'athletic shoes' to 'athletic shoes and clothing' to 'all things associated with athletics (including equipment)'. Each step of the way, however, it has been guided by its 'authentic athletic performance' brand mantra. For example, as Nike rolled out its successful clothing line, its focus was on being innovative through material, cut and design to truly benefit top athletes. The brand slogan or external tagline is 'just do it', targeted at athletic performance.

Brand mantras are designed with internal purposes in mind. A brand slogan is an external translation that attempts creatively to engage consumers. Here are the three key criteria for a brand mantra.

1. **Communicate.** A good brand mantra should define the category (or categories) of business for the brand and set the brand boundaries. It should also clarify what is unique about the brand, e.g. Nike sets the boundary at 'athletic performance' and Disney focuses on 'family entertainment'.
2. **Simplify.** An effective brand mantra should be memorable. For that, it should be short, crisp and vivid in meaning.
3. **Inspire.** Ideally, the brand mantra should also stake out ground that is personally meaningful and relevant to as many employees as possible.

Brand mantras are typically designed to capture the brand's points-of-difference: that is, what is unique about the brand. Other aspects of the brand positioning – especially the brand's points-of-parity – may also be important and may need to be reinforced in other ways.

Brand mantras derive their power and usefulness from their collective meaning. Other brands may be strong on one, or perhaps even a few, of the brand associations making up the brand mantra. But for the brand mantra to be effective, no other brand should singularly excel on all dimensions. Part of the key to both Nike's and Disney's success is that for years no competitor could really deliver on the combined promises suggested by their brand mantras.

Brand narratives and storytelling

Rather than outlining specific attributes or benefits, some marketing experts describe positioning a brand as telling a narrative or storytelling.[57]

Randall Ringer and Michael Thibodeau see *narrative branding* as based on deep metaphors that connect to people's memories, associations and stories.[58] They identify five elements of narrative branding: (1) the brand story in terms of words and metaphors; (2) the consumer journey in terms of how consumers engage with the brand over time and touchpoints where they come into contact with it; (3) the visual language or expression for the brand; (4) the manner in which the narrative is expressed experientially in terms of how the brand engages the senses; and (5) the role/relationship the brand plays in the lives of consumers. Based on literary convention and brand experience, they also offer the following framework for a brand story:

- **Setting:** the time, place and context.
- **Cast:** the brand as a character, including its role in the life of the audience, its relationships and responsibilities, and its history or creation myth.
- **Narrative arc:** the way the narrative logic unfolds over time, including actions, desired experiences, defining events and the moment of epiphany.
- **Language:** the authenticating voice, metaphors, symbols, themes and leitmotifs.

Fairy tales and brand stories

Crucial to a great brand story is an effective combination of the past and present. Fairy Liquid, which comes ninth overall in the OnePoll AESOP Brand Storytelling Index 2013, has maintained a consistent story during its 53-year history, around virtues such as mildness and domestic harmony with a softness and caring story of the love between a mother and daughter. Recently, to tap into customer memories, the brand relaunched its historic white bottle, but it did so by asking its social media audience to share their memories of the brand and vote for the best design. 'Every story needs to have content and emotion,' says P&G brand director Northern Europe Roisin Donnelly. 'The brands that are really succeeding today are the ones that differentiate themselves through storytelling.'[59]

Many brands use fairy tales to tell their brand story. Take Expedia.com, a leader in the travel industry and a company with several global online brands including Hotels.com, Hotwire.com, Trivago, Egencia, Venere and Expedia. Its tagline is 'Find your Understanding . . . '. Expedia has a campaign of 'find yours' stories about people who go on a voyage not knowing what they will find, and return home with a new view of the world – the classic fairy tale. Expedia says: 'We know that every trip is unique, personal and has the potential to be transformational. With more travel options than anyone else, we exist to help each individual find exactly what it is they are looking for.'

Managing individual or house brand names

A branding strategy decision is how to develop a brand name for a product or service category. A brand name should provide a positive contribution to brand equity: for example, it should convey certain value associations or responses. Based on its name alone, a consumer might expect ColorStay lipsticks to be long lasting and Sunkist Orange Juice to be a healthy, natural orange juice full of vitamin C.

Four general strategies are often used:

1. **Individual brand names.** The British/Dutch company Unilever has many individually named brands, including many familiar names such as Hellmann's, Knorr, Birds Eye, Surf, Dove, Pond's and Calvin Klein. L'Oréal, the French cosmetics company, also has many brand names including Maybelline, the Garnier brand and – more recently – The Body Shop. A major advantage of an individual names strategy is that the company does not tie its reputation to the individual product or service. If a product or service fails or appears to have a brand image contrary to the company's, the other products or service are not damaged. Companies often use different brand names for different quality lines within the same product or service class. Lufthansa owns most of GermanWings but does not share a name with the low-cost airline, in part to protect the brand equity of its more upmarket Lufthansa brand.
2. **Blanket corporate, family or house names.** Many companies use their corporate, family or **house brand**, also called umbrella brand, across their range of products or services.[60]

Development costs are lower with blanket brand names because there is no need to manage a separate brand name or spend heavily on advertising to create recognition. Apple works under a family, or umbrella branding strategy. It uses the highly recognisable Apple logo on all its products including computers, phones, accessories, music players and tablets.

3 **Separate family or house names for all products and services.** Inditex, a company most people have probably never heard of, uses separate brand names for its retail shops, from the familiar Zara and Massimo Dutti to the less familiar Pull & Bear, Stradivarius and Bershka. These are all very different brand names targeted at different segments with various levels of success. If a company produces quite different products, one blanket name is often not desirable. LVMH (Louis Vuitton and Moët Hennessy) manages a whole portfolio of luxury brands under different brand names. They range from wines and spirits (Hennessy, Krug, Belvedere Vodka) to jewellery (TAG Heuer, Chaumet, Bulgari) to fashion labels (Dior, Marc Jacobs, Donna Karan) and perfume (Dior, Gerlain and Givenchy).
4 **Corporate name combined with individual product names.** Kellogg's combines corporate – the Kellogg's name – and individual names. For example, Kellogg's Rice Krispies, Kellogg's Bran Flakes and Kellogg's Corn Flakes. So does Honda, in the Honda Accord, and Sony in the Sony PlayStation. The company name legitimises, and the individual name individualises, the product or service.

Individual names and blanket family names are sometimes referred to as a 'house of brands' and a 'branded house' respectively, and they represent two ends of a brand relationship continuum. Separate family names come in between the two, and corporate-plus-individual names combine them. Companies rarely adopt a pure example of any of the four strategies.[61]

Two key components of virtually any branding strategy are brand extensions and brand portfolios.

Managing brand extensions

Most new products or services are in fact line extensions – typically 80–90 per cent of new products and services introduced in any one year are brand extensions. Examples include Mars extending its brand to ice cream, Caterpillar to shoes and watches, Michelin to a restaurant guide, Adidas to an aftershave and Apple computers to the iPod and iPad. Mattel, the owner of the Barbie brand, has had many struggles to extend the Barbie brand from a doll to other products. Aware that its customer base will grow out of playing with their Barbie doll, Mattel has launched a range of Barbie-inspired teenage clothing and also Barbie make-up for teenagers, which it markets through the MAC make-up company. Dyson innovated in the vacuum cleaning area with a new improved Dyson cleaner and then moved to hand dryers with the Dyson Airblade. It has also extended to a handheld cordless cleaner.

Deciding how to brand new or extended services or products is critical and involves three main choices:

1 The company can develop new brand elements for the new product or service.
2 It can apply some of its existing brand elements.
3 It can use a combination of new and existing brand elements.

Brand extensions fall into two general categories.[62] In a **line extension**, the **parent brand** covers a new product or service within a product or service category it currently serves, such as with new flavours, forms, colours, ingredients and package sizes. The French food company Danone has introduced several types of Danone yogurt over the years. These include Fruit on the Bottom, All Natural Flavours and Fruit Blends.

In a **category extension**, the parent brand is used to enter a different product or service category from the one it currently serves. Honda is the fifth largest car manufacturer in the world as well as the largest engine maker in the world, producing more than 14 million internal combustion engines each year. Honda has used its company name to cover such different products as cars, motorcycles, snowblowers, lawnmowers, marine engines and snowmobiles. This allows Honda to advertise that it can fit 'six Hondas in a two-car garage'. A successful category extension may not only reinforce the parent brand and open up a new market but also facilitate even more new category extensions.[63] The success of Apple's iPod and iTunes products was that they: (1) opened up a new market, (2) helped sales of core Mac products, and (3) paved the way for the launch of the iPhone and iPad products.

The Dyson hand dryer is a brand extension from the Dyson vacuum cleaner, which in itself was a revolution in vacuuming.
Source: Courtesy of Dyson

Magnum

Magnum, the Swiss ice cream brand, is now owned by the British/Dutch Unilever company. The original 1990 Magnum Classic consisted of a thick bar of vanilla ice cream on a stick, covered with white or dark chocolate, with a weight of 86 grams (120 ml). In 1994 Magnum ice cream cones arrived, and in 2002 an ice cream sandwich along with its Magnum Mint, Double Chocolate and other flavours. Magnum then branched into frozen yogurt and also launched 'Magnum Intense' and the limited edition '7 Deadly Sins' series of ice creams. The line extension 'Moments' was introduced in 2003 – these were bite-size ice cream treats with caramel, chocolate or hazelnut centres, followed later in the year by 'mini', 'crunchy' (with almonds) and 'light'. In 2008 Magnum brought out a new variant in the UK – Mayan Mystica. In 2009 it introduced Magnum Mini Moments and in 2011 Magnum ice cream was launched in the US and Canada with six varieties: Double Caramel, Double Chocolate, Classic, Almond, White and Dark. The most recent line extension was in 2012 with the Magnum Infinity: intense Magnum pleasure which stays with you for longer.

A **brand line** consists of all products or services – originals as well as line and category extensions – sold under a particular brand. A **brand mix** is the set of all brands a particular seller makes. Many companies produce **branded variants**, which are specific brand lines supplied exclusively to specific retailers or distribution channels. They result from the pressure retailers put on manufacturers to provide distinctive offerings. A camera company may supply its low-end cameras to large retailers while limiting its higher-priced items to speciality camera shops. Valentino, the Italian designer, designs and supplies different lines of suits and jackets to department stores compared to his own outlets.[64]

A **licensed product or service** is one whose brand name has been licensed to others. Marketers have seized on licensing to push their company name and image across a wide range of products – from bedding to shoes – making licensing a €30 billion plus business.[65] The Harry Potter brand has had phenomenal success with licensing with the books and films spawning eight video games and more than 400 additional Harry Potter products including cups, T-shirts and games. The Harry Potter brand has been estimated to be worth as much as €15 billion. Hallmark obtained the Harry Potter licence to design Harry Potter greeting cards, wrapping paper and partyware, while Warner Bros own the licence for Harry Potter clothing, ornaments and sweets.

Marketers must judge each potential brand extension by how effectively it leverages existing brand equity from the parent brand, as well as how effectively it contributes to the parent brand's equity.[66] Crest White Strips leveraged the strong reputation of Crest to provide reassurance in teeth whitening, while also reinforcing its dental authority image. The most important consideration with extensions is that there should be a 'fit' in the mind of the consumer, based on common attributes, usage situations or user types.

Table 12.1 lists a number of academic research findings on brand extensions.[67] One benefit of a successful extension is that it may also serve as the basis for subsequent extensions.[68]

Advantages of brand extensions

As the costs of establishing a new brand name are so high, it is understandable that brand extensions are so popular. Extensions can avoid the difficulty – and expense – of coming up with a new name. They also allow for much efficiency across all the marketing mix variables, including distribution, inventory, communications, packaging and labelling. Similar or identical packages and labels can result in lower production costs for extensions and, if coordinated properly, more prominence in the retail store via a 'billboard' effect. For example, Birds Eye offers a variety of frozen foods with similar packaging that increases their visibility when they are stocked together in the freezer section. With a portfolio of brand variants within a product category, consumers who need a change – because of boredom, satiation or whatever – can switch to a different product type without having to leave the brand family.

Using brand extensions can ensure positive expectations, as extensions can reduce risk.[69] It may also be easier to convince retailers to stock and promote a brand extension because of

Table 12.1 Research insights on brand extensions

- Successful brand extensions occur when the parent brand is seen as having favourable associations and there is a perception of fit between the parent brand and the extension product.
- There are many bases of fit: product-related attributes and benefits, as well as non-product-related attributes and benefits related to common usage situations or user types.
- Depending on consumer knowledge of the categories, perceptions of fit may be based on technical or manufacturing commonalities or more surface considerations such as necessary or situational complementarity.
- High-quality brands stretch farther than average-quality brands, although both types of brands have boundaries.
- A brand that is seen as prototypical of a product category can be difficult to extend outside the category.
- Concrete attribute associations tend to be more difficult to extend than abstract benefit associations.
- Consumers may transfer associations that are positive in the original product class but become negative in the extension context.
- Consumers may infer negative associations about an extension, perhaps even based on other inferred positive associations.
- It can be difficult to extend into a product class that is seen as easy to make.
- A successful extension cannot only contribute to the parent brand image but also enable a brand to be extended even farther.
- An unsuccessful extension hurts the parent brand only when there is a strong basis of fit between the two.
- An unsuccessful extension does not prevent a firm from 'backtracking' and introducing a more similar extension.
- Vertical extensions can be difficult and often require sub-branding strategies.
- The most effective advertising strategy for an extension emphasises information about the extension (rather than reminders about the parent brand).

Source: Kevin Lane Keller (2013) *Strategic Brand Management*, 4th edn, Upper Saddle River, NJ: Pearson. Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

increased customer demand. From a marketing communications perspective, an introductory campaign for an extension does not have to create awareness of both the brand *and* the new product or service, but can concentrate instead on the new product or service itself.[70]

Success characteristics

Marketers must judge each potential brand extension by how effectively it leverages existing brand equity from the parent brand as well as how effectively, in turn, it contributes to the parent brand's equity. Crest White Strips leveraged the strong reputation of Crest to provide reassurance in teeth whitening while also reinforcing its dental authority image. Marketers should ask a number of questions in judging the potential success of an extension.

- Does the parent brand have strong equity?
- Is there a strong basis of fit?
- Will the extension have the optimal points-of-parity and points-of-difference?
- How can marketing programmes enhance extension equity?
- What implications will the extension have for parent brand equity and profitability?
- How should feedback effects best be managed?

To help answer these questions, Table 12.2 offers a sample scorecard with specific weights and dimensions that users can adjust for each application.

Disadvantages of brand extensions

On the downside, brand extensions may cause the brand name to be less strongly identified with any one product.[71] Ries and Trout call this the 'Brand (line)-extension trap'.[72] By linking its brand to mainstream food products such as mashed potatoes, powdered milk, soups and beverages, Cadbury ran the risk of losing its more specific meaning as a chocolate brand.[73] **Brand dilution** occurs when consumers no longer associate a brand with a specific or very similar product or service and start thinking less of the brand.

Table 12.2 Brand extendability scorecard

Allocate points according to how well the new product concept rates on the specific dimensions in the following areas:

Consumer perspectives: desirability

10 pts ——	Product category appeal (size, growth potential)
10 pts ——	Equity transfer (perceived brand fit)
5 pts ——	Perceived consumer target fit

Company perspectives: deliverability

10 pts ——	Asset leverage (product technology, organisational skills, marketing effectiveness via channels and communications)
10 pts ——	Profit potential
5 pts ——	Launch feasibility

Competitive perspectives: differentiability

10 pts ——	Comparative appeal (many advantages; few disadvantages)
10 pts ——	Competitive response (likelihood; immunity or invulnerability from)
5 pts ——	Legal/regulatory/institutional barriers

Brand perspectives: equity feedback

10 pts ——	Strengthens parent brand equity
10 pts ——	Facilitates additional brand extension opportunities
5 pts ——	Improves asset base

TOTAL —— pts

Michelin and Goodyear

Both French in origin, Michelin and Goodyear were known primarily for their rubber tyres, but have launched a number of brand extensions over the years.[74] Michelin's brand extensions have mainly been in the car accessories area – from pressure monitoring goods to car floor mats. So far its brand extensions fall into three categories: (1) car and cycle-related products; (2) footwear, clothing, accessories and equipment for work, sports and leisure; and (3) personal accessories – gifts and collectables. Its sports and leisure category now has the potential to overtake the car accessories line.

Like Michelin, Goodyear has a category of products closely aligned to the car industry – such as jack stands and car repair tools – but it, too, has branched out into consumer areas. The company is marketing its own line of cleaning wipes for windows and upholstery, mechanics' gloves and garden hose nozzles, among other products. Interestingly, Goodyear and Adidas partnered to create a series of running shoes, prominently featuring the Goodyear 'Wingfoot' mark.[75] This was a brand extension for both companies.

If a company launches extensions that consumers deem inappropriate, they may question the integrity of the brand or become confused and perhaps even frustrated: not sure which version of the brand is the 'right one' for them. The company itself may become overwhelmed. When Lego, the Danish toy manufacturer, decided to become a lifestyle brand and launch its own lines of clothes, watches and video games, it neglected its core market of 5- to 9-year-old boys. When plunging profits led to layoffs of almost half its employees the company streamlined its brand portfolio to emphasise its core businesses and returned to the core brand values.[76]

The worst possible scenario is for an extension not only to fail, but also to harm the parent brand image in the process. Fortunately, such events are rare. 'Marketing failures', where insufficient consumers were attracted to a brand, are typically much less damaging than 'product or service failures', where the brand fundamentally fails to live up to its promise. New products such as Virgin Cola, Levi's Tailored Classic suits, Fruit of the Loom washing powder, Bic Perfume, Capital Radio restaurant and Pond's toothpaste failed because consumers found them inappropriate extensions for the brand.[77] Even though Bic spent over €20 million on advertising its perfume in a bottle with the tagline 'Paris in your pocket', it was not able to overcome its lack of cachet in the perfume market, or its cheap image, and the extension failed. Even then, product or service failures dilute brand equity only when the extension is seen as very similar to the parent brand. Bic's failure in this case did not damage its other brands like disposable pens and lighters.

Consider the mixed successes for Virgin.

Virgin

The Virgin brand, which revolves around an authentic and people-orientated brand image, has hundreds of brand extensions – Virgin consists of more than 400 companies around the world. At one stage the brand category extension potential of Virgin was widely debated as Virgin entered a range of industries with brand extensions, from aeroplanes to trains, from record stores to mobile phones. UK newspaper the *Observer* explored a fictitious future world – entitled 'The Virgin Life' – which Virgin controlled, if the brand extensions did not stop. 'Every morning you can wake up to Virgin Radio, put on Virgin clothes and make-up, drive to work in a car bought with money transferred from your Virgin bank account' and so on. The article also cited the Virgin gym, Virgin cinema and Virgin hotels.

Virgin has had many successes but also some brand extension failures. Virgin Coke was one such failure and may have been a brand extension too far for the Virgin Group.[78] According to Matt Haig in his book *Brand Failures*, Virgin Cola failed because it did not show the competitor's weakness. In addition, distribution is key in the soft drinks industry and Virgin struggled in this area. Some brand extensions could be seen as brand ego trips and have been costly failures for the group, but others have really engaged with customer needs and Virgin brand values, such as Virgin Airways and Virgin Mobile, to phenomenal success. The latest project is in the space aviation industry with Virgin Galactic: this will be the world's first spaceline, giving customers the groundbreaking opportunity of being among the world's first non-professional astronauts – we do not yet know if this will be the success of the future or a vision too far for the brand.

Brand switching

Even if sales of a brand extension are high and meet targets, the revenue may be coming from consumers switching to the extension from existing parent-brand offerings – in effect, cannibalising the parent brand. Intra-brand shifts in sales may not be a disadvantage if they are a form of pre-emptive cannibalisation. In other words, consumers might have switched to a competing brand instead of the company's own line extension, which would be worse.

One easily overlooked disadvantage of brand extensions is that the company forgoes the chance to create a new brand with its own unique image and equity. Consider the advantages to Disney of having introduced more adult-oriented Touchstone films; to Levi's of creating casual Dockers pants; and to Black & Decker of introducing high-end DeWalt power tools.

Managing brand portfolios

The **brand portfolio** is the set of all brands and brand lines that a particular company offers in a particular category or market segment. In an article entitled 'How do brand portfolio strategies affect firm value?', Hsu, Fournier and Srinivasan suggest that 'Most companies operating in today's complex market environment own and manage a brand portfolio: a complex set of brands designed in response to market fragmentation, channel dynamics, global realities, heightened competition, commoditization, and pressures to leverage and extend existing brand assets in cost-effective ways.'[79] Marketers often need multiple brands in order to pursue multiple target markets.

Armani

Armani has set out to create a product line differentiated by style, luxury, customisation and price to compete in three distinct price tiers. In the most expensive, Tier I, it sells Giorgio Armani and Giorgio Armani Privé, which are custom-made runway couture products that sell for thousands of pounds/euro. In the more moderately priced Tier II, it offers Emporio Armani, young and modern, as well as the informal A|X Armani. In the lower-priced Tier III, the company sells the more youthful and street-savvy translation of Armani style, Armani Exchange, at retail locations in cities and shopping centres.

Armani's line of luxury clothing is differentiated to appeal to three distinct price tiers.
Source: Daniele La Monaca/Reuters/Corbis

The hallmark of an optimal brand portfolio is the ability of each brand in it to maximise equity in combination with all the other brands. If a company can only increase profits by dropping brands, a portfolio is too big; if it can increase profits by *adding* brands, it is not big enough. The basic principle in designing a brand portfolio is to *maximise market coverage*, so that no potential target market customers are being ignored, but to *minimise brand overlap*, so company brands are not competing for customer approval. Each brand should be clearly differentiated and appeal to a sizeable enough market segment to justify its marketing and production costs.[80]

Brands can also play a number of specific roles as part of a brand portfolio.

Flankers

Flanker or 'fighter' brands are positioned with respect to competitors' brands so that more important (and more profitable) flagship brands can retain their desired positioning. Procter & Gamble markets Luvs nappies in a way that flanks its more popular and premium Pampers brand. Marketers walk a fine line in designing **flanker brands**, which must not be so attractive that they take sales away from their higher-priced comparison brands.

Cash cows

Some brands may be kept around despite dwindling sales because they still manage to hold on to enough customers and maintain their profitability with virtually no marketing support. Companies can effectively 'milk' these '**cash cow**' brands by capitalising on their reservoir of existing brand equity. For example, despite the fact that technological advances have moved much of its market to the newer Fusion Proglide or Mach 3 brand of razors, Gillette still sells the older Trac II, Atra and Sensor brands. Withdrawing them may not necessarily move customers to another Gillette brand, so it is more profitable for Gillette to keep them in its brand portfolio for razor blades.

Low-end entry level

The role of a relatively low-priced brand in the portfolio may often be to attract customers to the brand franchise. Retailers like to feature these 'traffic builders' because they are able to 'trade up' customers to a higher-priced brand. For example, one aspect of BMW's introduction of its 1 Series was a means of bringing new customers into the brand franchise, with the hope of later 'moving them up' to higher-priced models.

High-end prestige

The role of a relatively high-priced brand is often to add prestige and credibility to the entire portfolio. Mobile phone companies normally have a high-end model in their range. Most customers will not buy this product but will buy the mid-range, flagship model. Nonetheless, it is often the case that it is the high-end model which attracts the consumers' attention.

Brand reinforcing and revitalisation

As a company's major enduring asset, a brand needs to be carefully managed so that its value does not depreciate.[81]

Brand reinforcement

Marketing reinforces brand equity by marketing actions that consistently convey the meaning of the brand to consumers, with the brand representing the core benefits it supplies and what needs it satisfies. It also conveys what makes the brand superior and what strong favourable and unique brand association should exist in the mind of the consumer. The most important consideration is consistency of support in terms of both the amount and the nature of that support.[82]

Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand in terms of:

- What products and service the brand represents, what core benefits it supplies and what needs it satisfies. Nivea, one of Europe's strongest brands, confirms the Nivea brand promise of 'mild', 'gentle' and 'caring' in the skin and personal care domain.

- How the brand provides the service or products needed and what value added is created.[83] Ryanair has become the largest airline in Europe by focusing on its core brand value – providing cheap airline travel to over 100 million passengers annually, who prefer low cost to high service, though Ryanair has increased and improved their service in recent years.

The Apple brand example below showcases a brand which is consistently well managed.

Apple

Apple is the story of a brand that has been managed well throughout its lifespan, which started on April Fool's Day 1976. The Apple brand was named the world's most valuable brand (valued at over €93 billion) by Interbrand 2014. It has benefited from the growth in mobile phone development and also has some of the world's best and most innovative consumer products and services. The company's ability to delight consumers in the bland world of technological equipment and software makes it easy to see why it impacts on so many and across so many segments. From the student who loves their iPod, to the executives who worship their Mac, Apple has brought emotion to their brand and created a brand image and experience that endures and makes us 'Think Differently'.

Apple is a master at building a strong brand that resonates with customers across generations and national boundaries. It achieves incredible brand loyalty largely by delivering on its mission, as defined by the late CEO Steve Jobs: 'To create great things that change people's lives.' The company has created an army of Apple evangelists, not just because it produces great products that reflect consumer needs, but also because everything it does and all its communications reflect its brand values. Apple's innovative products combine superior design, functionality and style, and many cite the wildly successful iPod and iPads as prime examples. As of August 2014, Apple has 435 retail stores in 16 countries and an online store available in 43 countries, to fuel excitement for and sales of the brand.

One or even two 'revolutionary' products alone will not allow you to become the world's top brand – understanding brands and brand extensions whether by line or category will. A major key to Apple's continued success is its ability to keep pushing the boundaries of innovation with brand extensions.

Key lessons from Apple are:

- **Do not just focus on building beautiful products.** Build beautiful business models, new ways to create, deliver and capture value. The iPod and iPhone would not have had nearly as much impact if they had not been matched with iTunes and the App Store respectively.
- **Think in terms of platforms and pipelines.** Competitors that chase Apple's latest release find themselves behind when six months later Apple introduces its latest offering. When Apple launched the iPhone 6, it sold more than 10 million iPhone 6 and 6 Plus devices in just three days.[84]
- **Take a portfolio approach.** While Apple has been on a phenomenal run, not everything it has introduced has been a success. For example, Apple TV has not had the 'revolutionary' impact that Jobs predicted upon its launch in 2007. You can contrast this with the success of the iPhone which has risen strongly over the years, from around 1.4 million iPhones sold in 2007 to more than 150 million units worldwide in 2013. In total, Apple has sold more than 400 million new iPhones from 2007 to 2013 all around the world, and has about 23 per cent within the new smartphone segment worldwide.[85] Apple manages its brand identity to maintain its position as an innovative company in tune with customer needs.[86]

Reinforcing brand image requires innovation and relevance throughout the marketing programme. The brand must always be moving forward – but moving forward in the right direction, with new and compelling offerings and ways to market them.

Brands that failed to move forwards – such as Waterford Crystal and Kodak – or even Benetton and HMV – can find that their market leadership is challenged, dwindles or even disappears.

Brand revitalisation

Changes in consumer tastes and preferences, the emergence of new competitors or new technology, or any new development in the marketing environment can affect the fortunes of a brand. In virtually every product or service category, once prominent and admired brands –

such as BlackBerry, Little Chef, Alitalia and HMV – have fallen on hard times, struggled with their brand image or even disappeared.[87] A number of brands have managed to make impressive comebacks in recent years, as marketers have breathed new life into them. Dr Scholl's and Birkenstock are brands that have been revitalised, becoming popular once again but in a different market. For example, Birkenstock – the German sandal – was predominantly used by the medical profession but moved into everyday comfort shoes within the environmentally friendly target market.

Often the first thing to do in revitalising a brand is to understand what the sources of brand equity are to begin with. Are positive associations losing their strength or uniqueness? Have negative associations become linked to the brand? Then it has to be decided whether to retain the same positioning or create a new one and, if so, which new one. Sometimes the marketing programme or marketing mix activities are the source of the problem, because they fail to deliver on the brand promise. In other cases, however, the old positioning is just no longer viable and a 'reinvention' strategy is necessary. Lucozade completely overhauled its brand image to become an energy drink powerhouse – see box below.

Lucozade

The European energy drink market continues to grow with Germany and the UK accounting for the largest market share. Energy drinks account for £1(€) in every £5(€5) spent on soft drinks in the UK. One of the main players, Lucozade is only in this market due to a successful **rebranding** or revitalisation of the brand that saw the company move from a child-oriented, health-related tonic to an energy sports drink. The original Lucozade, first manufactured in 1927, was available in hospitals throughout the UK. In 1983, a rebranding of Lucozade into an energy drink started moving the slogan from 'Lucozade aids recovery' to 'Lucozade replaces lost energy', with an advertising campaign featuring the world and Olympic champion decathlete Daley Thompson. The effect of the rebranding was dramatic: the value of UK sales of the drink tripled to almost €95 million. During the 1990s it tapped into the sports market and introduced Lucozade Sport, which is the market leader in sports drinks. Lucozade uses leading sports teams and personalities to keep the sports brand value in front of the consumer. Lucozade is the official drink of the FA and FA Premier League and has also sponsored the England Rugby Football Union, the Irish football team, the London Marathon, Michael Owen, Steven Gerrard, Damien Duff and Jonny Wilkinson. Lucozade was the sponsor of the tenth series of the British Big Brother show. The brand message is 'Lucozade Sport keeps top athletes going 33% longer', accompanied by the powerful slogan 'Hunger has a thirst'.

These two campaigns show how the Lucozade brand was repositioned from a tonic for sick children to an energy drink for athletes.

Source: Permission from the copyright owner, Lucozade Ribena Suntory Limited, has been granted to show these images

Brand reinforcement and brand revitalisation strategies

At some point, failure to fortify the brand will diminish brand awareness and weaken brand image. Without these sources of brand equity, the brand itself may not continue to yield valuable benefits. With a fading brand, the depth of brand awareness is often not as much of a problem as the breadth – that is, the consumer has too narrow a view of the brand. Although changing brand awareness is probably the easiest means of creating new sources of brand equity, marketers often need to create a new marketing mix programme to improve the strength, favourability and uniqueness of brand associations. The challenge in all these efforts to modify the brand image is not to destroy the equity that already exists. *Reinforcing brands* involves ensuring innovation in product and service design, manufacturing and merchandising, and ensuring relevance in user and usage imagery. *Brand revitalisation*, on the other hand, requires either that lost sources of brand equity are recaptured, or that new sources of brand equity are identified and established often by increasing consumption in quantity and frequency and by creating or bolstering fading associations. Figure 12.2 summarises the main features of brand revitalisation and brand reinforcement strategies.[88]

Consider Nokia which failed to respond to core market changes.

Nokia

For 14 years, Nokia dominated mobile phone sales as the world's industry leader before being surpassed by Samsung in 2012, marking the end of an era. Once the pride of Finland, the company has found itself outsold by Samsung even on its home soil. How could such a high-flying brand come crashing to earth? In a nutshell, it failed to innovate and stay relevant. Nokia did not respond to the wildly successful iPhone and the shifting consumer demand that accompanied it. The company thought the iPhone was too expensive to manufacture and was not up to its own product standards. The iPhone reportedly failed Nokia's 'drop test', in which a phone is dropped on concrete from a height of five feet at different angles. Nokia had spent Over €35 billion on R&D over the preceding decade and was a smartphone pioneer, but it chose not to invest in devices that anticipated what the iPhone eventually became. Without the right new products, Nokia began to be associated by consumers with a different era of technology, a fatal blow in the fast-moving, technologically intensive smartphone market.

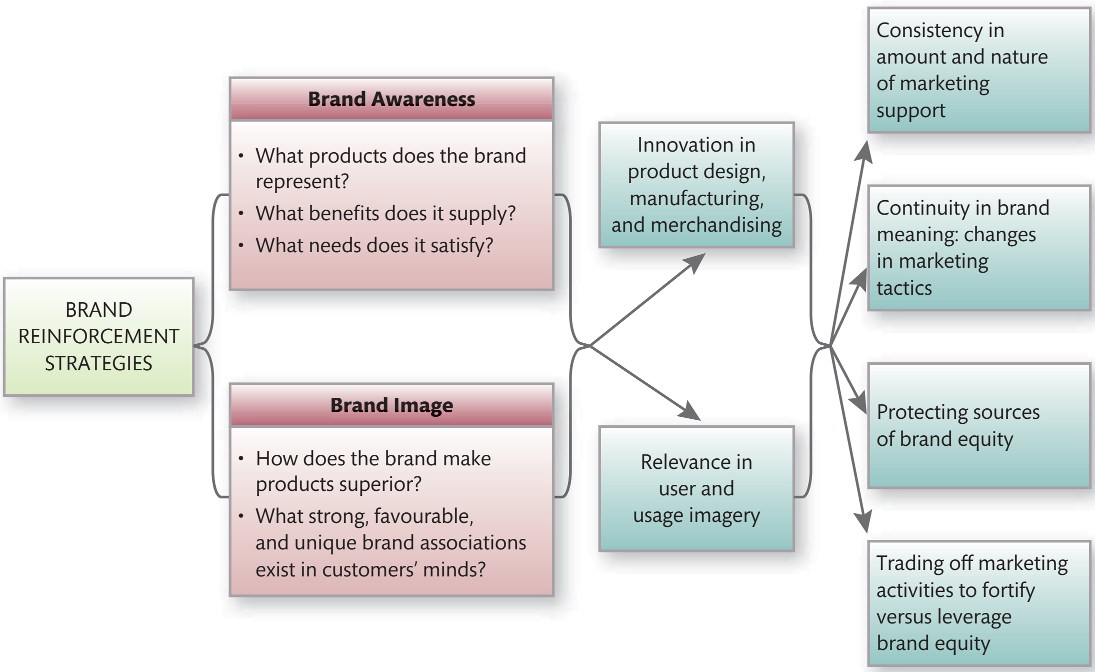


Figure 12.2 Brand reinforcement and brand revitalisation strategies

Source: K. Keller, *Strategic Brand Management*. Copyright © 2008. Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

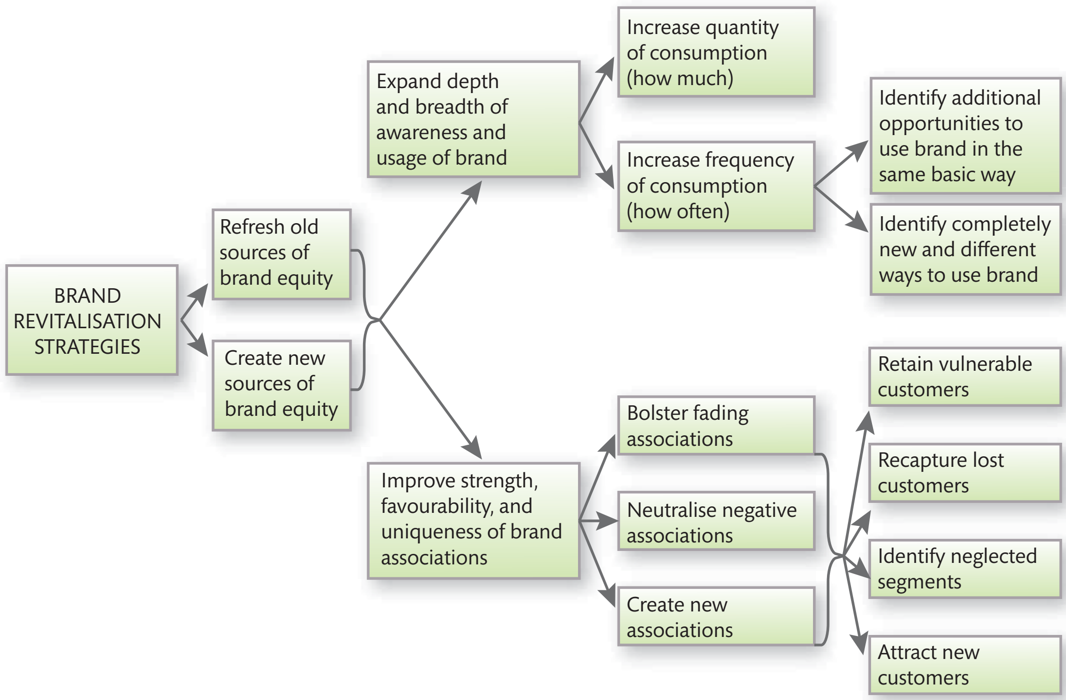


Figure 12.2 *continued*

Leveraging secondary associations

Another way to build brand equity is, in effect, to 'borrow' it. That is, create brand equity by linking the brand to other information that conveys meaning to consumers (see Figure 12.3). These **'secondary' brand associations** can link the brand to sources such as the company itself (through branding strategies), to countries or other geographical regions (through identification of product origin), and to channels of distribution (through channel strategy), as well as to other brands (through ingredient or co-branding), characters (through licensing), spokespeople (through endorsements), sporting or cultural events (through sponsorship), or some other third-party sources (through awards or reviews). Leveraging secondary associations can be an efficient and effective way to strengthen a brand. But linking a brand to someone or something else can be risky because anything bad that happens to that other entity can also be linked to the brand. When popular endorsers Tiger Woods and Lance Armstrong got into trouble, many of the companies using them to promote their brands chose to cut ties.

Growing, sustaining and managing brand equity

Brand equity is the added value endowed on products and services through the brand. It is sometimes understood from the perspective of the tangible financial assets of a firm but also has a strong intangible or goodwill value to companies. However, brand equity is often viewed conceptually – as a framework for understanding the power of the intellectual and emotional associations consumers have with a particular named brand.[89]

Brand equity plays a major role in enhancing the **financial value** of companies, and thus the ability to value them or understand that their brand equity is critical. To companies, brands represent enormously valuable pieces of legal property that can influence consumer behaviour,

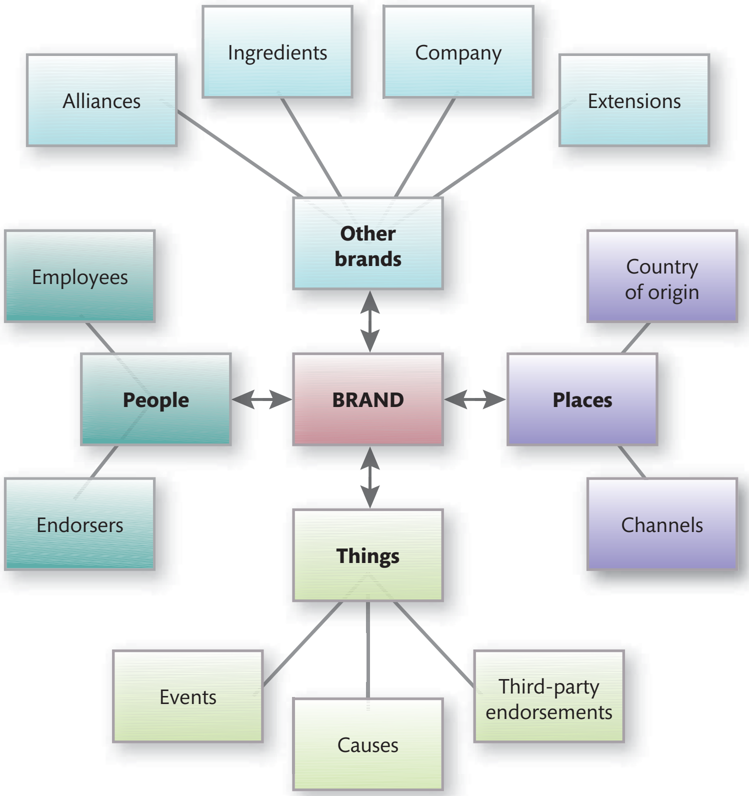


Figure 12.3 Secondary sources of brand knowledge

be bought and sold, and provide the security of sustained future revenues. Companies have paid large sums of money for brands in mergers and acquisitions, often justifying the price premium on the basis of the extra profits to be extracted and sustained from the brands, as well as the tremendous difficulty and expense of creating similar brands from scratch. When Facebook bought WhatsApp for €15 billion for a five-year-old company with 55 employees, or when Microsoft bought Skype for €6 billion, they were buying brand values of multiples of what each company is worth through the consumer numbers and brand awareness of each in their respective markets. Following the purchase of Skype for Microsoft, Steve Ballmer made much of Skype's brand strength, noting that Skype has become synonymous with voice or video calling for many, to the extent that 'Skype' is now widely used as a verb – to skype.[90]

A strong brand is a valuable asset – see Table 12.3, which highlights brand values for the top five brands in Europe. As Rita Clifton, the author of *Brands and Branding* and a former Interbrand executive, puts it: 'Well-managed brands have extraordinary economic value and are the most effective and efficient creators of sustainable wealth.'[91] Malcolm Forbes described them as 'the best marketable investment a company can make'.[92] Brand value is typically over half the total company market capitalisation and so the importance of the brand to the company is clear. Brand value is increasingly included on balance sheets in countries such as the UK, Hong Kong and Australia. A recent PricewaterhouseCoopers report revealed that 74 per cent of the average purchase prices of acquired companies was made up of intangible assets and goodwill – what is called **brand value**.[93]

Brand valuation

The **brand value chain** is a structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value – see the marketing insight box.

Table 12.3 The top five European brands

Ranking 2014	Brand	Industry	Country of ownership	Brand value (€ m)	(% change)
1	Mercedes-Benz	Automotive	Germany	27	+8
2	BMW	Automotive	Germany	27	+7
3	Louis Vuitton	Luxury	France	17	–9
4	H&M	Fashion	Swedish	16	+16
5	IKEA	Home furnishing	Swedish	12	+15

Source: Adapted from Interbrand.com (2014)[94]; http://bestglobalbrands.com/

Marketing insight

The brand value chain

First, brand value creation begins when the company targets actual or potential customers by investing in a marketing programme to develop the brand, including marketing communications, trade or intermediary support, and product research, development and design. This marketing activity will change customers' mind sets – what customers think and feel and everything that becomes linked to the brand. Next, these customers' mind sets will affect buying behaviour and the way consumers respond to all subsequent marketing activity – pricing, channels, communications and the product itself – and the resulting market share and profitability of the brand. Finally, the investment community will consider this market performance of the brand to assess shareholder value in general and the value of a brand in particular.

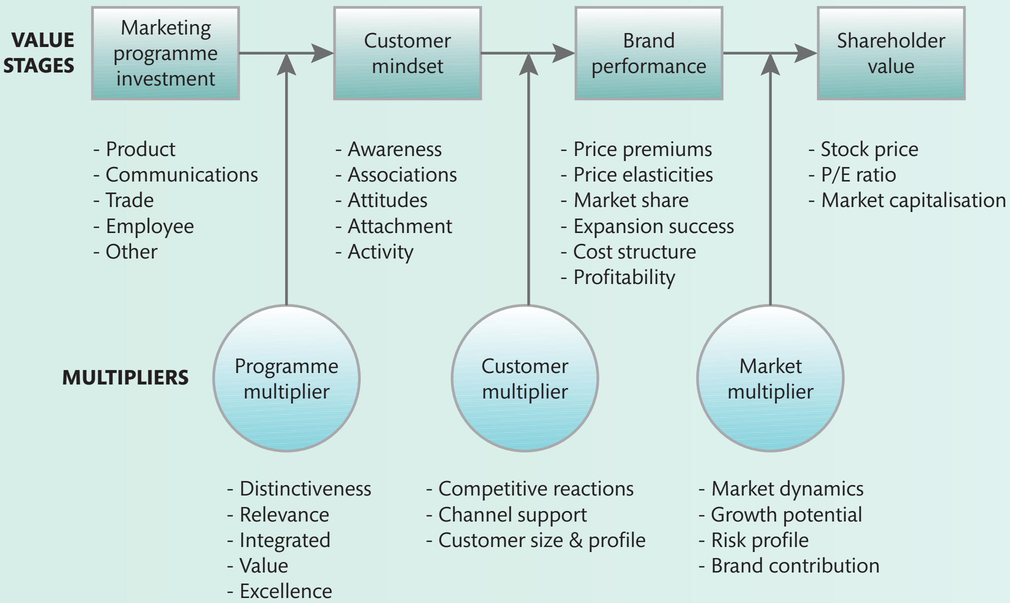


Figure 12.4 The brand value chain

Source: K. L. Keller (2013) *Strategic Brand Management*, 4th edn, New Jersey; K. L. Keller and D. Lehmann (2003) How do brands create value?, *Marketing Management*, May–June, 27–31. See also M. J. Epstein and R. A. Westbrook (2001) Linking actions to profits in strategic decision making, *MIT Sloan Management Review*, Spring, 39–49; and R. K. Srivastava, T. A. Shervani and L. Fahey (1998) Market-based assets and shareholder value, *Journal of Marketing*, 62(1), January, 2–18. K. Keller (2009) *Brand Planning*, a Shoulders of Giants publication, http://marksherrington.com/downloads/brand%20planning%20earticle.pdf

The model also assumes that three multipliers increase or decrease the value that can flow from one stage to another.

- The *programme multiplier* determines the marketing programme's ability to affect the customer mind set and is a function of the quality of the programme investment.
- The *customer multiplier* determines the extent to which value created in the minds and hearts of customers affects market performance. This result depends on competitive superiority (how effective the quantity and quality of the marketing investment of other competing brands are), channel and other intermediary support (how much brand reinforcement and selling effort various marketing partners are putting forth), and customer size and profile (how many and what types of customers, profitable or not, are attracted to the brand).
- The *market multiplier* determines the extent to which the value shown by the market performance of a brand is manifested in shareholder value. It depends, in part, on the actions of financial analysts and investors.

Researchers at Millward Brown adopt a very similar perspective. They maintain that a brand's financial success depends on its ability to be meaningful, different and salient. These three brand qualities (MD&S) predispose someone to positive purchase behaviour (choose the brand over others, pay more for it, stick with it or try it in the future), which in turn generates financial benefits to the company (increased volume share, higher price premium, increased likelihood to grow value share in the future).

Millward Brown asserts that this brand predisposition is measured by three brand equity metrics: power, premium and potential.

- People are predisposed to choose the brand over others. This will drive brand volume, so power predicts volume share based entirely on perceptions, absent of activation factors.
- People are predisposed to pay more for the brand. This will allow the brand to charge more, so premium predicts the price index your brand can command.
- Potential indicates the likelihood of value share growth for the brand in the next 12 months, based on people's predisposition to stick to the brand or try it in the future.

Sources: K. Lane Keller and D. Lehmann (2003) How do brands create value?, *Marketing Management*, May–June, 27–31; see also M. J. Epstein and R. A. Westbrook (2001) Linking actions to profits in strategic decision making, *MIT Sloan Management Review*, Spring, 39–49; R. K. Srivastava, T. A. Shervani and L. Fahey (1998) Market-based assets and shareholder value, *Journal of Marketing*, 62(January), 2–18; S. Srinivasan, M. Vanheule and K. Pauwels (2010) Mindset metrics in market response models: an integrative approach, *Journal of Marketing Research*, 47(August), 672–84; J. Samuel, The power of being meaningful, different and salient, *Point of View*, www.millwardbrown.com; J. Alagon and J. Samuel (2013) The meaningfully different framework, White Paper, www.millwardbrown.com, April.

For brand equity to perform a useful strategic function and guide marketing decisions, marketers need to understand fully: (1) the sources of brand equity and how they affect outcomes of interest; (2) how these sources and outcomes change, if at all, over time. Brand audits are important for the former; brand tracking for the latter.

A **brand audit** is a consumer-focused procedure to assess the health of the brand, uncover its sources of brand equity and suggest ways to improve and leverage its equity. Conducting brand audits on a regular basis, such as annually, allows marketers to keep their fingers on the pulse of their brands so they can manage them more proactively and responsively. Brand audits are particularly useful background information for marketing managers as they set up their marketing plans and select marketing mix variables, and when they are considering making changes.

Brand tracking studies collect quantitative data from consumers on a routine basis over time to provide marketers with consistent, baseline information about how their brands and marketing programmes are performing on key dimensions. **Tracking studies** are a means of understanding where, how much, and in what ways brand value is being created, to facilitate day-to-day decision making. Much of brand tracking is technology based and tracking online how your brand sentiment is performing in the online world. Brand tracking now has an online social media orientation, tracking social media brand sentiment with the support of offline branding data. A recent study confirms the validity of online brand sentiment tracking, but points out that the inferences marketing researchers obtain from monitoring social media depend on where they 'listen' and how many sites they monitor, both of which can affect the validity of their brand sentiment metrics.[95]

The brand resonance model

The brand resonance model also views brand building as an ascending series of steps, from bottom to top: (1) ensuring customers identify the brand and associate it with a specific product class or need; (2) firmly establishing the brand meaning in customers' minds by strategically linking a host of tangible and intangible brand associations; (3) eliciting the proper customer responses in terms of brand-related judgement and feelings; and (4) converting customers' brand responses to intense, active loyalty. According to this model, enacting the four steps means establishing a pyramid of six 'brand building blocks' as illustrated in Figure 12.5. The model emphasises the duality of brands – the rational route to brand building is on the left side of the pyramid, and the emotional route is on the right side.[96] One brand that has found much success going up both sides of the pyramid is MasterCard with their Priceless ad campaign stressing both the emotional and the rationale payoff for using their card.[97]

Creating significant brand equity requires reaching the top of the brand pyramid, which occurs only if the right building blocks are put into place.

- Brand salience is how often and how easily customers think of the brand under various purchase or consumption situations – the depth and breadth of brand awareness.
- Brand performance is how well the product or service meets customers' functional needs.
- Brand imagery describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs.
- Brand judgments focus on customers' personal opinions and evaluations.
- Brand feelings are customers' emotional responses and reactions with respect to the brand.
- Brand resonance describes the relationship customers have with the brand and the extent to which they feel they are 'in sync' with it. Resonance is the intensity of customers' psychological bond with the brand and the level of activity it engenders.[98] Brands with high resonance include Harley-Davidson, Apple and eBay.[99]

Measuring brand equity

Various models are used to study brand equity[100] (see also Chapter 22). An indirect approach assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures. A direct approach assesses the actual impact of brand knowledge on consumer response to different aspects of insight. The brand value chain shows how to link the two approaches.

Branding challenges today

Branding has developed over the last 50 years from the age of identity, to the age of value, the age of experience and now the age of you – see an Interbrand review on marketing in action below. Marketers need to understand the role of technology in branding – see Chapter 13 – and to understand how the role of brands has changed in business and for consumers.

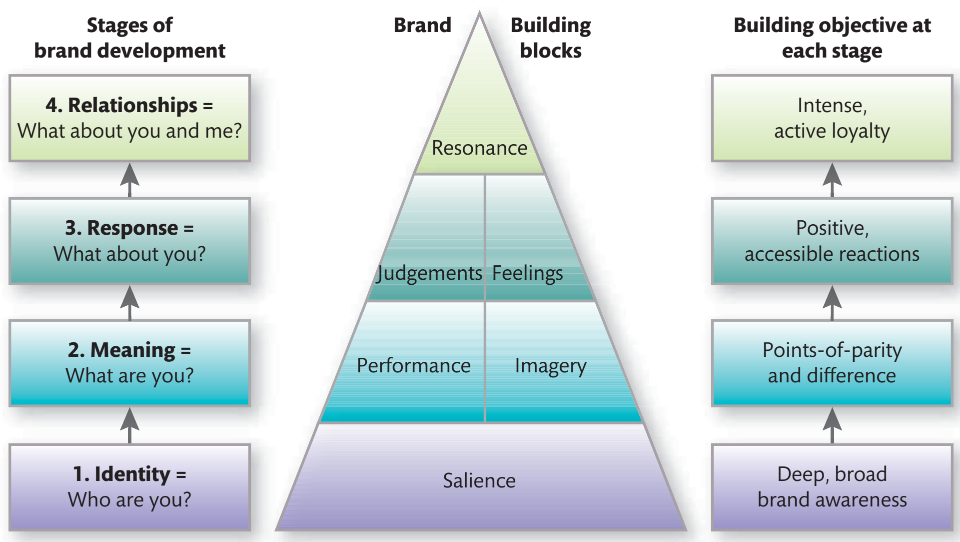


Figure 12.5 Brand resonance pyramid

Marketing in action

Interbrand's Four Ages of Branding

1. The Age of Identity

Branding began as a mark of ownership, trust and quality, and evolved into a more sophisticated symbol of differentiation and identification in the post–Second World War era. In the Age of Identity, the purpose of a brand was to serve as a market positioning identifier, setting businesses and individual products apart from the crowd, both visually and verbally. These foundational characteristics of a great brand are still valid today, but the world became more demanding.

2. The Age of Value

In 1988, Interbrand undertook the first Brand Valuation, and the Age of Value was born. Companies began to view brands as valuable business assets that contribute significantly to financial performance – driving choice, securing loyalty, and affording the owner a premium. Slowly, the language of 'cost' relating to marketing expenditure became the language of 'investment'. Alongside this came an increasing recognition that brands were not built simply through communications, but through a combination of business activities covering products and services, environments, culture and communication – all of which created the total brand perception held by customers and employees alike. No longer an afterthought or a responsibility relegated to the marketing department, brand strategy became not only intertwined with business strategy – it became business strategy brought to life.

3. The Age of Experience

With the recognition of brands as valuable, strategic assets, came a deeper appreciation of the role brands play in delivering satisfying and differentiated experiences to consumers. Benefiting immensely from the rise of digital and mobile technology, category-killing brands like Google, Amazon, Facebook and Apple have reset customer expectations and significantly raised the bar for brand experiences. Interactions are seamless, contextually relevant, and increasingly based around creating an ecosystem of integrated products, services, information and entertainment: both physical and digital. In this information-saturated age, it is no longer enough to have big data. These vast data sets must be mined for big insight, big empathy, big intuition and big dialogue. In this world of two-way conversations, advocacy, influence and engagement are the new rules for brand building.

4. The Age of You

As digital technology continues to weave its way into every aspect of our lives, and more of who we are is captured on servers and hard drives, the Age of Experience is giving way to a new era – one of ubiquitous computing. When ecosystems are fully integrated and sensors (on our bodies, in our homes and in our devices) can talk to each other in new ways, supply chains will reorganise around individuals and ecosystems. From the way we manage our personal brands and share pieces of ourselves through various social media platforms, to the increasingly personalised world of commerce – which uses purchase histories and location-based services to tailor products, events, services and offers to whoever we are, wherever we are – our data selves are known, communicating and growing every day. Brands that seek to lead in the Age of You will have to recognise the human in the data, uncover genuine insights, and create a truly personalised and curated experience.

Source: Interbrand (2014) *The Four Ages of Branding*, Interbrand, www.bestglobalbrands.com/2014/featured/the-four-ages-of-branding/

To conclude the chapter, the marketing in practice box highlights the top 10 traits of the world's strongest brands using a **brand report card** – which is a method to grade the brand's own performance and that of its competitors.

Marketing in practice

21st-century branding

An early pioneer in the study of branding and still active as a brand strategist, David Aaker has much experience with what makes brands successful. Here are his top 10 'to do tasks' for marketers – what you need to know to excel at brand building.

1 **Treat brands as assets.** Brand strategy needs to be developed in tandem with business strategy.

2 **Show the strategic payoff of brand building.** Show how the success of a business strategy depended on brand assets.

3 **Recognise the richness of brands** – go beyond the three-word phrase. Although two to four associations are often the most important, understand the full range of associations that are cued by the brand.

4 **Get beyond functional benefits.** Emotional and self-expressive benefits and brand personality can provide a

basis for sustainable differentiation and a deep customer relationship.

5 **Consider organisational associations** – people, programmes, values, strategies and heritage that are unique to the company and meaningful to customers.

6 **Look to role models.** What other companies have been successful with similar branding efforts? Are there any people or programmes internal to the company that exemplify desired characteristics for the brand?

7 **Understand the brand relationship spectrum** and the right degree of separation for new offerings.

8 **Look for branded differentiators.** Even functional benefits, if copied, can remain distinctive if given a strong brand identity initially.

9 **Use branded energisers** – a branded person or programme you can associate with your brand.

10 **Win the brand relevance battle** – make your competitors seem irrelevant.

Source: D. Aaker (2012) 'David Aaker's top 10 brand precepts', White Paper, www.prophet.com. For more insights into branding best practices, see A. Adamson (2013) *The Edge: 50 Tips from Brands That Lead*, New York: Palgrave Macmillan.

Marketing must ensure that the 'making of promises' (brand image) is aligned with the 'delivery of promises' (employee trust and company trust) in creating customer value, customer loyalty and brand value. Great brands must:

- offer and communicate a clear, relevant customer promise;
- build trust by delivering on that promise;
- drive the market by continually improving the promise; and
- seek further advantage by innovating beyond the familiar.

Great companies ensure that the brand is core. Take companies like John Lewis, Apple, Virgin and Disney – all are businesses with a clear brand proposition that not only informs how they look and communicate but how they operate, which decisions they make and how. Brand exists at the top table within these companies, giving them purpose and direction, and not as an additional responsibility of the marketing department.[101] Staff are seen as the walking representatives of the brand and valued as such. Employee brand commitment is a core feature of successful brands, as the perceived brand value is often based on the behaviour of employees. Brands are used symbolically in two different directions: outwardly to communicate to others the kind of brand or company you are, and inwardly to bolster the sense of *company* from within.[102] Though there is often a focus on the external, the internal focus is critical and staff need to understand and live the brand values. To create a collaborative culture, the brand message must be communicated to and understood by all staff so that each individual becomes a brand ambassador.[103] This helps to ensure that every sales call, every client interaction and every staff and customer conversation delivers the brand as intended – see also Chapter 21 on internal marketing. Marketers must ensure consistency internally and externally to ensure employees and all network partners like retailers and also their digital presence or online touchpoints appreciate and understand the brand values, and how all actions can help – or hurt – brand equity.[104]

SUMMARY

1 A brand is a name, term, sign, symbol or design, or some combination of these elements, intended to identify the products and services of one company and to differentiate them from those of competitors. The different components of a brand – brand names, logos, symbols, package designs and so on – are brand elements.

2 The key to branding is that consumers perceive differences among brands in a product or service category. Brands offer a number of benefits to customers and companies.

3 A branding strategy for a company identifies which brand elements a company chooses to apply across its various offerings.

4 In a brand extension, the marketing manager uses an established brand name to introduce a new offering. There are two types of brand extension – line or category. Potential extensions must be judged by how effectively they leverage existing brand equity as well as how effectively the extension, in turn, contributes to the equity of the existing parent brand.

5. Brands can play a number of different roles within the brand portfolio. Brands can be flankers, cash cows; low-entry level and high-end prestige.
6. Brands need to be managed to stay contemporary and many have to undergo reinforcement – reiterating the brand message or revitalisation – understanding new developments in the market and how the brand must be repositioned to maintain relevance and market share.
7. Brand equity should be defined in terms of how the marketing effects uniquely affect the brand value. The brand value chain is one method for measuring brand equity.
8. Brand equity needs to be measured in order to be managed well. Brand audits measure 'where the brand has been', and tracking studies measure 'where the brand is now' and whether marketing programmes are having the intended effects.
9. Marketing must ensure that the 'making of promises' (brand image) is aligned with the 'delivery of promises' (employee trust and company trust) in creating customer value, customer loyalty and brand value.

APPLICATIONS

Marketing debate

Are brand extensions good or bad? Some critics vigorously denounce the practice of brand extensions, as they feel that too often companies lose focus and consumers become confused. Other experts maintain that brand extensions are a critical growth strategy and source of revenue for the company.

Take a position: Brand extensions can endanger brands *versus* Brand extensions are an important brand-growth strategy.

Marketing discussion

A brand strategy has six main decision components. Discuss the six components, showing how each helps to create the brand identity in the mind of the consumer.

FURTHER READING

Angela Ahrendts (2013) Burberry's CEO on turning an aging British icon into a global luxury brand, *Harvard Business Review*, January/February, 39–42.

When Angela Ahrendts became the CEO of Burberry, luxury was one of the fastest-growing sectors in the world. With its rich history, centred on trench coats that were recognised around the world, the Burberry brand should have had many advantages. But as she watched her top managers arrive for her first strategic planning meeting, something struck her right away. They had flown in from around the world to classic British weather, grey and damp, but not one of these more than 60 people was wearing a Burberry trench coat. She doubted that many of them even owned one. She felt that if her top people were not buying the company's trenches, how could they expect customers to pay full price for them? It was a sign of the challenges she faced in turning this iconic brand around, which she did to great success. This article explores how she focused on the customer, galvanised staff around the brand's core values, and through a digital first focus and innovations in product design and at the customer interface made Burberry one of the top 10 fashion brands in the world.

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