

INTRODUCTION

The purpose of this course is to provide an in-depth understanding of the issues and considerations in the management of brands of products. Accordingly, selection of brands, product development and branding strategies are illustrated. The role of product and brand management in achieving strategic business goals is emphasized. The course seeks to develop the student's managerial skills for strategic product and brand planning, positioning and product development. The course does not only emphasize on understanding the embedding principles and frameworks, but also the practical applications. The course is intended to develop an understanding of and competence in dealing with problems relating to management of existing products, formulation of product-market strategy, planning and execution of new product decisions, brand management strategies and policies. It gives basic insights as to how to understand, build, measure, analyze and manage brands and product categories for a company.

Course Objectives:

The objective of this course is to develop the participant's basic analytical skills, conceptual abilities and substantive knowledge in the field of product and brand management from a variety of perspective (multicultural, interdisciplinary, etc.) After completing the course students will be able to:

- Have an in-depth understanding of product development and brand management process.
- Review the strategic importance for organizations of managing brand and product strategies.
- Evaluate the consumer decision process for brands, products, services.
- Know brand positioning techniques.
- Understand, build, measure, analyze and manage brands and product categories for a company.
- Analyze the importance of branding and the issues involved in managing brands in organization and in an international context.

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UNIT ONE: PRODUCT MANAGEMENT CONCEPTS

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1.0. Aims and objectives

A student beginning the study of any subject is wise at the outset to seek a general understanding of its nature, its dimension and its place in the scheme of things. So the aim of this unit is to present the core concept of the nature of products management and its characteristics.

By the time you finish this unit you should be able to:

- define product and its characteristics
- Product management in the context of business strategy
- identify the product life cycle models and its implication
- identify the product portfolio decisions

1.1. The nature of products

What Is A Product?

We define a product as anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need. Products include more than just tangible goods. To some, a product is a collection of features, or physical characteristics of the tangible item or service. Other people might think of a product as a collection of advantages, or reasons for having those features.

Broadly defined, products include physical objects, services, events, persons, places, organizations, ideas, or mixes of these entities. Thus, throughout this text, we use the term product broadly to include any or all of these entities. Because of their importance in the world economy, we give special attention to services. Services are a form of product that consist of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything. Examples are banking, hotel, tax preparation, and home repair services.

1.1.1 Product Levels: The Customer-Value Hierarchy

In planning its market offering, the marketer needs to address five product levels. Each level adds more customer value, and the five constitute a customer value hierarchy.

- The fundamental level is the **core benefit**: the service or benefit the customer is really buying. A hotel guest is buying "rest and sleep." The purchaser of a drill is buying "holes." Marketers must see themselves as benefit providers.
- At the second level, the marketer must turn the core benefit into a **basic product**. Thus a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.
- At the third level, the marketer prepares an **expected product**, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quiet.
- At the fourth level, the marketer prepares an **augmented product** that exceeds customer expectations. In developed countries, brand positioning and competition take place at this level. In developing and emerging markets such as India and Brazil, however, competition takes place mostly at the expected product level.

- At the fifth level stands the **potential product**, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offering.

1.1.2. Product Classifications

Marketers have traditionally classified products on the basis of durability, tangibility, and use (**consumer** or **industrial**) products. Each product type has an appropriate marketing-mix strategy.

Durability and Tangibility: Marketers classify products into three groups according to durability and tangibility:

1. **Non-durable goods** are tangible goods normally consumed in one or a few uses, such as beer and soap. Because these goods are purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.
2. **Durable goods** are tangible goods that normally survive many uses: refrigerators, machine tools, and clothing. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.
3. **Services** are intangible, inseparable, variable, and perishable products. As a result, they normally require more quality control, supplier credibility, and adaptability. Examples include haircuts, legal advice, and appliance repairs.

I, Consumer Goods classification: We classify the vast array of goods consumers buy on the basis of shopping habits. We distinguish among:

- Convenience goods
- Shopping goods
- Specialty goods, and
- Unsought goods.

1) The consumer usually purchases **convenience goods** frequently, immediately, and with a minimum of effort. Examples include soft drinks, soaps, and newspapers. Convenience goods can be further divided. Staples are goods consumers purchase on a regular basis.

A buyer might routinely purchase Heinz ketchup, Crest tooth paste, and Ritz crackers.

Impulse goods are purchased without any planning or search effort.

Candy bars and magazines can be impulse goods. Emergency goods are purchased when a need is urgent-umbrellas during a rainstorm, boots and shovels during the first winter snow. Manufacturers of impulse and emergency goods will place them in those outlets where consumers are likely to experience an urge or compelling need to make a purchase.

2) Shopping goods are goods that the consumer characteristically compares on such bases as suitability, quality, price, and style. Examples include furniture, clothing, used cars, and major appliances. We further divide this category. ***Homogeneous shopping goods*** are similar in quality but different enough in price to justify shopping comparisons. ***Heterogeneous shopping goods*** differ in product features and services that may be more important than price. The seller of heterogeneous shopping goods carries a wide assortment to satisfy individual tastes and must have well-trained salespeople to inform and advise customers.

3) Specialty goods have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort. Examples include cars, stereo components, photographic equipment, and men's suits. A Mercedes is a specialty good because interested buyers will travel far to buy one. Specialty goods don't require comparisons; buyers invest time only to reach dealers carrying the wanted products. Dealers don't need convenient locations, although they must let prospective buyers know their locations.

4) Unsought goods are those the consumer does not know about or does not normally think of buying, such as smoke detectors. The classic examples of known but unsought goods are life insurance, cemetery plots, gravestones, and encyclopedias. Unsought goods require advertising and personal-selling support.

II, Industrial Goods Classification: Industrial goods can be classified in terms of their relative cost and how they enter the production process:

(Materials, parts, capital items, supplies, and business services). Materials and parts are goods that enter the manufacturer's product completely.

A) Materials, Materials fall into two classes;

(1) Raw materials

(2) Manufactured materials and parts.

Raw materials fall into two major groups: **farm products** (wheat, cotton, livestock, fruits and vegetables) and **natural products** (fish, lumber, crude petroleum, iron ore).

Farm products are supplied by many producers, who turn them over to marketing intermediaries, who provide assembly, grading, storage, transportation, and selling services. Their perishable and seasonal nature gives rise to special marketing practices, whereas their commodity character results in relatively little advertising and promotional activity, with some exceptions. At times, commodity groups will launch campaigns to promote their product—potatoes, cheese, beef etc....

Manufactured materials and parts fall into two categories: **Component materials** (iron, yarn, cement, wires) and **component parts** (small motors; tires, castings).

Component materials are usually fabricated further—pig iron is made into steel, and yarn is woven into cloth. The standardized nature of component materials usually means that price and supplier reliability are key purchase factors.

Component parts enter the finished product with no further change in form, as when small motors are put into vacuum cleaners, and tires are put on automobiles. Most manufactured materials and parts are sold directly to industrial users. Price and service are major marketing considerations, and branding and advertising tend to be less important.

B) Capital items, Capital items are long-lasting goods that facilitate developing or managing the finished product. They include two groups:

(1) Installations

(2) Equipment.

Installations consist of buildings (factories, offices) and heavy equipment (generators, drill presses, mainframe computers, elevators). Installations are major purchases. They are usually bought directly from the producer, whose sales force includes technical personnel, and a long negotiation period precedes the typical sale.

Producers must be willing to design to specification and to supply post sale services. Advertising is much less important than personal selling.

Equipment includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (personal computers, desks). These types of equipment don't become part of finished product. They have a shorter life than installations but a longer life than operating supplies. Although some equipment manufacturers sell direct, more often they use intermediaries, because the market is geographically dispersed, the buyers are numerous, and the orders are small.

Quality, features, price, and service are major considerations.

The sales force tends to be more important than advertising, although advertising can be used effectively.

C) Supplies and business services,

Supplies and business service are short-term goods and services that facilitate developing or managing the finished product. Supplies are of two kinds: maintenance and repair items (paint, nails, and brooms) and operating supplies (lubricants, coal, writing paper, pencils). Together, they go under the name of MRO goods. Supplies are the equivalent of convenience goods; they are usually purchased with minimum effort on a straight-re-buy basis. They are normally marketed through intermediaries because of their low unit value, and the great number and geographic dispersion of customers. Price and service are important considerations, because suppliers are standardized and brand preference is not high. Business services include ***maintenance and repair services*** (window cleaning, copier repair) and business advisory services (legal, management consulting, and advertising). Maintenance and repair services are usually supplied under contract by small producers or are available from the manufacturers of the original equipment. Business advisory services are usually purchased on the basis of the supplier's reputation and staff.

1.2. Product management in the context of business strategy

Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes (characteristics) such as **form, quality, features, style and design**. Products should be managed properly based on their attributes and nature of product differentiation.

Form: many products can be differentiated in form-the size, shape, or physical structure of a product. Consider the many possible forms taken by products such as aspirin.

Although aspirin is essentially a commodity, it can be differentiated by dosage size, shape, color, and coating or action time.

Feature: Most products can be offered with varying features that supplement their basic function. A company can identify and select appropriate new features by surveying recent buyers and then calculating customer value versus company cost for each potential feature.

The company should also consider how many people want each feature, how long it would take to introduce it, and whether competitors could easily copy it. To avoid "feature fatigue," the company also must be careful to prioritize those features that are included and find un-obtrusive ways to provide information about how consumers can use and benefit from the feature. Companies must also think in terms of feature bundles or packages. Auto companies often manufacture cars at several "trim levels." This lowers manufacturing and inventory costs. Each company must decide whether to offer feature customization at a higher cost or a few standard packages at a lower cost.

Customization: Marketers can differentiate products by making them customized to an individual. As companies have grown proficient at gathering information about individual customers and business partners (suppliers, distributors, retailers), and as their factories are being designed more flexibly, they have increased their ability to individualize market offerings, messages, and media. Mass customization is the ability of a company to meet each customer's requirements-to prepare on a mass basis individually designed products, services, and programs, and communications.

Performance Quality: Most products are established at one of **four** performance levels: **low, average, high, or superior**. Performance quality is the level at which the product's primary characteristics operate. Quality is becoming an increasingly important dimension for differentiation as companies adopt a value model and provide higher quality for less money. Firms, however, should not necessarily design the highest performance level possible. The manufacturer must design a performance level appropriate to the target market and competitors' performance levels. A company must also manage performance quality through time. Continuously improving the product can produce high returns and market share; failing to do so can have negative consequences.

Style: style describes the product's look and feel to the buyer. Car buyers pay a premium for Jaguar's because of their extraordinary looks.

Aesthetics plays key role in such brands as, Apple computers, and Godiva chocolate, and Harley-Davidson motorcycles. Style has the advantage of creating distinctiveness that is difficult to copy. On the negative side, strong style does not always mean high performance. A car may look sensational but spend a lot of time in the repair shop.

Design: As competition intensifies, design offers a potent way to differentiate and position a company's products and services.

In increasingly fast-paced markets, price and technology are not enough. Design is the factor that will often give a company its competitive edge. Design is the totality of features that affect how a product looks, feels, and functions in terms of customer requirements. Design is particularly important in making and marketing retail services, apparel, packaged goods, and durable equipment.

The designer must figure out how much to invest in form, features development, performance, conformance, durability, reliability, reparability, and style. To the company, a well-designed product is one that is easy to manufacture and distribute. To the customer, a well-designed product is one that is pleasant to look at and easy to open, install, use, repair, and dispose of. The designer must take all these factors into account. The arguments for good design are particularly compelling for smaller consumer products companies and start-ups that don't have big advertising dollars.

Branding: Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands of their products and services. A brand is a name, term, sign, symbol, or design, or a combination of these, that identifies the maker or seller of a product or service. Consumers view a brand as an important part of a product, and branding can add value to a product.

Branding has become so strong that today hardly anything goes unbranded. Salt is packaged in branded containers, common nuts and bolts are packaged with a distributor's label, and automobile parts-spark plugs, tires; filters-bear brand names that differ from those of the automakers.

Branding helps buyers in many ways. Brand names help consumers identify products that might benefit them. Brands also tell the buyer something about product quality.

Buyers who always buy the same brand know that they will get the same features, benefits, and quality each time they buy. Branding also gives the seller several advantages.

The brand name becomes the basis on which a whole story can be built about a product's special qualities. The seller's brand name and trademark provide legal protection for unique product features that otherwise might be copied by competitors. Branding also helps the seller to segment markets.

Packaging: Packaging involves designing and producing the container or wrapper for a product. The package may include the product's primary container (the tube holding Colgate toothpaste); a secondary package that is thrown away when the product is about to be used (the cardboard box containing the tube of Colgate); and the shipping package necessary to store, identify, and ship the product (a corrugated box carrying six dozen tubes of Colgate toothpaste).

Labeling printed information appearing on or with the package is also part of packaging. Traditionally, the primary function of the package was to contain and protect the product.

In recent times, however, numerous factors have made packaging an important marketing tool. Increased competition and clutter on retail store shelves means that packages must now perform many sales tasks—from attracting attention, to describing the product, to making the sale. Companies are realizing the power of good packaging to create instant consumer recognition of the company or brand.

1.3. The product life cycle model and its implications and application

A company's positioning and differentiation strategy must change as the product, market, and competitors change over the product life cycle (PLC). To say that a product has a life cycle is to assert four things:

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

Product Life Cycles : Most product life-cycle curves are portrayed as bell-shaped. This curve is typically divided into four stages: introduction, growth, maturity, and decline.

1. Introduction—A period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.
2. Growth—A period of rapid market acceptance and substantial profit improvement.
3. Maturity—A slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.
4. Decline—Sales show a downward drift and profits erode.

1.3.1. Marketing Strategies: Introduction Stage and the Pioneer Advantage

Because it takes time to roll out a new product, work out the technical problems, fill dealer pipelines, and gain consumer acceptance, sales growth tends to be slow in the introduction stage. Profits are negative or low, and promotional expenditures are at their highest ratio to sales because of the need to

- (1) Inform potential consumers,
- (2) Induce product trial, and
- (3) Secure distribution in retail outlets.

Firms focus on those buyers who are the most ready to buy, usually in higher-income groups. Prices tend to be high because costs are high. Companies that plan to introduce a new product must decide when to enter the market. To be first can be rewarding, but risky and expensive. To come in later makes sense if the firm can bring superior technology, quality, or brand strength. Speeding up innovation time is essential in an age of shortening product life cycles.

Most studies indicate that the market pioneer gains the greatest advantage. What are the sources of the pioneer's advantage? Early users will recall the pioneer's brand name if the product satisfies them. The pioneer's brand also establishes the attributes the product class should possess. The pioneer's brand normally aims at the middle of the market and so captures more users. Customer inertia also plays a role; and there are producer advantages: economies of scale, technological leadership, patents, ownership of scarce assets, and other barriers to entry. Pioneers can have more effective marketing spending and enjoy higher rates of consumer repeat purchases.

1.3.2. Marketing Strategies: Growth Stage

The growth stage is marked by a rapid climb in sales. Early adopters like the product, and additional consumers start buying it. New competitors enter, attracted by the opportunities.

They introduce new product features and expand distribution. Prices remain where they are or fall slightly, depending on how fast demand increases. Companies maintain their promotional expenditures at the same or at a slightly increased level to meet competition and to continue to educate the market. Sales rise much faster than promotional expenditures, causing a welcome decline in the promotion-sales ratio.

Profits increase during this stage as promotion costs are spread over a larger volume and unit manufacturing costs fall faster than price declines, owing to the producer learning effect. Firms must watch for a change from an accelerating to a decelerating rate of growth in order to prepare new strategies.

1.3.3. Marketing Strategies: Maturity Stage

At some point, the rate of sales growth will slow, and the product will enter a stage of relative maturity. This stage normally lasts longer than the previous stages and poses big challenges to marketing management. Most products are in the maturity stage of the life cycle.

The maturity stage divides into three phases: **growth**, **stable**, and **decaying** maturity.

- In the first phase, the sales growth rate starts to decline. There are no new distribution channels to fill. New competitive forces emerge.
- In the second phase, sales flatten on a per capita basis because of market saturation. Most potential consumers have tried the product, and future sales are governed by population growth and replacement demand.
- In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers begin switching to other products. The third phase of maturity poses the most challenges. The sales slowdown creates overcapacity in the industry, which leads to intensified competition. Competitors scramble to find niches. They engage in frequent markdowns. They increase advertising and trade and consumer promotion. They increase R&D budgets to develop product improvements and line extensions. They make deals to supply private brands. A shakeout begins, and weaker competitors withdraw.
- The industry eventually consists of well-entrenched competitors whose basic drive is to gain or maintain market share.

Three potentially useful ways to change the course for brands are: **market**, **product**, and **marketing program modifications**.

Market Modification: A company might try to expand the market for its mature brand by working with the two factors that make up sales volume: $\text{Volume} = \text{number of brand users} \times \text{usage rate per user}$.

Product modification: Managers also try to stimulate sales by modifying the product's characteristics through quality improvement, feature improvement, or style improvement.

Quality improvement aims at increasing the product's functional performance. A manufacturer can often overtake its competition by launching a "new and improved" product.

Marketing program Modification: Product managers might also try to stimulate sale by modifying other marketing program elements. They should ask the questions like:

- **Prices**, would a price cut attract new buyers?
- **Distribution**, Can the company obtain more product support and display in existing outlets? Can the company introduce the product into new distribution channels?
- **Advertising**, Should we increase advertising expenditures? Change the message or ad copy? The media mix? What about the timing, frequency, or size of ads?
- **Sales promotion**, Should the company step up sales promotion-trade deals, cents-off coupons, rebates, warranties, gifts, and contests?
- **Personal selling**, should we change the basis for sales force specialization? Revise sales territories or sales force incentives? Can we improve sales-call planning?
- **Services**, Can the company speed up delivery? Can we extend more technical assistance to customers?

1.3.4. Marketing Strategies: Decline Stage

Sales decline for a number of reasons, including technological advances, shifts in consumer tastes, and increased domestic and foreign competition. All can lead to overcapacity, increased price cutting, and profit erosion. As sales and profits decline, some firms withdraw from the market.

Those remaining may reduce the number of products they offer. They may withdraw from smaller market segments and weaker trade channels, and they may cut their promotion budgets and reduce prices further. Unfortunately, most companies have not developed a policy for handling aging products.

Unless strong reasons for retention exist, carrying a weak product is very costly to the firm-and not just by the amount of uncovered overhead and profit: There are many hidden costs.

Weak products often consume a disproportionate amount of management's time require frequent price and inventory adjustments; incur expensive setup for short production runs; draw both advertising and sales force attention that might be better used to make healthy products more profitable; and cast a shadow on the company's image.

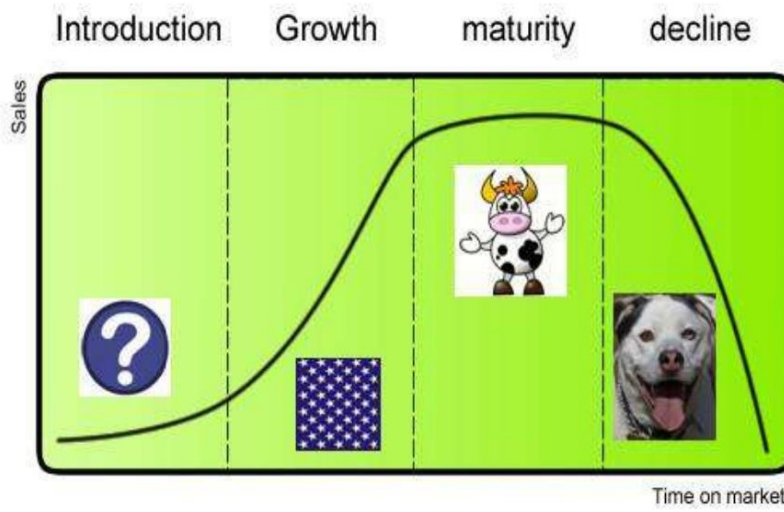


Fig: 1.1. Product life cycle

1.3.5. Critique of the Product Life-Cycle Concept

PLC theory has its share of critics. They claim that life-cycle patterns are too variable in shape and duration to be generalized, and that marketers can seldom tell what stage their product is in. A product may appear to be mature when actually it has reached a plateau prior to another upsurge.

Critics also charge that, rather than an inevitable course that sales must follow, the PLC pattern is the self-fulfilling result of marketing strategies and that skilful marketing can in fact lead to continued growth.

Product Line Decisions

A product line is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlet, or fall within given price ranges. For example, Volvo produces several lines of cars, Philips produces several lines of hi-fi systems and Nike produces several lines of athletic shoes. In formulating product line strategies, marketers face a number of tough decisions.

Product Line-Length Decisions

Product line managers have to decide on product line length. Product line length is influenced by company objectives. Companies that want to be positioned as full-line companies or that are seeking high market share and market growth, usually carry longer lines. Companies that are keen on high short-term profitability generally carry shorter lines consisting of selected items. Over time, product line managers tend to add new products either to use up excess manufacturing capacity, or because the sales force and distributors are calling for a more complete product line to satisfy their customers, or because the firm needs to add items to the product line to increase sales and profits. However, as the manager adds items, several costs rise: design and engineering costs, inventory carrying costs, manufacturing change over costs, order-processing costs, transportation costs, and promotional costs to introduce new items. Consequently, the company must plan product line growth carefully. It can systematically increase the length of its product line in **two ways**: by **stretching its line** and by **filling its line**. Every company's product line covers a certain range of the products offered by the industry as a whole.

Product-Mix Decisions

Some companies may offer not one, but several lines of products which form a product mix or product assortment. For example, a cosmetics firm may have four main product lines in its product mix: cosmetics, jewelry, fashions and household items.

Each product line may consist of a range of items or sub-lines. Take cosmetics. This could be broken down into several sub-lines - lipstick, powder, nail varnish, eye-shadows and so on. Each sub-line may have many individual items.

For example, eye-shadows contain a string of items, ranging from different colors to alternative application modes (e.g. pencil, roll-on, powder). A company's product mix has four important dimensions: width, length, depth and consistency.

International Product Decisions

We now turn to some of the key issues that marketers consider in making international product decisions. International marketers face special product and packaging challenges.

They must decide what products to introduce in which countries, and how much of the product to standardize or adapt for world markets. Companies must usually respond to national differences by adapting their product offerings. Something as simple as an electrical outlet can create big product problems: Those who have travelled to Europe know the frustration of electrical plugs, different voltages, and other annoyances of international travel.

Packaging also presents new challenges for international marketers. Packaging issues can be subtle. For example, names, labels and colors may not translate easily from one country to another. Consumers in different countries also vary in their packaging preferences. Europeans like efficient, functional, recyclable boxes with understated designs. In contrast, the Japanese often use packages as gifts. Thus in Japan, Lever Brothers packages its Lux soap in stylish gift boxes. Packaging may even have to be tailored to meet the physical characteristics of consumers in various parts of the world. For instance, soft drinks are sold in smaller cans in Japan to fit the smaller Japanese **hand** better. Companies may have to adapt their packaging to meet specific regulations regarding package design or label contents. For instance, some countries ban the use of any foreign language on labels; other countries require that labels be printed in two or more languages.

Labelling laws vary greatly from country to country. The international firm would do well to study these and modify its product packaging and labels to conform to local requirements. In summary, whether domestic or international, product strategy calls for complex decisions on product mix, product line, branding, packaging and service strategy. These decisions must be made not only with a full understanding of consumer wants and competitors' strategies, but also with considerable sensitivity to the regulatory environment affecting both product and packaging.

1.4. Product/Business portfolio decisions

Guided by the company's mission statement and objectives, management now must plan its business portfolio-the collection of businesses and products that make up the company. The best business portfolio is the one 'that best fits the company's strengths and weaknesses to opportunities in the environment.

The company must:

- (1) Analyse its current business portfolio and decide which businesses should receive more, less, or no investment; and
- (2) Develop growth strategies for adding new products or businesses to the portfolio.

1.4.1. Analysing the Current Product Portfolio

The major activity in strategic planning is business portfolio analysis, whereby management evaluates the businesses making up the company. The company will want to put strong resources into its more profitable businesses and phase down or drop its weaker ones. Management's first step is to identify the key businesses making up the company." These can be called the strategic business units. A strategic business unit (SBU) is a unit of the company that has a separate mission and objectives and that can be planned independently from other company businesses.

An SBU can be a company division, a product line within a division, or sometimes a single product or brand. "The next step in business portfolio analysis calls, for management to assess the attractiveness of its various SBUs and decide how much support each deserves. In some companies, this is done informally. Management looks at the company's collection of businesses or products and uses judgement to decide how much each SBU should contribute and receive. The purpose of strategic planning is to find ways in which the company can best use its strengths to take advantage of attractive opportunities in the environment. So most standard portfolio-analysis methods evaluate SBUs on two important dimensions-the attractiveness of the SBU's market or industry and the strength of the SBU's position in that market or industry. The same cautions apply to using a product portfolio.

There are several types of portfolios. Perhaps the most famous is the one developed by the Boston Consulting Group and called the BCG grid or matrix. Product portfolio management suggests managing all products simultaneously as you would a financial portfolio, balancing risk and return among all product investments. Most models involve a grid and suggest that product decisions should be based on where each individual product, product line, technology platform, or product category is along the combination of two dimensions.

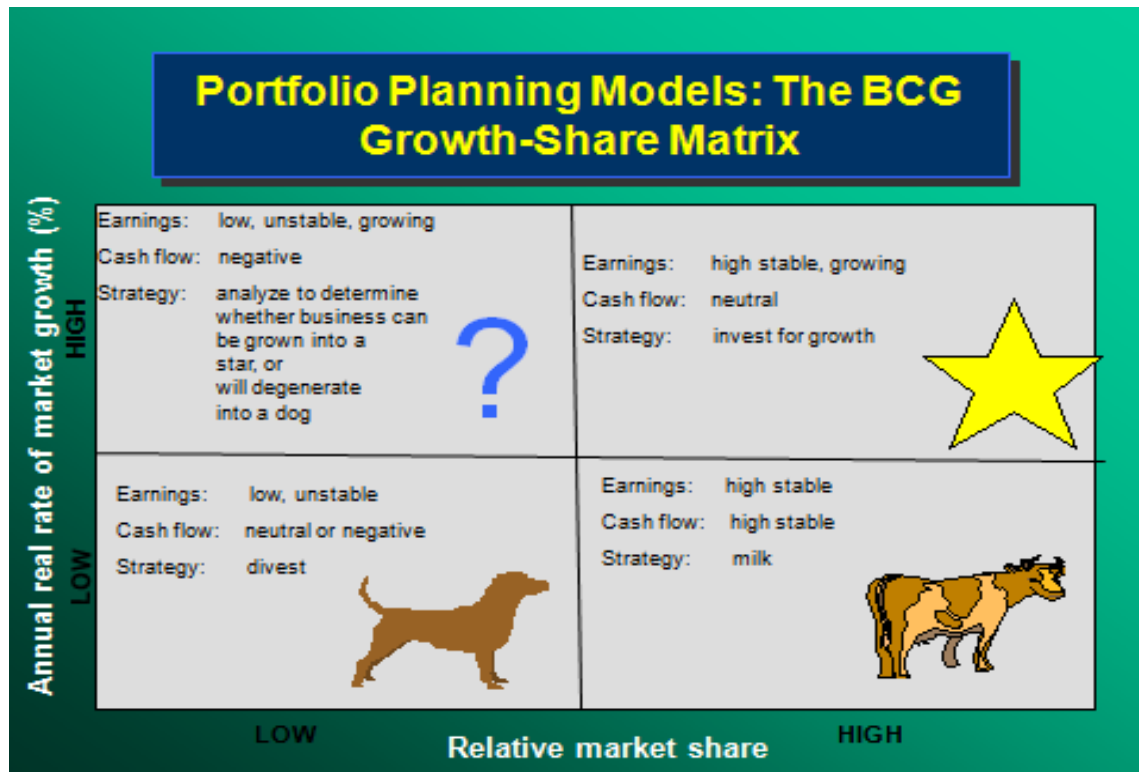
The BCG grid is the simplest of the grid models, with dimensions of market share and market growth. This model has been criticized for being too simple and too similar to the product life cycle (which is also based on market growth).

A more advanced model developed by General Electric is called the GE grid (as illustrated below). It has market attractiveness, or a composite measure of the potential for sales and profits in a particular market segment, and business strength, or the strength of our offering relative to other companies' products, as its dimensions. Attractiveness determinants include market size, growth rate, competitive structure, industry profitability, and environmental (legal, social, etc.) factors. Determinants of strength can include our market share, our growth rate, the company's image, people resources, and other similar factors.

The best-known portfolio-planning method was developed by the Boston Consulting Group, a leading management consulting firm.

1.4.2. The Boston Consulting Group Approach

Using the Boston Consulting Group (BCG) approach, a company classifies all its SBUs according to the growth-share matrix. On the vertical axis, market growth rate provides a measure of market attractiveness. On the horizontal axis, relative market share serves as a measure of company strength in the market. By dividing the growth-share matrix as indicated, four types of SBUs can be distinguished:



Fig, 1.2. Product portfolio model

Stars: Stars are high-growth, high-share businesses or products. They often need heavy investment to finance their rapid growth. Eventually their growth will slow down, and they will turn into cash cows.

Cash cows: Cash cows are low-growth, high-share businesses or products. These established and successful SBUs need less investment to hold their market share. Thus; they produce a lot of cash that the company uses to pay its bills and to support other SBUs that need investment.

Question marks: Question marks are low-share business units in high growth markets. They require a lot of cash to hold their share, let alone increase it. Management has to think hard about which question marks it should try to build into stars and which should be phased out.

Dogs: Dogs are low growth, low-share businesses and products. They may generate enough cash to maintain themselves but do not promise to be large sources of cash. The ten circles in the growth-share matrix represent a company's ten current SBUs. Once it has classified its SBUs, the company must determine what role each will play in the future.

One of four strategies can be pursued for each SBU. The company can invest more in the business unit in order to its share. Or it can invest just enough to hold the SBU's share at the current level. It can harvest the SBU, milking its short-term cash flow regardless of the long-term effect. Finally, the company can divest the SBU by selling it or phasing it out and using the resources elsewhere: As time passes, SBUs change their positions in the growth-share matrix. Each SBU has a life cycle. Many SBUs start out as question marks and move into the star category if they succeed. They later become cash cows as market growth falls, then finally die off or turn into dogs toward the end of their life cycle. The company needs to add new products and units continuously so that some of them will become stars and, eventually; cash cows that will help finance other SBUs.

1.4.3. The General Electric Approach General Electric introduced a comprehensive portfolio planning tool called a strategic business-planning grid. Like the BCG approach, it uses a matrix with two dimensions-one representing industry attractiveness and one representing company strength in the industry. The best businesses are those located in highly attractive industries where the company has high business strength. The GE approach considers many factors besides market growth rate as part of industry attractiveness. It uses an industry attractiveness index made up of market size, market growth rate, industry profit margin, amount of competition, seasonality and cyclist of demand, and industry cost structure. Each of these factors is rated and combined in: an index of industry attractiveness.

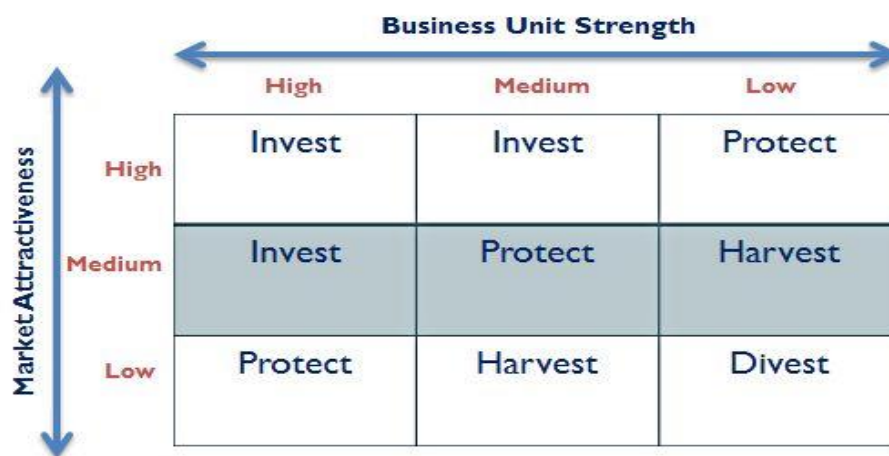


Fig: 1.3. GE matrix- model

1.5. Summary

Because economic conditions change and competitive activity varies, companies normally find it necessary to reformulate their marketing strategy several times during a product's life cycle. Technologies, product forms, and brands also exhibit life cycles with distinct stages. The general sequence of stages in any life cycle is introduction growth, maturity, and decline. The majority of products today are in the maturity stage. Each stage of the product life cycle calls for different marketing strategies. The introduction stage is marked by slow growth and minimal profits.

If successful, the product enters a growth stage marked by rapid sales growth and increasing profits. There follows a maturity stage in which sales growth slows and profits stabilize. Finally, the product enters a decline stage. The company's task is to identify the truly weak products; develop a strategy for each one; and phase out weak products in a way that minimizes the hardship to company profits, employees, and customers. Like products, markets evolve through four stages: emergence, growth, maturity, and decline.

1.6. Check Your Progress Exercise

- 1) The types of products and services that can be purchased by ultimate users are:

A) Customer products	C) Consumer products
B) Industrial products	D) Line extensions
- 2) Which of the BCG business model that shows low-growth, high share business or product and generate a lot of cash to support SBUs?

A) Cash cow	C) Starts
B) Dogs	D) Question marks
- 3) Business managers might also try to stimulate sales by modifying the activities of distribution, advertising, and pricing. This operation specifically related to:

A) Market modification	C) Marketing modification
B) Product modification	D) Sales modification

4. In planning its market offering, the market needs to address five product levels of product characteristics, the fundamental level of any product that customer really buying is;

A) Expected product

C) Core benefit

B) Basic product

D) Potential product

Which of the followings are industrial goods that are used to facilitate developing or managing the finished products?

A) Capital items

C) Unsought goods

B) Specialty goods

D) Durable goods

1. Discuss the four product life cycle stages and its marketing strategies?

2. List and discuss the classifications of the consumer goods and Industrial goods.

3. What do we mean by product portfolio and strategic business unit (SBU)?

Answer to Check Your Progress Exercise

Multiple Choices: 1. C 2. A 3. C 4. C 5. A

Discussion: Question 1. Refer, Sub title product life cycle 1.1

Question 2. Refer, Sub title product classification 1.1

Question 3. Refer Sub title Product portfolio management 1.2

UNIT TWO: THE NEW PRODUCT DEVELOPMENT PROCESS

Contents

- 2.0. Aims and Objectives
 - 2.1. The importance of innovation
 - 2.2. The stages in the NPD process and their financial/risk implications.
 - 2.2.1. New-Product Strategy
 - 2.2.2. New-Product Development Process
 - 2.2.3. The causes for new products failure
 - 2.3. Test marketing and commercialization; the role of marketing research.
 - 2.3.1. Test Marketing
 - 2.3.2. Standard Test Markets:
 - 2.3.3. Controlled-Test Markets:
 - 2.3.4. Simulated Test Markets:
 - 2.3.5. Test Marketing New Industrial Products:
 - 2.3.6. Commercialization
- 3.0. Summary
 - 3.1. Answer to Check Your Progress Exercise

2.0. Aims & Objectives

Once the nature of the products have been defined, classified, and analyzed from an organizational characteristics point of view, each firm's product process must then be analyzed in greater depth.

The aim of this unit is then to discuss the concepts of innovation and new product development process.

After reading this unit you should be able to:

- Understand innovation and new product development process
- Discuss new product stages and its implication
- identify Test marketing and commercialization

2.1. The importance of innovation

Innovative companies are finding ways to create new products quickly, and an important element in their success is their corporate culture of innovation. Barriers to new product success usually relate to a failure to secure one of the several keys to success. Innovation can mean many things, such as innovative marketing strategy, innovative corporate structure, or innovative manufacturing processes. In this chapter, our context is new product development, which is dependent on creativity leading to innovation. Some companies are better at innovating than others. In a study focusing on flexible manufacturing equipment, innovative companies were found to have a corporate culture that supported innovation. This culture is dominated by a desire for the firm to grow, to improve, and to take advantage of all possible opportunities.

Innovative firms tend to focus on opportunity risk while non-innovative firms focus on investment risk. Several studies have consistently found several factors to contribute to the likelihood of success. One factor is vision, or the degree to which the development team shares a vision of what the new development project is supposed to accomplish. Another factor is a structured new product development process. Finally, having a long-term perspective is another important characteristic. In many ways, these factors may be characteristics of an innovative culture. What is consistent about these studies though, is that attention to the basics is important for new product success. As Peter Drucker once wrote, “When all is said and done, what innovation requires is hard, focused, purposeful work.

2.2. The stages in the (NPD) process and their financial and risk implications

Because so many new products fail, companies are anxious to learn how to improve their odds of new-product success. One way is to identify successful new products and find out what they have in common. One study of new-product successes found that the no. one, success factor is a unique superior product, one with higher quality, new features and higher value in use. Another key success factor is a well-defined product concept prior to development, in which the company carefully defines and assesses the target market, the product requirements and the benefits before proceeding.

New products that meet market needs more closely than existing products invariably do well. Other success factors included technological and marketing synergy, quality of execution in all stages and market attractiveness.

2.2.1. New-Product Strategy

Effective product innovation is guided by a well-defined new-product strategy. The new-product strategy achieves **four main goals**:

- ✓ First, it gives direction to the new-product team focuses on team effort-,
- ✓ Second, it helps to integrate functional or departmental efforts;
- ✓ Third, where understood by the new-product team, it allows tasks to be delegated to team members, who can be left to operate independently;
- ✓ Fourth, the very act of producing and getting managers to agree on a strategy requires proactive, not reactive, management, which increases the likelihood of a more thorough search for innovation opportunities.

Successful innovative companies are placing more emphasis upon the use of definitive strategy statements or a product innovation charter (PIC). The PIC draws managers' attention to the reasons or rationale behind the firm's search for innovation opportunities, the product/market and technology to focus on, the objectives (market share, cash flow, profitability, etc.) to be achieved, and guidelines on the nature or level of innovativeness that will sell the new product. The charter spells out the priority that managers should place on developing breakthrough products, changing existing ones and imitating competitors' products.

2.2.2. New-Product Development Process

The new-product development process for finding and growing new products consists of the following main steps.

Idea Generation

The PIC should then direct the search for new-product ideas. Idea generation should be systematic rather than haphazard. Otherwise, although the company will find many ideas, most will not be good ones for its type of business. To obtain a flow of new-product ideas, the company can tap many sources. Chief sources of new-product ideas include internal sources, customers, competitors, distributors and suppliers. Internal Sources, many new-product ideas come from internal sources within the company.

The company can find new ideas through formal research and development. It can pick the brains of its scientists, engineers, designers and manufacturing people.

Customers, almost 28 per cent of all new-product ideas come from watching and listening to customers. The company can conduct surveys to learn about consumer needs and wants. It can analyze customer questions and complaints to find new products that better solve consumer problems. Company engineers or salespeople can meet with customers to get suggestions. Competitors, about 30 per cent of new-product ideas come from analyzing competitors' products. The company can watch competitors' ads and other communications to get clues about their new products. Companies buy competing products, take them apart to see how they work, analyze their sales, and decide whether the company should bring out a new product of its own.

Distributors, Suppliers and Others, resellers are close to the market and can pass along information about consumer problems and new-product possibilities. Suppliers can tell the company about new concepts, techniques and materials that can be used to develop new products. Other idea sources include trade magazines, shows and seminars; government agencies; new-product consultants; advertising agencies; marketing research firms; university, commercial laboratories and science parks; and inventors.

Idea Screening

The purpose of idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce that number to a manageable few which deserve further attention. The first idea-reducing stage is idea screening. The purpose of screening is to spot good ideas and drop poor ones as soon as possible. As product development costs rise greatly in later stages, it is important for the company to go ahead only with those product ideas that will turn into profitable products.

Concept Development and Testing

Attractive ideas must now be developed into product concepts. It is important to distinguish between a produce idea, a product concept and a product image. A **product idea** is an idea for a possible product that the company can see itself offering to the market. A **product concept** is a detailed version of the idea stated in meaningful consumer terms. A **product image** is the way consumers perceive an actual or potential product. Concept testing calls for testing new-product concepts with a group of target consumers. The concepts may be presented to consumers symbolically or physically.

Marketing Strategy Development

The marketing strategy statement consists of three parts. The first part describes the target market, the planned product positioning, and the sales, market share and profit goals for the first few years. The second part of the marketing strategy statement outlines the product's planned price, distribution and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals and marketing mix strategy.

Business Analysis

Once management has decided on its product concept and marketing strategy, it can evaluate the business attractiveness of the proposal. Business analysis involves a review of the sales, costs and profit projections for a new product to find out whether they satisfy the company's objectives. If they do, the product can move to the product development stage.

Product Development

So far, the product concept may have existed only as a word description, a drawing or perhaps a crude mock-up. If the product concept passes the business test, it moves into product development. Here, R & D or engineering develops the product concept into a physical product. The product development step, however, now calls for a large jump in investment. It will show whether the product idea can be turned into a workable product. The R & D department will develop one or more physical versions of the product concept. R & D hopes to design a prototype that will satisfy and excite consumers and that can be produced quickly and at budgeted costs. Developing a successful prototype can take days, weeks, months or even years. The prototype must have the required functional features and also convey the intended psychological characteristics.

Why Do New Products Fail?

Concorde aircraft (an Anglo-French project), PCjr personal computer (IBM), (Walt Disney/ Euro Disney Group), the C5 (Clive Sinclair's electric car) all have one thing in common - they all failed to meet target returns on investment, and therefore joined the ranks of new-product failure. Why do so many new products fail? There are several reasons. Although an idea may be good, the market size may have been overestimated. Perhaps the actual product was not designed as well as it should have been. It may be a 'me too' product which is no better than products that are already established in the marketplace.

A high-level executive might push a favorite idea despite poor marketing research findings. Sometimes the costs of product development are higher than budgeted and sometimes competitors fight back harder than expected.

2.2.3. The causes for new products failure

1. New-product development is an expensive affair - it cost the companies a millions of dollars, like; pharmaceutical firms spend a millions to develop a new drug; while developing a super-jumbo project could cost billions.
 2. New-product development takes time. Although companies can dramatically shorten their development time, in many industries, such as Pharmaceuticals, biotechnology, aerospace and food, new-product development cycles can be as long as 10-15 years. The uncertainty and unpredictability of market environments further raise the risks of commercialization.
 3. Unexpected delays in development are also a problem. History is littered with grand pioneering engineering projects which have failed to satisfy the original expectations of bankers, investors and politicians.
 4. The new-product success record is not encouraging either. New products continue to fail at a disturbing rate. One recent study estimated that new consumer packaged goods (consisting mostly of line extensions) fail at a rate of 80 per cent. The same high failure rate appears to afflict new financial products and services, such as credit cards, insurance plans and brokerage services. Another study found that about 33 per cent of new industrial products fail at launch.
- Despite the risks, firms that learn to innovate well become less vulnerable to attacks by new entrants which discover new ways of delivering added values, benefits and solutions to customers' problems.

2.3. Test marketing and commercialization; the role of marketing research.

2.3.1. Test Marketing

If the product passes functional and consumer tests, the next step is test marketing, the stage at which the product and marketing program are introduced into more realistic market settings. Test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction.

It lets the company test the product and its entire marketing program - positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels - in real market situations. The company uses test marketing to learn how consumers and dealers will react to handling, using and repurchasing the product.

The results can be used to make better sales and profit forecasts. Thus a good test market can provide a wealth of information about the potential success of the product and marketing program.

When using test marketing, consumer-products companies usually choose one of three approaches - standard test markets, controlled test markets or simulated test markets.

2.3.2. Standard Test Markets: Using standard test markets, the company finds a small number of representative test cities, conducts a full marketing campaign in these cities and uses store audits, consumer and distributor surveys, and other measures to gauge product performance.

2.3.3. Controlled-Test Markets: Several research firms keep controlled panels of stores which have agreed to carry new products for a fee. The company with the new product specifies the number of stores and geographical locations it wants. The research firm delivers the product to the participating stores and controls shelf location, amount of shelf space, displays and point-of-purchase promotions, and pricing according to specified plans. Sales results are tracked to determine the impact of these factors on demand.

2.3.4. Simulated Test Markets: Companies also can test new products in a simulated shopping environment. The company or research firm shows, to a sample of consumers, ads, and promotions for a variety of products including the new product being tested. It gives consumers a small amount of money and invites them to a real or laboratory store, where they may keep the money or use it to buy items. The researchers note how many consumers buy the new product and competing brands. This simulation provides a measure of trial and the commercials effectiveness against competing commercials.

2.3.5. Test Marketing New Industrial Products: Business marketers use different methods for test marketing their new products, such as: product-use tests; trade shows; distributor/dealer display rooms; and standard or controlled test markets.

Product use test, Here the business marketer selects a small group of potential customers who agree to use the new product for a limited time. The manufacturer's technical people watch how these customers use the product.

From this test the manufacturer learns about customer training and servicing requirements. After the test, the marketer asks the customer about purchase intent and other reactions. For some products, product-use tests may involve both the business customer and final or end-user.

Trade show, these shows draw a large number of buyers who view new products in a few concentrated days. The manufacturer sees how buyers react to various product features and terms, and can assess buyer interest and purchase intentions.

Distributors and dealers display rooms, here the new industrial product may stand next to other company products and possibly competitors' products. This method yields preference and pricing information in the normal selling atmosphere of the product.

Standard or controlled test market; these are used to measure the potential of new industrial products. The business marketer produces a limited supply of the product and gives it to the sales force to sell in a limited number of geographical areas. The company gives the product full advertising, sales promotion and other marketing support. Such test markets let the company test the product and its marketing program in real market situations.

2.3.6. Commercialization

Test marketing gives management the information needed to make a final decision about whether to launch the new product. If the company goes ahead with commercialization - that is, introducing the new product into the market - it will face high costs. The company will have to build or rent a manufacturing facility. It must have sufficient funds to gear up production to meet demand. Failure to do so can leave an opening in the market for competitors to step in. For example, London-based electronics company Psion's new Series 5 palmtop organizers, launched in years before, were so popular that the firm could not meet demand initially, due to problems at one of its component suppliers. The backlog of orders was taking some four months to clear. Potentially, that left a gap in the hand-held computer market for American and Japanese rivals, which built similar machines based on an operating system designed by US software giant Microsoft. Companies may have to spend millions of pounds for advertising and sales promotion in the first year of launch.

In addition to information about competitors and environmental happenings, marketers often need formal studies of specific situations.

Managers cannot always wait for information to arrive in bits and pieces from the marketing intelligence system. They often require formal studies of specific situations.

For example, Apple Computer wants to know how many and what kinds of people or companies will buy its new ultra-light personal computer. Or a Dutch pet product firm needs to know the potential market for slimming tablets for dogs.

What percentage of dogs are overweight, do their owners worry about it, and will they give the pill Co their podgy pooches? In these situations, the marketing intelligence system will not provide the detailed information needed, because, managers normally do not have the skills or time to obtain the information on their own. They need formal marketing research.

Marketing research is the function linking the consumer, customer and public to the marketer through information - information used: to identify and define marketing opportunities and problems; to generate, refine and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing researchers specify the information needed to address marketing issues, design the method for collecting information, manage and implement the data collection process, analyze the results and communicate the findings and their implications. Marketing researchers engage in a wide variety of activities, ranging from analyses of market potential and market shares to studies of customer satisfaction and purchase intentions.

Every marketer needs research. A company can conduct marketing research in its research department or have some or all of it done outside. Although most large companies have their own marketing research departments, they often use outside firms to do special research tasks or special studies. A company with no research department will have to buy the services of research firms. Many people think of marketing research as a lengthy, formal process carried out by large marketing companies. But many small businesses and non-profit organizations also use marketing research. Almost any organization can find informal, low-cost alternatives to the formal and complex marketing research techniques used by research experts in large firms.

2.4. Summary

Once a company has segmented the market, chosen its target customer groups and identified their needs, and determined its desired market positioning, it is ready to develop and launch appropriate new products and services. Marketing should participate with other departments in every stage of new-product development. Successful new-product development requires the company to establish an effective organization for managing the development process.

Companies can choose to use product managers, new-product managers, new-product committees, new-product departments, or new-product venture teams.

Increasingly, companies are adopting cross-functional teams, connecting to individuals and organizations outside the company, and developing multiple product concepts. Eight stages take place in the new-product development process: idea generation, screening, concept development and testing, marketing strategy development, business analysis, product development, market testing, and commercialization. At each stage, the company must determine whether the idea should be dropped or moved to the next stage.

The consumer-adoption process is the process by which customers learn about new products, try them, and adopt or reject them. Today many marketers are targeting heavy users and early adopters of new products, because both groups can be reached by specific media and tend to be opinion leaders. The consumer-adoption process is influenced by many factors beyond the marketer's control, including consumers' and organizations' willingness to try new products, personal influences, and the characteristics of the new product or innovation.

2.5. Check Your Progress Exercise

1. The main step in the new product development process that emphasize on the activities of reducing large volume of information in to good idea.
A) New product strategy
B) Idea Screening
C) Idea Generation
D) Idea Evaluation
2. Which one of the following statements is considered as a cause to the new product failures?
A) It is an expensive affair
B) Unexpected delays in development
C) It is time consuming operation
D) All are correct
3. The marketing strategy used to test new products in the methods of trade shows, product use test, and dealers display rooms...is:
A) Simulated test marketing
B) Industrial products test marketing
C) Standard test marketing
D) Controlled test marketing

1. What is the role marketing research specifically in the new product development process? -----

2. List and discuss the main steps in the process of new product development.

3. What is Innovation and what is its importance?

Answer to Check Your Progress Exercise

Multiple Choices: 1.C 2. D 3. B

Discussion: Question 1. Refer, Sub title test marketing and the role of marketing research, 2.3

Question 2. Refer, Sub title New-Product Development Process, 2.2

Question 3. Refer Sub title what is innovation and its importance, 2.1

UNIT THREE: INTRODUCTION TO BRAND AND BRAND MANAGEMENT

Contents:

- 3.0. Aims and Objectives
 - 3.1. Definition and importance.
 - 3.1.1. Meanings of a brand
 - 3.1.2. Historical Development
 - 3.2. Branding challenges and opportunities.
 - 3.3. Brand equity concept.
 - 3.4. Strategic brand management process.
 - 3.4.1. Business vision
 - 3.4.2. Setting objectives
 - 3.4.3. Crafting strategy
 - 3.4.4. Implementing strategy
 - 3.4.5. Evaluating performance
 - 3.5. Summary
 - 3.6. Check your progress Exercise
-

3.0. Aims and objectives

The aim of this unit is to show how we can identify brand challenges and manage strategic branding activities. By the time you finish this unit you should be able to:

- Understand historic development of a brand
- describe the challenges of branding process
- explain the strategic brand management process

3.1. Definition and importance

Brands have become a major player in modern society. In fact they are everywhere. They penetrate all spheres of our life: economic, social, cultural, sporting, even religion. A brand is name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition.”

There are a number of **interpretations** of the **term brand** (De Chernatony 2003). They are summarized as follows:

- A brand is simply a *logo* e.g. McDonald's Golden Arches.
- A brand is a *legal instrument*, existing in a similar way to a patent or copyright.
- A brand is a *company* e.g. Coca-Cola.
- A brand is *shorthand* - not as straightforward. Here a brand that is perceived as having benefits in the mind of the consumer is recognized and acts as a shortcut to circumvent large chunks of information. So when searching for a product or service in less familiar surroundings you will conduct an information search. A recognized brand will help you reach a decision more conveniently.
- A brand is a *risk reducer*. The brand reassures you when in unfamiliar territory.
- A brand is *positioning*. It is situated in relation to other brands in the mind of the consumer as better, worse, quicker, slower, etc.
- A brand is a *personality*, beyond function e.g. Apple's iPod versus just any MP3 player.
- A brand is a *cluster of values* e.g. Google is reliable, ethical, invaluable, innovative and so on.
- A brand is a *vision*. Here managers aspire to see a brand with a cluster of values. In this context vision is similar to goal or mission.
- A brand is *added value*, where the consumer sees value in a brand over and above its competition e.g. Audi over Volkswagen, and Volkswagen over Skoda - despite similarities.
- A brand is an *identity* that includes all sorts of components; depending on the brand e.g. Body Shop International encapsulates ethics, environmentalism and political beliefs.
- A brand is *an image* where the consumer perceives a brand as representing a particular reality e.g. Stella Artois *Reassuring Expensive*.

3.1.1. Meanings of Brand

American Marketing Association (AMA) A brand conveys a specific set of features, benefits and services to buyers. It is a mark, a tangible emblem, which says something about the product. The best brands, for example, often convey a warranty of quality. A brand can deliver up to four levels of meaning:

1. Attributes. A brand first brings to mind certain product attributes. For example, Mercedes suggests such attributes as 'well engineered', 'well built', 'durable', 'high prestige', 'fast', 'expensive' and 'high resale value'.

2. Benefits. Customers do not buy attributes, they buy benefits. Therefore, attributes must be translated into functional and emotional benefits. For example, the attribute 'durable' could translate into the functional benefit, 'I won't have to buy a new car every few years.' The attribute 'expensive' might translate into the emotional benefit, 'The car makes me feel important and admired.'

3. Values. A brand also says something about the buyers' values. Thus Mercedes buyers value high performance, safety and prestige. A brand marketer must identify the specific groups of car buyers whose values coincide with the delivered benefit package.

4. Personality. A brand also projects a personality. Motivation researchers sometimes ask, 'If this brand were a person, what kind of person would it be?' Consumers might visualize a Mercedes automobile as being a wealthy, middle-aged business executive. The brand will attract people whose actual or desired self-images match the brand's image.

All this suggests that a brand is a complex symbol. If a company treats a brand only as a name, it misses the point of branding. The challenge of branding is to develop a deep set of meanings or associations for the brand.

Despite the limited popularity of generics, the issue of whether or not to brand is very much alive today. This situation highlights some key questions: Why have branding in the first place? Who benefits? How do they benefit? At what cost?

Branding helps buyers in many ways: Brand names tell the buyer something about product quality. Buyers who always buy the same brand know that they will get the same quality each time they buy. Brand names also increase the shopper's efficiency. Imagine a buyer going into a supermarket and finding thousands of generic products.

Brand names help call consumers' attention to new products that might benefit them. The brand name becomes the basis upon which a whole story can be built about the new product's special qualities.

Branding also gives the supplier several advantages: The brand name makes it easier for the supplier to process orders and track down problems. The supplier's brand name and trademark provide legal protection for unique production features that otherwise might be copied by competitors. Branding enables the supplier to attract a loyal and profitable set of customers. Branding helps the supplier to segment markets. For example, Cadbury can offer Daily Milk, Milk Tray, Roses, Flake, Fruit and Nut and many other brands, not just one general confectionery product for all consumers.

Branding also adds value to consumers and society: Those who favor branding suggest that it leads to higher and more consistent product quality. Branding also increases innovation by giving producers an incentive to look for new features that can be protected against imitating competitors. Thus, branding results in more product variety and choice for consumers. Branding helps shoppers because it provides much more information about products and where to find them.

Brand Elements

* Brand Name * Brand Logos and Icons * Colors * Symbols * Music/Sound * Celebrities or Personalities * Advertising slogans and jingles * Brand Alliances/Secondary * Associations * Co-branding * Licensing * Sponsorship * Event Marketing * Celebrity Endorsement * Third-party Endorsements

3.1.2. Historical Development

Brands have been used since ancient times. For example, to mark livestock, singular designs were burned into animals' skin to identify the owner. Egyptian brick makers used brands to identify their own bricks, and brands were later utilized to identify craftsmen's wares. A potter, for example, would mark his pots by putting his thumbprint or some other personal tag on the wet clay at the bottom of a vase or pot. Likewise, silversmiths would brand their pieces with marks or initials. The value of craftsmen's wares soon became associated with their brands, as consumers quickly learned to associate varying degrees of quality with the marked goods.

At least one source traces the roots of present branding techniques to 16th century whiskey distillers, who burned their names into the tops of their whiskey barrels. It is only since the second half of the 19th century that has branding evolved into an advanced marketing tool. The industrial revolution and new communications systems made it easier for companies to advertise brands over larger regions. Most importantly, improved modes of transporting goods emerged. Manufacturers transported merchandise primarily by ship prior to the late 19th century. As a result, large scale commercial branding was generally limited to regions served by particular ports and companies near to those shipping points.

The development of the railroad system during the late 19th century, both in the United States and in other parts of the industrialized world, gradually diminished the transportation constraint. As manufacturers gained access to national markets, numerous brand names were born that would achieve legendary U.S. and global status. Procter & Gamble, Kraft, Heinz, Coca-Cola, Kodak, and Sears were a few of the initial brands that would become common household names by the mid-20th century. At least four important evolutionary changes occurred to cast those brands, and the entire branding concept for that matter, into the forefront of modern advertising strategy:

(1) the internal combustion engine made possible the distribution of products into more remote areas; (2) branding became a tool used to distinguish nearly homogeneous goods, such as eggs or bananas; (3) legal systems were devised to recognize and protect brand names; and (4) branding strategies were extended to encompass services, such as car repair.

An exemplary illustration of the evolution of branding is Guinness, an English beer. Started in 1750 by Arthur Guinness (1725-1803), the beer gained only local favor in a small region of the United Kingdom before the 20th century. Improved shipping and distribution technologies allowed Guinness to become one of the most recognized and successful brands in the world by the 1980s, with distribution and manufacturing operations throughout the globe. A more popular early example of branding in the United States is Coca-Cola, which dates back to the 1880s. As a result of the technological factors discussed above, Coke achieved unsurpassed brand recognition through its name and the (legally protected) shape of its soft drink bottle.

3.2. Branding challenges and opportunities

Branding means much more than just giving a brand name and signaling to the outside world that such a product or service has been stamped with the mark and imprint of an organization. It requires a corporate long-term involvement, a high level of resources and skills. If brands are strong and powerful, they also face challenges regarding sustenance and growth. These challenges vary in degree and intensity for various markets.

Competitive pressures and wars have led to a few difficult situations that companies have to face challenges in branding. The following are the typical ones:

Brand proliferation: Owing to the reason of low growth, the classic response of marketing people has been (and is) to develop new brands or extending/stretching existing brands into different varieties. In many instances, products carry the label of “new” indicating new features. But those are not recognized by consumers as really new. The result is “irritated consumers” who think their buying decision has been made complicated into an unnecessary effort. The net result is no increase in sales. To meet this challenge, manufacturers have to introduce products with real meaningful added features that can be perceived as “performance benefits” and not just cosmetic changes.

Consumer revolt: Because of the little differences that are not found meaningful, the consumers are not willing to pay premium prices in most of the cases until real performance benefits are perceived by them. The manufacturers find it hard to amass profits. For this reason, marketing departments get under pressure to produce results.

Retailer power: Knowing brand managers being under pressure, retailers like to keep them under pressure for promotions that suit retailers more than anyone else in the trade sections. With retailers’ concentration, the balance of power between the manufacturer and the retailer has tilted toward the retailer in products distribution and storage.

The pressures mount and brand and marketing managers find themselves pressed from two fronts **internal** (finance and top management) and **external** (retailers).

Media cost and fragmentation: Developments of cable and satellite systems offer enormous choices, with the help of which you can reach fragmented audiences.

Under such circumstances, it has become challenging for brand managers to be practically aware of the media costs and the effects of fragmenting a TV campaign. Not only that, they also have to be able to plan an integrated communication campaign with various tools of communication at their hands.

Policy issues: Within the same company, brand policy often conflicts with other policies. As these are unwritten and implicit, they may seem innocuous, when in fact they are a hindrance to a true brand policy. Current corporate accounting, as such, is unfavorable towards brands. Accounting is ruled by the prudence principle: consequently, any outlay for which payback is uncertain is counted as an expense rather than valued as an asset. This is the case of investments made in communications in order to inform the general public about the brand's identity. Because it is impossible to measure exactly what share of the annual communications budget generates returns immediately, or within a specified number of years, the whole sum is taken as an operating expense which is subtracted from the financial year's profits. Yet advertising, like investments in machinery, talented staff and R&D, also helps build brand capital. Accounting thus creates a bias that handicaps brand companies because it projects an undervalued image of them.

Employee turnover: A high personnel turnover disrupts the continuity a brand needs. Yet companies today actually plan for their personnel to rotate on different brands! Thus, brands are often entrusted to young graduates with impressive degrees but little experience and the promotion they expect often consists of being assigned to yet another brand! Thus, product managers must achieve visible results in the short term. This helps to explain why there are so many changes in advertising strategy and implementation as well as in decisions on brand extension, promotion or discounts. These are in fact caused by changes in personnel. It is significant that brands that have maintained a continuous and homogeneous image belong to companies with stable brand decision makers.

Failing to manage innovations has a very negative impact on brand equity. Even though salespeople go up in arms when they are not given the responsibility of a strong innovation, it is a mistake to assign to a weak brand, especially in multi-brand groups. When dealing with a weak brand, attractive pricing must indeed be offered to distributors as an incentive to include the latter in their reference listing.

But since the brand's consumers do not expect this innovation (each brand defines its type and level of consumer expectations), the product turnover is insufficient. Finally, such practices foster a false collective understanding of what brands are, even among opinion leaders, which contributes to the rumor that nowadays all products are just the same. The role of a brand titleholder, like so many other things we have talked about so far, has two levels: the spirit of brand management and the practice of it. The spirit of being a brand holder is so under-appreciated and so often overlooked, and yet so powerful in its being, that is the single biggest problem in most business today. Most of the people in the organization have no sense or appreciation for how important it is to build and defined the company's brands.

Your business does not exist separate from the brand; it exists to serve the brand. Think of it this way: If a company simply acts as though it owns the brand, then it may make decisions for the corporate good without carefully considering the impact on the brands. The brand champion/holder philosophy recognizes that the brand owns the company. If your brands all die, the company dies, too. And if your brands die, all you have left to sell is empty buildings or office equipment. If the company dies because of some financial management issues, you can still sell off a good brand name and see your work continue out into the future. So, the big opportunity for all of us working to manage brands is to engage the minds and brand of the whole organization around this idea: A brand is a living thing, and a good brand is a very valuable asset. This mind-set should come from the very top of the organization and should reflected constantly in communication between employees, and then to the outside world when employees deal with suppliers, customers, and the media.

3.3. Brand equity concept

Brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability the brand commands for the firm. An understanding of the concept of brand equity helps us define the process of brand management.

It, therefore, must be understood before we can put definition in place. In a business, the owner's equity is the value of owner's holding in the company. And, that is defined as the difference between what a company owns in assets and what it owes in liabilities.

The larger the ratio of assets to liabilities, the larger is the owner's equity. Likewise, brand equity is the difference between a brand's assets and brand's liabilities. Brand assets are a function of **reputation, quality, relevance, and loyalty**. Brand liabilities are incurred by brands because of failures and questionable business practices that may increase costs and liabilities. The larger the ratio of brand assets to brand liabilities, the greater is the brand equity. In other words, if brand management is at the heart of marketing, then brand equity is at the heart of brand management.

3.4. Strategic brand management process

With the overview in place, we now move on to the strategic process as it emerges while you develop a new brand or sustain an existing one. For the sake of consistency of tutorial, the brand management approach is going to be a reflection of the process explained by **Scot Davis** in his book "**Brand Asset Management**". All the chapters are included in the tutorial. The understanding will come into a better light if viewed from the standpoint of developing a new brand. Comprehensive in nature, it will automatically point out the measures needed to refresh an existing brand, whenever and wherever the need arises.

Vision: The point of departure toward the process is to have a clear vision for your brand. Vision is all about where you want to see your brand at the end of a certain period of your definition. In very simple words, vision is the journey from here (present) to there (future). Brand vision tells us about a brand's growth and future direction. It is the most important statement before we undertake the strategic management process. It tells us how our brand is going to help the company achieve its goals – financial and strategic. Before going any further, it is important that we learn how the strategic management process (SMP) works! An understanding of the basics of the process will allow us to easily fit the vision into it and then understand how to proceed with every successive strategic step of importance.

The strategic management process (SMP) can be explained in five steps. Very early in the strategy making process, managers ask themselves the question:

- What is our vision for the company?
- Where is the company headed?
- What kind of enterprise we want to build?
- What should be the company's future make-up?

3.4.1. Step One: Business Vision, The above analysis creates organizational purpose and identity and form very clearly the “VISION” of the company. You can feel from the discussion how important it is to have a clear vision for the company and, also, how closely related that is to creating vision for the brand! A mission statement speaks of the present form of business, the products it is dealing in, the customers it is serving, and the areas in which it is operating etc. It also talks of the commitments and values that are needed to let the company achieve its objectives. It does not speak beyond that. But, the process of strategic management does not stop there. It makes it imperative that managers see beyond the mission, or the present, to determine a long-term direction that the company must take for tomorrow.

3.4.2. Step Two: Setting Objectives, after vision and mission are in place, the next step is converting those statements into specific objectives. Any organization setting itself ambitious and bold objectives become aggressive in its pursuits. Ambitious and bold should not be misinterpreted as unrealistic. Organizational capabilities must be considered before setting realistic objectives.

Targets Toward achievement of objectives, all managers across the company must get targets that can be measured. Targets broken into divisions, departments, and then units develop a result oriented work culture. It improves work performance with no confusion about who is supposed to do what and who is stepping on whose toes!. The collective achievement of targets helps the company to achieve its mission and assure fulfilling its vision.

Types of Objectives, Following are the two major types of objectives set in a typical organization

- Financial Objectives
- Strategic Objectives

The job of managers is to achieve both in order to improve competitive strength of the company. While short range objectives keep the managers involved in accomplishing the mission, long range objectives prompt them to think what to do next to achieve company’s vision.

3.4.3. Step Three: Crafting a Strategy, Strategy is crafted in compatibility with the stated objectives. Objectives are the “ends” and strategy is the “means” to achieve those ends. Strategy deals with “whether to” and “how to” areas of the management process and seeks answers to the following kind of “whether to” and “how to” questions.

- Whether to concentrate on one business or diversify?
- Whether to serve a large number of customers or operate in a niche?

- Whether to have a narrow product line or a wide one?
- Whether to achieve competitive advantage through lower costs, better quality, or unique features?
- How to respond to competitive pressures?
- How to respond to changing preferences?
- How big a geographic market should be?
- How to grow the organization in the long run?

The “whether to” and “how to” aspects relate to branding strategies as much as they do to overall business. If you come to think of it, many of the questions fall within the area of brand management.

3.4.4. Step Four: Implementing Strategy, The fundamental is to assure “what are and should be” the means at management’s disposal to achieve what is visualized. Implementation is all about what must be done to achieve the desired performance goals by putting strategy at work. Proficient execution consists of the following key aspects.

- Building an organization and developing a culture of motivating people by instituting reward systems.
- Developing budgets and steering resources into strategy critical areas of success.
- Installing information and operating systems.

3.4.5. Step Five: Evaluating Performance, What has been set as objectives and targets have got to be evaluated to see if management is really moving along the path it envisioned for itself! Movement identical with the planned path is generally not possible. If performance is above par, then it is not bad. If not, then the following questions have to be considered:

- Change of strategic direction
- Business to be redefined
- Vision changed; narrowed or broadened or revised altogether
- Performance standards to be lowered or raised. It is clear that all the above considerations relate modifications and adjustments in the strategic frame work.

The Brand Vision: An understanding of the strategic management process makes it amply clear that a company cannot carve its future path without accounting for its brand (s). Brands lay the foundation for fulfilment of the vision and they also serve as the key stones for sustaining that fulfilment.

If brands help the company achieve its strategic and financial goals, then a brand vision must flow out of the company vision. The overall vision must specify the way the management looks at the brand future in the long run. Brand future refers to

- Markets and market segments to be served
- Quality improvements to be achieved
- Envisioned changes to be met
- Investments, to be made, and any other factors that address brand movement in times to come.

The Brand Mission: Clarity of vision leads management to state the mission, that is

- What customers the company serves?
- Why it serves?
- What geographical areas it serves?
- What benefits it provides?
- What kind of results it predicts to achieve: Sales, Profits, and Market share

Since brand vision rolls out of the overall company vision, it is of high significance to learn how it happens and why there are tremendous consistencies between the two: Company vision and brand vision.

Brand planning process: The process consists of the following three major steps:

- **Market definition**
- **Market Analysis**
- **Brand Analysis,**

All three are further made up of different concepts that we have learnt about brand management during this course. While going through this process, we will get a feeling of revising the whole course relating those concepts.

Market definition: The first step is to define the market from customer's point of view. You must state in few words what kinds of needs the market fulfills. The definition should not be tailored for different purposes and different time-scales. It should state all purposes fulfilled and time-scales served. For example, if you want to introduce a drink, you may consider the market of all kinds of drinks as thirst quenchers. This will include all cold drinks (cola and un-cola), juices, energy drinks, squashes, and even drinking water etc. You may, however, define just one segment of your concern for the time being with the understanding to include others at a later stage.

Your choice should stem from your strategic considerations at any given point in time. You may like to talk about your direct competitors and the attributes of competing products that have a competing posture for your brand. Make no mistake that you confirm the legitimacy of your considerations through brand chartering and not whims or personal preferences. You may also like to talk about whether the market is growing fast, just stable, or declining. The stage of the market growth cycle is going to have an impact on your brand's movement.

Market analysis: You must have complete understanding who your buyers are and how they constitute the market in terms of demographics. A complete understanding of their profile, how much quantities they generally use, how does the brand fit into their lives, what problems it solves, and what value it generates for them must form part of the planning process? An understanding of your immediate segment in relation to other segments forming the market is of crucial importance to brand planning. You must define various segments, because this definition of yours is going to translate into your efforts to extend the range into those segments. Therefore, you must mention various segments in your plan. You may recall different segments of interest to company XYZ of sandwiches. You may also like to consider those changing trends that may have the potential to create new segments in the near future. The ability to spot growth of new segments will keep you pro-active and preemptive in your strategic moves. You must consider who your major competitors are and what is the level of threat each one poses to your brand? Your focus on competitors is almost as important as on consumers. In the market place you cannot operate in a vacuum. The moves of your competitors will always keep you active in considering the changes and improvements in yours. You must take into account the competitive advantages in relation to your own and competitors' brands, and strengths and weaknesses of all major players. You need to decide which channels are to be used in view of the outreach needed for your brand. Distribution of products, may those be tangible products or intangible services, is the priority of any business to be successful. The objective is to reach the ultimate consumers in the most cost-effective and delivery efficient way. For that you need to establish whether it is going to be the market norm, or some ingenious method of distribution.

Brand analysis: The point of departure for this stage is the model that we discussed earlier.

The brand model: Whether we are dealing with a new brand or an existing one, we must make sure that we are considering all the dimensions of the brand correctly. We must be clear about the brand essence and values.

The core meaning of the brand has to be expressed internally and externally. The personality should be such that imagery works instantaneously for customers to recognize the brand identity. To achieve that, we have to make sure that communication media is integrated, working for the same end with a coherent message and campaign. You must be clear about the place of the brand as part of the architecture. There should be no inconsistencies. What is extremely essential at this point is that all these factors are consistent with the market analysis.

Positioning: The definition of the model automatically should take you to the areas of *segmentation* and *differentiation*. You cannot consider brand's essence, core values, identity and personality, and the imagery without taking into consideration the segment you are going to target and the point of difference you are going to offer. These two elements of segmentation and differentiation lay the ground for positioning. In the context of brand planning, you come up with a statement that describes the brand from the point of view of differentiation. The concept is that you position your brand in the mind of the consumer relative to competition in a way that it points out key differences. You create a position that is not yet occupied in the consumer's mind, a position the consumer will own immediately. Positioning in a way is redefinition of the brand.

Objectives: It is here that you start working with numbers in terms of sales volume, revenues, margins, and other financial returns on the brand. This necessitates coming up with sales forecasts as the backbone of all projections and extrapolations that you make. You rationalize your projections by taking into account competition and hence the total market size to objectively arrive at a level that you think your brand can attain. Existing or a new brand, in both cases you work with pragmatic parameters. One of the strategic aims here is to project the share of the market that you envisage achieving during the plan period.

Brand picture: This part deals with the creative elements like *brand vision*, *brand's promise*, and *brand's contract*. The most important task here is to see that all the elements look as coherent part of the focused whole. They should be so closely and consistently related at every point that they must look like one organic body, with no foreign part. To elaborate further, all these strategic elements should revolve around the *essence* and *positioning* of the brand. Delivery of promises and upholding of the contract will first legitimize and then strengthen brand's position.

Products and its variants: You must consider all the range items and sizes by flavors, ingredients, recipes or whatever way the product is ranged.

You must consider all that is learnt about **range** and **brand extension**. You must keep into consideration utility of different sizes meant for who, when, what, and where aspects. The considerations must center on the strategic elements of **promise** and **contract**. Any distancing between the two is going to make the plan incoherent, disjointed, and illogical.

Name: Despite having different and divergent opinions on the importance of name or the lack of it, you should opt for a name that expresses brand's position and enhances its **identity**. It preferably should not be too general unable to evoke right **imagery**, and at the same time not too narrow unable to offer you the opportunity of **extension** in future.

Packaging: This should highlight brand's personality and leave a mark on the consumer. The utility and usefulness of it should be fully considered; it should "not be overdone" and nor should it give the impression of "much is left to be desired".

Pricing: After having learnt the strategic side of pricing, it is our decision to go for **cost plus** pricing or **market-based** pricing. As the logic goes, market-based pricing makes a lot more sense, but then you must know both your customers and competition well. Any pricing strategy, therefore, should be the cornerstone of margins that the company wants to make. Equally important is to maintain the balance between the **margins** and the "value for money" proposition to consumers. Any undue effort to make profits will attract competition. Last, but not the least, pricing should be linked to the positioning of the product.

Advertising and promotions: To keep your brand into limelight and worthy of recall and recognition, it is important to advertise according to a well thought-through plan. Advertising is an investment and not an expense. It therefore should receive top level support toward brand building. Media selection for the optimal impact is a very delicate and strategic decision. You should work very closely with the agency. Nonetheless, it also is important for the brand to show the potential of generating a healthy return on that investment. Promotions and other tools of **communication** should also be integrated into the campaign sensibly.

Channel partners: For the simple reason that you are out to not only sell, but also to leverage your brand to the maximum, your decision about what channels to use should be very practical. One way is to follow the market norm; the other is to think improvements by getting into combinations of different members of the channel. Another way is to get you directly involved into distribution. The objective is to maximize the outreach and hence availability of your brand by keeping the distribution cost-effective, customer-friendly, and result-optimizing.

3.5. Summary

A brand is a name, term, sign, symbol, design, or some combination of these elements, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors. The different components of brand-brand names, logos, symbols, package designs, and so on-are brand elements. Brands offer a number of benefits to customers and firms. Brands are valuable intangible assets that need to be managed carefully. The key to branding is that consumers perceive differences among brands in a product category. Brand equity should be defined in terms of marketing effects uniquely attributable to a brand. That is, brand equity relates to the fact that different outcomes result in the marketing of a product or service because of its brand, as compared to the results if that same product or service was not identified by that brand.

Building brand equity depends on three main factors:

- (1) The initial choices for the brand elements or identities making up the brand;
- (2) The way the brand is integrated into the supporting marketing program; and
- (3) The associations indirectly transferred to the brand by linking the brand to some other entity (e.g., the company, country of origin, channel of distribution, or another brand).

3.6. Check Your Progress Exercise

1. One of the strongest brand challenge marketer faces in relation to product distribution and storage is:
 - A) Media cost fragmentation
 - B) Customers revolt
 - C) Retailers power
 - D) Brand proliferation
2. What is the first major step in the activities of brand planning process?
 - A) Market definition
 - B) Market analysis
 - C) Resource analysis
 - D) Brand analysis
3. Which of the following elements are incorporated in the level of meanings to define brand?
 - A) Attributes and value
 - B) Benefits
 - C) Personality
 - D) All are correct

1. What are the steps in the strategic management process? List and discuss the five steps in the process of (SMP)

2. What do mean by the term brand? Define the term from different perspectives.

3. What are the three major steps in the brand planning process? List and discuss them in detail.

Answer to Check Your Progress Exercise

Multiple Choices: 1.C 2. A 3. D

Discussion: Question 1. Refer, Sub title Strategic management process, 3.4

Question 2. Refer, Sub title Brand definition and importance, 3.1

Question 3. Refer Sub title major steps in brand planning process, 3.4

UNIT FOUR: IDENTIFYING AND ESTABLISHING BRAND POSITIONING VALUES

Contents:

4.0. Aims and objectives

4.1. Customer-based brand equity and brand positioning

4.1.1 Sources of brand equity

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4.2. Brand resonance and the brand value chain

4.2.1. Building a strong brand: The four steps of brand building

4.2.2. The brand value /asset/strength

4.3. Summary

3.5. Check your progress Exercise

4.0. Aims and objectives

Once the challenges for strategic branding practices have been defined, and analyzed the next step is exercising brand management process. The aim of this unit is then to discuss the concepts of brand equity, brand positioning, and brand value chain activities.

By the time you finish this unit you should be able to:

- Understand what brand equity and brand positioning is
- describe brand resonance and brand mantra
- explain the brand value chain branding steps

4.1. Customer-based brand equity and brand positioning

Customer Based Brand Equity

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

First, brand equity arises from differences in consumer response. If no differences occur, then the brand name product is essentially a commodity or generic version of the product. Competition will probably be based on price.

Second, differences in response are a result of consumer's knowledge about the brand. 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, favorable, and unique brand associations with customers, as have Volvo (safety), Hallmark (caring), and Harley-Davidson (adventure).

Third, the differential response by consumers that makes up brand equity is reflected in perceptions, preferences, and behavior related to all aspects of the marketing of a brand. Stronger brands lead to greater revenue. The challenge for marketers in building a strong brand is therefore ensuring that customers have the right type of experiences with products, services, and their marketing programs to create the desired brand knowledge.

Positioning

An understanding of the category and the roles played by competition (all brands) leads us to develop the positioning for our brand. Positioning is very central to having the right strategies at work to achieve our brand management and overall business goals. Positioning is an approach to communication that solves communication problem by highlighting very special features of your brand. It is important to understand why and how it started?

Positioning, “It is a concise statement that summarizes brand’s commitment or promise to target consumers and actively communicates the advantage over competing brands.”

Going by the definition, positioning has three primary components:

- The component of company business
- The component of target market
- The component of point of difference and key benefits

The Positioning Era: The authors of the concept believe that to be successful you have to touch base with reality. The only reality that counts is what is already in the mind of the prospect. Creativity for the sake of creating something new does not help. And, therefore, image building through advertising meant to create something that does not already exist in consumer's mind doesn't help. Creating something of that sort is very difficult, if not outright impossible, the authors believe. In other words, the thrust of the concept of positioning is to do something effectively with what already exists in prospect's mind and then capitalize on it. Therefore, the basic approach of positioning is not to create something new, but to manipulate what is already there in the mind and to retie the connections that already exist, claim the authors. As a defense mechanism against over-communication, the mind rejects a lot of information and accepts only the one that matches with the prior knowledge, or that complements the prior knowledge.

The only defense mechanism is that a person has an oversimplified mind. Marketing people therefore should ignore the sending side and do something with the receiving side – the prospect's mind. You concentrate on the prospect's perceptions and simplify the process. Positioning therefore is not something that you do to the product. It is something you do to the prospect's mind. You position the product in the mind of the prospect.

How positioning works: Experience has it that positioning works best when you emphasize on things that are not. If you introduce chewing gum for health conscious people, you position it as "sugar-free", meaning it is not sugar.

The first car was advertised as the "horseless" carriage. It had no horse and hence it was different. That positioned the new invention against the transportation of the time. You highlight the differentiated feature by talking of something that is not there, but at the same time is in the mind of the prospect. This is a good example of manipulating something that already exists in prospect's mind. **Things -that are not** -can be found in areas other than the basic product itself. This implies that to effectively position a product in prospects' mind, you do not always have to talk about the product itself.

If you introduce a low-price item in response to a genuine need, you can position it from price point of view and talk of the product as a low-price item, meaning it is not a high-price item. Improving distribution with the help of a new product can go a long way in positioning it as the one that has hassle-free distribution.

4.1.1. Sources of brand equity

A powerful brand has high sources of brand equity. Brands have higher brand equity to the extent that they have higher ***brand loyalty, name awareness, perceived quality, strong brand associations*** and other assets such as ***patents, trademarks and channel relationships***. A brand with strong brand equity is a valuable asset. In fact, it can even be bought or sold for a price. Many companies base their growth strategies on acquiring and building rich brand portfolio! Measuring the actual equity of a brand name is difficult. Because it is so hard to measure, companies usually do not list brand equity on their balance sheets. Still, they pay handsomely for it. For example, Nestle paid £2.5 billion to buy Rowntree, six times its reported asset value.

4.1.2. Identifying & establishing brand

The terms “brand,” “branding,” and “brand identity” are sometimes treated as interchangeable, but that’s not the case. Brand is the perception of the company in the eyes of the world. Branding involves the marketing practice of actively shaping a distinctive brand. Brand identity is the collection of all brand elements that the company creates to portray the right image of it to the consumer.

How to develop a strong brand identity

Before you know what tangible elements you want to make up your brand identity, you need to know who you are as a brand. Who you are as a brand is made up of a few key elements:

Your mission (what’s your “why?”)

Your values (what beliefs drive your company?)

Your brand personality (if your brand was a person, what kind of personality would they have?)

Your unique positioning, (how do you differentiate yourself from the competition?).

Your brand voice: (if your brand was a person, how would it communicate?).

These elements are what define your brand, and before you start building your brand identity, it's important you have a clear understanding of each.

Once you've locked in who you are as a brand, it's time to build the identity that will bring your brand to life and show who you are to the people who matter most: your customers. Here are their five steps for building a strong brand identity:

4.1.3. Defining a brand mantra

Brand mantra: To better establish what a brand represents, marketers will often define a brand mantra. A brand mantra, as expressed by (Kevin Lane Keller in his book); Strategic Brand Management is a short, three- to five-word phrase that captures the irrefutable essence or spirit of the brand positioning.

It's similar to "brand essence" or "core brand promise," and its purpose is to ensure that all employees and external marketing partners understand what the brand most fundamentally is to represent to consumers so they can adjust their actions accordingly.

Brand mantras are powerful devices. They can provide guidance about what products to introduce under the brand, what ad campaigns to run, and where and how the brand should be sold. They may even guide the most seemingly unrelated or mundane decisions, such as the look of a reception area and the way employees answer the phone.

4.2. Brand resonance and the brand value chain

Brand characteristics fundamentally relate with the value brands offer their customers and create for their companies. Value being at the heart of brands' characteristics necessitates that brands be managed accurately. Characteristics of Good Brands

- Short & simple
- Easy to spell and read
- Easy to recognize & remember
- Adaptable to packaging needs
- Suggestive of product benefits

Brands, whether grown organically or through acquisitions, have to generate revenues, profits, and net earnings to make businesses viable. The ability to generate financial results rests at the core of brand value and power. It is because of this value and power that brands must be sustained.

4.2.1. Building a strong brand: The four steps of brand building

The Four Steps of Brand Building

Building a strong brand, according to the Customer-Based Brand Equity model, can be thought of in terms of a sequence of steps, in which each step is contingent upon the successful completion of the previous step. All steps involve accomplishing certain objectives with customers, both existing and potential. The first step is to ensure identification of the brand with customers and an association of the brand in customers' minds with a specific product class or customer need. The second step is to firmly establish the brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations. The third step is to elicit the proper customer responses to this brand identity and brand meaning. The fourth and final step is to convert brand response to create an intense, active loyalty relationship between customers and the brand.

These four steps represent a set of fundamental questions that customers invariably ask about brands, implicitly if not explicitly:

Step 1 : Who are you? (Brand identity)

Step 2 : What are you? (Brand meaning)

Step 3 : What about you? What do I think or feel about you? (Brand responses)

Step 4 : What about you and me? What kind of association & how much of a connection would I like to have with you? (Brand relationships)

There is an obvious sequence in this "branding ladder," that is, meaning cannot be established unless identity has been created; responses cannot occur unless the right meaning has been developed; and a relationship cannot be forged unless the proper responses have been elicited.

4.2.2. The brand value /assets/strength

Brand value is the ability of brands to deliver profits. A brand has no financial value unless it can deliver profits. To say that lack of profit is not a brand problem, but it is a business problem is to separate the brand from the business, an intellectual temptation.

Brand assets. These are the sources of influence of the brand (awareness/saliency, image, type of relationship with consumers), and patents.

Brand strength. At a specific point in time as a result of these assets within a specific market and competitive environment. They are the ‘brand equity outcomes’ if one restricts the use of the phrase ‘brand equity’ to brand assets alone. Brand strength is captured by behavioral competitive indicators: market share, market leadership, loyalty rates and price premium (if one follows a price premium strategy).

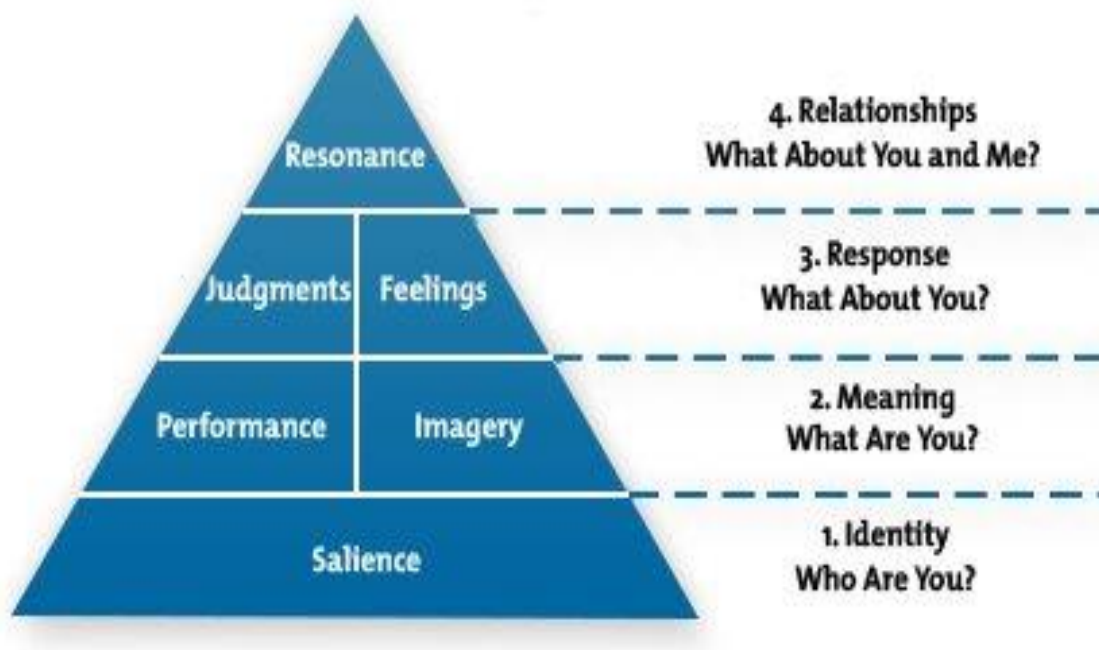


Figure 4.1. Keller's brand equity model

Applying the Model

Let's look at each step and building block in detail, and discuss how you can apply the framework and strengthen your brand.

Step 1: Brand Identity – Who Are You?

In this first step, your goal is to create "brand salience," or awareness – in other words, you need to make sure that your brand stands out, and that customers recognize it and are aware of it.

Step 2: Brand Meaning – What Are You?

Your goal in step two is to identify and communicate what your brand means, and what it stands for. The two building blocks in this step are: "performance" and "imagery."

Step 3: Brand Response – What Do I Think, or Feel, About You?

Your customers' responses to your brand fall into two categories: "Judgements" and "feelings." These are the two building blocks in this step.

Your customers constantly make judgements about your brand: Quality, Credibility, Consideration, and Superiority.

Customers also respond to your brand according to how it makes them feel. Your brand can evoke feelings directly, but they also respond emotionally to how a brand makes them feel about themselves.

Step 4: Brand Resonance – How Much of a Connection Would I Like to Have With You?

Brand "resonance" sits at the top of the brand equity pyramid because it's the most difficult – and the most desirable – level to reach. You have achieved brand resonance when your customers feel a deep, psychological bond with your brand.

4.3. Summary

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 programs are having the intended effects. A branding strategy for a firm identifies which brand elements a firm chooses to apply across the various products it sells. In a brand extension, a firm uses an established brand name to introduce a new product. Potential extensions must be judged by how effectively they leverage existing brand equity to a new product, as well as how effectively the extension, in turn, contributes to the equity of the existing parent brand.

Brands can play a number of different roles within the brand portfolio. Brands may expand coverage, provide protection, extend an image, or fulfill a variety of other roles for the firm.

4.4. Check Your Progress Exercise

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-
-

-
-
-

3. What are the characteristics of a good brand?

Answer to Check Your Progress Exercise

Multiple Choices: 1.D 2. B 3. D 4. B

Discussion: Question 1. Refer, Sub title customer based brand equity , 4.1

Question 2. Refer, Sub title Brand mantra, 4.1.3

Question 3. Refer Sub title brand resonance and the brand value, 4.2

UNIT FIVE: PLANNING AND IMPLEMENTING BRAND MARKETING PROGRAMS

Contents:

- 5.0. Aims and objectives
 - 5.1. Choosing brand elements to build brand equity
 - 5.1.1. Criteria for choosing brand elements
 - 5.1.2. Developing brand elements.
 - 5.2. Designing marketing programs to build brand equity
 - 5.2.1. Product, pricing and channel strategy
 - 5.2.2. Integrating marketing communications to build brand equity
 - 5.2.3. Leveraging secondary brand associations to build brand equity
 - 5.3. Summary
 - 5.4. Check your progress exercises
-

5.0. Aims and objectives

The learner who studies any subject is wise at the outset to seek a general understanding of its nature, its dimension and its place in the scheme of things. So the aim of this unit is to identify the core elements of a brand to build products brand and to effectively conduct marketing activities.

By the time you finish this unit you should be able to:

- define and identify brand elements and its characteristics
- know how to develop brand elements
- Understand how to design marketing activities/ program
- Conduct integrated marketing communication

5.1. Choosing brand elements to build brand equity

Choosing Brand Elements, brand elements are those trade-mark able devices that identify and differentiate the brand. Most strong brands employ multiple brand elements. Nike has the distinctive "swoosh" logo, the empowering "Just Do It" slogan, and the "Nike" name based on the winged goddess of victory. Marketers should choose brand elements to build as much brand equity as possible. The test of the brand-building ability of these elements is what consumers would think or feel about the product if the brand element were all they knew. A brand element that provides a positive contribution to brand equity, for example, conveys certain valued associations or responses.

5.1.1. Criteria for choosing brand elements

There are six main criteria for choosing brand elements. The first three-*memorable*, *meaningful*, and *likable*-are "**brand building**." The latter three-*transferable*, *adaptable*, and *protectable*-are "**defensive**" and deal with how to leverage and preserve the equity in a brand element in the face of opportunities and constraints.

1. Memorable-How easily is the brand element recalled and recognized? Is this true at both purchase and consumption? Short names such as Tide, Crest, and Puffs are memorable brand elements.

2. Meaningful-Is the brand element credible and suggestive of the corresponding category? Does it suggest something about a product ingredient or the type of person who might use the brand? Consider the inherent meaning in names such as DieHard auto batteries, Mop & Glo floor wax, and Lean Cuisine low-calorie frozen entrees.

3. Likable-How aesthetically appealing is the brand element? Is it likable visually, verbally, and in other ways? Concrete brand names such as Sunkist, Spic and Span, and Thunderbird evoke much imagery.

4. Transferable-Can the brand element is used to introduce new products in the same or different categories? Does it add to brand equity across geographic boundaries and market segments? Although initially an online book seller, Amazon.com was smart enough not to call itself.

The Amazon is famous as the world's biggest river, and the name suggests the wide variety of goods that could be shipped, an important descriptor of the diverse range of products the company now sells.

5. Adaptable-How adaptable and up-datable is the brand element? The face of Betty Crocker has received more than eight makeovers over her 75 years and she doesn't look a day over 35!

6. Protect able-How legally protect-able is the brand element? How competitively protect-able? Names that become synonymous with product categories-such as Kleenex, Kitty Litter, Jell-a, Scotch Tape, Xerox, and Fiberglass-should retain their trademark rights and not become generic.

5.1.2. Developing brand elements

Brand elements can play a number of brand-building roles. If consumers don't examine much information in making their product decisions, brand elements should be easy to recognize and recall and inherently descriptive and persuasive. The likability and appeal of brand elements may also play a critical role in awareness and associations leading to brand equity. The Keebler elves reinforce home-style baking quality and a sense of magic and fun for their line of cookies. Of course, brand names aren't the only important brand element. Often, the less concrete brand benefits are, the more important it is that brand elements capture intangible characteristics. Like brand names, slogans are an extremely efficient means to build brand equity. They can function as useful "hooks" or "handles" to help consumers grasp what the brand is and what makes it special, summarizing and translating the intent of a marketing program.

5.2. Designing marketing programs to build brand equity

Building Brand Equity

Overview

- ✓ How do marketing activities in general—and product, pricing, and distribution strategies in particular—build brand equity?
- ✓ How can marketers integrate these activities to enhance brand awareness, improve the brand image, elicit positive brand responses, and increase brand resonance?

New Perspectives on Marketing

The strategy and tactics behind marketing programs have changed dramatically in recent years as firms have dealt with enormous shifts in their external marketing environments:

- ✓ Digitalization and connectivity (through Internet, intra-net, and mobile devices)
- ✓ Dis-intermediation and re intermediation (via new middlemen of various sorts)
- ✓ Customization and customization (through tailored products and ingredients provided to customers to make products themselves)
- ✓ Industry convergence (through the blurring of industry boundaries)

Implications for the Practice of Brand Management

They have a number of implications for the practice of brand management. Marketers are increasingly abandoning the mass-market strategies that built brand powerhouses in the 1950s, 1960s, and 1970s to implement new approaches. Even marketers in staid, traditional industries are rethinking their practices and not doing business as usual.

Integrating Marketing Programs and Activities

Creative and original thinking is necessary to create fresh new marketing programs that break through the noise in the marketplace to connect with customers. Marketers are increasingly trying a host of unconventional means of building brand equity.

Personalizing Marketing

All of these approaches are a means to create deeper, richer, and more favorable brand associations. Relationship marketing has become a powerful brand-building force. It Can slip through consumer radar, May creatively create unique associations, May reinforce brand imagery and feelings

Nevertheless, there is still a need for the control and predictability of traditional marketing activities. Models of brand equity can help to provide direction and focus to the marketing programs

Personalizing Marketing Concepts

- ✓ Experiential marketing
- ✓ One-to-one marketing
- ✓ Permission marketing

Reconciling the New Marketing Approaches

One-to-one, permission, and experiential marketing are all potentially effective means of getting consumers more actively involved with a brand.

Experiential Marketing

- ✓ Focuses on customer experience
- ✓ Focuses on the consumption situation
- ✓ Views customers as rational and emotional elements
- ✓ Uses electric methods and tools

One-to-One Marketing: Competitive Rationale

- ✓ Consumers help to add value by providing information.
- ✓ Firm adds value by generating rewarding experiences with consumers.
 - ❖ Creates switching costs for consumers
 - ❖ Reduces transaction costs for consumers
 - ❖ Maximizes utility for consumers
- ✓ Experiential marketing connects a product to unique and interesting experiences
- ✓ “The idea is not to sell something, but to demonstrate how a brand can enrich a customer’s life”

One-to-One Marketing: Consumer Differentiation

- ✓ Treat different consumers differently because of different needs and different values to firm, it may be for current and future (lifetime value)
- ✓ Devote more marketing effort on most valuable consumers (and customers)

The Fundamental Strategies of One-to-One Marketing:

- ✓ Focus on individual consumers through consumer databases, Respond to consumer dialogue via interactivity Customize products and services

One-to-One Marketing: Five Key Steps

- ✓ Identify consumers, individually and addressable
- ✓ Differentiate them by value and needs
- ✓ Interact with them more cost-efficiently and effectively
- ✓ Customize some aspect of the firm’s behavior
- ✓ Brand the relationship

Permission Marketing (Seth Godin)

“Encourages consumers to participate in a long-term interactive marketing campaign in which they are rewarded in some way for paying attention to increasingly relevant messages.”

(I) Anticipated, (II) Personal (III) Relevant

Permission marketing can be contrasted to interruption marketing.

Five Steps in Permission Marketing

1. Offer the prospect an incentive to volunteer.
2. Offer the interested prospect a curriculum over time, teaching consumers about the product.
3. Reinforce the incentive to guarantee that prospect maintains the permission.
4. Offer additional incentives to get more permission from the consumer.
5. Over time, leverage the permission to change consumer behavior toward profits.

Brand Equity drivers

Marketers build brand equity by creating the right brand knowledge structures with the right consumers, (Philip Kotler and Kevin Keller on the book: Marketing Management). Discussed about this process depends on all brand-related contacts-whether marketer initiated or not. From a marketing management perspective, however, there are three main sets of brand equity drivers:

1. The initial choices for the brand elements or identities making up the brand (brand names, URLs, logos, symbols, characters, spokespeople, slogans, jingles, packages: -By creating a line of nontoxic household cleaning products with bright colors and sleek designs totally unique to the category, Method racked up \$32 million in sales in 2010. Because of a limited advertising budget, the company believes its attractive packaging and innovative products must work harder to express the brand positioning.

2. The product and service and all accompanying marketing activities and supporting marketing programs: Liz Claiborne's fastest-growing label is Juicy Couture, who's edgy, contemporary sportswear and accessories have a strong lifestyle appeal to women, men, and kids. Positioned as an affordable luxury, the brand creates its exclusive cachet via limited distribution and a somewhat risqué name and rebellious attitude

3 Other associations indirectly transferred to the brand by linking it to some other entity (a person, place, or thing): -The brand name of New Zealand vodka 42 below refers to both latitude that runs through New Zealand and the percentage of its alcohol content. All the packaging and other visual cues are designed to leverage the perceived purity of the country to communicate the positioning for the brand.

5.2.1. Product, pricing and channel strategy

Integrating the Brand into Supporting Marketing Programs

Supporting marketing mix should be designed to enhance awareness and establish desired brand image. Product strategy; Pricing strategy; Channel strategy

Product Strategy

“At the heart of a great brand is invariably a great product”

- ✓ How do consumers form their opinions of the quality and value of a product?
- ✓ How can marketers use the relationship marketing perspective in formulating product strategy and offerings?
- ✓ Perceived quality and value
 - ❖ Brand intangibles
 - ❖ Total quality management and return on quality
 - ❖ Value chain
- ✓ Relationship marketing
 - ❖ Mass customization: Customization addresses the need for individuality NIKEiD
 - ❖ After marketing: Activities that occur after customer purchase (User Manuals, Complimentary Products). To achieve the desired brand image, product strategies should focus on both purchase and consumption
 - ❖ Loyalty programs: Loyalty programs offer different mixtures of services, newsletters, premiums and incentives for a firm’s “best” customer

Packaging strategy

- ❖ This section should cover the functional aspect, the delivery system, and the graphics. It definitely is the domain of personality, identity, and imagery.
- ❖ Brand persona plays an important role here. It is explained with the help of the following example: If the target market is teenage girls, the package should be designed to fit a teenage hand.
- ❖ The colours should be appealing to the target and totality of graphics should create an impression of something soft, inviting, and caring. When you pay attention to this aspect, you will find a lot of inconsistencies in many brands.

- ❖ Do not forget to support in a written manner all actions that you want taken. This amounts to explaining reasons, why you are doing what you are doing? By giving explanations you will realize how consistent or inconsistent you are in your effort.

Pricing Strategy

- ❖ Price premiums are among the most important brand equity benefits of building a strong brand.
- ❖ Consumer price perceptions: Consumers often rank brands according to price tiers in a category.
- ❖ Setting prices to build brand equity
 - Value pricing
 - a) **Product design and delivery:** Innovations , improvements , and convenience
 - b) **Product costs:** Outsourcing , material substitution , technology, product reformulation , factory improvement, Cost reductions can't sacrifice quality
 - c) **Product price:** Understand what consumers are willing to pay, if there are premiums and then adjust it for cost and competition
- ❖ Everyday low pricing: Everyday base prices; A strategy based on low pricing as well as discounts and promotions to consumers at regular intervals.

Channel Strategy

The manner by which a product is sold or distributed can have a profound impact on the resulting equity and ultimate sales success of a brand. Channel strategy includes the design and management of intermediaries such as wholesalers, distributors, brokers, and retailers. What is the best place for your consumers to find your product and how will you get it there is going to be the basis of your strategy? State that in a few lines. If there is a part that deals with making it cost-effective, do mention that. Cost-effectiveness, however, should not compromise availability.

The communication strategies: Starting with coining the name to communicating it with benefits so that positioning takes hold, you formulate all the relevant strategies.

Naming Strategy: State what the name should connote, what are the strategic elements behind that –function, image, or overall positioning, or what? A statement of this strategy is going to be helpful for a new as well as an existing brand in terms of variations, extensions, and improvements.

Copy strategy: An extremely important and interesting for brand managers, this strategy should be stated in a little detail. You have to remember four things: First, state the benefit promised to the consumer. Again, this takes you into the realm of promises. You may also like to state this on the package in an attractive way for consumer education and a claim that you deliver the promises.

Second, you must state the support for believing that the promise is true. Who knows when you reach this point you yourself may get into a doubt about your ability to deliver the promise!

Third, state the emotional benefit to the promise. This takes you back into the concept of brand value pyramid. You will know how far up the pyramid your brand really can go.

Fourth and lastly, you must decide the tone of advertising and the personality or character you wish the brand to have.

Media strategy: This states, how you will reach your target consumers with the message. You should be very careful given the diversity and fragmentation of today's media – especially, in terms of TV channels. State things in broad terms and make plans separately. This takes you back into budget allocations.

Sales promotion strategy: *Consumer Promotion*, State your objective very clearly in the following terms:

- Are you after trial, re-purchase, loading, increased usage?
- Which sizes are best-promoted? How frequently?
- Will you promote everywhere or regionally?
- Will you schedule for seasonality or holidays?

Trade Promotion,

- What is your expectation from trade to help you realize your objectives?
- What kind of deals and incentives you are willing to offer to trade?

Translate all that into numbers and see if those fit into budgetary allocations?

Merchandising strategy: This deals with how you wish to see your brand at the retail level? What section and where on the shelf? This defines the area of interaction with sales people who are going to help you achieve this objective. *This is a matter to be discussed at the brand-level cross-functional committee.* Knowing the objective, you state the strategy.

The resource strategies: These strategies deal with different kinds of resources that you need to implement your strategies.

These strategies also flow out of brand vision, its positioning and management commitment. You, as brand managers, may not make decisions to deploy the requisite resources, but you nonetheless should be clear about the strategic importance of such resources. State everything as part of your strategy and present the draft plan to top management for their consideration.

Management strategy: What human resources are going to be involved in the whole effort? How are they going to be helpful in letting the company achieve its objectives? How will they be guided, motivated, and compensated? State all the factors briefly as part of your strategy. You have an opportunity to explicitly state the importance of the functioning of various committees we have been talking about as internal marketing effort and also for measuring brand performance.

You may also recall the incentives that we discussed for those with good performance. Good performance is related to brand performance. The whole exercise falls within the areas of cross functional committees.

Sales strategy: State the importance of making sure that our distribution strategy works well and our sales are registered according to the plan. Any requirements of additional staff or changes have got to be taken into a strategic account. State all the factors as part of the strategy.

External resource strategy: State as part of the strategy the kind of resources to be employed here.

- Market research
- Event management experts
- Other sales promotion experts

Testing strategy: You mention, as your strategy, what kind of testing mechanisms are sound?

- Market research
- Ad research
- Test markets etc.

Channel Design

- ✓ Direct channels: Selling through personal contacts from the company to prospective customers by mail, phone, electronic means, in-person visits, and so forth
- ✓ Indirect channels: Selling through third-party intermediaries such as agents or broker representatives, wholesalers or distributors, and retailers or dealers, Push and pull strategies

Push and Pull Strategies

By devoting marketing efforts to the end consumer, a manufacturer is said to employ a pull strategy. Alternatively, marketers can devote their selling efforts to the channel members themselves, providing direct incentives for them to stock and sell products to the end consumer. This approach is called a push strategy.

Not every plan is going to have all these sections. But, the principles are the same. So, some may have additional sections, the need for which is to be ascertained by the brand management people. Knowing your circumstances and the market situation, you must decide which aspects of the overall brand management process need more attention than others. With the understanding of all fundamentals, you now should be the best guide to determine that. Offer value to the consumer, create it for the brand, and make the business profitable!

5.2.2. Integrating marketing communications to build brand equity

Use an integrated marketing communications strategy Experience has shown that advertising and promotions when used together create a compound impact. The reasons are common sense-based. A mix of all communications has a better chance of achieving synergy. If synergy is to be achieved, then advertising and promotions have to be mutually consistent, so that they can complement each other's effect. Having the two tools complement each other leads to a cumulative impact in the minds of customers in a coherent way. Fragmented messages at unrelated times do not create as much of an impact as consolidated messages through all the possible vehicles of communications. The integration therefore calls for certain methods to be followed. The generally followed principles are:

Principle of IMC (Integrated Marketing Communication)

1. Always look for opportunities to blend various possibilities of communication.
2. Ensure that all of them convey the same message, consistently.
3. Track all expenditure by product, promotional tools, and relate the observed effects with improvements in future applications.

4. Create a philosophy of capabilities and cost effectiveness of each tool. It forces you to consider all the possible tools at your disposal to communicate brand's positioning directly with your customers by making sure nothing is left uncovered.

5.2.3. Leveraging secondary brand associations to build brand equity

Leveraging Secondary Associations

The third and final way to build brand equity is, in effect, to "borrow" it. That is, create brand equity by linking the brand to other information in memory that conveys meaning to consumers. The "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).

For example, assume Burton Co.-makers of snowboards as well as ski boots, bindings, clothing, and outerwear-decided to introduce a new surfboard called "The Dominator." Burton has gained over a third of the snowboard market by closely aligning itself with top professional riders and creating a strong amateur snowboarder community around the country. In creating the marketing program to support the new Dominator surfboard, Burton could attempt to leverage secondary brand knowledge in a number of different ways:

It could leverage associations to the corporate brand by "sub branding" the product, calling it "Dominator by Burton." Consumers' evaluations of the new product would be influenced by how they felt about Burton and how they felt that such knowledge predicted the quality of a Burton surfboard.

- Burton could rely on its rural New England origins, but such a geographical location would seem to have little relevance to surfing.

Burton could also sell through popular surf shops in the hope that its credibility would "rub off" on the Dominator brand.

- Burton could co-brand by identifying a strong ingredient brand for its foam or fiberglass materials (as Wilson did by incorporating Goodyear tire rubber on the soles of its Pro-Staff Classic tennis shoes).

- Burton could find one or more top professional surfers to endorse the surfboard, or it could sponsor a surfing competition or even the entire Association of Surfing Professionals (ASP) World Tour.

Burton could secure and publicize favorable ratings from third-party sources such as Surfer or Surfing magazine.

Thus, independent of the associations created by the surfboard itself, its brand name, or any other aspects of the marketing program, Burton could build equity by linking the brand to these other entities.

5.3. Summary

Brand is a mental game where each element tells a story about the brand itself and these stories are destined together to a single goal to draw a distinct image in the consumers mind. Differentiation is an inevitable part of the brand management, which can be done by positioning and integrated marketing communication. However, this differentiation starts from developing each brand element distinctively to avoid the “me too” approach. Brand was born to separate a group of products from that of others; but nowadays, brand is used by consumers to differentiate them within society.

Product quality depends not only on functional product performance but on broader performance considerations as well, like speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; and the quality of repair service. Brand attitudes may also depend on more abstract product imagery, such as the symbolism or personality reflected in the brand. The product is at the heart of brand equity. Product strategy entails choosing: Tangible and intangible benefits the product will embody, Marketing activities that consumers desire and the marketing program can deliver, and Learn how to know the audience, listen (the best) customers and engage them.

The pricing strategy can dictate: How consumers categorize the price of the brand, how firm or how flexible they think the price is, based on how deeply or how frequently it is discounted. Consumers rank brands according to price tiers in a category. Price groups: Range of acceptable prices that indicate the flexibility and breadth marketers can adopt in pricing their brands within a tier. Value-based pricing strategies: Attempting to sell the right product at the right price to better meet consumer wishes.

Channel design: Classified into direct and indirect channels. Direct channels sell through personal contacts from the company to prospective customers by mail, phone, electronic means, and in-person visits. Indirect channels sell through third-party intermediaries such as agents or broker representatives, wholesalers or distributors, and retailers or dealers. Nike, Branded Nike-town stores, NikeStore.com, Outlet stores, Retail, Catalog retailers and Specialty stores.

Integrating marketing communications thus involves mixing and matching different communication options to establish the desired awareness and image in the minds of consumers. Interactive marketing communications were identified as an important growth area in marketing. Interactive marketing communications offers marketers much versatility in that virtually any aspect of brand building can be addressed via interactive marketing communications to potentially impact brand equity.

5.4. Check your progress Exercise

1. What are the main criteria in choosing brand elements?

2. List and discuss about designing marketing programs to build brand equity

3. What are elements of channel strategies? Discuss types of channel strategies.

4. What do we mean by integrated marketing communication? Discuss the four principles of IMC?

Answer to Check Your Progress Exercise

Discussion questions:

Question 1, Refer, Sub title criteria in choosing brand elements, 5.1.1

Question 2. Refer, Sub title designing marketing programs, 5.2

Question 3. Refer Sub title channel strategy, 5.2.1

Question 4. Refer Sub title integrating marketing communications, 5.2.2

UNIT SIX: MEASURING AND INTERPRETING BRAND PERFORMANCE

Contents:

- 6.0. Aims and object
 - 6.1. Developing a brand equity measurement and management system
 - 6.1.1. Brand Audit
 - 6.1.2. Brand Tracking
 - 6.2. Conducting brand audits
 - 6.3. Establishing a brand equity management system
 - 6.3.1. Brand Reinforcement
 - 6.3.2. Brand Revitalization
 - 6.4. Maximizing internal branding
 - 6.5. Summary
 - 6.6. Check your progress exercise
-

6.0. Aims and objectives

The purpose of this unit is to discuss about the core concepts of brand equity management and brand audit activities. After reading this unit, you must be able:

- to explain the brand tracking and brand audit
- to conduct brand audit activities and brand equity management
- to establish a brand equity management system.
- To explain brand reinforcement and brand revitalization
- To maximize internal branding activities

6.1. Developing a brand equity measurement and management system

Measuring Brand Equity

Given that the power of a brand resides in the minds of consumers and the way it changes their response to marketing, there are two basic approaches to measuring brand equity. 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 the marketing. "Marketing Insight: The Brand Value Chain" shows how to link the two approaches. The two general approaches are complementary, and marketers can employ both. In other words, for brand equity to perform a useful strategic function and guide marketing decisions, marketers need to fully understand:

- (1) The sources of brand equity and how they affect outcomes of interest, as well as
- (2) How these sources and outcomes change, if at all, over time. Brand audits are important for the former; brand tracking for the latter.

6.1.1. A brand audit is a consumer-focused series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. Marketers should conduct a brand audit whenever they're considering important shifts in strategic direction. Conducting brand audits on a regular basis, such as annually, allows marketers to keep their fingers on the pulse of their brands so they can manage them more proactively and responsively. Audits are particularly useful background for managers as they set up their marketing plans.

6.1.2. Brand-tracking studies

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 programs 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.

6.2. Conducting brand audits

What is a brand audit? A brand audit is a detailed analysis that shows how your brand is currently performing compared to its stated goals, and then to look at the wider landscape to check how that performance positions you in the market.

The methodology will therefore differ depending on industries and individual companies. Regardless of the exact criteria you choose to measure, an audit should allow you to:

- Establish the performance of your brand
- Discover your strengths and weaknesses
- Align your strategy more closely with the expectations of your customers
- Understand your place in the market compared to the competition

One option is to employ a branding agency to conduct a comprehensive audit. They may examine **internal branding**: your positioning, voice, brand values, culture, and product.

External branding can also be considered; logo and other brand elements, website, advertising, social media, sponsorships, event displays, news and PR and content marketing.

They can also look at company infrastructure, such as customer service, HR policies, and sales processes.

Perform your own brand audit

However, you can choose to audit yourself using data that should be readily available. There are a wide range of metrics you can measure, but which ones are important will change on a case by case basis.

1. Create a framework

You should start by looking at your mission and strategic objectives to create a framework.

You want to consider who your target customers are, the marketing plan to reach them, and the layout of the business landscape you operate in. Some companies will be able to refer to their go to market strategy. This consists of the overarching plan that includes target customers (geographically, job roles, sectors, buyer personas etc), product portfolio, distribution channels, partnerships, competitors, and pricing.

2. Question your customers

It can be easy to rely on web and social numbers alone, but this will not give a complete picture. You can conduct surveys by telephone, email, on your website or as part of the sales process. Services like Smart Survey will let you create online questionnaires for free. A mixture of quantitative and qualitative feedback will provide a more rounded view. Understanding the customer experience at each touch point will be an important part of your audit.

As there is plenty of data available these subjective customer stories will help humanize the audit and provide an idea of how people perceive your brand.

They can also help to uncover answers to questions that cannot be easily told by data, such as rating the customer service- experience or why someone ultimately chose your brand over the competition.

3. Review your web analytics

As 81% of consumers conduct on-line research before making a purchase (going up to 94% in B2B cases), the traffic to your website is an important, if obvious, place to start. Have a look at your web analytics program to discover how your website is performing.

Monitoring paid and organic channels is standard practice for working out if your SEO or display adverts are succeeding or need optimizing. You can also look deeper to see if traffic is coming from the markets you are targeting.

It's also worth reviewing which channels drive traffic: you want there to be a mix of sources to mitigate against any sudden drops in one area. An over-reliance on organic search could be undone by one simple Google update.

Obviously, conversions and conversion rates should always be monitored. A deeper analysis as part of your brand audit will tell you if you are attracting the right kind of traffic, and which types of content are working best.

4. Review social data

Social data can help further flesh out the overview of your brand, giving access to audience data that is unavailable through other channels.

The demographic information available through social media allows you to better understand your audience. You may want to reposition your messaging if your actual audience differs from your perceived audience.

Social intelligence tools like Brand watch can be used to gain a deeper understanding of your customers, examining their interests outside your brand to inform marketing. Location-based social data can complement web location data.

You can find out who is linking to your website, just one way of uncovering influencers. Sentiment analysis allows you to gain an overview of the wider public opinion around your brand, or specific campaign or product.

A linguistic analysis using categorization of mentions can inform you of the associations with your brand. Combining this data with an audience analysis gives you opportunities to reposition or highlight strengths, and answering the needs of the market.

5. Review sales data

Of course sales data will be at the forefront of your on-going monthly reporting, but examining it in conjunction with the rest of the audit data will help to identify problem areas.

The context provided by an analysis of the entire customer journey can bring out specific areas that are causing problems, or opportunities to further exploit.

6. Look at your competitors

No brand exists in isolation. The final part of conducting a brand audit involves looking at your competitors to understand your place in the market. There is an entire landscape of competitor analysis tools that will do a lot of the work for you. Rankings, back links, content, adverts, rankings, traffic, emails and price tracking can all be investigated.

Social data can provide the same data about your competitors as your own brand, as it is not gated in the same way a lot of other data is. In addition to the methods listed above, calculating share of voice shows how much of the online conversation you are earning, and how that conversion differs in different markets.

7. Take action and monitor results

A brand audit should highlight areas for action. A detailed plan of findings should be followed by a series of actionable targets, with a time-line of expected results. After, you have taken action on each area monitor progress and results.

An on-going process of measurement will inform if your targets are being reached, but you may wish to repeat the audit process after a reasonable amount of time. However you chose to go forward, keep in mind that the landscape will continue to change and brands need to continually update and innovate to stay relevant and ahead of the competition.

6.3. Establishing a brand equity management system

Managing Brand Equity: Effective brand management requires a long-term view of marketing actions. Because consumer responses to marketing activity depend on what they know and remember about a brand, short-term marketing actions, by changing brand knowledge, necessarily increase or decrease the long-term success of future marketing actions.

6.3.1. Brand Reinforcement

As a company's major enduring asset, a brand needs to be carefully managed so that its value does not depreciate. Many brand leaders of 70 years ago remain brand leaders today- Coca-Cola, Heinz, and Campbell Soup-but only by constantly striving to improve their products, services, and marketing. Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand in terms of:

(1) What products the brand represents, what core benefits it supplies, and what needs it satisfies, as well as:

(2) How the brand makes products superior, and which strong, favorable, and unique brand associations should exist in the minds of consumers. Nivea, one of Europe's strongest brands, has expanded its scope from a skin cream brand to a skin care and personal care brand through carefully designed and implemented brand extensions reinforcing the Nivea brand promise of "mild," "gentle," and "caring" in a broader arena. Reinforcing brand equity requires innovation and relevance throughout the marketing program.

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 fail to move forward-such as Kmart, Levi Strauss, Montgomery Ward, Oldsmobile, and Polaroid-find that their market leadership dwindles or even disappears. An important part of reinforcing brands is providing marketing support that's consistent in amount and kind. Consistency doesn't mean uniformity with no changes: Many tactical changes may be necessary to maintain the strategic thrust and direction of the brand. Unless there is some change in the marketing environment, however, there is little need to deviate from a successful positioning. When change is necessary, marketers should vigorously preserve and defend sources of brand equity.

In managing brand equity, marketers must recognize the trade-offs between activities that fortify the brand and reinforce its meaning, such as a well-received new product improvement or a creatively designed **ad** campaign, and those that leverage or borrow from existing brand equity to reap some financial benefit, such as a short-term promotional discount that just emphasizes the lower price. At some point, failure to reinforce the brand will diminish brand awareness and weaken brand image.

6.3.2. Brand Revitalization

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 category, once-prominent and admired brands-such as Smith Corona, Zenith, and TWA-have fallen on hard times or even disappeared. Nevertheless, a number of brands have managed to make impressive comebacks in recent years, as marketers have breathed new life into their customer franchises. Volkswagen, Dr. Scholl's, and Hyperion Solutions software have all seen their brand fortunes successfully turned around to varying degrees in recent years. Often, the first thing to do in revitalizing a brand is to understand what the sources of brand equity were to begin with. Are positive associations losing their strength or uniqueness? Have negative associations become linked to the brand? Then decide whether to retain the same positioning or create a new one, and if so, which new one. Sometimes the actual marketing program is the source of the problem, because it fails to deliver on the brand promise. Then a "back to basics" strategy may make sense, as it did for Harley-Davidson.

6.4. Maximizing internal branding

The matter does not end at formation of committees to formulate strategies. Once the strategy is in place and committees formed for execution, it becomes imperative to start communicating for the purpose of educating employees at different levels and functions of the organization. Without communication, education is difficult, and without education results remain improbable. The ultimate objective of the brand-based education is to create a culture in which brand vision is understood, brand picture upheld, and brand positioning fully owned. There could be a variety of approaches toward education regarding brand promise and positioning. Some of the approaches adopted by good companies are the following:

- Internal groups focusing on education through lectures
- Company publications
- Speaker series by outside experts about their experiences
- Interactive training modules in which knowledge is imparted on segmentation, differentiation, promise, and positioning etc. The idea of all the training and education programs is to learn the concepts and then immediately apply those to real life situations within their areas.

Some companies also measure internally the brand perception of their own staff members and then compare that with the brand perception of customers in the market place.

The gaps highlight areas to be stressed in terms of training and education. The interaction with staff under such conditions really help the company make their staff understand brand positioning, which is the key to success.

Tools to effective communication

1. Let the employees know the research

It may not be a bad idea to let the employees know how the company arrived at the brand vision, brand picture, brand positioning, and the overall brand-based customer model. Letting them know how competition stacks up against your brand and what are the customer expectations from your brand (as per research findings) will buy them in to the strategic thinking of the company. Letting them also know the overall objectives the company is expecting to achieve will win over their confidence in the company and the project for the good of the strategies. Lack of confidence and cooperation from other functional areas always is caused by the thinking on their part that marketing and branding people are attempting to do creative things in isolation.

2. Make sure the employees understand the results company is seeking

As a continuation of the attempt to let them know overall objectives, you must make them understand the results that are expected. Gain their support for those parts of the objectives that fall into their respective areas. To achieve that, break objectives into different levels and involve the internal teams to fix those for people in their respective areas. Let them have a sense of ownership.

3. Let the employees know game and action plan

Employees also have to be guided about what actions they are to take in light of the strategies. Tell them specifically any changes that are desired in their daily routines and activities. Educate them on any new activities that are required on their part to deliver the promise and uphold the contract. Give them targets and measure their performance against those targets.

6.5. Summary

For any marketers, it is of supreme importance to understand a consumer mind and also current level of brand knowledge among consumers because this understanding lays foundation for formulation of marketing communication strategies. A particular attention is required to design measurement system for source of brand equity.

One of the primary measurement systems is capturing the response of customer in a basic *questionnaire format*, where in, they are asked to express feeling with regards to particular feature of brand and overall experience in using a service. Another qualitative research technique looks to capture consumer behavior in understanding her purchase decision.

The purpose of a brand audit is to ascertain how your business is performing in the eyes of your customers. The first step of your brand audit process is to create a framework. Make sure you identify what kind of traffic is increasing, before assuming everything looks like it's going well. And other activities should implement. After all of your action plans are executed, monitor the progress by repeating the brand audit process. Remember...brand audit is a continuous exercise and must be conducted regularly.

6.6. Check Your Progress Exercise

1. What are the two approaches used to measure brand equity?

2. How can we maximize internal branding and the techniques to used

3. List and discuss the seven steps used to measure brand audit.

Answer to Check Your Progress Exercise

Discussion Question 1, Refer, Sub title developing a brand equity measurement, 6.1

Question 2. Refer, Sub title Maximizing internal branding, 6.4

Question 3. Refer Sub title perform your brand audit, 6.4

UNIT SEVEN: GROWING AND SUSTAINING BRAND EQUITY

Contents:

- 7.0. Aims and objectives
 - 7.1. Introducing and naming new products and brand extensions
 - 7.1.1. Brand extension
 - 7.1.2. Advantages of brand extension
 - 7.1.3. Disadvantages of brand extension
 - 7.2. Managing brands over time
 - 7.2.1. Brand Concept Management
 - 7.2.2. Brand Identity and Aaker
 - 7.3. Managing brands over geographic boundaries and market segments
 - 7.4. Summary
 - 7.5. Check your progress exercise
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7.0. Aims and objectives

As the preceding units have indicated, effective branding management strategy formulation is dependent up on sound information from the market place.

Therefore, the aim of this unit is to give brief explanation on the activities of brand extension and managing brand over geographic boundaries.

By the time you finish this unit you should be able to:

- To introduce new brand products/naming
- To divide market based on geographical location and brand type
- Know how to manage brand over time

7.1. Introducing and naming new products and brand extensions

A company grows through its new products: they make it possible to gain a differential in products and services over the competition. They also make it possible to focus advertising on news that will interest the market. Finally, they provide the springboard for a revitalization of strategic image features of the brand. For every launch of a particular innovation, the same question arises from the parents of the project: what shall we call it? The question of naming new products is important: it is not at all a euphonic problem (does the name sound nice?), but a fundamental one. In reality, the first question should be: do we need to call it anything?

7.1.1. Brand Extensions

A brand-extension (or brand-stretching) strategy is any effort to use a successful brand name to launch new or modified products in a new category. Procter & Gamble put its Fairy name on laundry powder and dish-washing detergent with effective results. Swatch spread from watches into telephones. And Honda stretched its company name to cover such different products as its cars, motorcycles, snow blowers, lawn mowers, marine engines and snowmobiles. This allows Honda to advertise that it can fit 'six Hondas in a two-car garage'. A brand-extension strategy offers many advantages.

First, brand extensions capture greater market share and realize greater advertising efficiency than individual brands.

Second, a well-regarded brand name helps the company enter new product categories more easily as it gives a new product instant recognition and faster acceptance. Sony puts its name on most of its new electronic products, creating an instant perception of high quality for each new product. Thus, brand extensions also save the high advertising cost usually required to familiarize consumers with a new brand name. At the same time, a brand-extension strategy involves some risk. Poorly conceived brand extensions. In each of these cases the brand name was not appropriate to the new product, even though it was well made and satisfying. This problem occurs when the established brand name is launched into a very different market from the original brand and target customers in the new market do not value the brand's associations.

A brand name may also lose its special positioning in the consumer's mind through overuse. Brand dilution occurs when consumers no longer associate a brand with a specific product or even highly similar products.

Business observers, for example, have questioned the 'elasticity' of the Virgin name. Richard Branson has extended the Virgin name, which appears on a huge range of disparate products, ranging from music and entertainment media shops, airlines and Internet services to personal financial services, cola drinks and bridal wear. They wonder if Virgin may run the risk of overusing the brand's power of quality, innovation, value for money and fun, and its emotional 'take on the big bullies and give you something better' associations. Finally, brand extensions can hurt the core values of the original product when managers get it wrong.

The American Milwaukee Miller Brewing Company stuck the Miller name, synonymous with a hefty 'good-ol'-boys' brew, on its new 'Lite' beer. Miller Lite became a highly successful beer, but by muddying the sharp associations of the Miller name, the company hurt Miller High Life, the original beer, whose sales subsequently fallen. Miller's original beer was advertised to older drinkers on the basis of traditional American values, while Miller Lite targeted the under-24s using tongue-in-cheek endorsements from sportsmen and comics. Transferring an existing brand name to a new customer segment or product group requires great care. The best result is one when the extension enhances the core brand and builds the sales of both current and new products. Companies that are tempted to transfer a brand name must research whether the brand's associations fit the new product.

7.1.2. Advantages of brand extensions:

Two main advantages of brand extensions are that they can facilitate new-product acceptance and provide positive feedback to the parent brand and company.

Improved odds of new product success, Consumers can make inferences and form expectations about the composition and performance of a new product based on what they already know about the parent brand and the extent to which they feel this information is relevant to the new product. For example, when Sony introduced a new personal computer tailored for multimedia applications, the Vaio, consumers may have felt comfortable with its anticipated performance because of their experience with and knowledge of other Sony products.

By setting up positive expectations, extensions reduce risk. It also may be easier to convince retailers to stock and promote a brand extension because of increased customer demand.

From a marketing communications perspective, an introductory campaign for an extension doesn't need to create awareness of both the brand and the new product, but instead it can concentrate on the new product itself.

Extensions also can avoid the difficulty-and expense-of coming up with a new name and allow for packaging and labeling efficiencies. Positive feedback effects, besides facilitating acceptance of new products, brand extensions can also provide feedback benefits. They can help to clarify the meaning of a brand and its core brand values or improve consumer loyalty and perceptions of the credibility of the company behind the extension.

Another benefit of a successful extension is that it may also serve as the basis for subsequent extensions. During the 1970s and 1980s, Billabong established its brand credibility with the young surfing community as a designer and producer of quality surf apparel. This success permitted it to extend into other youth-oriented areas, such as snowboarding and skateboarding.

7.1.3. Disadvantages of brand extension:

On the downside, line extensions may cause the brand name to be less strongly identified with anyone product, Rise and Trout call this the "line-extension trap "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 chocolates and candy brand.

Brand dilution, it occurs when consumers no longer associate a brand with a specific product or highly similar products and start thinking less of the brand. If a firm launches extensions consumers deem inappropriate, they may question the integrity of the brand or become confused and perhaps even frustrated: Which version of the product is the "right one" for them?

Retailers reject many new products and brands because they don't have the shelf or display space for them. And the firm itself may become overwhelmed.

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 failures," where the brand fundamentally fails to live up to its promise. Even then, product failures dilute brand equity only when the extension is seen as very similar to the parent brand.

New brands: Firms that favor a multiband approach are likely to create a new brand to differentiate a new product, whether it is introduced into an existing or a new-product category. However, for some companies, a new brand may be created because it is entering a new-product category for which none of the company's current brands seems appropriate.

For example, Toyota established a separate family name - the Lexus - for its new luxury executive cars in order to create a distinctive identity for the latter and to position these well away from the traditional mass-market image of the 'Toyota' brand name. Alternatively, a company may be compelled to differentiate its new product, and a new brand is the best route to signal its identity.

- Brand Repositioning, However well a brand is initially positioned in a market, the company may have to reposition it later, A competitor may launch a brand position next to the company's brand and cut into its market share. Or customer wants may shift, leaving the company's brand with less demand. Marketers should consider repositioning existing brands before introducing new ones. In this way, they can build on existing brand recognition and consumer loyalty. Repositioning may require changing both the product and its image.

7.2. Managing brands over time

The long-term success of a brand depends on marketer's ability to select a brand meaning prior to market entry and operational zing that meaning in the form of an image, and maintaining that image over time. The fact that several brands have been able to maintain their image for more than 100 years (e.g. Ivory's 'purity' image) supports their position. A brand image has both a direct effect on sales and a moderating effect on the relationship between product life cycle (PLC) strategies and sales. Finally, a brand image is not simply a perceptual phenomenon affected by the firm's communication activities alone.

It is the understanding consumers derive from the total set of brand-related activities engaged in by the firm. Unfortunately, positioning/repositioning statements do incorporate what the brand image should be but they do not indicate how the image can be managed over time. Instead, short-term market driven factors such as current consumer needs and competitors are used as a basis for managing the brand's image/position and there is no strategic orientation (David A. Aaker).

7.2.1. Brand Concept Management

(BCM)taking a strategic long-term approach, C.W. and Debbie Macinnis, presented a normative framework termed brand concept management (BCM) for selecting, implementing and controlling brand image over time to enhance market performance.

The framework consists of a sequential process of selecting, introducing, elaborating and fortifying a brand concept. The brand concept guides positioning strategies, and hence the brand image, at each of these stages. Three types of brand concepts are developed based on consumer needs, namely **Functional**, **Symbolic** and **Experiential** concept.

- A brand with a functional concept is defined as one designed to solve externally generated consumption needs or in other words a product that fulfills immediate consumption needs should be driven by a functional concept.
- A brand with a symbolic concept is one designed to associate the individual with a desired group, role or self-image. This is ideal for products that fulfill internally generated needs like self-enhancement or ego identification.
- A brand with an experiential concept is designed to fulfill internally generated needs for stimulation or variety. Products that fulfill experiential needs and provide sensory pleasure, variety, and/or cognitive stimulation should be driven by an experiential concept. Once a broad needs-based concept has been selected, it can be used to guide the positioning strategy through **the three management stages of introduction, elaboration and fortification.**

In the **introductory stage** of BCM a set of activities are designed to establish a brand image/position in the marketplace during the period of market entry.

During the **elaboration stage**, positioning strategies focus on adding value to the brand's image so that its perceived superiority relative to the competitors can be established or sustained.

In the final stage of BCM, the **fortification stage**, the aim is to link an elaborated brand image to the image of other products produced by the firm in different product classes. The specific strategy implemented at the three different stages depends upon the initial concept type.

A brand concept can be viewed as a long-term investment developed and nurtured to achieve long-run competitive advantage. The concept can especially prove useful in establishing, maintaining and enhancing long-term customer relationships. In fact consumers enter into relationships with brands because continuity of interaction, and not the reduction of choice, is an important motivating factor (Jagdish Sheth).

The BCM model ensures a continuity of interaction with the brand and an increasing array of choices as it goes from the **introduction** to the **elaboration** and **fortification** stage.

The three different concepts provide clarity to the brand and the successive stages help increase consumer loyalty and involvement with the brand.

Staying true to a single concept can help a brand build a consistent and unambiguous long-term relationship with the consumers. But the success of a brand concept depends upon such factors as the effectiveness and efficiency of positioning efforts and the competitive environment. Even a brand whose image has been managed successfully can decline if the brand concept ceases to be valued by the target customers and the market trends in a particular category shift significantly. A single brand can also fulfill more than one type of need e.g. traveling first class with a premium Airlines could fulfill both symbolic needs as well as experiential needs, therefore making a single brand concept insufficient as the underlying basis for long-term brand strategy. Despite some of the critiques of BCM it is still one of the most elaborate frameworks for long-term brand management in the current literature.

7.2.2.Brand Identity and Aaker:

Aaker, defines brand equity as a set of five categories of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or a service to a firm and/or to that firm's customers. These categories of brand assets are:

- (1) Brand loyalty,
- (2) Brand awareness,
- (3) Perceived quality,
- (4) Brand associations, and
- (5) Other proprietary assets (e.g. patents, trademarks, and channel relationships). These assets provide value to both the customers and the firm in the long-term.

According to Aaker, a particularly important concept for building and managing long-term brand equity is that of **Brand identity**. Brand identity according to Aaker is a unique set of brand associations and these associations represent what the brand stands for and imply a promise to customers from the organization members. Brand identity structure includes a **core** and **extended** identity.

The core identity-the central, timeless essence of the brand-is most likely to remain constant as the brand travels to new markets and products. The extended identity includes brand identity elements, organized into cohesive and meaningful groups.

7.3. Managing brands over geographic boundaries and market segments

In current times every company is wanting to be a global player, some companies this out of compulsion, for some its natural extension, whatever the case companies need to have marketing programs, which can create and sustain brand equity across **geographical boundaries and market segments**. It is clear there are many reasons for becoming global player, but there are outright advantages also for global marketing programs. Looking at the production side, as production increases per unit cost of the product will decrease, thereby reducing cost of the marketing program. As standardization increases in packaging, distribution and other marketing activities cost associated with them would decrease.

For example, Sony its marketing campaign has universal appeal thereby assigning equal cost to products and geographies. Another advantage is that with global presence and acceptance confidence with consumer reaches altogether a different level. It creates a sense of pride and ownership looking at the universal demand for the product. With the uniform marketing program across geographical boundaries, companies can have consistent brand knowledge, this is especially important for mobile consumers. Furthermore, another advantage for companies is the ability to sell a good product universally at one goes, thereby gaining a complete first mover advantage. But with advantages in operating on a global there are also challenges and disadvantages. With standardization companies are unable to satisfy needs of consumer, which comes with different culture, demographics, etc., For example, consumption of carbonated drinks and beer is much more in USA, Australia in comparison to that of India and China. As perception and needs vary from culture to culture, consumer response to a standard marketing program may not equally have felt as per company acceptance.

Every product undergoes a life cycle which begins from the day it is launch in the market, so every geographical location may be having different product life cycle stage, so marketing programs also accordingly have to vary. Other challenge companies' face is that of environmental like social, political and regulatory.

Therefore, a brand to succeed across geographical boundaries companies need to device marketing programs, which can create global consumer, based brand equity. And for that marketing programs have to highlight point of differences and point of similarities across boundaries.

Furthermore, companies should understand brand building is tedious and time consuming. Brand name, logos, symbol has to be designed in a way that it properly communicates brand knowledge and not creates confusion in consumer's mind. And at the same time construct and execute a global brand equity measurement system so that focus always remains of develop a strong consumer based brand equity.

Reasons for over geographic boundaries' marketing

1. Regionalization is an important recent trend that, perhaps on the surface, seems to run counter to globalization.

- ✓ Need for more focused targeting
- ✓ The shift from national advertising to sales promotions Drawbacks
- ✓ Production headaches ◦ Marketing efficiency may suffer and costs may rise

2. Perception of slow growth and increased competition in domestic markets

- ✓ Belief in enhanced overseas growth and profit opportunities
- ✓ Need to diversify risk

3. Economies of scale in production and distribution: Primary advantages of global marketing program are the manufacturing efficiencies and lower costs that derive from higher volumes in production and distribution.

4. Lower marketing costs: Uniformity in Packaging, advertising, promotion, and other marketing communication activities.

5. Power and scope Brand is widely available may signal that the product is high quality and convenient to use.

6. Consistency in brand image: Maintaining a common marketing platform all over the world helps to maintain the consistency of brand and company image.

7. Ability to leverage good ideas quickly and efficiently: Marketers can leverage good ideas across markets as long as the right knowledge transfer systems are put into place.

8. Uniformity of marketing practices: a standardized global marketing program may simplify coordination and provide greater control of the way; the brand is being marketed in different countries.

9. Differences in consumer needs, wants, and usage patterns for products: Differences in cultural values, economic development, and other factors across nationalities, consumer behaviour with respect to many product categories are fundamentally different.

10. Differences in Consumer Response to Marketing Mix Elements: Consumers in different parts of the world vary in their attitude towards and opinions about marketing activity.

11. Differences in brand and product development and the competitive environment Products may be different stages of their cycle in different countries. Moreover, the perceptions and positions of particular brands may also differ considerably across countries.

12. Differences in the legal environment one of the challenges in developing a global ad campaign is the maze of constantly changing legal restrictions that exist from country to country.

13. Standardization vs. Customization

14. According to Levitt, because the world is shrinking—due to leaps in technology, communication, and so forth—well- managed companies should shift their emphasis from customizing items to offering globally standardized products that are advanced, functional, reliable, and low priced for all.

15. To build brand equity, it is often necessary to create different marketing programs to address different market segments.

- ✓ Identify differences in consumer behaviour ◦ How they purchase and use products
- ✓ What they know and feel about brands
- ✓ Adjust branding program and Choice of brand elements
- ✓ Nature of supporting marketing program

16. To build customer-based brand equity, marketers must:

- ✓ Establish breadth and depth of brand awareness
- ✓ Create points-of-parity and points-of- difference
- ✓ Elicit positive, accessible brand responses and active brand relationships

17. Understand similarities and differences in the global branding landscape

- ✓ Don't take shortcuts in brand building
- ✓ Establish marketing infrastructure
- ✓ Embrace integrated marketing communications
- ✓ Cultivate brand partnerships and Balance standardization and customization
- ✓ Balance global and local control and define operable guidelines

7.4. Summary

Strong internal branding is vital to the success of all external branding efforts, ensuring employee commitment to company values and an understanding of how to deliver them.

Many organizations, however, neglect internal branding. Internal branding goes beyond communication to evolving employee behaviour and company culture. Involve employees: create excitement around a central theme to inform, engage and persuade. Successful internal branding is a journey, not a one-and-done activity; it will cement employee commitment to the company and ensure alignment with its values and behaviour, helping with recruitment, retention and relationships at every customer touch point.

Typically, any given company would fall in any of the following four categories in terms future expansion strategies; with current products and current market companies deal with market penetration strategy; with new products and current market companies deal with product development strategies; with current products and new market companies deal with market development strategy; and with new products and new market companies deal with diversification strategy. Clearly companies have to tackle tactical and strategically brand extension and naming of new products almost at any stage of growth.

The markets in which companies operate are highly dynamic in nature. There is constant evolution in products, introduction of new technology, government rules, regulatory framework, consumer taste and preference. One way of brand management over time is to strengthen brand equity by developing marketing programs, which express brand knowledge consistently as not to confuse the consumer.

An interesting phenomenon has raised its head in recent time where companies are focusing on regional markets in an effort to counter globalization.

In current times every company is wanting to be a global player, some companies this out of compulsion, for some its natural extension, whatever the case companies need to have marketing programs, which can create and sustain brand equity across geographical boundaries and market segments. An interesting phenomenon has raised its head in recent time where companies are focusing on regional markets in an effort to counter globalization. In this regionalization, companies focus on geographic locations treating them as market segments.

7.5. Check Your Progress Exercise

1. How business managers introduce and name new products and implement brand extensions activities?

2. What are the methods /two approaches to manage brands over time?

3. What are the means used managing brands over geographic boundaries and market segments?

4. What are the main reasons for over geographic boundaries' marketing?

Answer to Check Your Progress Exercise

Discussion: Question 1, Refer, Sub title Developing a brand equity measurement, 7.1

Question 2. Refer, Sub title managing brands over time, 7.2

Question 3. Refer Sub title perform your brand audit, 7.3

Question 4. Refer Sub title reasons for over geographic boundaries marketing, 7.3