BRAND MANAGEMENT

BBA Semester-V

Lesson Writers

Lesson Writer & Editor
Dr. Nagaraju Battu
Associate Professor
Dept. of MBA (HRM)
Acharaya Nagarjuna University

Dr.M Anad
Assistant Professor
Dept. of Management Studies
Garden City University

Dr. V. Naga Nirmala
Faculty
Dept. of MBA (HRM)
Acharaya Nagarjuna University

Dr. G.Ramesh
Assistant Professor (c)
University College of Management
JNTU Hyderabad

Ms. P. Girijasri
Assistant Professor
Dept. of MBA
QIS College of Engg. & Tech.,
Ongole

Director

Dr. NAGARAJU BATTU
MBA., MHRM., LLM., M.Sc. (Psy).,MA (Soc)., M.Ed., M.Phil., Ph.D

CENTRE FOR DISTANCE EDUCATION

ACHARAYA NAGARJUNA UNIVERSITY

NAGARJUNA NAGAR – 522 510
Ph: 0863-2293299, 2293214,
Website: www.anucde.info
e-mail:anucdedirector@gmail.com

BBA: BRAND MANAGEMENT

First Edition: 2024

No. of Copies :

Published by:
Dr. NAGARAJU BATTU,
Director
Centre for Distance Education,
Acharya Nagarjuna University

Printed at:

FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A' grade from the NAAC in the year 2016, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 443 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy ofthis distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities andin turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson- writers of the Centre who have helped in these endeavors.

Prof. Raja Sekhar Patteti
Vice-Chancellor
Acharya Nagarjuna University

B.B.A -Semester – V

504BBE21- Brand Management

Course Objectives :To help the students appreciate the relationship between Corporate Strategy and Product and Brand Management

UNIT 1 :

Product Management — An Introduction , Corporate Strategy and Product Policy ,.Product line Decisions . Product Life Cycle and Marketing Strategies.

Unit 2

New Product Development and the Techniques of Idea Generation and Screening ,Concept Development and Testing ,Test Marketing ,Launching and Tracking New Product Programmes .

UNIT 3

Organising for New Products ,Introduction to Brand Management and Crafting of Brand Elements , Consumer Brand Knowledge ,Brand Identity, Personality and Brand Associations

Unit 4

Managing Brand Architecture and Brand Portfolios , Corporate Branding and Tools for Building Brand Equity

Unit 5

Leveraging Brand Equity . Measurement of Brand Equity

References

Brand Against the Machine: How to Build Your Brand, Cut Through the Marketing Noise and Stand Out from the Competition *by : John Michael Morgan*

Marketing Management by Philip Kotler and Kevin Lane Keller

(**504BBE21**)

MODEL QUESTION PAPER

B.B.A. DEGREE EXAMINATION,

Third Year – Fifth Semester

Part II

Paper VI – BRAND MANAGEMENT

Time : Three hours **Max. Marks: 70**

SECTION A–(5 x 4 = 20 marks)

Answer any FIVE of the following.

Each question carries 4 marks.

1. Write a short note on Product Management.

2. Write about Corporate strategy.

3. Write the strategy in new product development.

4. Write the process of idea generation.

5. Write any five factors influence Brand personality.

6. What is Brand Equity?

7. Write any five purposes of Brand Equity.

8. Write about perceived cost.

SECTION B – (5 x 10 = 50 marks)

Answer ALL questions.

Each question carries 10 marks.

9. (a) "Product policy is a part of marketing mix" – Explain.

Or

(b) Explain the importance of observing stages of product life cycle.

10. (a) Explain various steps in product launching.

Or

(b) Explain the process of Discovering a product.

11. (a) Explain various elements of Brand knowledge.

Or

(b) Explain the benefits of Brand association.

12. (a) Explain the process of creating a brand portfolio.

Or

(b) Explain various challenges in building Brand Equity.

13. (a) What is Brand Leverage and explain the advantages of Brand Leveraging.

Or

(b) Explain the measures of Brand Equity.

CONTENTS

LESSON – 1
INTRODUCTION TO PRODUCT MANAGEMENT

Learning objectives

- ✓ To understand the Key Product Management Concept
- ✓ To learn the Life cycle of Product Management
- ✓ To Discuss the Corporate strategy
- ✓ To Identify the Product Policy

Structure

1.1 Introduction

Product management is a critical function that ensures a company's products meet customer needs and deliver value to the business.

The process of defining, creating, and managing a product or a group of products throughout its lifecycle is known as product management.

In order to make sure that the product satisfies consumer needs and adds value to the company, the product manager must collaborate closely with numerous teams, including engineering, design, sales, and marketing.

The definition of a product is" Anything that is created through a process and launched into the market to meet the customers' needs and satisfies the longings of the users". A Product is something that is offered to deliver its services to the users by putting effort to be produced. A tangible item that an alliance creates to serve the customer's need for ex: Uber “for taxi services”.

A team designs a Product to create customer value by solving their problems with convenient evolution and doesn't have any explicit life and has more permanence which means that a product doesn't have any fixed end date. The output as a Product can be in physical form or virtual form or just an idea. Every product has a prominent life and needs continuous mutations and evolution as per the customer's prerequisite.

A Product can have sub-products as well, For ex: A Laptop is a Product, and a laptop also has SSD as another product. A Company manufacturing a Laptop needs to buy some other products from another company and that's how a Product benefits the market.

Product management involves :

- Strategizing products to enhance the profit of the business
- Creating Customer Value
- Creating roadmaps to get a clear idea of designing and developing the product
- Specifying functional requirements and creating blueprints
- Development of the product as per the requirements
- Taking customer’s feedback
- Finalizing the price of the Product
- Branding and launching of a product developed by the Company

1.2 Key Product Management Concepts

1.2.1. Customer-Centric Approach

Customer-centric product management is the first step.

Put the consumer at the centre of everything you do by using a customer-centric strategy.

Product managers must recognise and comprehend client needs in order to transform them into product requirements that guide development.

1.2.2. Product Lifecycle

A product's lifecycle is the progression of stages from ideation until retirement.

The product lifespan has four stages: introduction, growth, maturity, and decline.

To make the proper choices at each stage, product managers need to understand of the product lifecycle.

1.2.3. Product Portfolio

The range of products that a business provides is known as its product portfolio.

To make sure that each product helps the organisation achieve its overall objectives, product managers must manage the product portfolio

They must choose which items to add to the portfolio, which products to retire, and which products to invest in.

1.2.4. Market Segmentation

The process of breaking the market down into smaller groups of consumers with comparable needs or characteristics is known as market segmentation.

To make sure that their products satisfy the needs of particular client segments, product managers need to understand market segmentation.

1.2.5. Product Differentiation

Making a product stand out from its rivals is a process called product differentiation.

Product managers must make sure that their products stand out from the competition by being distinctive and providing a compelling value proposition.

1.2.6. Competitive Analysis

The process of identifying and evaluating the strengths and shortcomings of your competitors is known as competitive analysis.

To make sure that their goods provide a competitive edge, product managers must be aware of the competitive landscape.

1.2.7. Product Roadmap

A product roadmap is a visual depiction of a product's strategy and long-term development plan.

To convey the product vision and make sure that everyone is on the same page with the product's path, product managers must develop a product roadmap.

1.2.8. Minimum Viable Product (MVP)

The simplest version of a product that can be launched onto the market is called a minimal viable product (MVP).

To test the product's viability and obtain user feedback, product managers need to create an MVP.

1.2.9. Agile Methodology

Agile methodology is a project management strategy that places a focus on adaptability, teamwork, and continuous improvement.

To guarantee a successful and efficient product development process, product managers must adopt agile approach.

1.2.10. Data-Driven Decision Making

Making decisions based on data rather than gut feeling or speculation is known as data-driven decision making.

Product managers must rely on data to guide their choices, guarantee that the final product satisfies consumer needs, and add value to the company.

1.3 Lifecycle of Product Management

The Product Management lifecycle is a frame of reference that an organization follows to manage the product throughout the life of a Product. The Product life cycle is a process that guides the team across the entire span of the evolution of a Product- from its beginning to branding.

The Lifecycle of Product management involves 6 phases i.e;

1.3.1 Product Framing- This phase is the ideation phase of Product Management. The phase involves creating a vision of the product, identifying problems, and defining its success.

1.3.2 Research- In this phase, Research work is done, which means Learning from people about their needs and values for the product. The organization must know What's the demand for the product in the market to design the product according to the user and market demands.

1.3.3 Design and Development- in this phase, the team Synthesizes vision, Ideas, researches the prototype, designs a prototype of the product, and tests it within the team or may be outside the team, after the approval of the prototype, the product is designed, and Developed.

1.3.4 Plot- Plotting involves Testing solutions of the product in real-time with real-time people. Once the Product is Developed, it undergoes the validation process, where the product is tested through every aspect of the testing process. The product is validated so that once it is launched in the market, it should not face any errors or faults. The customer and user should not face any issues with the product.

1.3.5 Launching- means sending your product into the wild and letting it flourish. Launching a Product means Providing its services to the users and fulfilling their demands for that product.

1.3.6 Measurements- Measuring the Product means, Using metrics and data to measure the success of the product launched and plan improvements.

Every Organization needs some tools to produce and manage the Product. Considering that, let's know what tools are required for Product Management.

1.4 Corporate strategy

A corporate strategy refers to a companywide strategy aligned with the company's vision and objectives, aiming to create value and increase profit. It considers an organization's overall nature, ecosystem, and ambition. It aligns with the optimum utilization and allocation of resources.

It can work as a blueprint for the whole organization to minimize risk and maximize the growth and expansion of the organization by bringing effective administration, management, and centralization of business operations. Furthermore, it aims to attain long-term growth by gaining competitive advantages.

Corporate strategy portrays a general strategy in a company and focuses on its business portfolio to add more value. Its planning involves focusing on the organization's structure and identifying the problems in different business areas. The responsibility for appropriate strategy formulation lies with the top-level managers of the company. They discuss, analyze and finalize strategies to move forward in the market.

The main pillars of corporate strategy are the allocation of resources, organizational design, portfolio management, and prioritization (strategic trade-off). Resource allocation involves the efficient allocation of human and capital resources. Organizational design explains how the organization operates to achieve its aims. Portfolio management strategies involve optimizing the portfolio per the company's strategic objectives. Finally, prioritization or strategic trade-off demands the design of an optimal strategic mix by balancing risk and return to meet the company's objectives.

1.4.1 Stability Strategy

Strategy to maintain the current market share and position by continuing to serve in the same industry with the same product line and services.

It occurs when a company performs fairly and reasonably well in its sector and chooses to gain stability.

The main objective of organizations through such strategies is to gain perpetual growth and improved performance in the long run.

It is common because it is less risky and inexpensive as no new or out-of-box planning needs to be executed.

It gives importance to sustainable and modest growth.

1.4.2 Expansion Strategy

The strategies focus on entering new markets, innovating and introducing new products and services, etc.

Methods include expansion through concentration, diversification, integration, cooperation, and internationalization.

It aims to expand market share, obtain increased profit, and achieve faster growth.

It helps companies dominate the market, withstand competition, gain competitive advantages, and in certain market conditions, expansion strategies help companies survive.

It benefits society through innovation.

It is highly rewarding and adds value to the company.

1.4.3 Retrenchment Strategy

It is the opposite of an expansion strategy. It helps reduce the loss made by restructuring the strategies, cutting off loss-making divisions or businesses, etc.

The main types of retrenchment strategies are turnaround, divestment, and liquidation.

It is formulated when companies observe that they must revamp their business model, sell certain assets to generate cash flow, etc. Enterprises may stop a product line due to low demand and high-cost manufacturing.

It is the least utilized strategy as it is only regulated as protective measures in a survival mode when the company faces a strong market crisis and seeks to regain profitability.

1.4.4 Combination Strategy

Another important type of corporate strategy is the combination strategy. It occurs when a company combines other strategies instead of focusing on a single strategy.

It is common with entities like MNCs and other large organizations. When the different business units or divisions perform different activities, the parent entity will utilize different strategies for the units.

1.5 Product Policy

Product policy is defined as the broad guidelines related to the production and development of a product. These policies are generally decided by the top management of a company i.e. board of directors. It is like a long term planning with respect to the product-mix of the company in order to deliver maximum customer satisfaction.

Product Policy Objectives

Product policy of a company has certain objectives

1. Survival

The main objective of any company is to stay in the market profitably.

2. Growth

Based on the long term goals of the company the policies are defined to get a good growth in the market.

3. Flexibility

The product policy needs to be flexible to the changing needs of the customers, government regulations, global trends and economy.

4. Scalability

The companies should use its resources properly to make the most of its valuable resources. With time the company needs to develop economies of scale to improve profits.

1.6 Importance of Product Policy

Product life cycle plays a very important while defining product policies.

When a product is in introduction stage the company needs to decide upon its pricing strategy whether it wants penetration pricing or skimming. To achieve quick breakeven the companies use skimming technique otherwise use penetration to keep the competition out of the market. Also the focus should be on creating awareness about the product and building the brand.

In growth stage the company needs to maintain its profit by improving the product quality. It takes some time to recreate the advertising strategy.

In maturity stage the very few firms are left in the business. The product's sales growth slows down and the company needs to target its loyal customers. A product change or communication changes is required at this stage.

In decline stage the sales for the product begin to fall and very few firms are left in the industry

Product orientation is defined as the orientation of the company's sole focus on products alone. Hence, a product oriented company put in maximum effort on producing quality product and fixing them at the right price so that consumer differentiates the company's products and purchase it.

The product is created such that it would sell itself and there is high focus on its research and development. Hence, it holds relevant only in a small market scenario and is often combined with market orientation to cater to wide segment. Product orientation is philosophy in business which was incorporated prior to 1920's when there was no sophistication in product development and the sole focus was on developing high-quality product.

The fundamental tools of product orientation include product research, product development and product focus.

1.7 Product Orientation

Gillette Company focuses on producing the best possible disposable razors at an economic rate. Thereby, they distinguish their products with high quality razor blade, ease of use and right pricing strategy.

Yet another classic example is the Ford Motor Company, where Henry Ford had made only model of car in black colour irrespective of the perspectives of the consumer.

Product research is the process of marketing research that is done to get information on the desired characteristics and specifications of a product expected by the potential customers mainly before the launch and availability of the product. Product research helps companies to understand what the customers really want, so that the product can be tailored to match the needs of the customer.

This research can help to refine new product ideas as well as improve the existing products in the market.

1.8 Importance of Product Research

Product research is a very important activity in new product development – it can be carried out at several stages of new product development. Product research helps an organization make products which are expected by the customers. This helps have an competitive advantage and leadership position in the market.

A well researched product will meet the requirements of the customer in a much better way. Product research even more important when you are launching a product in the market where there are lot of competitors. Knowing the customer's feedback on the features, characteristics can really help make a product which solves the existing products' issues in the market.

Product Quality is the collection of all the features and characteristics of a product that contribute to its ability to meet the customer needs and requirements. It's the ability of the product to fulfil what the end user wants and perceives as value.

For a product to be of good quality it should be reliable and perform all its functions smoothly.

1.9 Importance of Product Quality

Product quality is single most important parameter for a product, brand or organization. The quality determines the customer experience and repeat business. If the product quality is poor and the product is not able to do its job reliably and safely then the brand image suffers.

Customers would not buy them again and overall market position will decline.

Product quality can make or break a brand in the market hence the businesses need to focus on product quality before anything

1.10 Summary

Product management is an essential function that makes sure a company's products satisfy customers' expectations and add value to the business.

Product management relies heavily on core ideas such a customer-centric strategy, product lifecycle, product portfolio, market segmentation, and competitive analysis.

Product managers also need to comprehend the relevance of product differentiation, product roadmap, MVP, agile methodology, and data-driven decision making.

Product managers may develop effective products that satisfy consumer needs and add value to the company by grasping these crucial ideas.

1.11 Key words

Product Portfolio- The range of products that a business provides is known as its product portfolio.

Product Lifecycle - A product's lifecycle is the progression of stages from ideation until retirement.

Market Segmentation- The process of breaking the market down into smaller groups of consumers with comparable needs or characteristics is known as market segmentation.

Product Differentiation- Making a product stand out from its rivals is a process called product differentiation.

Competitive Analysis- The process of identifying and evaluating the strengths and shortcomings of your competitors is known as competitive analysis.

Product Roadmap- A product roadmap is a visual depiction of a product's strategy and long-term development plan

Minimum Viable Product (MVP)- The simplest version of a product that can be launched onto the market is called a minimal viable product (MVP)

Lifecycle of Product Management- The Product Management lifecycle is a frame of reference that an organization follows to manage the product throughout the life of a Product

1.12 Self Assessment Questions

1.Discuss the Key product Management concepts

2. Briefly Explain the Product life cycle stages

3. Describes the Marketing Strategies

1.13 Suggested Readings

1. Brand Management Anjali AnupdevMithun, BobanMaria Misha Books First Edition, 2022

2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016

3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015

4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023

5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.Nagaraju Battu

LESSON -2
PRODUCT LINE DECISIONS

Learning objectives

- ✓ To Understand the Evolution of Product Line Decisions
- ✓ To Discuss the bases of Product Line Extension
- ✓ To Describe the Factors Influencing Product Line Decisions

Structure

2.1 Introduction

A group of products within a product class that are closely related because they perform a similar function, satisfy the same basic want, are sold to the same customer groups, are marketed through the same distribution channels, or fall within given price ranges, or share some other common characteristic. Example: Detergents, `nail polishes, soaps, life insurance etc. For example the product line of a detergent manufacturer will consist of all the different types of detergents he has to offer: the product line of Hindustan lever Ltd. consists of all its detergents including those in premium segment and as well as non premium segment catering to. the mass market.

2.2 Evaluation Of Product-Line

Each product line consists of product items, which should be evaluated. The product line manager should study the sales and profit contributions of each item in the product line as well as the way the items are positioned against competitor's items.

Then the competitors analysis in the relevant product categories is also required to be done. This provides information needed for making several product-line decisions.

One major issue faced by product-line managers is that of optimal length of the product line. A product line is perceived to be efficient if no- extra profit can be garnered by either addition of one more item or deletion of one item from the product line.

Line stretching involves the question of whether a particular line should be extended downwards, upward, or both ways. Line filling raises the question of whether additional items should be added within the present range of the line. Line filling should not lead to cannibalization of the existing products. Line modernization raises the question of whether the line needs a new look and whether the new look should be installed piecemeal or all at once. Line featuring raises the question of which items to feature in promoting the line. Which item has to be put in the forefront of promotion to attract customers to that particular category. Line pruning raises the question of how to detect and remove weaker product items from the line. It is aimed at getting rid of the dead wood and making the product line more efficient.

2.3 Bases for product line extension

The following seven important factors make companies pursue line extensions as a significant element of their marketing strategies.

2.3.1 Customer Segmentation

Line extension is perceived by managers as a low-cost, low-risk way to meet the needs of various customer segments, and by using more sophisticated and lower-cost market research and direct-marketing techniques, they can identify and target finer segments more effectively than ever before. In addition, the depth of audience-profile information for television, radio, and print media has improved; managers can now translate complex segmentation schemes into efficient advertising plans.

2.3.2 Consumer Desires

There is widespread volatility in the consumer behaviour and brand loyalty has taken more or less a back seat in many different categories of consumer goods and services.

More consumers than ever are switching, brands and trying products they've never used before. Line extensions try to satisfy the desire for "something different" by providing a wide variety of goods under a single brand umbrella. Such extensions, companies hope, would fulfill customers' desires while keeping them loyal to the brand franchise.

Moreover, according to studies conducted by the Point-of-Purchase Advertising Institute,USA, consumers now make around two-thirds of. their purchase decisions about grocery and health and beauty products on impulse while they are in the store.

Line extensions, if stocked by the retailer, can help a brand increase its share of shelf spaces thus attracting consumer attention. When marketers coordinate the packaging and labeling across all items in a brand line, they can achieve an attention-getting billboard effect on the store shelf or display stand and thus leverage the brand's equity.

2.3.3 Pricing Breadth

Managers have found a novel way of increasing profitability through line extension. Managers often tout the superior quality of extensions and set higher prices for these offerings than for core items. In markets subject to slow volume growth, marketers can then increase unit profitability by trading current customers up to these "premium" products. In this way, even cannibalized sales are profitable - at least in the short run.

In a similar spirit, some line extensions are priced lower than the lead product. For example, American Express offers the Optima card for a lower annual fee than its standard card, and Marriotte introduced the hotel chain Courtyard by Marriotte to provide a lower-priced alternative to its standard hotels. Extensions give marketers the opportunity to offer a broader range of price points in-order to capture a wide audience.

2.3.4 Excess Capacity

Line extension helps in utilizing the excess capacity of the production facilities of the firm. In the 1980s, many manufacturing operations added faster production lines to improve efficiency and quality. The same organizations, however, did not necessarily retire existing production lines. The resulting excess capacity encourages the introduction of line extensions that require only minor adaptations of current products.

2.3.5 Short-Term Gain

Besides sales promotions, line extensions represent the most effective and least imaginative way to increase sales quickly and inexpensively. The development time and costs of line extensions are far more predictable than they are for new brands, and less cross-functional integration is required.

In fact, few brand managers are willing to invest the time or assume the. career risk to introduce new brands to market. They are well aware of the following: major brands have staying power (almost all of the 20 brands that lead in consumer awareness were on that list 20 years ago); the cost of a successful new launch is now estimated at $30 million, versus $5 million for a line extension; new branded products have a poor success rate (only one in five commercialized new products lasts longer than one year on the market); and consumer goods technologies have matured and are widely accessible. Line extensions offer quick rewards with minimal risk.

Senior executives often set objectives for the percentages of future sales to come from products recently introduced. At the same time, under pressure from stock exchanges for quarterly earnings increases, they do not invest enough in the longterm research and development needed to create genuinely new products. Such actions necessarily encourage line extensions.

2.3.6 Competitive Intensity

Mindful of the link between market share and profitability, managers often see extensions as a short-term competitive device that increases a brand's control over limited retail shelf space and, its overall demand for the category for new branded or private-label competitors and to drain the limited resources of third and fourth place brands. Close-up and Colgate toothpastes, for example, both available in more than 15 types and package sizes, have increased their market shares in the last decade at the expense of smaller brands that have not been able to keep pace with their new offerings.

2.3.7 Trade Pressure

The proliferation of different retail channels for consumer products, from club stores to hypermarkets, pressures manufacturers to offer broad and varied product lines. While retailers object to the proliferation of marginally differentiated and "me-too" line extensions, trade accounts themselves contribute to stock-keeping unit (SKU) proliferation by demanding either special package sizes to fit their particular marketing strategies (for example, bulk packages or multipacks for low-price club stores) or customized, derivative models that impede comparison shopping by consumers. Black & Decker, for example, offers 19 types of irons, in part to enable competing retailers to stock different items from the line.

2.4 The Disadvantages of Line Extension

Given this backdrop, it's easy to visualise why so many managers have been swept into line-extension mania. But, as more manages are discovering, the problems and risks associated with extension proliferation are formidable.

2.4.1 Weaker Line Logic

Manager often, extend a line without removing any existing items. As a result, the line may expand, to the point of over segmentation, and the strategic role of each item becomes muddled. Salespeople should be able to explain the commercial logic for each item. If they cannot, retailers turn to their own data - the information collected by checkout scanners - to help them decide which items to stock. Invariably, fewer retailers stock an. entire line. As a result, manufacturers lose control of the presentation of their lines at the point of sale, and the chance that a consumer's preferred size or flavor will be outof stock increases.

A disorganized product line can also confuse consumers, motivating those less interested in the category to seek out a simple, all-purpose product, such as All Temperature Cheer in the Laundry detergent category.

2.4.2 Lower Brand Loyalty

Some marketers mistakenly believe that loyalty is an attitude instead of understanding that loyalty is the behaviour of purchasing the same product repeatedly. In the past 50 years, many of the oldest and strongest brands have had two and three generations of customers buying and using products in the same way. When a company extends its line, it risks disrupting the patterns and habits that underlie brand loyalty and reopening the entire purchase decision.

Although line extensions can help a single brand satisfy a consumer's diverse needs, they can also motivate customers to seek variety and. hence, indirectly encourage brand switching. In the short run, line extensions may increase the market share of the overall brand franchise. But if cannibalization and a shift in marketing support decrease the share held by the lead product, the long-term health of the franchise will be weakened. This is particularly true when line extensions diffuse rather than reinforce a brand's image in the eyes of long-standing consumers without attracting new customers.

2.4.3 Underexploited Idea

By bringing important new products to market as line extensions, many companies leave money on the table. Some product ideas are big enough to warrant a new brand.
The line extensions serves the career goals of a manager on an existing brand better than a new brand does, but long-term profits are often sacrificed in favour of shortterm risk management.

2.4.4 Stagnant Category Demand

Line extensions rarely expand total category demand People do not eat or drink more, wash their hair more, or brush their teeth more frequently simply because they have more products from. which to choose. In fact, a review of several product categories show no positive correlation between category growth and line extensions. If anything, there is an inverse correlation as marketers try in vain to reinvigorate declining categories and protect their shelf space through insignificant line extensions.

2.4.5 Poorer Trade Relations

On average, the number of consumer-packaged-goods SKUs grew 16% each year from 1985 to 1992, in' USA, while retail shelf space expanded by only 1.5% each year. Retailers cannot provide more shelf space to a category simply because there are more products within it. They have responded to the flood by rationing their shelf space, stocking slow-moving items only when promoted by their manufacturers, and charging manufacturers slotting fees to obtain shelf space for new items and failure fees for items that do not meet target sales within two or three months. As a manufacturer's credibility has declined, retailers have allocated more shelf space to their own private label products. , Competition among manufacturers for the limited slots still available escalates overall promotion expenditures and shifts margin to the increasingly powerful retailers.

2.4.6 More Competitor Opportunities

Share gains from line extensions are typically short-lived. New products can be matched quickly by competitors. What's more, line-extension proliferation reduced the retailer's average turnover rate and profit per SKU. This can expose market leaders to brands that do not attempt to match all the leaders' line extensions but instead offer product lines concentrated on the most popular line extensions. As a result, on a per - SKU basis, 'lesser known brands, as compared to market leaders, can deliver a higher direct product profit to the retailer than brands with -larger shares and more SKUs.

2.5 Product Line Decisions

2.5.1 Increased Costs

Companies expect and plan for a number of costs associated with a line extension, such as market research, product and packaging development, and the product launch. The brand group may also expect certain increases in administrative costs; planning the promotion calendar takes more time when an extension is added to the line, as does deciding, on the advertising allocations between the core brand and its extensions. But managers may not foresee the following pitfalls:

Fragmentation of the overall marketing effort and dilution of the brand image Increased production complexity resulting from shorter production runs and more frequent line changeovers. (These are somewhat mitigated by the ability to customize products toward the end of an otherwise standardized production process with flexible manufacturing systems.)

More errors in forecasting demand and increased logistics complexity, resulting in increased remnants and larger buffer inventories to avoid stockouts.

Increased supplier costs due to rush orders and the inability to buy the most economic quantities of raw materials.

2.5.2 Distraction of the research and development group from new product development.

The unit costs for multi-item lines can be 25% to 45% higher than the theoretical cost of producing only the most popular item in the line. (See the Chart "The Cost of Variety.") The inability of most line extensions to increase demand in a category makes it hard for companies to recover the extra costs through increases in volume.

And even if a line extension can command a higher unit price, the expanded gross margin is usually insufficient to recover such dramatic incremental unit costs.

The costs of line-extension proliferation remain hidden for several reasons. First, traditional cost-accounting systems allocate overheads to items in proportion to their sales. These systems, which are common even among companies pursuing a lowcost-producer strategy, overburden the high sellers and undercharge the slow movers.

A detailed cost-allocation study of one line found that only 15% of the items accounted for all the brand's profits. That means that 85% of the items in the line offered little or no return to justify their full costs.

Second, during the 1980s, marketers were able to raise prices to cushion the cost of line extensions. A review of 12 packaged-goods companies shows that price increases in excess of raw-material-cost increases contributed 10.4 additional percentage points to gross margins between 1980 and 1990, but 8.6 points were absorbed by increased selling, general and administrative (SG&A) costs. Now that low inflation and the recent recession have restricted marketers' ability to raise prices, margins will be more clearly squeezed by new line extensions.

Third, line extensions are usually added one at a time. As a result, managers rarely consider the costs of complexity, even though adding several individual extensions may change the cost structure of the entire line.

Once a company's senior managers take the time to examine the downside of aggressive line extension, rationalizing the product line becomes a fairly straightforward process.

2.6 Factors Influencing Product Line Decisions

An analysis of a product's potential to achieve a desired level of return on the company's investment is an essential component of the marketing planning process.

An analysis of this type not only assesses financial opportunities but also provides ideas about bow to compete better given structural characteristics of the category.

The various factors influencing the product line decisions of a corporation are:

2.6.1 Category Size

Category size is an important piece of data about any market. It is clearly an important determinant of the likelihood that a product will generate revenues to support a given investment. In general, larger markets are better than smaller ones.

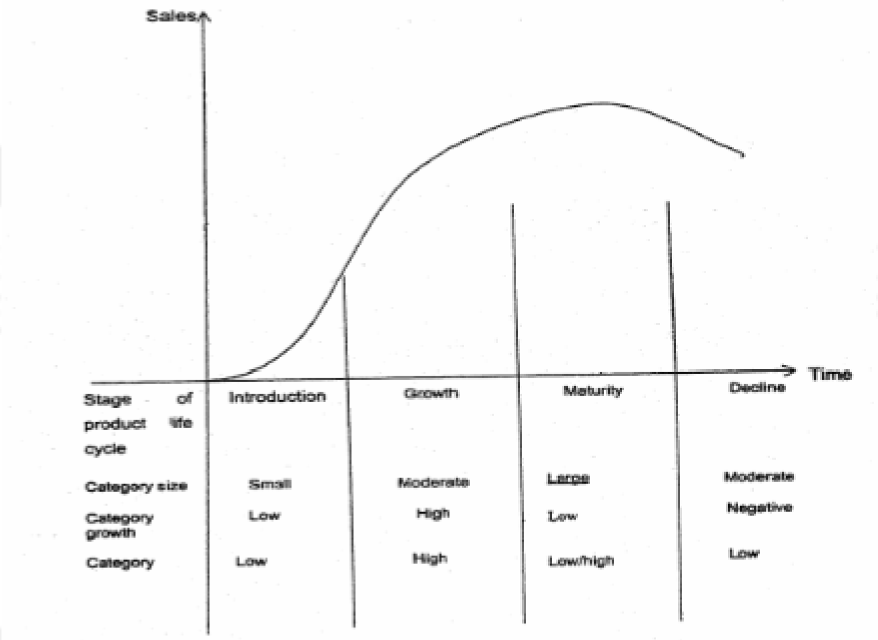
Besides having more market potential, large categories usually offer more opportunities for segmentation than small ones. Large markets, however, tend to draw competitors with considerable resources, thus making them unattractive for small firms.

2.6.2 Market Growth

Market growth is a key market factor advocated by various planning models. Not only is current growth important, but growth projections over the horizon of the plan are also critical. Fast-growing categories are almost universally desired due to their abilities to support high margins and sustain profits in future years. However, like large categories, fast-growing ones also attract competitors.

2.6.3 Product Life Cycle

Category size and category growth are often portrayed simultaneously in the form of the product life cycle. Usually presumed to be S shaped, this curve breaks down product sales into four segments: introduction, growth, maturity, and decline.



Category Attractiveness over the Product Life Cycle

The Introduction and growth phase are the early phases of the life cycle when sales are growing rapidly, maturity represents a leveling off in sales, and the decline phase represents the end of the life cycle.

In the introductory phase, both the growth rate and the size of the market are low, thus making it unattractive for most prospective participants, who would rather wait on the sidelines for a period of time. When market growth and sales start to take off, the market becomes more attractive. In the maturity phase, the assessment is unclear; while the growth rate is low, the. market size could be at its peak. Finally, the decline phase usually is so unattractive that most competitors flee the category.

2.6.4 Sales Cyclicity

Many categories experience substantial inter year variation in demand. Highly capital-intensive business such as automobiles, steel and machine tools, are often tied to general business conditions and therefore suffer through peaks and valleys of sales.

2.6.5 Seasonality

Seasonality - intra year cycles in sales - is generally not viewed positively. Seasonal business tends to generate price wars because there may be few other opportunities tomake substantial sales. However, most products are seasonal to some extent. Some, are very seasonal.

2.6.6 Profits

While profits vary across products or brands in a category, large inter industy differences also exist.

These differences in profitability across industries are actually based on a variety of underlying factors. Differences can be due to factors of production (e.g., labour versus capital intensity, raw materials), manufacturing technology, and competitive rivalry. Product categories that are chronically low in profitability are less attractive than those that offer higher returns.

A second aspect of profitability is that it varies over time. Variance in profitability is often used as a measure of industry risk. Product managers must make a risk-return trade-off, evaluating the expected returns against the variability in those returns.

Attractiveness of Market Variables

	Attractiveness	
	High	Low
Market size	+	-
Market growth	+	-
Sales cyclicity	-	+
Sales seasonality	-	+
Profit level	+	-
Profit variability	-	+

2.7 Category Factors Influencing Product Line Decisions

Although the aggregate factors just described are important indicators of the attractiveness of a product category, they do not provide information about underlying structural factors in ' assessing the structure of industries: such as

• The threat of new entrants.
• The bargaining power of suppliers.
• The threat of substitute products or services.

2.7.1 Threat of New Entrants

If the threat of new entrants into the product category is high, the attractiveness of the category is diminished. Except for the early stages of market development, when new entrants can help a market to expand, new entrants bring additional capacity and
resources that usually heighten the competitiveness of the market and diminish profit margins. Even at early stages of market growth, the enthusiasm with which new entrants are greeted is tempered by who the competitors are. the barriers to entry erected by the existing competition are key to the likelihood that new competitors will enter the market. This sounds anticompetitive and illegal, but it is only definitely anticompetitive; making it difficult for new competition to enter the market. Some of the potential barriers to entry are -

Economies of Scale
Product Differentiation
Capital Requirements
Switching Costs
Distribution

2.7.2 Bargaining Power of Buyers

The following diagram is useful for discussing the power of both buyers and suppliers:

Suppliers -> Category of Concern -> Buyers

Buyers are any people or institutions that receive finished goon or services from the organizations in the category being analyzed. Buyers can be distributors. manufacturers, original equipment manufacturers (OEMs), or end customers.

Suppliers are any institutions that supply the category of concern with factors of production such as labor, capital. raw materials, and machinery.

High buyer bargaining power is negatively related to industry attractiveness. In such circumstances, buyers can force down prices and play competitors off against one another for benefits such as service. Some conditions that occur when buyer bargaining power is high include the following:

1). When the product bought is a large percentage of the buyer's costs.
2). When the product bought is undifferentiated.
3). When the buyers earn low profits.
4). When the buyer threatens to backward integrate.

5). When the buyer has full information.
6). When substitutes exist for the seller's product or service.

Again, the product manager's concern is to decrease buyer power. This is accomplished, for example, by increasing product differentiation (e.g., making your services such as technical assistance or manufacturing-related consulting, and building in switching costs. Thus, the implications of this analysis of buyer power are as critical as is the overall concept of buyer power.

2.7.3 Bargaining Power of Suppliers

High suppliers power is clearly not an attractive situation because it allows suppliers to dicate price and other terms, such as delivery dates, to the buying category. Some conditions that prevail when supplier bargaining power is high are:
1) When suppliers are highly concentrated, that is, dominated by a few firms.
2) When there is no substitute for the product supplied. ,
3) When the supplier has differentiated its product or built in switching costs.
4) When supply is limited.

Current Category Rivalry

Product categories characterized by intense competition among the major participants are not as attractive as those in which the rivalry is more sedate. A high degree of rivalry can result in escalated marketing expenditures, price wars, employee raids, and related activities. Such actions can exceed what is considered `normal' market competition and can result in decreased welfare for both consumers and competition..

Some of the major characteristics of categories exhibiting intensive rivalries are:
Many competitors
Slow growth
High fixed costs
Lack of product differentiation
Personal rivalries

Pressure from Substitutes

Categories making products or delivering services for which there are a large number of substitutes are less attractive than those that deliver a relatively proprietary product, one that uniquely fills a customer need or solves a problem. Since almost all categories suffer from the availability of substitutes, this. may not, be a determinant of an unattractive product category. However, some of the highest rates of return are earned in categories in which the range of substitutes is small.

Category Capacity

Chronic overcapacity is not a positive sign for long-term profitability. When a category is operating at capacity, its costs stay low and its bargaining power with buyers is normally high. Thus, a key indicator of the health of a category is whether there is a consistent tendency toward operating at or under capacity.

Attractiveness of Category Factors

Attractiveness	High Attractiveness	Low Attractiveness
Threat of new entrants	+	-
Power of buyers	+	-
Power of suppliers	-	+
Rivalry	-	+
Pressure from substitutes	+	-
Unused capacity situations	-	+

2.8 Summary

There are lots of external and internal factors affecting the product line decision of a particular product line manager. The decision about the product line ultimately is a function of the company's short term and long term, objectives and the external and internal factors as mentioned earlier. This should be the only criteria for reaching at a product line decision aimed at improving the overall profitability of the firm.

2.9 Key words

Weaker Line Logic- Salespeople should be able to explain the commercial logic for each item. If they cannot, retailers turn to their own data - the information collected by checkout scanners - to help them decide which items to stock

Lower Brand Loyalty- Some marketers mistakenly believe that loyalty is an attitude instead of understanding that loyalty is the behaviour of purchasing the same product repeatedly

2.10 Self Assessment Questions

1.Briefly Explain the Evolution of Product line Decisions

2. Discuss the Bases of Product Line Decisions

3.Briefly Explain the factors influencing the product line Decisions

2.11 Suggested Readings

1. Brand Management Anjali AnupdevMithun, BobanMaria Misha Books First Edition, 2022
2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016
3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015
4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023
5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.Nagaraju Battu

LESSON-3

PRODUCT LIFE CYCLE AND MARKETING STRATEGIES

Learning Objectives

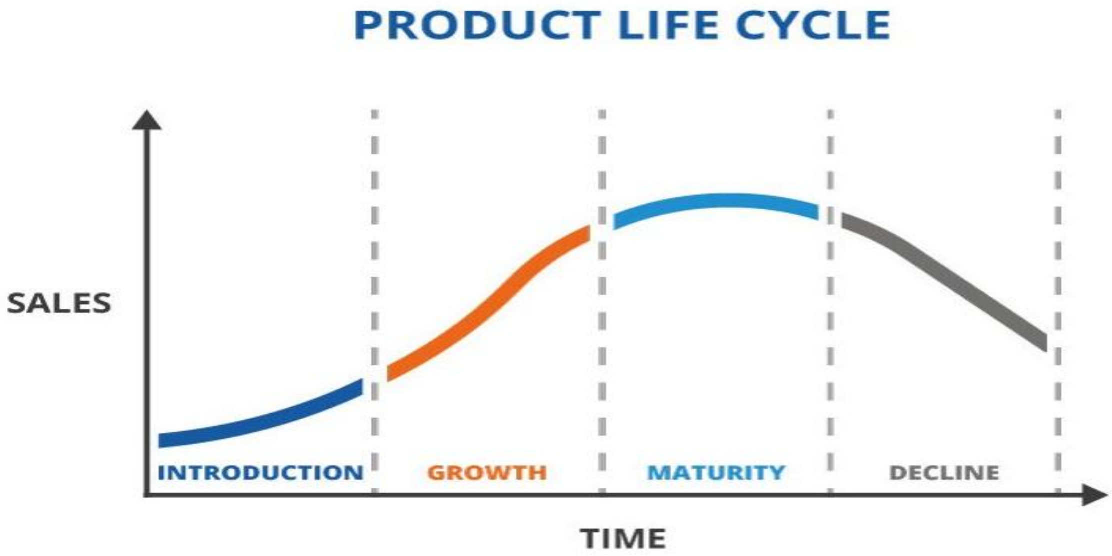
- ✓ To understand the stages of Product life cycle
- ✓ To learn the product life cycle strategy and management
- ✓ To Know the Marketing Process

Structure

3.1 Introduction

A product life cycle is the length of time from a product first being introduced to consumers until it is removed from the market. A product's life cycle is usually broken down into four stages; introduction, growth, maturity, and decline.

Product life cycles are used by management and marketing professionals to help determine advertising schedules, price points, expansion to new product markets, packaging redesigns, and more. These strategic methods of supporting a product are known as product life cycle management. They can also help determine when newer products are ready to push older ones from the market.



The various stages of a product's life cycle determine how it is marketed to consumers. Successfully introducing a product to the market should see a rise in demand and popularity, pushing older products from the market. As the new product becomes established, the marketing efforts lessen and the associated costs of marketing and production drop. As the product moves from maturity to decline, so demand wanes and the product can be removed from the market, possibly to be replaced by a newer alternative.

Managing the four stages of the life cycle can help increase profitability and maximise returns, while a failure to do so could see a product fail to meet its potential and reduce its shelf life.

Writing in the Harvard Business Review in 1965, marketing professor Theodore Levitt declared that the innovator had the most to lose as many new products fail at the introductory stage of the product life cycle. These failures are particularly costly as they come after investment has already been made in research, development and production. Because of this, many businesses avoid genuine innovation in favour of waiting for someone else to develop a successful product before cloning it.

3.2 Stages

There are four stages of a product's life cycle, as follows:

3.2.1. Market Introduction and Development

This product life cycle stage involves developing a market strategy, usually through an investment in advertising and marketing to make consumers aware of the product and its benefits.

At this stage, sales tend to be slow as demand is created. This stage can take time to move through, depending on the complexity of the product, how new and innovative it is, how it suits customer needs and whether there is any competition in the marketplace. A new product development that is suited to customer needs is more likely to succeed, but there is plenty of evidence that products can fail at this point, meaning that stage two is never reached. For this reason, many companies prefer to follow in the footsteps of an innovative pioneer, improving an existing product and releasing their own version.

3.2.2. Market Growth

If a product successfully navigates through the market introduction it is ready to enter the growth stage of the life cycle. This should see growing demand promote an increase in production and the product becoming more widely available.

The steady growth of the market introduction and development stage now turns into a sharp upturn as the product takes off. At this point competitors may enter the market with their own versions of your product – either direct copies or with some improvements. Branding becomes important to maintain your position in the marketplace as the consumer is given a choice to go elsewhere. Product pricing and availability in the marketplace become important factors to continue driving sales in the face of increasing competition. At this point the life cycle moves to stage three; market maturity.

3.2.3. Market Maturity

At this point a product is established in the marketplace and so the cost of producing and marketing the existing product will decline. As the product life cycle reaches this mature stage there are the beginnings of market saturation. Many consumers will now have bought the product and competitors will be established, meaning that branding, price and product differentiation becomes even more important to maintain a market share. Retailers will not seek to promote your product as they may have done in stage one, but will instead become stockists and order takers.

3.2.4. Market Decline

Eventually, as competition continues to rise, with other companies seeking to emulate your success with additional product features or lower prices, so the life cycle will go into decline. Decline can also be caused by new innovations that supersede your existing product, such as horse-drawn carriages going out of fashion as the automobile took over.

Many companies will begin to move onto different ventures as market saturation means there is no longer any profit to be gained. Of course, some companies will survive the decline and may continue to offer the product but production is likely to be on a smaller scale and prices and profit margins may become depressed. Consumers may also turn away from a product in favour of a new alternative, although this can be reversed in some instances with styles and fashions coming back into play to revive interest in an older product.

3.3 Product Life Cycle Strategy and Management

Having a properly managed product life cycle strategy can help extend the life cycle of your product in the market.

The strategy begins right at the market introduction stage with setting of pricing. Options include ‘price skimming,’ where the initial price is set high and then lowered in order to ‘skim’ consumer groups as the market grows. Alternatively, you can opt for price penetration, setting the price low to reach as much of the market as quickly as possible before increasing the price once established.

Product advertising and packaging are equally important in order to appeal to the target market. In addition, it is important to market your product to new demographics in order to grow your revenue stream.

Products may also become redundant or need to be pivoted to meet changing demands. An example of this is Netflix, who moved from a DVD rental delivery model to subscription streaming.

Understanding the product life cycle allows you to keep reinventing and innovating with an existing product (like the iPhone) to reinvigorate demand and elongate the product’s market life.

Examples

Many products or brands have gone into decline as consumer needs change or new innovations are introduced. Some industries operate in several stages of the product life cycle simultaneously, such as with televisual entertainment, where flat screen TVs are at the mature phase, on-demand programming is in the growth stage, DVDs are in decline and video cassettes are now largely redundant. Many of the most successful products in the world stay at the mature stage for as long as possible, with small updates and redesigns along with renewed marketing to keep them in the thoughts of consumers, such as with the Apple iPhone.

Here are a few well-known examples of products that have passed or are passing through the product life cycle:

1. Typewriters

The typewriter was hugely popular following its introduction in the late 19^{th} century due to the way it made writing easier and more efficient. Quickly moving through market growth to maturity, the typewriter began to go into decline with the advent of the electronic word processor and then computers, laptops and smartphones. While there are still typewriters available, the product is now at the end of its decline phase with few sales and little demand. Meanwhile, desktop computers, laptops, smartphones and tablets are all experiencing the growth or maturity phases of the product lifecycle.

2. Video Cassette Recorders (VCRs)

Having first appeared as a relatively expensive product, VCRs experienced large-scale product growth as prices reduced leading to market maturation when they could be found in many homes. However, the creation of DVDs and then more recently streaming services, VCRs are now effectively obsolete. Once a ground-breaking product VCRs are now deep in a decline stage from which it seems unlikely they will ever recover.

3. Electric Vehicles

Electric vehicles are experiencing a growth stage in their product life cycle as companies work to push them into the marketplace with continued design improvements. Although electric vehicles are not new, the consistent innovation in the market and the improving sales potential means that they are still growing and not yet into the mature phase.

4. AI Products

Like electric vehicles, artificial intelligence (AI) has been in development and use for years, but due to the continued developments in AI, there are many products that are still in the market introduction stage of the product life cycle. These include innovations that are still being developed, such as autonomous vehicles, which are yet to be adopted by consumers.

3.4 Marketing Strategy

In the middle of the 1990s, conventional notions of marketing strategy started to transform irrevocably. The world and the ways that marketers reach potential customers have been irrevocably changed by developments in computer, communication, and information technology. After the dotcom bubble burst in the late 1990s, the global economy saw a historic collapse in 2008. In an economy characterised by continual change and customer scepticism, the once-dominant businesses have withered and lost significance. Think of how marketing, business, and our own buying habits have fundamentally changed throughout the years:

3.4.1 Power Shift to Customers

During the past two decades, the power has likely shifted from marketers to customers, which is arguably the most significant change. Customers frequently influence businesses due to their access to information, capacity to comparison shop, and power over their spending, as opposed to businesses being able to do so via technology. In a couple of minutes, both individual consumers and commercial clients can evaluate costs and product details. Customers can frequently set their own pricing, as is the case when using Priceline.com to buy plane tickets. Additionally,

buyers can now communicate with one another since online retailers like Amazon and eBay permit customers to voice their thoughts about the value of a product and the dependability of its source. Marketers are forced to make sure that their products are distinctive and of the highest calibre in order to provide customers a cause to buy them as power continues to shift to consumers.

3.4.2 Massive Increase in Product Selection

It is astounding how many different products and services are available for purchase both online and in physical locations. Customers have a plethora of choices in the cereal and soft drink aisles at grocery stores alone.

Customers can now meet their demands more quickly and conveniently than before thanks to improved transaction efficiency (e.g., 24/7 access, delivery to home or office). In addition, the abundance of information available online has altered how we communicate, consume news, and pass the time. Customers can now subscribe to RSS feeds (Really Simple Syndication) from hundreds of sites to receive news updates automatically. Due to the drastically expanded availability and choice of products, marketers are now vulnerable to threats from rivals all over the world.

3.4.3 Audience and Media Fragmentation:

Marketers have been compelled to reconsider how they interact with prospective customers because of changes in media consumption and the availability of new media venues. Since the introduction of cable television in the 1970s, the audiences of major mass media have been more dispersed. Television viewers, for instance, started tuning in to ESPN, HGTV, Nickelodeon, and the Discovery Channel instead of the main three networks (ABC, CBS, and NBC). As the internet, satellite radio, and mobile communication all continue to increase, it is harder and harder for marketers to connect with a genuine mass audience. Due to (1) the enormous variety of media options accessible to us today and (2) the short attention spans most of us have for any one medium, media audiences have become fragmented.

Customers now acquire news and information from Facebook and Twitter more often than from The New York Times or CBS. More time than they do reading publications or watching television, they are now spending online or using mobile devices.

3.4.4 Changing Value Propositions

Energy, fuel, food and other necessities were becoming more expensive for consumers and business customers even before "The Great Recession" started in 2008. Buyers were therefore compelled to restrict their budgets and look for alternative methods to reduce spending as the economy continued to deteriorate.

This trend actually started as a result of consumers realising for the first time that they could avoid some businesses and handle things on their own after the dot-com bust.

For instance, e-commerce has severely impacted real estate agents and travel agencies. Expedia and Travelocity are now frequently used by clients in place of travel agents to make reservations for flights, cruises, and hotels. Similar changes have occurred in the real estate market, where more buyers are doing their house hunting online and more sellers are going "for sale by owner" approach. As a result, many marketers discovered a difficult lesson: When consumers view goods and services as commodities, they will choose the most practical, least priced option.

In addition to rising costs, many of these same consumers now risk losing their jobs or seeing their earnings decrease. Consumer and company buyers have been compelled to reconsider value offerings and concentrate on the significance of frugality as a result of these and other economic problems. The impact on business has been significant.

The launch of the wireless e-book readers from Amazon's Kindle and Barnes & Noble's Nook paves the way for additional disruptions in book publishing and book selling. Due to the high degree of commoditization of books, people frequently look for the best deals rather than the perks provided by conventional bookstores. E-readers contribute to this by preserving space and paper. The goal of being frugal is to reduce spending on things that are not necessary in life, and this is the essence of being frugal.

3.4.5 Shifting Demand Patterns:

Technology advancements have occasionally changed consumer demand for particular product categories. One well-known instance is news, where online and mobile news continue to flourish while traditional newspapers slowly go out of business. Currently, a lot of newspaper firms have shut down, others are about to shut down, and others have reduced the number of days they publish. Another illustration is the rapid expansion of digital music and video delivery. Demand for the recording and film industries has changed significantly because of the popularity of Apple's iPod and iTunes, YouTube, and Netflix, as well as the ongoing integration of television and computers.

Hollywood's film industry is battling weak theatre attendance and the waning appeal of DVDs as more and more people turn to the internet for their entertainment.

3.4.6 Privacy, Security and Ethical Concerns

Our culture is now considerably more open than it was in the past due to technological advancements. Because of this, marketers now have to address legitimate worries about security and privacy, both online and off. Businesses have traditionally routinely gathered data on their clients. Customers are now far more aware of these initiatives and the intended uses of the information. Although customers value the convenience of online shopping, they want guarantees that their information is secure and private.

Concerns regarding online privacy and security are particularly pressing when it comes to youngsters and contentious industries like casinos or pornography.

Examples include Mrs. Fields (cookies), Sony BMG, and Hershey Foods, all of whom have received fines for breaking the requirements of the Children's Online Privacy Protection Act. For gathering personal data from children under the age of 13 without parental consent, Sony agreed to pay $1 million.

3..7 Ambiguous Jurisdiction

Businesses that operate internationally, like many internet-based businesses, can encounter problems due to different legal systems.

These days, businesses who conduct business in both China and the United States are particularly sensitive to this distinction.

For instance, Google finds it challenging to comply with the censorship requirements of the Chinese government. Despite being a U.S. company, Google must comply with the Chinese order by running a whole different search engine that censors anything deemed sensitive by the Chinese government. Doing business in China is problematic because Chinese laws do not provide the same protections as those given in the US when it comes to intellectual property rights. For instance, software piracy in China and other Asian nations cost American software producers an estimated $14 billion in sales in 2007.

The collection of sales tax for internet transactions is a crucial legal problem. At the beginning of the development of ecommerce, many online retailers did not charge sales taxes for online purchases, which gave them a significant competitive edge over retailers with physical stores. In fact, a 1992 ruling by the

U.S. Supreme Court barred out-of-state merchants from obtaining sales taxes in states where they had no physical presence. States argued that they were losing millions of dollars in tax income each year but were ill-equipped to launch a collection operation. Major retailers, including Walmart, Target, and Toys 'R' Us, agreed to collect online sales taxes in 2003 as part of a deal with a group of 38 states and the District of Columbia. Many internet retailers did not, however, charge sales taxes.

States are currently exploring for ways to compel the collection of sales taxes for internet transactions as most state budgets are in shambles due to the economic meltdown.

New York's physical presence regulations were amended to include online shops in 2008. Many more states are anticipated to do the same. Though the full impact of these difficulties won't be seen for a while, the need to adapt marketing efforts at both the strategic and tactical levels has driven organisations to move forward. We will examine how current issues have impacted strategic planning in these areas as we cover the key marketing ideas.

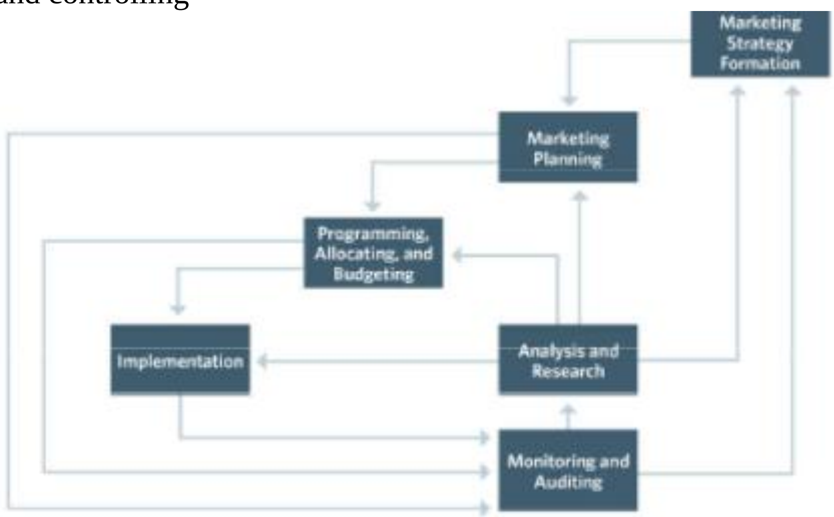
3.5 Marketing Management and Components of Marketing Strategies

Marketing is the process of creating, conveying, delivering, and exchanging products and services that are valuable to customers, clients, business partners, and society at large.

Target market selection and effective relationship-building are the art and science of marketing management. It demands a thorough understanding of the market and the consumers. By generating, delivering, and conveying exceptional value, the goal is to find, attract, and grow a customer base.

Relationships between the six marketing process components

1. Implementation
2. Budgeting, assigning, and programming
3. Research and analysis
4. Marketing preparation
5. Creating a strategy
6. Checking and controlling



3.6 Marketing Process

3.6.1 Schematic of Marketing Strategy formation process :

Every business aims to stand apart from a particular group of customers. Organizations are therefore concentrating on the consumer rather than producing a product for the broad market. The process of choosing these customers, deciding on a point of differentiation to communicate to them, and creating a strategy to achieve this are all parts of marketing strategy

3.6.2 Marketing Strategy formation process

THE 5 C's OF ANALYSIS

1. Customer analysis:

What is the Purchase decision-making unit (Initiator, Gatekeeper, Decider, Influencer, Purchaser, and User)

What is the process used for decision making?

Customer research was used to try to create a product that would fit the market.

Through corporate analysis, the product is made to fit the business.

2. Company analysis:

Hamel & Prahlad introduced the concept of unique talents, competencies, and assets.

Making a major contribution to the production of perceived customer value in products is one of the two components of core competency.

The other is to be challenging for rivals to copy.

3. Collaborator: A supplier who works with the business.

4. Competitive analysis: List current and potential rivals and their value propositions. Potential rivals come in two flavors: niche and more general.

5. Contextual analysis: Contexts are dynamic. Similar to how culture, technology, and legal considerations constrain what is achievable and necessitate ongoing surveillance

3.7 Segmentation, Targeting And Positioning In The Aspiration Decision

Targeting and Segmentation The fact that each client segment's purchase process is unique enables an organization to precisely tailor its marketing mix to each segment's unique needs.

The rules and criteria for the customer's purchases will govern the marketing game.

The section that best fits the target group's corporate goals will be chosen by the company.

Segmentation is defined as the simultaneous usage of many variables.

Popular segmentation methods include demographic, geographic, and lifestyle.

Customer behavior or relationships with products, user status, user rate, and loyalty status are examples of alternative segmentation.

Positioning: How do we want the members of the segment to perceive us? Effective statement identifies the subsequent components

1. The segmentation variables' definition of the target consumer
2. The customer's preferences
3. The product category and type as perceived by the customer
4. The primary benefit to be offered to the target consumer

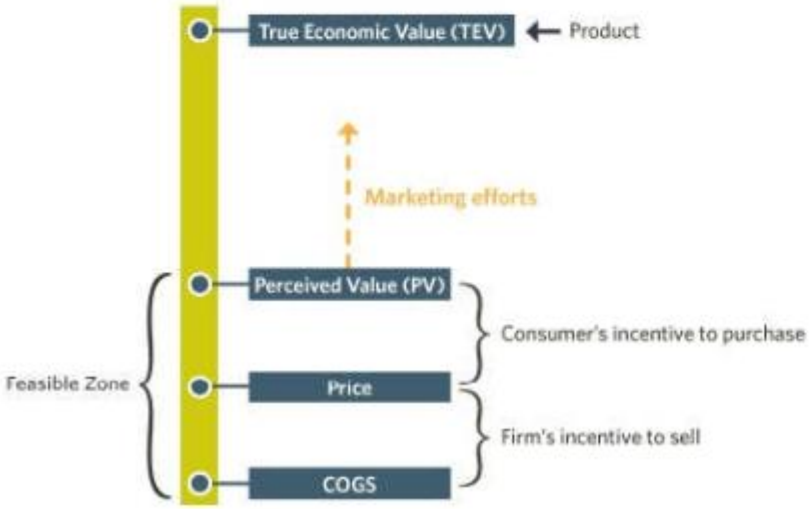
Marketing Mix Decision:

Product: Complete range of customer-value-creating opportunities, including brand recognition, business standing, product use, and post-purchase support. a distinctive product that offers distinctive benefits and strong value arguments.

Product surveys and beta tests are both used for testing. After a product is introduced, we must manage its life cycle.
Promotion Knowledge, product attributes, product purchasing, and value
Market-Mission-Message-Media-Money-Measurement is the 6M model of communication strategy.

Positions of Major Communication Vehicles

Key inputs to the pricing decision and calculating true economic value



True Economic Value

3.8 Summary

It can be seen that the marketing strategy is the most crucial instrument for defining the organization's entire business plan. The company must take into account a variety of elements while developing its marketing strategy, including potential clients, market segmentation, its USP, current circumstances, etc. An efficient marketing plan helps the business achieve the highest level of customer satisfaction while also getting to know its customers. Thus, a successful marketing plan ultimately contributes to the development of the company's corporate image. The business level strategy should be developed from the corporate level strategy, whereas the functional strategy should be created as a result of the business level strategy.

3.9 Key words

Product- Complete range of customer-value-creating opportunities, including brand recognition, business standing, product use, and post-purchase support. a distinctive product that offers distinctive benefits and strong value arguments

Market Maturity- At this point a product is established in the marketplace and so the cost of producing and marketing the existing product will decline
Market Decline- Eventually, as competition continues to rise, with other companies seeking to emulate your success with additional product features or lower prices, so the life cycle will go into decline

3.10 Self Assessment Questions

1. What is marketing strategy? Explain briefly.
2. What are the different levels of strategy ?
3. What are the key components of Corporate, Business, Marketing strategies?
4. What are the different C's of analysis and the importance of segmentation, targeting and positioning ?

3.11 Suggested Readings

1. Marketing Management, Kotler, P. and Keller, K., Pearson
2. The Marketing Process, Harvard Business School, Benson Shapiro
3. Framework for Marketing Strategy Formation, Robert J. Dolan
4. Marketing Communications, Patrick & Others, Pearson
5. Principles of Pricing: Harvard Business Review, Robert J. Dolan

Dr.Nagaraju Battu

LESSON-4
NEW PRODUCT DEVELOPMENT AND THE TECHNIQUES OF IDEA GENERATION

Objectives of the lesson

- ✓ To study and understand what is new product development
- ✓ To know the process of new product development
- ✓ To know the different techniques of idea generation
- ✓ To explore the various ways of testing new products success
- ✓ To identify potential market for launching and testing the new product
- ✓ To understand how to track new product success

Structure

4.1 Introduction

New Product Development refers to the complete process of bringing a new product to market. This can apply to developing an entirely new product, improving an existing one to keep it attractive and competitive, or introducing an old product to a new market. The emergence of new product development can be attributed to the needs of companies to maintain a competitive advantage in the market by introducing new products or innovating existing ones. While regular product development refers to building a product that already has a proof of concept, new product development focuses on developing an entirely new idea—from idea generation to development to launch.

4.2 Definition

New-product development (NPD) is the overall process for developing a new product, although the exact stages in this process may vary by company.

According to Kotler and Kelle

4.3 Importance of New product development

New product development (NPD) is crucial for several reasons, each contributing to a company's ability to thrive in a competitive market. Here are some key points highlighting its importance:

4.3.1 Market Competitiveness: In a dynamic market environment, companies must continuously innovate to stay ahead of competitors. NPD enables businesses to introduce new and improved products that can differentiate them from rivals and attract more customers.

4.3.2 Customer Satisfaction and Loyalty: Developing new products allows companies to meet evolving customer needs and preferences. By offering products that solve new problems or enhance user experiences, companies can build stronger customer loyalty and satisfaction.

4.3.3 Revenue Growth: New products can open up additional revenue streams and expand market share. Successful NPD can lead to increased sales, higher profit margins, and long-term financial growth for the company.

4.3.4 Market Expansion: NPD provides opportunities for companies to enter new markets or segments. By creating products tailored to different customer groups or geographical areas, businesses can diversify their market presence and reduce dependency on existing markets.

4.3.5 Adaptation to Technological Advances: Technology evolves rapidly, and NPD helps companies leverage new technologies to create innovative products. This not only keeps a company relevant but also positions it as a leader in adopting and integrating cutting-edge solutions.

4.3.6 Risk Management: A diverse product portfolio developed through NPD can mitigate risks associated with market fluctuations. If one product line experiences a downturn, other products can help stabilize the company's overall performance.

4.3.7 Brand Reputation and Image: Consistently bringing innovative products to market enhances a company's reputation and brand image. It positions the company as an industry leader and innovator, which can attract both customers and top talent.

4.3.8 Response to Market Changes: Consumer preferences, regulatory environments, and economic conditions change over time. NPD allows companies to respond proactively to these changes, ensuring they remain relevant and compliant.
4.3.9 Sustainability and Environmental Impact: NPD can drive the development of eco-friendly products and sustainable business practices. By focusing on sustainability, companies can reduce their environmental footprint and appeal to increasingly environmentally conscious consumers.
4.3.10 Intellectual Property and Competitive Edge: Developing new products often involves creating proprietary technologies or processes, which can be protected through patents. This intellectual property can provide a competitive edge and create barriers for competitors.
NPD is essential for maintaining market competitiveness, driving revenue growth, and ensuring long-term sustainability. It allows companies to adapt to changing market conditions, meet customer needs, and capitalize on new opportunities. Without a robust NPD strategy, businesses risk stagnation and may be outpaced by more innovative competitors.

4.4 Process of New product development (NPD)

New Product Development (NPD): New product development is the process of bringing a new product to the marketplace. It typically involves the following stages:

4.4.1 Idea generation

Idea generation involves brainstorming for new product ideas or ways to improve an existing product. During product discovery, companies examine market trends, conduct product research, and dig deep into users' wants and needs to identify a problem and propose innovative solutions.
A SWOT Analysis is a framework for evaluating your Strengths, Weaknesses, Opportunities, and Threats. It can be a very effective way to identify the problematic areas of your product and understand where the greatest opportunities lie.
There are two primary sources of generating new ideas. Internal ideas come from different areas within the company—such as marketing, customer support, the sales team, or the technical department. External ideas come from outside sources, such as studying your competitors and, most importantly, feedback from your target audience.

4.4.1.1 Some methods you can use are:

- Conducting market analysis
- Working with product marketing and sales to check if your product's value is being positioned correctly
- Collecting user feedback with interviews, focus groups, surveys, and data analytics
- Running user tests to see how people are using your product and identify gaps and room for improvement

Ultimately, the goal of the idea generation stage is to come up with as many ideas as possible while focusing on delivering value to your customers.

4.4.2. Idea screening

This second step of new product development revolves around screening all your generated ideas and picking only the ones with the highest chance of success. Deciding which ideas to pursue and discard depends on many factors, including the expected benefits to your consumers, product improvements most needed, technical feasibility, or marketing potential.

The idea screening stage is best carried out within the company. Experts from different teams can help you check aspects such as the technical requirements, resources needed, and marketability of your idea.

4.4.3 Concept development and testing

All ideas passing the screening stage are developed into concepts. A product concept is a detailed description or blueprint of your idea. It should indicate the target market for your product, the features and benefits of your solution that may appeal to your customers, and the proposed price for the product. A concept should also contain the estimated cost of designing, developing, a4.3.2 **Customer Satisfaction and Loyalty**: Developing new products allows companies to meet evolving customer needs and preferences. By offering products that solve new problems or enhance user experiences, companies can build stronger customer loyalty and satisfaction.

4.3.3 Revenue Growth: New products can open up additional revenue streams and expand market share. Successful NPD can lead to increased sales, higher profit margins, and long-term financial growth for the company.

4.3.4 Market Expansion: NPD provides opportunities for companies to enter new markets or segments. By creating products tailored to different customer groups or geographical areas, businesses can diversify their market presence and reduce dependency on existing markets.

4.3.5 Adaptation to Technological Advances: Technology evolves rapidly, and NPD helps companies leverage new technologies to create innovative products. This not only keeps a company relevant but also positions it as a leader in adopting and integrating cutting-edge solutions.

4.3.6 Risk Management: A diverse product portfolio developed through NPD can mitigate risks associated with market fluctuations. If one product line experiences a downturn, other products can help stabilize the company's overall performance.

4.3.7 Brand Reputation and Image: Consistently bringing innovative products to market enhances a company's reputation and brand image. It positions the company as an industry leader and innovator, which can attract both customers and top talent.

4.4.3 Concept development and testing

All ideas passing the screening stage are developed into concepts. A product concept is a detailed description or blueprint of your idea. It should indicate the target market for your product, the features and benefits of your solution that may appeal to your customers, and the proposed price for the product. A concept should also contain the estimated cost of designing, developing, and launching the product. Developing alternative product concepts will help you determine how attractive each concept is to customers and select the one that would provide them the highest value. Concepts are also often used for market validation. Before committing to developing a new product, share your concept with your prospective buyers to collect insights and gauge how viable the product idea would be in the target market.

4.4.4 Marketing strategy and business analysit

nd launching the product. Developing alternative product concepts will help you determine how attractive each concept is to customers and select the one that would provide them the highest value. Concepts are also often used for market validation. Before committing to developing a new product, share your concept with your prospective buyers to collect insights and gauge how viable the product idea would be in the target market.

4.4.4 Marketing strategy and business analysis

Now that you've selected the concept, it's time to put together an initial marketing strategy to introduce the product to the market and analyze the value of your solution from a business perspective.

- **The marketing strategy** serves to guide the positioning, pricing, and promotion of your new product. Once the marketing strategy is planned, product management can evaluate the business attractiveness of the product idea.
- **The business analysis** comprises a review of the sales forecasts, expected costs, and profit projections. If they satisfy the company's objectives, the product can move to the product development stage.

4.4.5 Product development

The product development stage consists of developing the product concept into a finished, marketable product. Your product development process and the stages you'll go through will depend on your company's preference for development, whether it's agile product development, waterfall, or another viable alternative.

This stage usually involves creating the prototype and testing it with users to see how they interact with it and collect feedback. Prototype testing allows product teams to validate design decisions and uncover any flaws or usability issues before handing the designs to the development team.

4.4.6 Test marketing

Test marketing involves releasing the finished product to a sample market to evaluate its performance under the predetermined marketing strategy.

There are two testing methods you can employ:

- Alpha testing is software testing used to identify bugs before releasing the product to the public
- Beta testing is an opportunity for actual users to use the product and give their feedback about it

The goal of the test marketing stage is to validate the entire concept behind the new product and get ready to launch the product.

4.4.7 Product launch

At this point, you're ready to introduce your new product to the market. Ensure your product, marketing, sales, and customer support teams are in place to guarantee a successful launch and monitor its performance.

To better understand how to prepare a go-to-market strategy, here are some essential elements to consider.

- **Customers:** Understand who will be making the final purchasing decisions and why they will be purchasing your product. Create buyer personas and identify their roles, objectives, and pain points.
- **Value proposition:** Identify what makes you different from the competition and why people should choose to buy your product
- **Messaging:** Determine how you will communicate your product's value to potential customers
- **Channels:** Pick the right marketing channels to promote your products, such as email marketing, social media, SEO, and more

Any company need to constantly track and measure the success of your product launch and make adjustments if it doesn't achieve the desired goals.

4.5 Time does it take to develop a new product and get it to market

Developing new products is a time-consuming activity, especially if you want to deliver a high-quality product. How much time you need will depend on several factors, including the complexity of the product, the industry, the company stage, and the resources available. The company whether it is developing a new product or improving an existing one, having a well-defined process will enable you and your team to achieve greater speed and efficiency and increase the likelihood of success. You can now choose from a wide array of product management tools to streamline your product development process and achieve better team collaboration.

4.6 The techniques of idea generation

4.6.1 New Product Development (NPD): New product development is the process of bringing a new product to the marketplace. It typically involves the following stages:

41.6.2 Idea Generation: Gathering ideas for new products from various sources such as customers, employees, competitors, and market research.

4.6.3 Idea Screening: Evaluating ideas to identify those that are feasible and have market potential.

4.6.4 **Concept Development and Testing**: Developing product concepts and testing them with target customers to gather feedback and refine the ideas.

4.6.5 Business Analysis: Conducting detailed business analysis, including cost estimation, sales forecasting, and profitability analysis to ensure the product can meet financial goals.

4.6.6 Product Development: Designing and engineering the product to develop prototypes and finalize the product design.

4.6.7 Market Testing: Introducing the product in a limited market to gauge consumer response and identify potential issues before full-scale launch.

4.6.8 Commercialization: Launching the product on a large scale, including full-scale production, marketing, and distribution.

4.6.9 Post-Launch Review and Feedback: Monitoring the product's performance after launch and gathering customer feedback to make necessary adjustments and inform future product development efforts.

4.7 Screening development and testing

Screening, development, and testing are critical stages in the new product development (NPD) process. Here's an overview of each stage:

4.7.1 Screening

4.7.1.1 Idea Screening is the process of evaluating and filtering new product ideas to identify those that are viable and worth pursuing further. The goal is to eliminate ideas that are not feasible or do not align with the company’s strategic objectives. Screening criteria may include:

4.7.1.2 Market Potential: Assessing the demand and market size for the product.

4.7.1.3 Feasibility: Evaluating whether the product can be developed with available technology and resources.

4.7.1.4 Profitability: Estimating the potential for profitability based on cost, pricing, and sales forecasts.

4.7.1.5 Alignment with Business Goals: Ensuring the product aligns with the company's overall strategy and objectives.

4.7.1.6 Risk Assessment: Identifying potential risks and challenges associated with the new product eevelopment

4.7.2 Product Development

It involves transforming a product concept into a physical product. This stage includes detailed design and engineering work to create prototypes and finalize the product design. Key activities in the development stage include:

4.7.2.1 Prototyping: Creating initial models or prototypes of the product to test and refine the design.

4.7.2.2.Engineering: Developing the technical specifications and engineering the product for functionality, durability, and manufacturability.

4.7.2.2 Design: Finalizing the product's aesthetics, user interface, and overall design to meet customer needs and preferences.

4.7.3. Testing

It means conducting rigorous tests to ensure the product meets quality, safety, and performance standards.

- **4.7.3.1 Iteration**: Making necessary adjustments and improvements based on testing results and feedback.
- **4.7.3.2 Market Testing** (or concept testing) is the process of introducing the product in a limited market to gather consumer responses and identify any issues before a full-scale launch. This stage helps in refining the product and marketing strategies. Key activities in the testing stage include:
- **4.7.3.3 Consumer Feedback**: Collecting feedback from target customers who use the product in a real-world setting.
- **4.7.3.4 Sales Analysis**: Evaluating the sales performance of the product in the test market to estimate potential demand.
- **4.7.3.5 Marketing Testing**: Testing different marketing strategies, such as pricing, promotions, and advertising, to determine the most effective approach.
- **4.7.3.6 Distribution Testing**: Assessing the logistics and supply chain processes to ensure smooth distribution.
- **4.7.3.7 Problem Identification**: Identifying any technical or market-related issues that need to be addressed before the full-scale launch.

4.7.4 Screening: Filters out non-viable ideas to focus on those with the highest potential.

4.7.4.1 Development: Transforms the selected ideas into market-ready products through design, engineering, and prototyping.

4.7.4.2 Testing: Validates the product and marketing strategies in a real-world setting to ensure success upon full-scale launch.

These stages are essential to ensure that only the most promising and viable products reach the market, thereby increasing the likelihood of commercial success and customer satisfaction.

4.8 Test marketing

It is a critical phase in the new product development (NPD) process, where a new product or service is introduced to a limited, select market prior to a full-scale launch. The primary purpose of test marketing is to evaluate the product's potential success and to identify any issues that need to be addressed before wider release. This phase allows a company to gather valuable data and insights on how the product performs in real-world conditions.

Key Objectives of Test Marketing

- **4.8.1 Consumer Response**: To gauge how target consumers respond to the product, including their likes, dislikes, and overall satisfaction. This feedback helps in refining the product to better meet customer needs and expectations.
- **4.8.2 Sales Performance**: To assess the sales potential of the product. By observing sales trends in the test market, companies can estimate the product's demand and potential revenue.

4.8.3 **Marketing Strategy Evaluation**: To test different marketing strategies, such as advertising, pricing, packaging, and promotions. This helps determine the most effective ways to market the product.

4.8.4 **Distribution Logistics**: To evaluate the effectiveness of distribution channels and logistics. This ensures that the product can be efficiently delivered to retailers and consumers.

4.8.5 **Identify Issues**: To identify any technical, operational, or market-related issues that need to be addressed before a full-scale launch. This could include product defects, supply chain problems, or unanticipated market reactions.

4.9 Steps in Test Marketing

4.9.1 **Select Test Market Locations**: Choose specific geographic areas or demographic segments that are representative of the broader target market. These areas should have similar characteristics to the intended market for accurate results.

4.9.2 **Develop Marketing Plan**: Create a detailed marketing plan that includes promotional activities, pricing strategies, distribution methods, and sales tactics. This plan should mimic the intended full-scale launch strategy.

4.9.3 **Launch the Product**: Introduce the product to the selected test markets. This involves making the product available through chosen retail outlets or online platforms.

4.9.4 **Monitor Performance**: Collect and analyze data on sales performance, consumer feedback, and marketing effectiveness. Use tools such as surveys, focus groups, and sales reports to gather insights.

4.9.5 **Adjust Strategies**: Based on the data collected, make necessary adjustments to the product, marketing strategies, pricing, and distribution channels. This step is crucial for addressing any issues and optimizing the product's potential for success.

4.9.6 **Decision Making**: Decide whether to proceed with a full-scale launch, modify the product further, or potentially discontinue the project if significant issues are identified.

4.10 Benefits of Test Marketing

4.10.1 **Risk Mitigation**: Helps reduce the risk of a full-scale launch by identifying potential problems early.

4.10.2 **Cost Efficiency**: Allows companies to make necessary adjustments before investing heavily in a nationwide or global launch.

4.10.3 **Market Insights**: Provides valuable insights into consumer behavior, preferences, and market dynamics.

4.10.4 **Optimized Strategies**: Enables companies to fine-tune their marketing strategies for better effectiveness and efficiency.

4.11 Challenges of Test Marketing

4.11.1 **Time and Cost**: Test marketing can be time-consuming and costly, which might delay the full-scale launch.

4.11.2 **Market Leakage**: Competitors might become aware of the new product and respond with their own innovations.

4.11.3 **Limited Scope**: Results from the test market might not always be fully indicative of broader market performance due to differences in demographics and market conditions.

In conclusion, test marketing is a crucial step in the new product development process that allows companies to refine their products and strategies based on real-world feedback. By carefully planning and executing a test marketing campaign, businesses can increase their chances of a successful full-scale product launch.

4.12 Launching and tracking new product programmes

Launching and tracking new product programs are essential phases in the new product development (NPD) process. These phases ensure that the product is successfully introduced to the market and its performance is continuously monitored to achieve desired business outcomes. Here's a detailed explanation of each:

Launching New Product Programs

Product Launch refers to the process of introducing a new product to the market. It involves several critical steps:

4.12.1 Pre-Launch Planning:

- **Market Research**: Conduct thorough market research to understand the target audience, competition, and market conditions.
- **Launch Strategy**: Develop a comprehensive launch strategy that includes marketing, sales, distribution, and communication plans.
- **Positioning and Messaging**: Define the product's unique value proposition, positioning, and key messages to communicate to the target audience.
- **Launch Timeline**: Create a detailed timeline outlining all activities and milestones leading up to the launch date.

4.12.2 Marketing and Promotion:

- **Advertising Campaigns**: Execute advertising campaigns across various channels such as social media, online advertising, print media, and TV/radio.
- **Public Relations (PR)**: Engage in PR activities to generate buzz and media coverage, including press releases, media kits, and press conferences.
- **Content Marketing**: Develop and distribute content such as blog posts, videos, webinars, and infographics to educate and engage the audience.
- **Events and Launch Parties**: Organize launch events, trade shows, or online webinars to showcase the product and interact with potential customers.

4.12.3 Sales and Distribution:

- **Sales Training**: Train the sales team on the product's features, benefits, and selling points to ensure they can effectively communicate its value to customers.
- **Distribution Channels**: Ensure that the product is available through the right distribution channels, including retail stores, e-commerce platforms, and direct sales.
- **Pricing Strategy**: Implement a pricing strategy that aligns with the market expectations and business objectives.

4.12.4 Customer Support and Service:

- **Customer Service Preparation**: Prepare the customer service team to handle inquiries, support requests, and feedback related to the new product.
- **Documentation and Resources**: Provide comprehensive user manuals, FAQs, and troubleshooting guides to assist customers.

4.13 Tracking New Product Programs

Tracking refers to the continuous monitoring and analysis of the new product's performance post-launch. Key activities include:

4.13.1 Performance Metrics:

- **Sales Data**: Monitor sales volumes, revenue, and market share to gauge the product's commercial success.
- **Customer Feedback**: Collect and analyze customer feedback through surveys, reviews, and direct interactions to understand customer satisfaction and areas for improvement.

- **Usage Analytics**: Track how customers are using the product to identify usage patterns, common issues, and potential enhancements.

4.13.2 Marketing Effectiveness:

- **Campaign Metrics**: Evaluate the effectiveness of marketing campaigns by analyzing metrics such as click-through rates, conversion rates, and return on investment (ROI).
- **Brand Awareness**: Measure brand awareness and perception through surveys, social media engagement, and media coverage.

4.13.3 Competitive Analysis:

- **Market Position**: Continuously assess the product's position relative to competitors by monitoring market trends, competitor activities, and industry developments.
- **SWOT Analysis**: Conduct regular SWOT analyses to identify strengths, weaknesses, opportunities, and threats related to the product.

4.13.4 Financial Performance:

- **Profitability**: Analyze the product's profitability by assessing cost structures, pricing, and sales revenue.
- **Break-Even Analysis**: Determine when the product will break even and start generating profit.

4.13.5 Iterative Development: Based on feedback and performance data, make necessary improvements and updates to the product to enhance its value and address any issues.

4.13.6 Version Releases: Plan and execute version releases or updates to introduce new features, fix bugs, and improve overall performance.

4.14 Conclusion

Launching and tracking new product programs are vital to ensuring a product's success in the market. The launch phase focuses on creating awareness, generating demand, and making the product available to customers. The tracking phase involves continuous monitoring and analysis to understand the product's performance, gather customer feedback, and make data-driven decisions for ongoing improvements. By effectively managing both phases, companies can maximize the potential of their new products and achieve long-term success.

4.15 Summary

In summary, new product development is a structured yet flexible process that involves multiple stages, each crucial for transforming an idea into a successful market offering. From initial ideation and screening to development, testing, and commercialization, each phase requires careful planning, execution, and evaluation. By following a systematic approach to NPD, companies can innovate effectively, meet market demands, and sustain growth in an ever-changing business landscape. New product development (NPD) is a comprehensive process that encompasses the ideation, design, development, and market introduction of new products. This process is essential for companies to stay competitive, meet evolving consumer demands, and drive business growth. The NPD process typically begins with idea generation, where new concepts are brainstormed, often involving cross-functional teams and leveraging various techniques such as brainstorming sessions, mind mapping, customer feedback, and trend analysis. These ideas are then subjected to idea screening, a critical phase where concepts are evaluated against feasibility, market potential, and alignment with the company's strategic objectives. This filtering ensures that only the most promising ideas proceed to the next stages, minimizing the risk of investing in unviable products. Once an idea passes the screening phase, it moves into concept development and testing. During this stage, product concepts are refined and detailed, often involving the creation of prototypes and gathering feedback from target customers to validate assumptions and make necessary adjustments. Business analysis follows, where a detailed financial projection is conducted to assess the product's potential profitability, including cost estimation, sales forecasting, and break-even analysis. This ensures that the product can achieve the company's financial goals and provides a basis for further investment decisions.

4.16 Practice Questions

1. What is new product development
2. Explain the process of new product development
3. What are the key challenges and benefits of new product development
4. Define test marketing and explain its importance
5. What are the different methods of ideations
6. Explain the steps in product Launching and
7. Explain the significance of tracking new product programmes
8. What are the objectives and benefits of test marketing
9. Describe about product promotion and marketing

4.17 References

1. Product Design and Development by Karl Ulrich, Steven Eppinger, and Maria C. Yang
2. Product Leadership by Richard Banfield, Martin Eriksson, and Nate Walkingshaw
3. The Product Book: How to Become a Great Product Manager by Product School, Carlos Gonzalez de Villaumbrosia, and Josh Anon
4. The Principles of Product Development Flow by Donald G. Reinertsen
5. Product Roadmaps Relaunched by C. Todd Lombardo, Bruce McCarthy, Evan Ryan, and Michael Connors
6. Inspired: How to Create Tech Products Customers Love by Marty Cagan
7. The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail by Clayton M. Christensen
8. Sprint: How to Solve Big Problems and Test New Ideas in Just Five Days by Jake Knapp, John Zeratsky, and Braden Kowitz
9. Build Better Products by Laura Klein
10. Revolutionizing Product Development by Steven C. Wheelwright
11. The Product Manager's Desk Reference by Steven Haines

Dr.M.Anand

LESSON-5
ORGANISING NEW PRODUCTS

Learning Objectives

- ✓ To know the Setting Responsibility for New Product Development
- ✓ To Structural units of New Product Development

Structure

5.1 Introduction

Since planning and coordinating new product development activities involve almost every area in an organization to ensure that new product development effort is properly coordinated, it is essential that special organisational arrangements are developed around the day-to-day chores needed to keep the operations moving smoothly and successfully. Managers in each functional area such as marketing, manufacturing, and finance, therefore concentrate on meeting immediate objectives and solving current problems. Despite the fact that the future is important, current problems easily blot the future from view. But the long-range survival of the firm requires that new products be developed.

The Booz, Allen, and Hamilton study of new product introductions suggests that the organizations which encounter the greatest success in new product introductions are the ones that have given the greatest care to organizing for developing those products."

Setting up an organizational form for new product development involves the following related questions:

1). Who is to be responsible for new product development?
2). What are the tasks to be accomplished?
3). How are the tasks to be accomplished?

In other words, organizing for new product development implies establishing responsibility for varying out new product development, and, also creating special structure(s) to handle such an activity -- along with the functions to be performed by new product units.

5.2 Setting Responsibility For New Product Development

Responsibility for developing new product can be set at the corporate level, the divisional level, or the operating level.

New Product Development at the Corporate Level 6 Involvement of the top management in new product development depends upon the importance that has been assigned to new products in the overall plan. Corporate level new product department is feasible and appropriate when the objective is' to develop markets or products that are not in the firm's normal lines of business and when the outputs of various divisions have similar technologies and markets. The nature of a company's business (and its future business) conditions the top management support. A company that is slow to change has innovation playing only a minor role in its performance and therefore, delegates• new product development to lower level executives. On the other hand, a fast changing industry's firm, for example, electronics and chemicals, depends on innovation for competitive advantages and has high-level executives concerned with new product development. Operating divisions normally neglect development into unfamiliar fields for they fall outside traditional spheres of business. Divisions seldom allocate funds to venture into brave new worlds: Unless the task is assumed at the corporate level, such opportunities would be missed

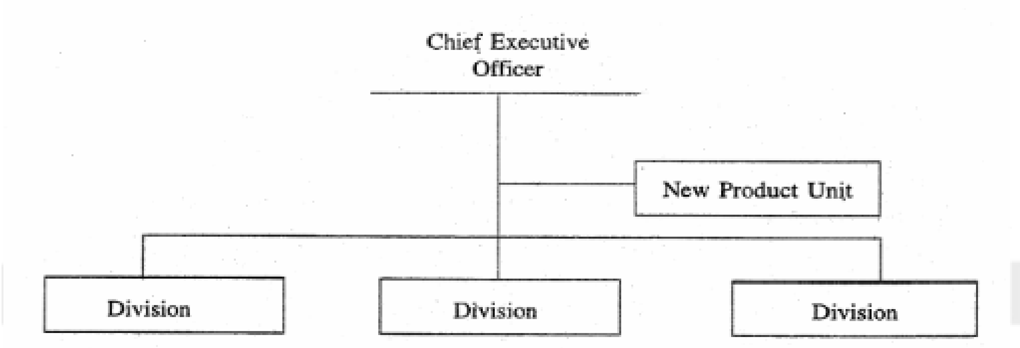


Figure 5.1 New Product Development

There are both advantages and disadvantages of having new product development responsibility set at the corporate level.

Advantages

1). Greater effectiveness and control of innovative activities - Centralized research units are usually larger than the scattered, decentralized units attached to divisional operations, and the larger size permits hiring of a more specialized, technical staff well equipped to handle a wider range of problems.

2). Insulation from the daily pressures and crisis atmosphere - Reporting directly to the CEO, the new product unit has a direct line of communication to top management and the benefit of status. Its closeness to the source of corporate power keeps it protected from the routine burdens and crisis that infect operating personnel.

Disadvantages

1). No response to the urgencies of the market place - Its isolation from the commotion and 'turbulence of operations makes the corporate level new product unit unresponsive to the immediate needs of the market. A request for all possible haste can easily be shrugged off as frantic behaviour of nervous salesmen.

2). Organizational and spatial separation - The Comparative isolation of the corporate level new product unit from operational divisions makes it necessary to integrate differentiated structures.

5.3 New Product Development at the Divisional Level

Divisional level responsibility for new product development is most likely when operating units have highly differentiated product lines.

Compared to the centralized approach, the divisional level effort makes new product development more attuned to the exigencies of business. An organization with new product - development responsibility at the divisional level is diagrammed in Figure 2.

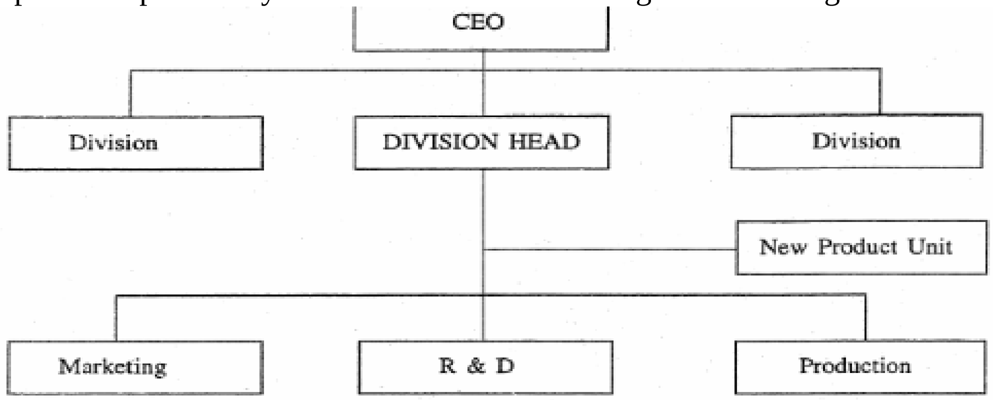


Figure 2

Figure 5.2 New Product Development at the Divisional Level

As in Figure 1, here also the new product unit is conceived of as a staff function and it normally reports to the divisional head. This arrangement is deemed most appropriate when new product development is likely to demand relatively large budgets with prolonged periods of development.

A new product development unit at the divisional level in many ways enjoys the parallel problems as the ones at the corporate level.

Advantages

1). The new product development effort is set apart from the day-to-day activities of operations. Yet its connections with the turns and changes of, current business may be strongly intimate.

2). The job is only an arm's length away from top management which aids the integrative process and gives direction to the division.

Disadvantages

1). Separated from the operating level, the new product unit might be looked upon as comprised of elitists and dreamers; which is likely to cause friction between the developmental and functional levels.

2). Another difficulty possible is the contention that new product development is only a part of the firm's total product management and new products account for only a portion of the firm's products and markets; then, why elevate new product development to a position of pre-eminence

5.4 New Product Development at the Operating Level

Responsibility for new product development lodged anywhere, below the divisional level becomes associated with operational activity. A division usually contains many departments capable of managing the development of new products. Therefore, the assigning of responsibility, for new product development actually is the task of choosing one of the departments for developing new products. Thus, the placement of responsibility for new product development tends to be dependent upon the existing organizational structure.

The new product development at operating level is largely dependent upon how a division produces and distributes its existing products for these are the basic tasks of a division and new products must adjust. to them. Therefore, there are two options

(1) assign responsibility for new product development to one of the functional departments, say, marketing, or (2) assign it to product manager.

This is quite different from giving responsibility to a unit at the corporate or divisional level for they don't have basic functions that can accommodate new product development and new structures have to be created; whereas, at the operating level, the changes occur only in the way an operational unit functions.

5.5 New Product Development in Functional Department

The functional type of organization is the oldest and by far the most common. In the majority of cases, the assigning of responsibility for new product development is between marketing and research and development, with marketing being the most popular choice - as in Figure 3.

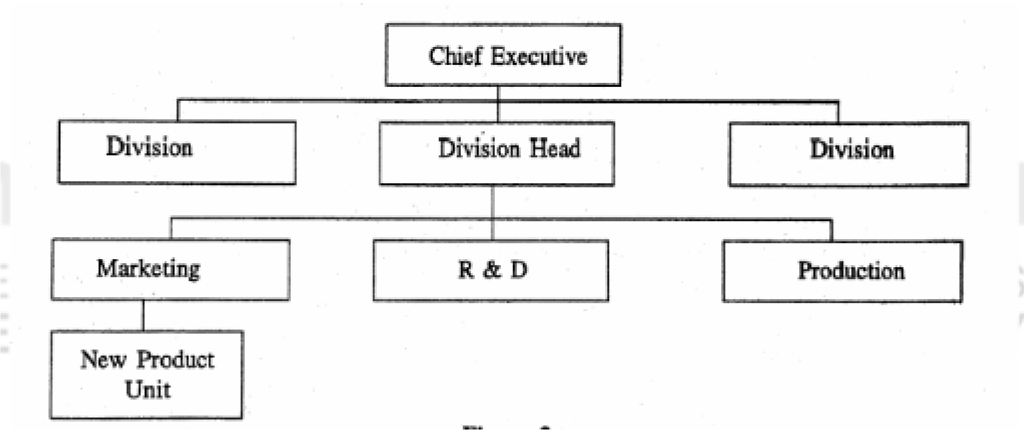


Figure 5.3 New Product Development in Functional Department

The greatest advantage in choosing marketing for new product development\ responsibility is that the marketing for new product development responsibility is that the marketing people are in a position to have the best view of trends in sales, prices, competitive actions, distribution, and services - all very important in bringing a new product to commercialization. It is the marketplace that determines the success or failure of a new product.

The choice of marketing department has other advantages also, for a new product development program depends heavily on establishing long-term relationships With distributors and agents, especially when a new product is meant for markets not serviced by the company's regular distribution outlets.

New product development in high technology fields is also greatly influenced by the components of a marketing program. Highly complex or custom-made equipment frequently requires extensive servicing - installation, maintenance, debugging, and repair. This is also true of most of the industrial products.

But what is the greatest danger in putting marketing in charge of new product development. Its short-range outlook, perhaps. Because its primary concern is present sales, the largest sales volume, neither time nor inclination may augur well for future planning. The rush of current events tends to crowd out thinking about future products.

Since any new product usually starts out with low sales figures, a trade-off of current for future sales may tend to be perceived as a losing proposition.

Product Development

Marketing personnel may run into difficulty when confronted with new products involving scientific concepts and complicated technologies. They may be unable to cope with and direct technological development and integrate advanced scientific thinking. If unable to keep up with the latest developments in research and technical design, even their response to customers may be slow. This is why many industrial marketers recruit marketing personnel and sales force from among those with engineering and technical backgrounds.

5.6 New Product Development Responsibility of Product Manager

This type of arrangement is usually made when a rapid proliferation of products creates a burden too heavy for the chief marketing executive and his staff. Responsibility is assigned to brand manager directly, e.g., in ITC, in case of cigarettes. It expresses a case of extreme decentralization. One such form for a consumer goods division is shown in Figure 4. Such type of organization is called "product management system."

On the other hand, there is a widely held opinion that placing responsibility for new product development in any department other than marketing - even in R&D - deprives the program of a market-orientation. Personnel other than marketing lack market sense and sensitivity to the needs of customers. Unless purchasing actions are analyzed and understood well, the very basis for new product development may be quietly forgotten.

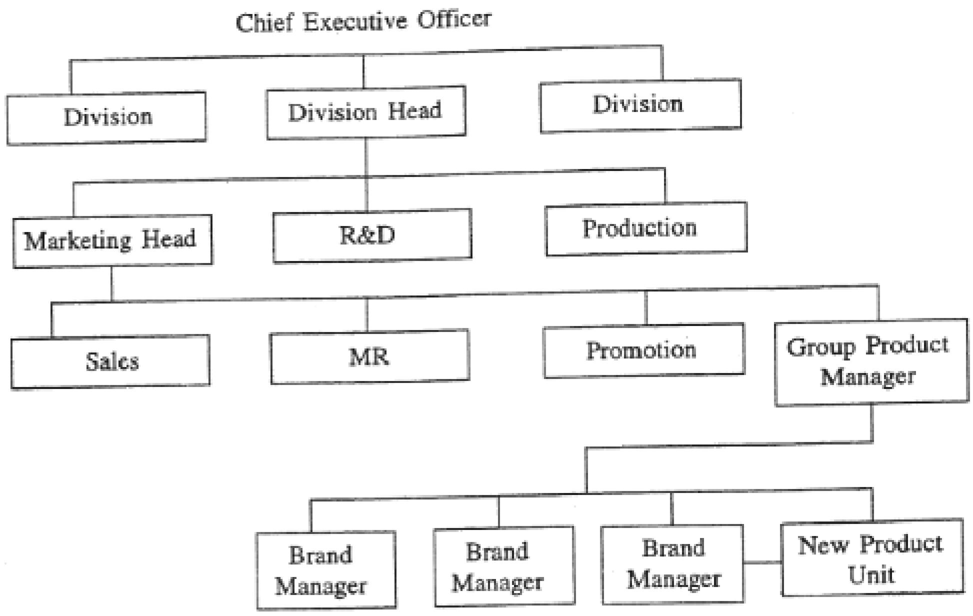


Figure 5.4 New Product Development Responsibility of Product Manager

In cases where new products are other than modification/extensions of existing lines work may initiate elsewhere within the organization but, at some point in development, it will be turned over to a product manager. The product manager in a consumer goods company tends to handle fewer products than his industrial counterpart. Companies with multiple brands have each brand run by a separate product manager, called brand manager (as given earlier, in case of ITC' s "Classic" cigaratte). The product managers may also be responsible for a product category or a group of products rather than only a brand. For example, in case of FSL (Food Specialities Ltd.), there are product manager (instant drinks - coffee; tea, etc.) and product manager (culinary products - noodles). With a slight variation in the position - designation, in Cadbury India Ltd., we have vice-president (foods - biscuits and ice creams, and vice-president (confectionery - chocolates with a marketing manager under hire. The greatest advantage of one brand - one manager is that a new product gets individual who devotes his/her full time to planning and coordinating the new offering. She/he would work hard to obtain a satisfactory outcome, for his/her success depends upon the brand's performance.

At the same time, the multiplication of brands and lines may force companies to hire young, inexperienced persons as product managers and, unwilling to gamble outcomes on

novices, top management may de-emphasize the product manager's decision-making function. The product manager's job may become redefined as gathering information, communicating plans for approval, and monitoring performance. In consumer goods, a product manager's greatest concerns are distribution and promotion for they constitute the means of moving goods. Whereas, the product manager for industrial goods cannot ignore technical and design features. He has to consult with engineers and technicians just as frequently as with marketing people. That is to say, in new product development, the product manager (industrial goods) is more likely to be in an intermediary position between technical and marketing divisions, and, thus, can be more effective in integrating diverse functions. This integrative role is much more necessary in industrial than in consumer goods. A matrix form of organization is another alternative possibility in setting responsibility for new product development. This form is the result of adding marketing managers to the product management system. The marketing manager concerns himself with all products moving into the market over which his responsibility extends market such as industrial goods', consumer goods" or a geographic area. The product manager looks after the Product distributed and promoted in all markets.
Such a matrix is shown in Figure 5.

PRODUCT MANAGER	MARKETING MANAGER		
	Market 1	Market 2	Market 3
Product A			
Product B			
Product C			

Figure 5.5 Product Matrix

New products can be developed and introduced by either the product manager or marketing manager. The matrix form is most effective when specific particular products or groups of products can be fitted to the different markets. Consequently, each product manager, in effect, divides responsibility with each marketing manager ' in a product-market segment. The matrix form of organization lends itself to checks and balances. It seems to run on the assumption that two hands are better than one, for one always watches the other. But, at the same time, the system contains duplication of effort, conflicts of interest, problems in communication, and other general difficulties of managing.

5.7 Structural units for new product development

In small companies, new product development is often handled by the existing units. There is not much change in the day-to-day functions except that the company may have more personnel and more products. But, large firms regard new product development as an on-going activity and organize specially to carry it out.

To set up the organization for new product development, the large companies either rely upon the existing functional units or create entirely new structures.

The most common organizational units, established specially for new product development, are `new product departments', `new product committees', `ad hoc committees', `venture teams', and `task forces'.

These five formations can be differentiated on the bases of status-permanent or temporary - division, or operations.

Putting the five forms by permanency status and the responsibility level, we can have eleven possible structural units.

Only `new product departments' and `new product committees' are permanent in status. Also, the `new product departments' can be at all the three responsibility levels

- corporate, division and operations. But, the `new product committees' are generally only at the corporate and division levels.

From among the temporary structural units, the `ad hoc committees' are possible at all the three responsibility levels; the `task forces' at the division and operations levels; and the `venture teams' only at the corporate level. Figure 6 depicts all theelevent possible new products development units.
Rafi

Figure 5.6 Structural units of New Product

Each of these unit configurations is unique and can be identified by its characteristic features.

5.8 New Product Department

This is a unit at either the corporate, or divisional, or operational level. At the corporate level, this unit is positioned to serve all the divisions within the company and reports to top management. It is often the largest, single unit in the company dealing with new product development. It has a permanent, full-time staff, consisting of both technical and non-technical personnel. Firms that need a vital role of technology in their new product development efforts may attach a technical laboratory to this unit.

At the divisional level, this unit initiates and coordinates new product development for a division's product lines. It maybe a centralized unit reporting to a divisional manager (in .case when the unit itself is of a division stature), or a new. products unit may be attached to each division. This unit is usually staffed with permanent, fulltime managers who may fall back upon the services provided by functional areas.

At the operational level, the new product department reports to the head of a specific product group. It is usually a one-person department - a manager who usually works alone. Such a unit is most desirable when a qucik response to the needs of individual product lines is required. It is closer to operations and the new product manager depends upon the functional units of the division to carry out all projects.

5.8.1 New Product Committee

It is usually at either the corporate. or divisional level. Therefore,. it has a permanent status. It comprises of members from different parts of the organization who do not work full-time on new product development activity. Still, the committee has continuity and, at times, has responsibilities similar to those of a new product department. But, its role is advisory.

5.8.2 Ad hoc Committee

Such units are set up to pursue specific tasks. They may exist at every level - corporate, divisional and operations. They are composed of specialists needed to manage certain aspects of new product development activity, such as brainstorming (to generate new product ideas), screening, coordinating test marketing, etc. The committee operates on a part-time basis. After completion of the task, it is dissolved.
Thus, it is only temporary in status, and lacks continuity.

5.8.3 Task Force

A task force is established to perform both integrative. and coordinating functions. This is a special unit -of specialists which works directly with the functional areas. It exists only till the life span of a project. Thus, this unit is also temporary in status. It is usually formed at the divisional or the operational level.

5.8.4 Venture Team

This structural unit, usually established at the corporate level, is. a small interdisciplinary group which works full-time on a specific mission. It usually handles projects different from that of current product lines. When ' ventures are completed, they are a part of the operations either as new divisions or as parts. of the existing ones. The venture team is a temporary arrangement, discontinued on conclusion of venture or failure of a project.

5.9 Summary

New products rarely get the attention they deserve without explicit organisational arrangement and proper planning. though product ideas may occur spontaneously and anywhere, within and outside the organisation, their conversion into successful products needs a champion and organisational support. The location of responsibility for new product development may vary from organisation to organisation both in terms of levels and units. This unit discusses the advantages and disadvantages of the different organisational arrangements for new product development and also explains the concept of product development units as an alternative to traditional organisational arrangements.

5.10 Key words

New Product Development at the Operating Level- Responsibility for new product development lodged anywhere, below the divisional level becomes associated with operational activity.

New Product Development in Functional Department -The functional type of organization is the oldest and by far the most common. In the majority of cases, the assigning of responsibility for new product development is between marketing and research and development, with marketing being the most popular choice

New Product Development Responsibility of Product Manager -This type of arrangement is usually made when a rapid proliferation of products creates a burden too heavy for the chief marketing executive and his staff

New Product Committee -It is usually at either the corporate. or divisional level. Therefore,. it has a permanent status. It comprises of members from different parts of the organization who do not work full-time on new product development activity.

5.11Self Assessment Questions

1). What factors determine the decision to offer new products by the marketer?

2). Do small firms that manufacture one or two products need to be concerned about developing and managing new products? Why or why not?

3). When is it more appropriate to use a marketing manager than an R&D manager for new product development?

4). How do skills needed to manage a new proudct differ from those used to manage an existing mature product?

5.12 Suggested Readings

1. Brand Management Anjali Anupdev Mithun, BobanMaria Misha Books First Edition, 2022

2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016

3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015

4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023

5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.V.Naga Nirmala

LESSON -6
BRAND MANAGEMENT

Learning objectives

- ✓ To Understand the Characteristics of Brand
- ✓ To Know the Values of Brand
- ✓ To Identify the Three C's of Branding

Structure

6.1 Introduction

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

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

Today's modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company.

So we can say that branding today is used to create emotional attachment to products and companies. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol.

So what exactly is the definition of "brand"? Let's cover some definitions first before we get too far into the branding process.

Why do we, as consumers, feel loyal to such brands that the mere sight of their logo has us reaching into our pockets to buy their products?

> **Brand = "Mind Set"**
>
> The sum of all communications and experiences received by the consumer and customer resulting in a distinctive image in their "mind set" based on perceived emotional and functional benefits.

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

6.2 The Meaning of Brands

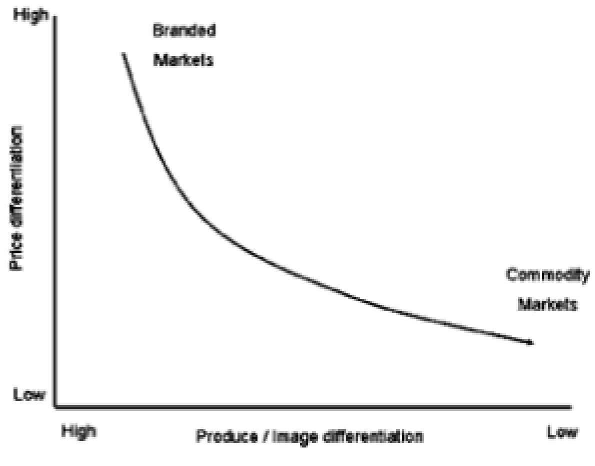
Brands are a means of differentiating a company's products and services from those of its competitors.

There is plenty of evidence to prove that customers will pay a substantial price premium for a good brand and remain loyal to that brand. It is important, therefore, to understand what brands are and why they are important.

Example

Macdonald sums this up nicely in the following quote emphasising the importance of brands: "…it is not factories that make profits, but relationships with customers, and it is company and brand names which secure those relationships"

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



Can you Define Brand Now?

One complete definition of a brand is as follows: "A name, term, sign, symbol or design, or a combination of these, that is intended to identify the goods and services of one nbusiness or group of businesses and to differentiate them from those of competitors".

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

As we discussed earlier it is very important to be clear about the difference between Brands and products

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

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

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

For a good example, visit the web site of Hewlett-Packard (“HP”). http://www.hp.com HP has a broad product mix that covers many segments of the personal and business computing

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

Brand awareness is when people recognize your brand as yours.

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

Brand awareness consists of both brand recognition, which is the ability of consumers to confirm that they have previously been exposed to your brand, and brand recall, which reflects the ability of consumers to name your brand when given the product category, category need, or some other similar cue.

Aided awareness occurs when you show or read a list of brands and the person expresses familiarity with your brand only after they hear or see it.

Top-of-mind awareness occurs when you ask a person to name brands within a product category and your brand pops up first on the list.

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

What is Branding?

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

· employees
· customers
· stock/share holders
· suppliers
· intermediaries
· opinion leaders
· local communities
· purchasers and licensees

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

Employees - the more your employees value your brands and understand what to do to build them, the more your customers, suppliers, local communities and opinion leaders will value them. The more attractive your brands are to potential employees, the more they are likely to want to work for you

Customers - the more your customers value your brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them and make the lives of your employees easier. This, in turn, will enhance the value of your brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation

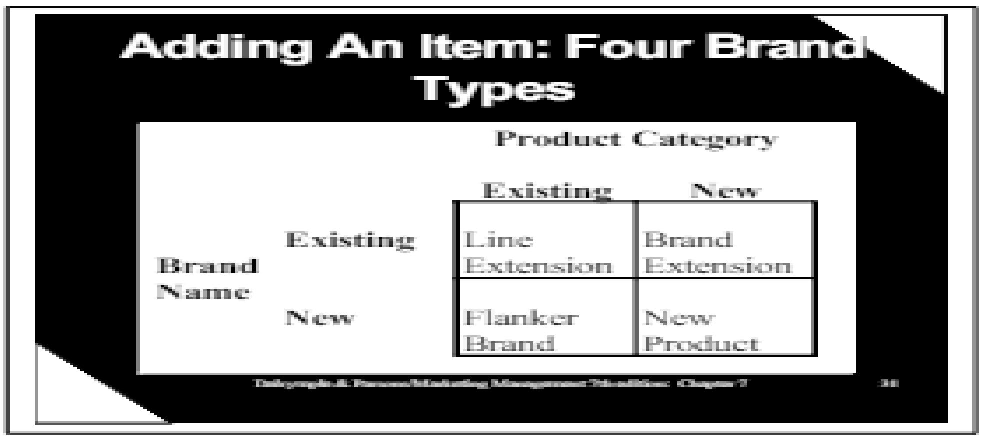
Stock/share holders - strong brands multiply the asset value of your company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that your company has a profitable future.
They also allow you to afford to give competitive dividends to your current stock/share holders

Suppliers - suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better service at a lower total acquisition cost· Intermediaries - retailers, distributors and wholesalers value strong brands as they improve their own profit margins. They are likely to give you more "air time" and shelf space, thus enhancing further the value of your brands in the eyes of your current and prospective customers

Opinion leaders - the media, politicians and nongovernment organisations are more respectful of strong brands

Local communities - supportive local authorities can make your life easier in many ways, and offer you better deals, if you have prestigious brands. Your local communities provide you with your work force and can be highly disruptive if they perceive you as damaging their environment

Purchasers and licensees - the question prospective purchasers and licensees ask is "how much more profit can I get for my products and services sold under this brand than under any brand I might build?" Strong brands can be spectacularly valuable



6.3 Characteristics of Brands

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

· generic
· expected
· augmented
· potential

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

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

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

With even more experience of the brand, and therefore with a greater tendency to be more critical, it is only creativity that limits the extent to which the brand can mature to the potential level.

For example, grocery retail buyers once regarded the Nestle confectionery brands as having reached the zenith of the augmented stage. To counter the threat of their brands slipping back to the expected brand , level, and therefore' having to fight on price, Nestle shifted their brands to the potential level by developing software for retailers to manage confectionery shelf space to maximize profitability.

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

Key Action Points

We can define Brands according to the following dimensions:

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

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

Central Organizing Thought

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

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

The central organizing thought is not the same as the slogan. The central organizing thought addresses a core customer value whose articulation may make customers uncomfortable or even resentful. The slogan refers to this core customer value but in terms the customer is happy to acknowledge and discuss.

Slogan

How are you going to describe the essence of the brand to your customers in one short, memorable, and motivating sentence? This should hint at the central organizing thought, without necessarily stating it.

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

6.4 The Personality of the Brand

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

6.5 The Values of the Brand

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

6.5.1Tastes/Appearance

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

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

6.5.2 Heritage

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

6.5.3 Emotional Benefits

What does the brand do for its customers?

These can usually be classified into:

· Avoids pain

· Reduces pain

· Gives pleasure

6.5.4 Hard Benefits

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

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

6.5.5 Brand Awareness is not Everything

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

Strategic awareness occurs when not only does the person recognize your brand, but they also understand the distinctive qualities that make it better than the competition. Strategic awareness occurs when you have differentiated your brand in the mind of your market. This distinction as to why your brand is unique in your category is also referred to as your Unique

Selling Proposition or USP. Your USP tells your target market what you do and stand for that is different from all of your competitors.

Brand preference occurs when consumers prefer your brand to competing brands. Brand preference might be considered "the holy grail" of branding because it is the result of

consumers knowing your brand, understanding what is unique about your brand, connecting emotionally with your brand, making a decision that your brand is superior to others for some reason or combination of reasons, and choosing it over competing brands.
You cannot build a strong brand solely through advertising.

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

6.5.6 Establishing a Brand

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

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

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

6.5.7 Points of Parity

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

In other words, if you create what you consider to be a wonderful point of differentiation and position, they might not be enough if consumers do not view your product or service as measuring up on "minimum product expectations".

Points of parity are necessary for your brand but are not sufficient conditions for brand choice.

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

However, unless they have fully consider their brand's points of parity with other products in the category, they probably will not meet with success.

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

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

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

6.5.8 Brand Equity

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

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

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

More Things to Know About Brands

As mentioned earlier, a brand is more than just a word or symbol used to identify products and companies.

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

Intangible qualities, perceptions, and feelings are often hard to grasp and clearly describe.

Brands create a perception in the mind of the customer that there is no other product or service on the market that is quite like yours. A brand promises to deliver value upon which consumers and prospective purchasers can rely to be consistent over long periods of time.

You Already have At Least One Brand

First of all, you must understand that you already have a brand. Everyone has at least one brand. Your name and who you are is, in fact, your personal brand. The brand called “you”. The issue then is not whether you have a brand; the issue is how well your brand is managed.

6.6 Brand Management

If a brand is not effectively managed then a perception can be created in the mind of your market that you do not necessarily desire. Branding is all about perception. Wouldn’t it be nice to have people perceive you the way you would like them to perceive you? That is what branding and brand management are all about.

Brand management recognizes that your market’s perceptions may be different from what you desire while it attempts to shape those perceptions and adjust the branding strategy to ensure the market’s perceptions are exactly what you intend. So may now have a better understanding of what a brand is and why awareness about the brand does not necessarilymean your brand enjoys high brand equity in the marketplace.

The Benefits of a Strong Brand

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

· A strong brand influences the buying decision and shapes the ownership experience.

Branding creates trust and an emotional attachment to your product or company. This attachment then causes your market to make decisions based, at least in part, upon emotion-not necessarily just for logical or intellectual reasons.

A strong brand can command a premium price and maximize the number of units that can be sold at that premium.

· Branding helps make purchasing decisions easier. In this way, branding delivers a very important benefit. In a commodity market where features and benefits are virtually indistinguishable, a strong brand will help your customers trust you and create a set of expectations about your products without even knowing the specifics of product features.
Branding will help you "fence off " your customers from the competition and protect your market share while building mind share. Once you have mind share, your customers will automatically think of you first when they think of your product category.
A brand is something that nobody can take away from you.

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

Have you ever witnessed the obvious bond between people using the same brand of product? If a person wearing a Benetton T-shirt finds another person wearing a Benetton product, she will have instant rapport with her and immediately beg
Branding builds name recognition for your company or product.
A brand will help you articulate your company's values and explain why you are competing in your market.
People do not purchase based upon features and benefits
People do not make rational decisions. They attach to a brand the same way they attach to each other: first emotionally and then logically. Similarly, purchase decisions are made the same way-first instinctively and impulsively and then those decisions are rationalized.

6.7 The Three Cs of Branding

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

6.7.1 Clarity

Strong brands are clear about what they are and what they are not. They understand their unique promise of value. And this promise of value sets them apart from their competitors. It differentiates them and allows them to attract and build loyalty among a desirable set of consumers. Volvo, for example, is clear about their commitment to safety and security. They are not about speedy sports cars, or about small economy cars, or about luxury cars.

They build cars for families. Cars that are safe. And they clearly focus their communication activities on this differentiation. Nordstrom's clarity is around unmatched customer service. And it is clear from the moment you step into the store. Nordstrom has been able to separate itself from other retailers through this unwavering commitment to customer service and satisfaction. There are several retailers who will sell you a black Armani suit; but only Nordstrom will turn it into an experience you will talk about with friends and colleagues.

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

6.7.2 Consistency

In addition to being clear about who they are, strong brands are also consistent. They are always what they say they are. For Volvo, they are always about safety. They don't change their focus from model to model. When new editions come out each year, they are safe too. And Volvo consistently communicates that.

Or look at Madonna. Madonna is the chameleon brand of entertainment. She reinvents herself with each CD that she produces. She didn't change for her first five CDs and then stay the same for the next two. She consistently changes. And the one thing we can be sure of with regard to her upcoming CD is that it will be nothing like any of the others she has done before. Madonna's ability to change consistently throughout her career separates her from other entertainers, thereby strengthening her brand.

6.7.3 Constancy

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

For Coke, the world is the target market. That is why you can't make it through a day without being exposed to their bright red color or familiar script logo. Vending machines, people carrying a coke as they walk down the street, restaurant menus, product placement in TV shows and movies, billboards and print and TV advertisements all scream COKE.

Coke is a constant in our lives. And Coke is the world's strongest brand. Chances are, your brand's target market is a lot smaller than Coke's. And that is good news, making it easier (and a lot less expensive) for you to remain constantly connected to your target audience.

In building and nurturing a strong brand, you have a lot more to think about than these three C's. But no brand is truly a strong brand if it doesn't pass the Three C Test.

6.8 Summary

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

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

Today's modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company.

6.9 Key words

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

Slogan-How are you going to describe the essence of the brand to your customers in one short, memorable, and motivating sentence? This should hint at the central organizing thought, without necessarily stating it.

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

Brand Management-If a brand is not effectively managed then a perception can be created in the mind of your market that you do not necessarily desire

6.10 Self Assessment Questions

1. Define Brand? Discuss the Characteristics of Brand
2. Briefly explain the Values of Brand
3. Examine the Three C's of Branding

6.11 Suggested Readings

1. Brand Management Anjali Anupdev Mithun, BobanMaria Misha Books First Edition, 2022
2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016
3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015
4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023
5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.V.Naga Nirmala

LESSON -7
CRAFTING BRAND ELEMENTS

Learning Objectives

- ✓ To Understand the Elements of Branding
- ✓ To Know the Brand Dimensions
- ✓ To Learn the Brands Over their life cycles

Structure

7.1 Introduction

Over time consumers learn to appreciate the core values of brands and remain loyal to their favorite brands since they represent bastions of stability, enabling consumers confidently to anticipate their performance. It therefore behaves companies to have a statement of their brand's values which is given to any manager working on the brand, whether internal or external to the firm, in addition to all of the most senior management team. There needs to be a mechanism in place whereby any marketing plans for the brand are carefully considered against the statement of core values to ensure that none of the core values are adversely affected by any planned activity.

Having a statement of core brand values ensures that changes in advertising agencies, aimed at breathing new creative life into the brand, will be in a direction consistent with the brand's heritage.

It can also act as a 'go-no-go' decision gate when managers are faced with the need to respond to an increasingly hostile commercial environment. In the first half of the 1990s Lever's brand of washing powder, Persil, faced increasing challenges from Procter & Gamble's brands, such as Ariel. Little innovation was evident until Lever's research laboratory developed a revised formulation for Persil with manganese accelerator. Up until this innovation, one of Persil's values was that of a caring brand, caring about whiteness, skin, washing machines and mothers' reputations. One might question whether this technological enhancement reinforced the caring value, but faced with an aggressive competitor Lever decided to change Persil's formulation. To get Persil Power to market as quickly as possible, only very limited field trials were undertaken. Alas, problems were discovered with Persil Power, which Ariel used to their advantage. Lever pulled back from

Persil Power and with New Generation Persil it returned to its core values. Clearly managers have to respond to short term threats, but referring back to the statement of brand values should help identify strategies which build, rather than diminish the brand's core values.

A further advantage of having a statement of brand values is that it enables managers to check their interpretation of the brand against the agreed view. By so doing they can then evaluate the appropriateness of their planned actions. Managers wisely concentrate on matching their target market's needs and are rightly concerned about not letting their brand fall against competitive actions or changing consumer needs. However, what is often overlooked is the question do all of the brand's team have the same views about the brand's values?' Brands don't just die because of the external environment their life can be shortened by a lack of consistent views amongst a brand's team. In a study amongst the senior management firms operating in financial services markets de Chernatony and Took found that amongst the twelve firms interviewed, while there were many managers in each team sharing similar views about the nature of their brand, in all of the firms there were managers had idiosyncratic views about particular aspects of their brand. Bearing in mind that these interviews were undertaken with senior managers responsible for staff and significant resources, idiosyncratic views could result in different departments almost pulling against each other as they separately enact the brand's strategy. Not only is it worth having a widely circulated statement of brand values, but on an annual basis, when brand plans are being prepared, an independent party should audit all members of the brand team about their interpretation of their brand's values. Where individuals have diverse views about aspects of the brand, these should be pointed out and through discussions any issues resolved.

Any plans to cut back on investments affecting the core values of the brand should be strenuously opposed by strong-willed marketers. By ensuring that everyone working on a particular brand is regularly reminded of the brand's values, an integrated, committed approach can be adopted, so that the correct balance of resources is consistently applied. Checks need to be undertaken to ensure that any frills which do not support the brand' values are eliminated and that regular consumer value analysis exercises, rather than naive cost cutting programmes, are undertaken to ensure the brand's values are being correctly delivered to consumers.

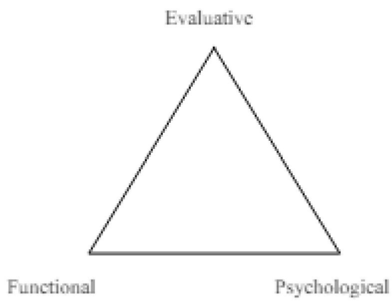
7.2 Bridging the Brand's Values

There is danger that, when guarding the consistency of their brand's core values over time, managers become too focused on considering their brand in terms of its individuals values.

Whilst this is an important part of brand analysis, it should be recognized that brands are holistic entities whereby the individual values are integrated into a whole whose strength comes from interlinking parts. Managers therefore need to consider how their brand's component values are synergistically integrated to form a more powerful whole. A branding consultancy, Brand Positioning Services, has developed a technique which enables managers to appreciate how bridging between these parts makes the brand stronger and enables it to attain the optimal positioning.

Brand Positioning Services conceptualize the brand as being composed of three components. The functional component characterizes what the product or service does. The psychological component describes which of the user's motivational, situational or role needs the product or service meets and the evaluative component considers how the brand can be judged.

The brand as the figure shows, can then be considered as the integration of these three components



7.2.1 The Integrated Brand

Consumers do not consider any of these three components in isolation. When a brand of soft drink is described as being functionally full of energy, consumers' perceptions of the brand may evoke thoughts of a healthy lifestyle. Thus the functiona1 component of the brand is assessed within the perspective of its psychological associations. For an integrated brand both the functional and psychological components need to work together. When this is the case they are regarded as bridged and a single word should describe the benefit both these components satisfy.

When developing a brand of toothpaste, there are many functional needs it could satisfy, such as the desire for white teeth or to fight bacteria. Colgate Palmolive decided that their brand, Colgate Toothpaste, would focus on fighting bacteria, thereby reducing likelihood of problems such as cavities, plaque, tartar and bad breath. Psychologically, some consumers are worried by the prospect of regular visits to dentists and the social embarrassment of bad breath. Analysis indicated that

Colgate Toothpaste could be positioned in terms of protection, since this word bridged the functional and psychological needs, leading to an integrated brand. Likewise Comfort Fabric conditioner is about softness, which bridges the functional and psychological components.

Several competing brands may be able to meet consumers' needs in a particular category. To give the firm's brand a lead over competition managers need to suggest to consumers how to judge competing brands and encourage evaluation along a dimension their brand excels on. This is the third component of the brand, the evaluator. It was decided that Colgate Toothpaste should be about trusted protection and that Comfort Fabric Conditioner should about loving softness.

A unique two-word statement for each brand - the evaluator plus the bridged need - not only defines the brand's positioning but also enables managers to consider their brand as a holistic entity. While it is laudable to understand the core values constituting essence of the brand so that they can be protected over time, these need to be integrated to produce a holistic brand. The procedure that Brand Positioning Services have developed is a helpful way of getting managers to think beyond the component parts to arrive at integrated whole.

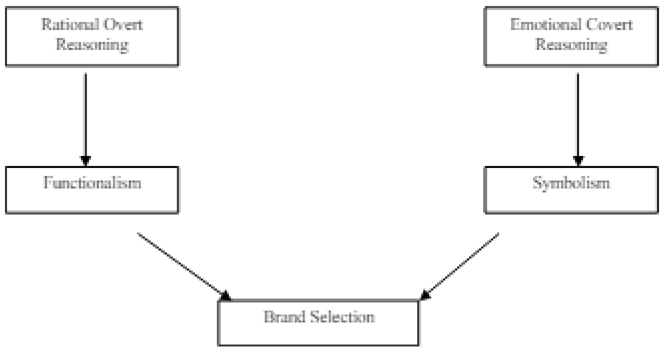
Since a brand is the totality of thoughts, feelings and sensations evoked in consumers' minds, resources can only be effectively employed once an audit has been taken of the dimensions that define it in the consumer's mind. To appreciate this planned use of resources, it is therefore necessary toconsider the dimensions that consume use to assess brands.

7.3 Defining Brand Dimensions

When people choose brands, they are not solely concerned with one single characteristic, nor do they have the mental agility to evaluate a multitude of brand attributes. Instead, only a few key issues guide choice.

In some of the early classic brands' papers, our attention is drawn to people buying brands to satisfy functional and emotional needs. One has only to consider everyday purchasing to appreciate this. For example, there is little difference between the physical characteristics of bottled mineral water. Yet, due to the way advertising has reinforced particular positionings, Perrier is bought more for its 'designer label' appeal which enables consumers to express something about their upwardly mobile lifestyles. By contrast, some may buy Evian more from a consideration of its healthy connotations. If consumers solely evaluated brands on their functional capabilities, then the Halifax and Abbey National, with interest rates remarkably similar to other competitors, would not have such notable market shares in the deposit savings sector. Yet the different personalities represented by these financial institutions influence brand evaluation.

This idea of brands being characterized by two dimensions, the rational function and the emotionally symbolic, is encapsulated in the model of brand choice shown in Figure. When consumers choose between brands, they rationally consider practical issues about brands' functional capabilities. At the same time, they evaluate different brands' personalities, forming a view about them which fits the image they wish to be associated with. As many writers have noted, consumers are not just functionally orientated; their behaviour is affected by their interpretation of brand symbolism. When two competing brands are perceived as being equally similar in terms of their physical capabilities, the brand that comes closest to matching and enhancing the consumer's self concept will be chosen.



7.4 Components of Brand Choice

In terms of the functional aspects of brand evaluation and choice consumers assess the rational benefits they perceive from particular brand, along with preconceptions about efficacy, value for money, and availability. One of the components of functionalism is quality. For brands that are predominantly product-based Garvin's work has shown that when consumers, rather than managers, assess quality they consider issues such as:

· Performance, for example the top speed of a car;
· Features-does the car come with a CD stereo system as a standard fitting;
· Reliability-will the car start first time every day it's used;
· Conformance to specification- if the car is quoted to have a particular petrol consumption when driving around town consumers expect this to be easily achieved;
· Durability, which is an issue Volvo majored on showing the long lifetime of its cars;

· Serviceability-whether the car can go 12 months between services;
· Aesthetics which Ford's KA majored upon in its launch;
· Reputation-consumers' impressions of a particular car manufacturer.

At a more emotional level, the symbolic value of the brand is considered. Here, consumers are concerned with the brand's ability to help make a statement about themselves, to help them imterpret the people they meet, to reinforce membership of a particular social group, to communicate how they feel and to say something privately to themselves. They evaluate brands in terms of intuitive likes and dislikes and continually seek reassurances from the advertising and design that the chosen brand is the 'right' one for them.

7.5 Managers Brands Over Their Life Cycles

So far, this lesson has focused on clarifying what combination of marketing resources best supports a particular type of brand, given point in time. It needs to be appreciated, however, that the returns from brands depend on where they are in their life cycle.
Different types of marketing activities are needed according to whether the brand is new to the market, or is a mature player in the market. In this section, we go through the main stages in brands' life, cycles and consider some of the implications for marketing activity.

7.6 Developing and Launching New Brands

Traditional marketing theory, particularly that practiced by large fast moving consumer goods companies, argues for a well researched new product development process. When new brands are launched, they arrive in a naked form, without a clear personality to act point of differentiation. Some brands are born being able to capitalize on the firm's umbrella name, but even then they have to fight to establish their own unique personality. As such, in their early days, brands are more likely to succeed if they have a genuine functional advantage; there is no inherent goodwill, or strong brand personality, to act as a point of differentiation.

New brand launches are very risky commercial propositions. To reduce the chances of a new brand not meeting its goals, many firms rightly undertake marketing research studies to evaluate each stage of the brand's development amongst the target market. Sometimes, however, very sophisticated techniques are employed, lengthening the time before the new brand is launched. While such procedures reduce the chances of failures, they introduce delays, which may not be financially justified. It is particularly important that delays in the development programmes for technological brands are kept to a minimum.

For example, it was calculated that if a new generation of laser printers has a life cycle of five years, assuming a market growth rate of 20 per cent per annum, with prices falling 12 percent per annum, delaying the launch of the new brand by only six months would reduce the new brand's cumulative profits by a third.

Marketers launching new technological brands need to adopt a are more practical approach, balancing the risk from only doing pragmatic, essential marketing research against the financial penalties of like laying a launch. The Japanese are masters at reducing risks with new technology launches with their so called 'second fast strategy' hey are only too aware of the cost of delays and once a competitor has a new brand on the market, if it is thought to have potential, they will rapidly develop a comparable brand.

New product failures should not be seen as a hunt for a scap goat. Instead, analysis is needed to learn from the failures and these results rapidly fed back to improve the next generation of products. Just as the archer's arrow rarely hits the centre of the target the first time, but does so on the second trial, so the analogy of using learning to further refine new brand concepts needs adopting

There are several benefits from being first to launch a new brand in a new sector. Brands which are pioneers have the opportunity to gain greater understanding of the technology by moving up the learning curve faster than competitors. When competitors launch 'me-too' versions, the innovative leader should be thinking about launching next generation technology. Being first with a new brand that proves successful also presents opportunities to reduce costs due to economies of scale and the experience effect.

One of the nagging doubts marketers have when launching a new brand is that of the sustainability of the competitive advantage inherent in the new brand. The 'fast-follower' may quickly emulate the new brand and reduce its profitability by launching a lower-priced brand. In the very early days of the new brand the ways in which competitors might copy it are through:

· Design issues, such as color, shape, size;
· Physical performace issues, such as quality, reliability, durability;
· Product service issues, such as guarantees, installation, aftersales service;
· Pricing;
· Avalilability through different channels;
· Promotions;
· Image of the producer.

Sheer
Driving Pleasure

If the new brand is the result of the firm's commitment to functional superiority, the design and performance characteristics , probably give the brand a clear differential advantage, but this will soon be surpassed. In areas like consumer electronics, a competitive lead of a few months is not unusual. Product service issues can sometimes be a more effective barrier. For example, BMW installed a software chip in their engines that senses, according to the individual's driving style, when the car needs servicing. Only BMW garages have the ability to reset the service indicator on their cars' dashboards. Price can be easy to copy, particularly if the follower is a large company with a range of brands that they can use to support a short-term loss from pricing low. Unless the manufacturer has particularly good relationships with distributors that only stock their brand, which is not that common, distribution does not present a barrier to imitators.

7.7 Managing Brands During The Growth Phase

Once a firm has developed a new brand, it needs to ensure that it hall a view about how the brand's image will be managed over time. The' brand image is the consumers' perceptions of who the brand is and what it stands for, i.e. it reflects the extent to which it satisfies consumers' functional and representational needs.

At the launch, there must be a clear statement about the extension to which the brand will satisfy functional and representational needs. For example, Lego building bricks, when originally launched in 1960, were positioned as an unbreakable, safe toy, enabling children to enjoy creativity in designing and building

As sales rise, the brand's image needs to be protected against inferior, competitive, look-alikes. The functional component of the brand can now be reinforced, either through a problemsolving specialization strategy, or a problem-solving generalization strategy. If the specialization strategy were to have been followed, Lego would have been positioned solely for educational purposes. It would hay been targeted at infant and primary school teachers. The problem with this strategy is that in the long term competitors may develop a brand that meets a much broader variety of needs. By following a product-solving generalization strategy, the brand is positioned to be effective across a variety of usage situations. This was the route that Lego actually followed.

The original approach to supporting the representational component of the brand needs to be maintained as sales rise. For example for those brands that are bought predominantly to enable consumers to say something about themselves, it is important to maintain the self-concept and group membership associations. By communicating the brands positioning to both the target and non-target segments, but selectively working with distributors to make it diff! cult for the non-targeted segment to buy the brand, its positioning will be strengthened:

7.8 Managing Brands During The Maturity Phase

In the maturity part of the life cycle, the brand will be under considerable pressure. Numerous competitors will all be trying to win greater consumer loyalty and more trade interest. One option is to extend the brand's meaning to new products. A single image is then used to unite all the individual brand images.

Where the brand primarily satisfies consumers' functional needs, these functional requirements should be identified and any further brand extension evaluated against this list to see if there is any similarity between the needs that the new brands will meet and those being satisfied by an existing brand. Where there is a link between the needs being satisfied by the existing brand and the new needs fulfilled by a new product., this represents an appropriate brand extension

Managing Brands During The Decline Phase As brand sales begin to decline, firms need to evaluate carefully the two main strategic options of recycling their brand or coping with decline.

When the brand is recycled the marketer needs to find new use for the brand, either through the functional dimension, or the representational dimension. A good example of functional brand recycling is the Boeing 727 aircraft. In the late 1960s, rising oil prices made this) aircraft less attractive to airline companies and sales fell. Boeing refused to let this brand die and redesigned the 727, making it moral economical on fuel. Sales of the brand recovered between 1971 and 1979with this functional improvement. Guinness is a classic example of how a brand was repositioned to capitalize on demographic change, with marketing activity focusing on representational. Spearheaded by a novel promotional campaign, Guinness was sure Successfully repositioned in the 1980s away from an ageing consumer group to younger drinkers.

Should the firm feel there is little scope for functional or representational brand changes, it still needs to manage its brands in the decline stage. If the firm is committed to frequent new brand launches, it does not want distributors rejecting new brands because part of the firm's portfolio is selling too slowly.

A decision needs to be taken about whether the brand should be quickly withdrawn, for example by cutting prices, or whether it should be allowed to die, gradually enabling the firm to reap higher profits through cutting marketing support.

7.8.1 A Systematic Procedure for Revitalizing Brands

When looking to revitalize old brands, one way of progressing is to follow the procedure shown in the figure below

Stages in Rejuvenating Brands

A considerable amount of data has been collected by the Strategic Planning Institute (Buzzell and Gale 1987), looking at those factors that are strongly related to profitability. One of the key findings was that superior quality goes hand-in-hand with high profitability. But, it is not quality as defined from an internal perspective but from consumers' perspectives relative to the other brands they use. The slamming of a car door and the resultant 'thud', says more to many consumers about a car's quality than does a brochure full of technical data. The first stage in any revitalization programme should, therefore, investigate what consumers think and feel about the brand.

This can be done using a minimum of ten depth interviews, where consumers are presented with the firm's and competitors' brands and their perceptions of relative strengths and weaknesses explored. It is particularly important that this be done using qualitative research techniques, since this identifies the attributes that are particularly relevant to consumers. The findings can then be assessed with more confidence by interviewing a much larger sample of consumers with a questionnaire incorporating the attributes found in the depth interviews.

The qualitative market research findings will broadly indicate the physical characteristics of the brand are perceived, such as product formulation, packaging, pricing, availability, etc. They should also provide guidance about emotional aspects of the brand, such as the type of personality that the brand represents.

The sorts of issues here may lead to questions such as, is it old fashioned? is it 'fuzzy'? is it relevant? is it too closely linked to an infrequently undertaken activity? Also by investigating changes in demography, social activities, competitive activity and distribution channels, the marketer should then be able to identify what changes might be needed for the brand's positioning.

With ideas beginning to evolve about positioning and personality changes, the marketer needs to consider how these would affect what the brand has always stood for. Managers need to be clear about their brand's core values. Any changes from the first part of the process need to be considered against the brand's core values. Marlboro stands for dominance, self-esteem, status, self-reliance and freedom. , As it faces an increasingly hostile environment, any changes to make it more acceptable should not go against these core values.

The marketer needs to consider what type of relationship their brand has had with consumers and whether this is still relevant.

For example, it may well have adopted an authority figure' relationship, treating the consumer almost as an inexperienced child. Without sufficient knowledge of the product field, the consumer may well be content to abdicate responsibility to the brand since it offers an al most paternalistic reassurance.

However, as buyers become more' experienced they will be looking for a 'husband-wife' type relation ship, where they are treated as an equal, and with some respect. If the marketer has not allowed the brand to recognize the more mature nature of the consumer the wrong type of relationship may impede brand sales.

7.9 Summary

Brands succeed because people recognize and value their personalities. But, just as people are not perfect, so brands need to have some idiosyncratic element to make them more human.

If the brand needs revitalizing, one way to bring it more alive, is to add an idiosyncratic element. Examples of this are the Hathaway man with the eye-patch advertising shirts. Once a view has been adopted about possible changes, these must be carefully coordinated to ensure that each element of the marketing mix supports the new proposition. What is then required, is a promotional launch that rapidly gets the message across about the rejuvenated brand.

7.10 Key words

Managing Brands During The Growth Phase- Once a firm has developed a new brand, it needs to ensure that it hall a view about how the brand's image will be managed over time. The' brand image is the consumers' perceptions of who the brand is and what it stands for, i.e. it reflects the extent to which it satisfies consumers' functional and representational needs.

Managing Brands During The Maturity Phase- In the maturity part of the life cycle, the brand will be under considerable pressure. Numerous competitors will all be trying to win greater consumer loyalty and more trade interest. One option is to extend the brand's meaning to new products. A single image is then used to unite all the individual brand images

7.11 Self Assessment Questions

1. Brand Management Anjali AnupdevMithun, BobanMaria Misha Books First Edition, 2022
2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016
3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015
4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023
5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

7.12 Suggested Readings

1. Briefly Explain the Elements of branding
2. Discuss the Brand Dimensions
3. Explain the Brand over their life cycles.

Dr.V.Naga Nirmala

LESSON -8
BRAND PERSONALITY

Learning Objectives

- ✓ To Learn the Values and Characteristics of Brand Personality
- ✓ To study the Brand Personality

Structure

8.1 Introduction

Brand Personality describes brands in terms of human characteristics. Brand personality is seen as a valuable factor in increasing brand engagement and brand attachment, in much the same way as people relate and bind to other people. Much of the work in the area of brand personality is based on translated theories of human personality and using similar measures of personality attributes and factors

Many of the world's most powerful brands spend a great deal of time putting personality into their brands. It is the personality of a brand that can appeal to the four functions of a person's mind. For example, people make judgments about products and companies in personality terms. They might say, "I don't think that company is very friendly," "I feel uneasy when I go into that branch," "I just know that salesmen is not telling the truth about that product," or "That offer doesn't smell right to me". Their minds work in a personality driven way. Given that this is true, then how can a company create a personality for its product or for itself? The answer lies in the choice and application of personality values and characteristics.

To be more clear let us imagine a person as a brand. She may be around 28 years of age, have fair features, a small build and be pleasant-looking. These would be similar to a product's features. When you get to know her a little better, your relationship may deepen, and you will be able to trust her, enjoy her company, and even miss her a lot when she is not around. She is fun to be with and you are strongly attracted to her values and concerns. These are emotions similar to the associations that people develop with brand personalities. People, generally, like people. So, if a personality can be created for a brand, it will be easier to attract consumers to the brand. As brands grow, so do human relationships, it is the emotional dimension that tends to become dominant in loyalty. Personality grows brands by providing the emotional difference and experience.

8.2 Values and Characteristics of Brand Personality

People's personalities are determined largely through the values and beliefs they have, and other personality characteristics they develop. An example of a value or belief is honesty. Many people believe in being honest in everything they do and say. An example of a characteristic is confidence. This is not a belief, but more of a behaviour. There are, of course, many values/beliefs and characteristics that a person may have, but there are some that are particularly likeable. It is to these likeable values and characteristics that people are inevitably attracted. Examples of these include dependability, trustworthiness, honesty, reliability, friendliness, caring, and fun-loving.

There are about two hundred words that describe personality characteristics, and these can be used for putting personality into brands. To illustrate how people think in personality terms when making judgments about brands, here are the results of consumer research into how people feel about two companies.

When asked the question: "If these two companies were people, how would you describe them?" their replies were:

Company A	Company B
Sophisticated	Easy going
Arrogant	Modest
Efficient	Helpful
Self-centered	Caring
Distant	Approachable
Disinterested	Interested

Figure 10.1

These two companies are actually competitors in a service industry. If you were asked which of these two companies you would like to be your friend, you would probably choose Company B, as did 95% of other respondents. It is not surprising that the service level of Company B can be a better experience for customers than that of Company A. It is also easy to conclude that if consumers consistently experience these differences between the two companies, then the brand image of Company B will be much better than that of Company A.

A further point of interest arising out of this research is that people tend to prefer brands that fit in with their self-concept. Everyone has views about themselves and how they would like to be seen by others. And they tend to like personalities that are similar to theirs, or to those whom they admire. Thus, creating brands with personalities similar to those of a certain group of consumers will be an effective strategy. The closer the brand personality is to the consumer personality (or one which they admire or aspire to), the greater will be the willingness to buy the brand and the deeper the brand loyalty.

8.3 Creating Brand Personality

Whether a brand is a product or a company, you as a manager have to decide what personality traits your brand is to have. There are various ways of creating brand personality. One way is to match the brand personality as closely as possible to that of the consumers or to a personality that they like. The process will be

define the target audience

find out what they need, want and like

build a consumer personality profile

create the product personality to match that profile

This type of approach is favored by companies such as Levi Strauss, who research their target audience fastidiously. For Levis the result is a master-brand personality that is:

· original
· masculine
· sexy
· youthful
· rebellious
· individual
· free
· American

A related product brand personality (for a specific customer group) such as Levi's 501 jeans

· romantic
· sexually attractive
· rebellious
· physical prowess
· resourceful
· independent
· likes being admired

Both profiles appeal mostly to the emotional side of people's minds - to their feelings and sensory function. This profiling approach aims to reinforce the self-concept of the consumers and their aspirations. The approach is ideal for brands that adopt a market-niche strategy, and can be extremely successful if a market segment has a high degree of global homogeneity, as is the case with Levis.

Adding personality is even more important if the task is to create a corporate as opposed to a product brand, as every encounter with the customer gives the opportunity to put across the brand personality.

Brand and Brand Users Galore!

8.4 Branding is Image Building

Today, businesses are fighting out their marketing warfare not merely at the product attributes level or at the advertising campaigning level, but it is also happening at several other levels.

It is at the totality of the image that brands create in the minds and hearts of their customers. Marketers are concentrating on building Brand Values, images, power and authority centered around customers - their self esteem., their dreams and aspirations - whether the fight is between Coke and Pepsi, HLL and P&G, Siemens and L&T.

8.5 Consumer Brands and Brand Personalities

Consumer Brand creators concentrate around creating brand personalities around their products. If Gold Flake were a person, how could he be? Do you not picture him as being more suave? More successful? More gracious? What kind of personality do we attribute to Charms and Coke? Would not Mr. Charms be younger, more fun-loving? Would he not be like your college-going son? For that matter, would Mr. Coke not be smart, fun-loving, bright, full of spirit and success?

If we look around, we find hundreds of examples. The Marlboro Cigarette gave birth to the Marlboro man – the ultimate specimen of manhood from the Marlboro country. Camel brands' Camel Cartoon Mnemonic has captured such a strong "I am cool" personality that in US children recognize this cartoon far more than even Mickey mouse.

Also look at the personalities of our local brands; the strong associations of Liril, personified by Kren Lundl with the effervescent image of the water nymphet; that of Rasna with the lovable child offering her tired daddy Rasna and that of Onida evoking the hidden devil in us or Lalitaji insisting that it makes better sense to buy Surf because of good logic developed on her own.

As we have already discussed building successful brands in

8.6 Principles of Building Successful Brands

A successful brand is built around 4 principles:

1. Quality Product meeting or exceeding continuously the functional needs.
2. An attractive Wrap-around to differentiate and enhance appeal.
3. Delighting customers with additional products or services to augment basic appeal and
4. Ensuring origin of trials leading to repeat-buys.

Advertising, promotion, PR etc are used as triggers for the mechanism of repeat buys and for starting the wheel of usage - experience and keep it recurring.

The Acid Tests of Successful Brands

Firstly, they have a leading share in their segments and distribution channels. Secondly, they command prices sufficient to provide a high profit margin. Thirdly they sustain their strong share of profit when competitive and generic versions of product hit the market.

How Do Brands Wield Their Magic Touch on Their Owners and Consumers?

The two laws of brand are quite interesting. The first law pronounces "The bigger the brand, the more is total spent on marketing" and the second law is " the bigger the brand is the less in Unit Cost terms is spent on marketing

This gives rise to the triple leverage effect of brands on high volumes (higher asset use and economies of scale), higher price (at consumer level and more so at retailer or distributor level) and lower Unit Costs in R& D, Production, Marketing (Sourcing and operating advantage).

The result is that the brand leader's market share advantage is substantially magnified at the profit level. It is not unusual for a brand leader having three times the market share of immediate follower to get six times higher profit! Wear Someone Else's Name on Your Back and Quickly Become Somebody Your Self!

Now let us see the joy of the consumers. Brand namesobsessed executives are spending big money on big Brands.

Any doubt? Look at the favourite of some Indian executives. Van lack shirts (Rs. 6,000-7,000 each), Aquascutum suits (Rs.25,000- 30,000)& Burberry socks (yes, socks at Rs.600 a pair!)provide the necessary classification.

Business barons and executives alike are making a beeline for the Big Names and in both outer and inner wear. The annual budget of life style practitioner young executives is upward of Rs. 50,000/- on an average of such things such as jockey briefs,

Vanity Fair lingerie, and Louis Fraud jackets Murray AllenCashmeres, Lotus Bawa or Bally shoes. Look at the prices!Hermes scarf (hand printed Rs.12, 500; Mont Blanc in sterlingsilver & 18K gold plate pen Rs.37, 000, Unisex Undies (CalvinKlein in white cotton) Rs. 5,000 a pair, Piaget watch Rs.1, 50,000. a made to order Ray Ban in 14K Gold Rs.1 lakh.

"Brands: Love, Hate and In Between"

Fournier has classified 15 types of relationships that can exist between a consumer and a brand. Committed Partnership: Long term and voluntary relationship. For example, a man is so involved with his brand of bicycle that he becomes an advocate for it, singing its praise to his friends.

Marriage of convenience: Long term bond that springs from a chance encounter. A woman becomes a fan of a particular salad dressing after a bottle is left at her workplace.

Arranged Marriage: Long term commitment imposed by third party. A consumer uses a particular brand of wax to clean cabinets because it was strongly recommended by the cabinet manufacturer.
Casual Friendship: Friendship that is low in intimacy, with only occasional interaction and few expectations. A consumer rotates among different brands of breakfast cereals, avoiding a long-term commitment.
Close Friendship: Voluntary union based on sense of shared intimacy and rewards. A consumer believes a brand of sneakers is a comrade in daily athletics activities.
Compartmental Friendship: Highly specialized friendship, often dependent on the situation and characterized by low intimacy. A woman uses different brands of perfumes for different activities.
Kinship: Involuntary union of the cost associated with family. A cook feels obliged to use the same kind of flour his or her mother used.
Rebound Relationship: Union based on desire to replace a prior partner. One woman Fournier interviewed switched mayonnaise brands because she didn't want to use the one her ex-husband preferred
Childhood Friendship: Affectionate relationship of infrequent interaction dating back to childhood. A man buys a brand of instant dessert because he remembers eating it in his childhood.
Courtship: Period of testing before deciding on a committed partnership. Fournier cites the example of a woman experimenting with two brands of perfume before committing to one.
Dependency: Obsessive attraction that results in suffering when the partner is unavailable. A consumer is upset when a favourite peanut butter is out of stock.
Fling: Short term engagement with great emotional rewards. A consumer loyal to one kind of coffee enjoys (bur feels guilty about) sampling a competitor's brand.
Adversarial Relationship: Intense relationship characterized by negative feelings and a desire to inflict pain. A man refuses to buy a brand of computer that he hates, buying a competitor's brand out of spite.
Enslavement: Involuntary relationship governed exclusively by partner's wishes and desires. A consumer is unhappy with the local cable operator but has no alternative source for this service.
Secret Affair: Highly emotional, private relationship that is considered risky. A consumer hides a favourite brand of frozen dessert in the freezer and sneaks some late at night.

8.7 Will The Indian Brands Survive?

A product is what a company makes. A brand is what a consumer buys. A brand is a set of perceived values, which the customer develops for a particular product. It is not the product, but its source, its meaning and its direction which defines its identity on time and space.

In the light of the above mentioned, during the post liberalization period, the Indian brands have not done too badly. Look at Telco, Onida, Vicco, Dabur, Dey's Medical etc. who have been able hold their own against multinational brands in their own ways. At the same time some of the MNC brands such as Ray Ban, Kellog's, Sony had initially fallen victims either to Indian customer's equations of value for money or fake rivals or the engrained consumers habits.

On the other hand, local brands have one common advantage - their intuitive understanding of the local markets. Some of their winning strategies are indigenous engine research and development (Telco), leveraging ethnic connections (Dabur and Vicco), capturing niches (Dey's medical with Keo Karpin), encashing on the large-scale consumption of commodity items (Tata Tea, Tata Salt, etc.) Strategic alliances (Titan with Timex for plastic watches), consistent promotion (Amul, Frooti, Rasna etc.).

To understand whether a brand will survive, you have to go to the core-beyond the great product and the core benefits, the continuous improvements per changing needs of the consumers, the continuous additions of distinctiveness through effective communication; the image of the company behind it and not least of all the people behind running the company and the brand.

Effective Branding is the continuous process of wrapping distinctiveness and add values around products and services that are highly appealing, themselves, to offer consumer's quality, delight and feelings of faith and confidence in meeting their aspirations. Finally it is only the fittest brands that survive isn't it? The secret lies in invigorating and rejuvenating to keep the Brands in a fit condition. More than a century old Brands like Coke, Levi's etc. are still young and kicking. Aren't they?

8.8 Brand Personality - The Relationship

8.8.1 Basis Model

Some people may never aspire to have the personality of a competent leader but would like to have a relationship with one, especially if they need a banker or a lawyer. A trustworthy, dependable, conservative personality might be boring but might nonetheless reflect characteristics valued in a financial advisor, a lawn service, or even a car-consider the Volvo brand personality. The concept of a relationship between a brand and a person (analogous to that between two people) provides a different perspective on how brand personality might work.

To see how the relationship basis model works, consider the personality types of people with whom you have relationships and the nature of those relationships. Some of the types might be as follows:

· Down-to-earth, family oriented, genuine, old-fashioned (Sincerity). This might describe brands like Hallmark, Kodak, and even Coke. The relationship might be similar to one that exists with a well-liked and respected member of the family.

· Spirited, young, up-to-date, outgoing (Excitement). In the soft drink category, Pepsi fits this mold more than Coke.

Especially on a weekend evening, it might be enjoyable to have a friend who has these personality characteristics.

· Accomplished, influential, competent (Competence).

Perhaps Hewlett-Packard and the Wall Street Journal might fit this profile. Think of a relationship with a person whom you respect for their accomplishments, such as a teacher, minister or business leader; perhaps that is what a relationship between a business computer and its customer should be like.

· Pretentious, wealthy, condescending (Sophistication). For some, this would be BMW, Mercedes, or Lexus (with gold trim) as opposed to the Mazda Miata or the VW Golf.

The relationship could be similar to one with a powerful boss or a rich relative.

· Athletic and outdoorsy (Ruggedness). Nike (versus LA Gear), Marlboro (versus Virginia Slims), and ICICI (versus State Bank of India) are examples. When planning an outing, a friend with outdoorsy interests would be welcome.

Two elements thus affect an individual's relationship with a brand. First, there is the relationship between the brand-asperson and the customer, which is analogous to the relationship between two people. Second, there is the brand personality-that is, the type of person the brand represents. The brand personality provides depth, feelings and liking to the relationship. Of course, a brand-customer relationship can also be based on a functional benefit, just as two people can have a strictly business relationship.

8.8.2 The Brand As A Friend

One important relationship for many brands is a friendship link characterized by trust, dependability, understanding, and caring.

A friend is there for you, treats you with respect, is comfortable, is someone you like, and is an enjoyable person with whom to spend time. General Foods, in fact, defines brand equity as a “liking” or a “friendship” relationship between the customer and the brand. WordPerfect, a software company that has always been a leader in customer service, would rate high on the friendship dimension.

A friend relationship can involve very different brand personalities. Some friends are fun and irreverent. Others are serious and command respect. Others are reliable and unpretentious. Still others are just comfortable to be around. A focus on the friend relationship rather than the brand personality can allow more scope and flexibility in the implementation of the brand identity.

Fred Posner of Ayer Worldwide has observed that people live in a world characterized by stress, alienation, and clutter. [footnote omitted] Noting that people cope by developing escape mechanisms and meaningful friendships, Posner suggests that brands can provide these roles by being either an “aspirational” or a “trusted” associate. Escape can take the form of aspirational relationships which provide a social lift or trusting relationships which provide some expertise or knowledge of a subject in which a given person is interested. Posner believes that either relationship can be the basis for real differentiation and competitive advantage. He further suggests that the chosen relationship should be the centerpiece of brand strategy and execution.

8.8.3 What If The Brand Spoke to You?

When considering brand personality, the natural tendency is to consider the brand to be a passive element in the relationship. The focus is upon consumer perceptions, attitudes, and behavior toward the brand; attitudes and perceptions of the brand itself are hidden behind the closed doors of the organization. Yet your relationship with another person is deeply affected by not only who that person is but also what that person thinks of you. Similarly, a brand-customer relationship will have an active partner at each end, the brand as well as the customer.

One approach to obtaining this information is to ask what the brand would say to you if it were a person. The result can be illuminating.

Blackston illustrates this approach with a doctor-patient example. Consider a doctor who is perceived by all to be professional, caring, capable, and funny—characteristics that most would like in a doctor. But what if the doctor also felt you were a boring hypochondriac? The resulting negative relationship would be impossible to predict based only upon perceptions of the doctor’s personality or external appearance.

Blackston’s approach was used in a research study of a credit card brand. Customers were divided into two groups based on how they thought the personified brand would relate to them.

For one customer segment (labeled the “respect” segment), the personified brand was seen as a dignified, sophisticated, educated world traveler who would have a definite presence in a restaurant. These customers believed that the card would make supportive comments to them like the following:

· “My job is to help you get accepted.”

· “You have good taste.”

A second “intimidated” segment, however, described a very different relationship with the brand. This group’s view of the brand personality was similar to that observed in the respect segment, but had a very different spin. The credit card was perceived as being sophisticated and classy but also snobbish and condescending. This segment believed that the personified card would make negative comments such as the following:

· "Are you ready for me, or will you spend more than you can afford?"
· "If you don't like the conditions, get another card."
· "I'm so well known and established that I can do what I want."
· "If I were going to dinner, I would not include you in the party."

These two user segments had remarkably similar perceptions of the brand personality especially with respect to its demographic and socioeconomic characteristics. The two different perceived attitudes of the credit card toward the customer, however, reflected two very different relationships with the brand which in turn resulted in very different levels of brand ownership and usage.

Contexts in which it is often worthwhile to consider what a brand might say to a customer include those listed below. Upscale brands with a snobbish spin. Nearly any prestige or badge brand risks appearing snobbish to some in the target market. This risk is often much greater for those on the fringe of or just beyond the target market. In part, this perceived attitude restricted the market for Grey Poupon, advertised as the mustard of limousine riders. The brand has since tried to soften this message in order to expand its market and the usage rate.

Performance brands talking down to customers. Talking down to customers is a common danger for performance brands. Consider the VW Fahrvergnugen campaign. The use of the German word provided some nice associations (especially if one knew German) but risked implying that the brand looked down on those who did not "get" the clever symbol and campaign. A discarded campaign for Martel—"I assume you drink Martel"—ran the risk of talking down to all customers who were drinking a competitor's brand.

Power brands flexing their muscles. A brand that has power over the marketplace, like Microsoft and Intel in the 1990s or IBM in the past, has a real advantage as a result of being the industry standard. The risk is that by promoting this advantage, the brand may be perceived as being arrogant and willing to smother small, defenseless competitors. One respondent in a focus group reportedly said that if IBM was a vehicle, it would be a steamroller and would park in a handicapped space.

Intimidated brands showing their inferiority. A brand might risk appearing inferior if it tries too hard to be accepted into a more prestigious competitive grouping. Thus Sears could attempt to associate itself with trendier retailers and simply come off as being pathetic. The humorous thrust of the Sears campaign from Young & Rubicam, in which a woman goes there for a Die Hard battery but ends up buying great clothes, helps avoid this pitfall.

Any active brand relationship, though, needs to be managed. Sometimes adding a sense of humor or a symbol can help. In one study for a cigarette brand, the brand personality profile was a sophisticated individualist, stylish and corporate but also aging. Further, there was a segment, most of whom did not use the brand, who saw it as snobbish. This segment rejected the brand in part because it felt rejected by the brand. To combat this problem, the brand kept its upscale imagery but added, with gentle humor, a sense of irony about its status and prestige to soften the hard edge of the image

8.8.4 Relationship Segmentation

Research International routinely segments consumers by brand relationship. In a first-phase research effort, fifty to a hundred subjects are interviewed, usually by phone. A series of openended questions are asked, including word associations, brand personalization, characteristics of liked and disliked brands, and a dialogue section (based on what the brand would say if it were a person).

8.9 Summary

The first analysis stage involves scanning the data and forming hypotheses about the types of relationships that exist. In the second stage, respondents are allocated to relationship categories on the basis of the hypothesized relationship groupings. In the process, the relationship typology is refined. The relationships are then formalized into specifications, and coders classify the respondents into those relationships. The groups are then profiled. Often the relationship groupings correspond to like, dislike, and neutral segments. The "dislike" group for credit cards, for example, perceived the brand as being snobbish; the "like" group, in contrast, felt that they were accepted by the brand.

8.10 Key words

Brand Personality- Brand Personality describes brands in terms of human characteristics. Brand personality is seen as a valuable factor in increasing brand engagement and brand attachment, in much the same way as people relate and bind to other people

Consumer Brand- Consumer Brand creators concentrate around creating brand personalities around their products.

8.11 Self Assessment Questions

1. Briefly Explain the Values and Characteristics of Brand Personality

2. Discuss the Brand Personality Relationships

8.12 Suggested Readings

1. Brand Management Anjali AnupdevMithun, BobanMaria Misha Books First Edition, 2022

2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016

3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015

4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023

5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.V.Naga Nirmala

LESSON -9
BRAND ASSOCIATION

Learning objectives

- ✓ To learn the Types of Brand Associations
- ✓ To Understand the Basis for Extensions
- ✓ To Know the Forms of Brand Associations
- ✓ To study the Use of Product/services
- ✓ To Discuss the Measuring Brand Association

Structure

9.1 Introduction

Brand associations and brand image. As every effort put in by the company is to build up the brand image. All the money put into branding if it is not realized by the consumer it is all a waste. So it is very important for you to understand the importance of brand image and how to build up.

9.2 Types of Brand Associations

Brand Associations can be;

· Qualitative, e.g. it feels good after having a Pepsi.
· Quantitative, e.g. a little Axion is enough to clean a large number of utensils.
· Absolute, e.g. Wheel removes stains on clothes.
· Relative, e.g. Nirma does not provide whiteness like Rin does
· Negative, e.g. Nirma powder fades colored clothes.
· Positive, e.g. Frooti has a good taste.

· Generic, e.g. any drink in a TetraPak is a Frooti, any bottled water is Bisleri, and any chocolate is a Cadbury.

Brand associations get created or expressed as per the consumers. It is difficult to ask them to express in any particular manner. However, the contents can be controlled to an extent by marketers. And in this context advertising has a major role to play. BA, quite often, is the brand's advertising managers try. So, a marketer who fails to keep the memories fresh takes an enormous risk.

Five Ways of Help

You have to be very careful about building Brand Associations as it helps in five important ways.

9.3 Basis For Extensions

This has been discussed earlier in the chapter covering brand name. Let us have a look at some examples.

Savlon was first introduced as a brand of antiseptic liquid which does not burn. It was then extended to the soap category.

J & J launched toilet soaps for kids under the brand Kids fruit flavours. Then they introduced talc.

· Fair Glow was introduced as the first fairness soap. Then cream was launched.

· Clinic was introduced as a shampoo first. Then a hair was rolled out under the name.

· Kellogg's corn flakes was followed by biscuits.

All these are examples of exploiting BAs in another category. Please note that as a reason to choose a brand is created, reason for not choosing another brand is simultaneously born.

9.3.1 Differentiate

You must have studied in advertising course that it plays an important role in demonstrating the difference. It involves comparison and the same has to be done. One would have to contest with AMI (Advertising agencies Association of India) or MRTP (Monopolies and restrictive Trade Practices) if a case is lodged. Some examples are given below:

· Savlon showed in the ad that it did not burn (like Dettol) although in the ad the character expected it to.

· Captain Cook salt exhibited in the ad that its salt flowed freely unlike the other salt (Tata salt).

· Whisper demonstrates that it absorbs more/effectively (compared to other brands). It is supported through the gel formation concept.

· Dove is not a soap.

9.3.2 Wide Reason To Choose

Bumol is for burns. No other brand comes to the mind for the same problem. Krack cream is for cracks on the feet. No other brand comes to the mind for it. Further, all examples for 'Differentiate' have a reason to loose.

9.3.3 Ilicit Feelings

Close-Up provides confidence as it ensures freshness because of which one can interact with others at a close distance.

· Good Knight Expert helps me ensure that my child has sleep without disturbance.

· Santoor helps me look younger.

9.3.4 Evoke Favourable Attitude

· Cadbury's Dairy Milk is for all age groups. I can have it too.

It would not be embarrassing if I am seen having it

· Femina is for modern and forward looking women like me

· Elle 18 is for the young, fast, and trendy

9.4 Forms of Brand Associations

Associations can exist across a range of specific parameters.

Based on the type of parameter, BAs can be classified. You can see few good examples hereunder and think of few besides these.

9.4.1 Product Category

Some examples in this context are:

· Microsystem detergent powder versus normal detergent powder.

· Onjus is a juice.

· Surfmatic is for washing machines

The classic example in this context is of 7 Up-the Uncola. This approach has rarely been used with intensity in India.

9.4.2 Competitors

Some brands have used specific competitor in a subtle manner to create a reference point for generating association. These are mostly on tangible aspects. Examples are Mortein twelve hour red mat (versus normal eight-hour blue mat-Good night), Wheel detergent powder (versus Nirma-does not n. my hands), and Captain Cook salt (free flow versus your favourite salt- Tata salt). Just talking of the attribute/benefit would not have as much intensity as it has when used against a strong brand. Care should be taken that the real-life performance is no different from the claim, else such a route could be the brand's Waterloo.A classic example for all times in this context is 'We are No.2. we try harder,' by Avis car rentals.

9.4.3 Celebrity Personality

Brands are increasingly using it-Sachin Tendulkar for Visa, Pepsi, Gillette, and Boost, Kapil Dev for Samsung, Rapidex, palmolive and S Kumar's, a host of cricketers for Pepsi, and Saurav Ganguly and Rahul Dravid for Britannia.

Overuse has led to a feeling of 'me too' in the cola market. Aamir Khan is used for Coke, Salman Khan and Sunil Shetty Thums Up, and Sharukh Khan for Pepsi. BAs should help a brand to stand out and thus revitalize it. If all competitors follow the same formula, differentiation reduces. It then boils down to which star is more appealing at that point of time. Lux was one of the first to capture this parameter and Cinthol has tried it often in the past. But consistency has paid off for

Lux in the crowded soap market, which has a lack significant benefit differentiation. Well, consistency can become monotonous leading to fast wear-out. So, Lux has been consciously changing its models. As time progresses and new stars are born they find their place in the Lux ad, from Hema Malini to Tabu.

Intangibles need to have a tangible evidence. Celebrity endorsement is one of the ways to provide such evidence.

So we can say celebrity advertising are most likely to be effective for:

· Lifestyle products such as premium watches, and brand garments as in such cases the need is intangible imagery.

And the concept of celebrity is 'intangible imagery'.

· A brand if its main competition is also not using comparable celebrity.

· A brand if the celebrity used has the credentials for endorsing the product (e.g. Sachin Tendulkar for BOOST'the secret of my energy').
· A brand in whose ad the brand is a bigger hero and not the celebrity. The ad is for a brand and not for a celebrity. The halo effect of celebrity has to be prevented in the story line.
· The brand message gets communicated and found to be relevant.

While on celebrity advertising one need to touch on a celebrity product-Kaun Banega Crorepati. ,Few questions come to mind when thinking about KBC. What would have happened with KBC if Amitabh Bachhan would not have been the anchor in it? Why did 'Chappar Phad Ke' on Sony" Govinda as anchor loose out? Was the cause the celebrity? Or was it the program content? Or was it to do with who was first? Or was the cause the channel-Star versus Sony ?

9.4.4 Price

Price is used to segment appeal value based on affordability and heterogeneity in the marketplace. Mostly it is the lower economy pricing that can be exploited. Some good examples in this context are provided below. This association is a great business opportunity. Further, this can be effectively used if cost structure can be re-engineered (decentralized product sourcing could be a way out; another could be franchising).

Edible oils: Gemini, Goldwinner
Detergents: Nirma, Wheel
Toothpaste: Babool

You can note this opportunity exists for the entire category and not just for a specific brand. The first mover has the advantage but it can be effectively copied.

The reverse of economy pricing is also possible. Premium pricing has to be supported by a valid/credible reason. Scotch whisky is not normal whisky and justifies higher price point.

Much better quality can also be used to support this, like Ford Ikon and Hyundai Accent passenger cars. Value for money perception can also be created through characters like Surf's Lalitaji (Surf ki khariddari mein samajhdari hai).

Good Knight twelve-hours mat last much longer than the normal eight-hour mats, and hence provide significant additional benefit leading to justification of a higher MRP. Such pricing appeals also go further in terms of defining user profile, which is also a BA parameter.

9.4.5 Place of Origin

Certain places have some speciality and these can be converted into focused BA. Darjeelingi/Assam are known for great quality tea. Some such international examples are as below:

France - Fashion, Perfume, Champagne Russia - Vodka
Italy - Shoes, Leather goods Germany - Beer,
Quality automobiles

The only fear with this is that these could change over long-time period or other places could catch up. There has been no noticeable use of this parameter in India.

9.5 Use Of Product/Service

Some examples are:
Any-Time Money (for banking services)
Beer even in monsoon (ad for kingfisher in 2000)
Monsoon time is soup time (ad for maggie soup in 2000)
For making ice quickly (Whirlpool refrigerator in 2000)

9.6 Measuring Brand Association

The efficiency of BA research depends on seven key aspects listed below:
· Stimulus material available (concept statement or ad which could be a storyboard, animatics or finished).
· Language used and its appropriateness among target respondents.
· Research technique(s) used.
· Newness of product concept under study. Understanding existing state of affairs in the minds before exposing to stimulus material.
· Communication skills of respondents.
· Unbiased facilitation by researcher/interviewer.
· For existing brands or existing competition of new brands, minds would already have BAs. Hence, in such cases evaluation should include the following;
· Ascertain current state of affairs, without exposing respondents to the new concept(s).
· Expose new concept(s).
· Ascertain response to new concept(s).
· Compare responses generated pre- and post-exposure of the 1ew concepts(s) to understand effects.

9.6.1 Brand Image

The perception of your product or your brand by the Consumer Variety may be the spice of life, but not when it comes to marketing your business-especially when you're creating a brand image to set you apart from the competition.

Branding is a way to help companies of all sizes achieve the highest level of professional awareness. It's also one of those 50-cent marketing words used by super-successful companies like Nike, whose "swoosh" logo has become synonymous with its brand.

This isn't to suggest that you need big bucks to brand your homebased business. Rather, you need your own "swoosh," a singular look that you use on all marketing materials, including your letterhead, business cards, Web site and any signage.

It sounds simple enough, but it's not, at least according to Aaron Pratt, owner of Prattboy Dot Com, a Hayward, Wisconsin, graphic design firm. "One of the biggest problems I see is people start going nuts with desktop programs like Microsoft Publisher," says Pratt, who often counsels others on creating a unified marketing look. "They think they have to use all the clip art available, [so they] end up with a fancy hodgepodge of ideas that on their own are OK, but together, don't say anything about their business. This is especially confusing for potential customers."

That said, just do the following:
1. Remember that one is not the loneliest number when it comes to creating a consistent marketing message. Find one look or message that describes your business and stick with it.
2. Use the same color scheme, fonts and design throughout your marketing materials, business cards, letterhead and Web site.
3. Get a second, third and even a fourth opinion about your idea-and get them from people who might be more objective than your spouse or your mom.
4. Finally, put the rest of those fancy ideas in a folder. Microsoft Publisher may be cool, but if you use every trick the software offers, you'll end up looking messy, not professional.

Consumers perceive and accept many brands within a certain trade group in different ways. By personifying a brand (How would you describe brand X if it were a person?) we can find out, that for instance consumers perceive brand A as a young, impulsive, lively, attractive, energetic woman full of ideas. In the same way could brand B be an elderly, conservative and relaxed man. The brand can also have a completely inexpressive and bad image. That is how brand C may not have any real personal characteristics, slim, tall, unnoticeable and calm.

The image basically expresses a way of a consumer thinks about the brand and the feelings the brand arouses when the consumer thinks about it. On the basis of these characteristics, which the consumer associates with the brand, the company can build a competitive advantage for its brand.

9.6.2 What sort of image should our brand have?

Before answering this question it is important to take into account several factors and market circumstances: company goals, consumer wishes and expectations, trade groups and several other groups. A company builds its brand image through trade communication with its consumers. That is how a company informs the consumer of what the brand represents, what its values are, what the company is offering or guaranteeing the consumer, what its advantages are, its qualities etc. The consumers interpret all obtained information and form a subjective perception of the brand or its image

9.6.3 Why research the brand image?

Understanding a brand image is of key importance to longterm management of a brand. It is also important how the consumers formed the brand and what kind of relationship was formed with the brand - what the brand means to them and how they have accepted it. Understanding the relationship between consumers and brands can help a company control its successful brand positioning and the efficiency of advertising.

9.6.4 How do we research the image?

The brand image is formed in the long-term and represents a non-conscious and “untouchable” area, which needs to be researched using projective researching methods that help the consumer to overcome certain obstacles and limitations as well helping him to be inspired in the world of brand names. The consumer does therefore not only focus on the brand, but mainly on his experience with it and on its usual users. He focuses on the opportunities, which are most suitable for the specific brand and what sort of image the brand presents etc.

We are able to research and describe the brand from various perspectives. We obtain many different associations, ideas, benefits and people whom the consumer in some way connects to brands, which need to be suitably and correctly interpreted. It is important to define the key characteristics and values, which are connected to a specific brand by the consumer. Relevant findings show results of long-term management of a brand and represent key dimensions on which the competitive advantage of a brand is based

9.6.5 Weak Brand Image Hitting Indian Exports

Weak brand image and poor marketing continues to affect the prospects of Indian exports to the European Union, a top official of the European Commission said in Chennai. “Indian companies exporting to EU need to further improve their brand image and put more thrust on marketing to increase export volumes,” Stefano Gatto, counsellor and head, trade and economic affairs, European Commission, told a Round Table on business with EU, organised by the Federation of Indian

9.6.6 Export Organisations on Thursday

He stressed on the fact that European importers were highly conscious of the quality of exports mainly in respect of fruits, vegetables and other food products .Besides health and safety standards, EU countries also measure their imports against social standards like codes of conduct and ethics, labour conditions and child labour practices, he pointed out.

Gatto offered to help the Indian exporters by providing information about EU importers, customs tariff structure for specific products and methods to get products certified under
EU regulations.

Titan to Tackle Flagging Brand Image

New Delhi: Titan has embarked upon a multi-pronged strategy to regain lost ground and revive brand image. This include a launch of 300 new designs (against 100-150 normally) later this year, revamping of136 exclusive retail outlets across India, a 10 per cent rise in ad spend from a stagnant Rs 26 crore in the past couple of years and fine-tuning of distribution strategy.

The big boy of the Indian watch industry in the past, is working hard to ensure top-of-the-mind customer recall. For a couple of years now, foreign brands like Espirit and Swatch have been taking away the fashion-conscious customer away from Titan (in the over Rs 2,000 category).

At the bottom-end (sub-Rs 500), its Sonata range is seeing cheap Chinese imports, the grey market and local assembled pieces gobble up the pie. Somewhere in the middle, Timex is swaying the young, sporty types away from its Fastrak.

Where has that left Titan? Admits Bijou Kurien, COO (watches): “We earlier had an image of being a premium brand. That has got dulled now and the Titan image has got diffused.”

He feels the best way to retain a hold in the various segments is by strengthening the sub-brands and having clear brand images for them.

The Rs 700 crore company (2001-02 net profit Rs 23 crore) has decided to stick to Sonata (value for money, low-priced, aimed at first-time user and semi-urban/rural customer), Titan (with upmarket Raga, Regalia and Nebula being a part of it), Fastrak (trends, sporty watches for the young adult) and Dash (for children) as its four key brands. A management consultancy has been hired to give inputs.

A clear segmentation is needed as the watch industry has been growing in single digits for some time now. Kurien says while the watch industry is stagnant in parts, the two ends of the market are growing rapidly.

The top end, thanks to the international players, is growing fast in value and is put at Rs 250 crore. The bottom end, led by locally assembled watches and cheap smuggled pieces, is leapfrogging in volumes. To be a part of both, Titan will need clearly defined products here.

‘My Principle Focus is Give The Brand Image A Facelift’

It may not be the numero uno domestic carrier but is definitely making progress at consolidating its market share. Raman Mohan, general manager - sales and marketing, India, Air Sahara, in conversation with Raadia Mukadam, elucidates some new marketing strategies up his sleeves. Excerpts

How do you find the transition from a CRS to an airline? I am fortunate that they are both part of the travel industry, which entails me to deal with the same people. However, this portfolio comes with its own set of challenges, because challenges in an airline are much more. There is more scope in terms of what can be accomplished in the field of sales and marketing, with a much larger playing field including travel agents and the corporate segment.

Has your airline also suffered a setback in lieu of the post Afghan strikes? Surprisingly, we did not receive a major setback, even during the worst time we were doing at least 50 per cent load factor. We did better than we expected. Overall, there has been a slowdown in the aviation industry so I won’t be surprised, if we do not register scaling sales figures. The emphasis right now is on sustenance with nominal growth. Judging by those standards things are looking up in our favour.

What is your principle focus for Air Sahara? My principle focus prevailing currently is to improve the image of the airline. Operationally, we have no gray areas with flights meeting the scheduled departure time. We want to establish this as a brand which is professional, yet has a human face to it. We also want to bear the image of being extremely approachable and have no room for attitude among our staff. We want to inculcate a professional work culture which will naturally reflect in better service. By incorporating an incomparable frequent flier programme with increased flights between metros, we have already taken a step ahead to alter our image with the corporate segment.

With three primary players in the market, how do you plan to beat competition?

The fact that we are not the numero uno makes the job all the more interesting. We agree that we do not cover as many destinations as other domestic carriers but given our fleet and infrastructure, playing the game and emerging the winner is what eventually counts. We are increasing flights to metros like

Delhi, Kolkata and Bangalore and expect to capture a sizable traffic by this decision. The only area of value down South which we do not cover is Kerala, to which we intend to initiate flights in the near future.

What according to you is your biggest handicap?

Firstly, our biggest handicap is the fact that we have a small fleet.

Secondly, our services do not encompass any satellite towns, unlike Jet Airways, who does so because of the ATR's that they posses. Our immediate plans include inducting more aircraft into our existing fleet. Given our existing fleet, we intend to maximise output by increasing our frequency between metro cities. Since, the main business for any small airline in terms of turnover and break-even lies in the metros.

9.7 Summary

We want to deviate our focus from the leisure traveller to the business traveller. Our only reason in the past for not having a substantial corporate traffic was the lack of morning – evening city pairs, which we are rectifying by increasing the number of flights between metros. This can enable a corporate to fly in the morning, transact his business and return late evening without necessarily having to stay overnight.

9.8 key words

Brand Association

Brand associations and brand image. As every effort put in by the company is to build up the brand image. All the money put into branding if it is not realized by the consumer it is all a waste.

Brand Image

The perception of your product or your brand by the Consumer Variety may be the spice of life, but not when it comes to marketing your business-especially when you're creating a brand image to set you apart from the competition.

9.9 Self Assessment Questions

1. Briefly Explain the Types of Brand Associations
2. Discuss the Basis for Extensions
3. Explain the Forms of Brand Associations
4. Describe the Use of Product/services
5. Briefly analyse the Measuring Brand Association

9.10 Suggested Readings

1. Brand Management Anjali Anupdev Mithun, BobanMaria Misha Books First Edition, 2022
2. Product and Brand Management Tapan K. Panda Oxford University Press, 2016
3. Brand Management Principles And Practices Kirti Dutta Oxford University Press, 2015
4. Brand Management SIA Publishers & Distributors Pvt Ltd 2023
5. Advertising and Brand Management Dr. Bhuwan Gupta ,Dr. Himanshu Gupta ,Dr. Nisha Agarwal, Book Rivers Publications, Ist Edition 2023

Dr.V.Naga Nirmala

LESSON -10
MANAGING BRAND ARCHITECTURE AND BRAND PORTFOLO

Learning Objectives

1. To understand meaning of Brand Architecture.
2. To evaluate the types of Brand Architecture.
3. To study the benefits of a strong Brand Architecture.
4. To improve the overall performance of the organization.
5. To know the Brand planning and building.
6. To study the strategic brand management process and building brand portfolio

Structure

10.0 What Is Brand Architecture?

Brand Architecture is the structure of brands within an organizational identity the short version is that a brand's architecture is a way of organizing the different subsections of a larger brand. It is the way in which the brands in a company portfolio are related to – or differentiated from –one another. The architecture should define the hierarchies within an organization: how the 'parent' or corporate brand works in synergy with the sub-brands; how they support or detract from one another; how the sub-brands reflect or strengthen the strategic objectives of the corporate brand to which they belong. It can help a marketer see how to keep parts of a brand separate when needed, and also how to allow them to work together to boost one another in the marketplace.

Brand architecture defines both the breadth and depth of your brand. Not only does it provide clarity **around the organization of your offerings and how they are understood by consumers, but it also influences** consumer behavior by maximizing the transfer of equity between your brands and sub-brands. If a customer has an existing relationship or positive association with a master brand, for example, they are much more likely to try one of its sub-brands.

Brand architecture has long been regarded as a static fixture, clearly categorized, with fairly low priority given to proactive management despite the fact that the brand architecture of most organization's is always a legacy of past and present, and can often provide an opportunity for significant value creation if managed properly.

In addition to this, organizations today navigate far greater complexity in rapidly changing markets; because of this, brand architecture should be fluid and reactive in order to continually leverage maximum value.

10.1 Types of Brand Architecture: There are four main types of brand architecture: the Branded House, the House of Brands, and the Endorsed Brand and the Hybrid Brand Architecture. Each option comes with its own advantages and disadvantages.

The Branded House: A branded house includes a strong master brand with divisions that feature the master brand name alongside a product or service description. Examples include FedEx and its extensions FedEx Express, FedEx Ground, FedEx Freight, etc. FedEx as an example of The Branded House brand architecture, with their operating companies and portfolio of solutions all falling under the name of the master brand. This structure makes for a consistent experience, minimizes confusion, and builds equity for the corporate brand. The branded house architecture capitalizes on established customer loyalty where audiences care less about product features or benefits than they do about the central brand promise they know and want (in the case of FedEx, “When it absolutely, positively has to be there overnight”).

Additional benefits of the branded house approach include more efficient marketing and advertising spend and positive equity spillover between sub-brands. Of course, spillover can be negative as well. A problem with one sub-brand can wind up being a problem for the entire brand,

Another risk inherent to a branded house strategy is dilution: when a brand is positioned too broadly across multiple service categories, its meaning can become too diffuse

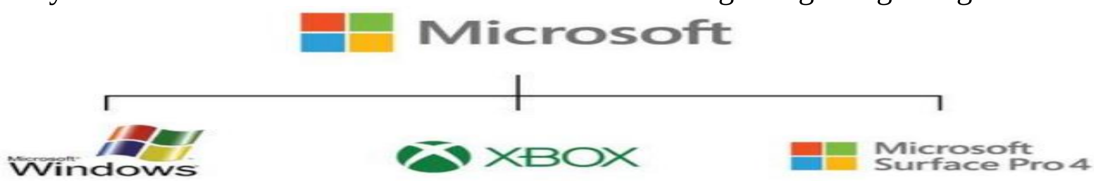
The House of Brands: A house of brands architecture features a collection of distinct, familiar brands under a parent brand that customers may or may not be aware of. The parent brand is primarily important only to the investment community. The brand extensions in a house of brands system essentially endorse each other, while the parent brand realizes the benefits. You find this in brands like Proctor & Gamble and its vast array of different branded products across multiple industries. Products within a house of brands architecture sometimes feature their parent brand’s identity on their packaging by way of a small logo or address. Some brands choose not to disclose the relationship at all, because of specific strategies around pricing, perceived quality, or target audiences

Endorsed Brand Architecture: In an endorsed architecture, there is a parent brand and associated sub-brands, all of which have unique market presences. The sub-brands benefit from their association with, or endorsement from, the parent. The relationships between the sub-brands within an endorsed architecture are often mutually beneficial, each benefitting from the strength of the other. Examples include Marriott and its various sub-brands across the price spectrum, from the Ritz Carlton to Fairfield Inn. Another good example of an endorsed brand architecture strategy is the Marvel Universe. Movies like Iron Man, Spider-Man, and Ant-Man, etc. even though have their own identity and market presence in the market, they got more traction just because they were associated with the Marvel Universe. An endorsed strategy is one where you will find messages like “brought to you by…”. Endorsement limits a business’s reputation risk and offers more positioning alternatives than a house of brands approach,

Hybrid Brand Architecture: Finally, hybrid brand architecture comprises some combination of the above iterations. In the case of Alphabet, Google is allowed to operate in the space it knows best, search and advertising, while smaller brands, like Nest, Sidewalk

Labs, and Calico operate as individual companies in their own specialized verticals. A hybrid model offers the flexibility of having multiple tiers of distinct hierarchies, including varying levels of market-facing brands subservient sub-brands. Many companies that have adopted the hybrid strategy have done so out of necessity, though. Hybrid architecture is often more of an ad-hoc approach borne from mergers and acquisitions, rather than a proactive brand strategy.

Another perfect example of a corporate brand using a hybrid architecture is Microsoft. The company uses a branded house strategy for its Windows and Office offerings and has a totally different house of brand – Xbox when it comes to gaming and gaming consoles:



10.2 The Benefits of a Strong Brand Architecture.: As a general rule, if a brand has more than one offering which have their own identity, developing a brand architecture will have numerous benefits. Following is the list of such benefits of brand architecture –

10.2.1 Clarity in the marketplace: Having well-structured brand architecture increases the clarity of brands offered and their relation with each other. This not only clears many doubts of the internal audience but it also helps in making better decisions to inform the marketplace about what the company's communication strategy originally lacked.

10.2.2 Synergy among brands: Brand architecture lists the relationship between different sub brands and the master brands which eventually creates a synergy among the offerings and helps the company communicate about combined solutions and how these brands complement each other.(cross selling)

10.2.3 Target specific customer segments: – Brand architecture effectively segments the target market and makes it clears what offering serves which segment. This often helps the company in making effective marketing strategies for brands which seem similar

10.2.4. Clarity in positioning and communication: It's easier to develop positioning and communication strategies for each sub-brand and brand extension if the company has well-structured brand architecture

10.2.5 Enhance consumer awareness. – Brand architecture requires the company to look with the eyes of the customers. During the brand architecture process, the problems in the present marketing and communication strategies can be pointed out and customers can be made aware of the offerings they didn't know were offered by their favorable brand

10.2.6 Build & enhance brand equity: Brand architecture also helps the company make strategies to build and enhance the brand equity of its sub-brands. It also lets the organization lend its corporate brand equity to its offerings

10.3 BRAND PLANNING AND BUILDING:

A brand is a name, term, design, or other feature that distinguishes one seller's product from those of others. Brands are used in business, marketing, and advertising. Initially, livestock branding was adopted to differentiate one person's cattle from another's by means of a distinctive symbol burned into the animal's skin with a hot branding iron. A modern example of a brand is Pepsi which belongs to PepsiCo Inc.

Brand building is an integral aspect of personal and business development. It not only increases the voice and consumer awareness of a brand, but it also gives it an identity and worth. The advent of participatory and interactive platforms has given many businesses the chance to enhance brand awareness and equity. If you have been thinking of building a personal or business brand, then it is important for you to know that brand building takes a great deal of time and resources. In the section that follows, we shall define brand building and also look at different types of brands and the steps to create a successful brand.

There is no one definition that actually captures the essence of brand building in its entirety. Many people think that brand building is all about communicating and exposing your brand. That is just one side of it. The best way we can define it is that it is a process of creating value to consumers. It encompasses all things that consumers know, feel, and experience about your business in its entirety.

THE CONCEPT OF CUSTOMER-BASED BRAND EQUITY:

Two questions often arise in brand marketing: What makes a brand strong? And how do you build a strong brand? To help answer both, we introduce the concept of customer-based brand equity (CBBE). Although a number of useful perspectives concerning brand equity have been put forth, the CBBE concept provides a unique point of view on what brand equity is and how it should best be built, measured, and managed.

The CBBE concept approaches brand equity from the perspective of the consumer, whether the consumer is an individual or an organization or an existing or prospective customer. Understanding the needs and wants of consumers and organizations and devising products and programs to satisfy them are at the heart of successful marketing. In particular, marketers face two fundamentally important questions: What do different brands mean to consumers? And how does the brand knowledge of consumers affect their response to marketing activity?

The basic premise of the CBBE concept is that the power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time. In other words, the power of a brand lies in what resides in the minds and hearts of customers. The challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their accompanying marketing programs so that the desired thoughts, feelings, images, beliefs, perceptions, opinions, and experiences become linked to the brand.

We formally define customer-based brand equity as 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 (say, when the product is attributed to a fictitious name or is unnamed). Thus, customers might be more accepting of a new brand extension for a brand with positive customer-based brand equity, less sensitive to price increases and withdrawal of advertising support, or more willing to seek the brand in a new distribution channel. On the other hand, a brand has negative customer- based brand equity if consumers react less favorably to marketing activity for the brand compared with an unnamed or fictitiously named version of the product.

The simplest way to illustrate what we mean by customer-based brand equity is to consider one of the typical results of product sampling or comparison tests. In blind taste tests, two groups of consumers sample a product: one group knows which brand it is, the other doesn‘t. Invariably, the two groups have different opinions despite consuming the same product. These branding effects occur in the marketplace too. For example, at one time, Hitachi and

General Electric (GE) jointly owned a factory in England that made identical televisions for the two companies. The only difference was the brand name on the television. Nevertheless, the Hitachi televisions sold for a $75 premium over the GE televisions. Moreover, Hitachi sold twice as many sets as GE despite the higher price.

When consumers report different opinions about branded and unbranded versions of identical products—which almost invariably happens—it must be the case that knowledge about the brand, created by whatever means (past experiences, marketing activity for the brand, or word of mouth), has somehow changed customers' product perceptions. This result has occurred with virtually every type of product—conclusive evidence that consumers' perceptions of product performance are highly dependent on their impressions of the brand that goes along with it. In other words, clothes may seem to fit better, a car may seem to drive more smoothly, and the wait in a bank line may seem shorter, depending on the particular brand involved.

Brand Equity as a bridge: Thus, according to the customer-based brand equity concept, consumer knowledge drives the differences that manifest themselves in terms of brand equity. This realization has important managerial implications. For one thing, brand equity provides marketers with a vital strategic bridge from their past to their future.

Building Customer-Based Brand Equity: Building a strong brand is the goal of many organizations. Building a strong brand with significant equity is seen as providing a host of possible benefits to a firm, including greater customer loyalty and less vulnerability to competitive marketing actions and marketing crises, larger margins as well as more favorable customer response to price increases and decreases, greater trade or intermediary cooperation and support, increased marketing communication effectiveness, and licensing and brand-extension opportunities.

With this keen interest in brand building, two questions often arise:

What makes a brand strong? and

How do you build a strong brand

To help answer both of these questions, this paper develops a model of brand building called the Customer-Based Brand Equity model. Although a number of useful perspectives concerning brand equity have been put forth, the Customer Based Brand Equity model provides a unique perspective on what brand equity is and how it should best be built, measured, and managed.

The development of the Customer-Based Brand Equity model was driven by three goals. First, the model had to be logical, well-integrated, and grounded. The model needed to reflect state of-the-art thinking about branding from both an academic and industry point of view. Second, the model had to be versatile and applicable to all possible kinds of brands and industry settings. As more diverse applications of branding continued to emerge for products, services. organizations, people, places, and so forth, the model needed to have far-ranging relevance.

Third, the model had to be comprehensive with enough breadth to cover important branding topics as well as enough depth to provide useful insights and guidelines. The model needed to help marketers set strategic direction and inform their brand-related decisions. With this broad set of objectives in mind, the Customer-Based Brand Equity model was developed.

The basic premise of the model is that the power of a brand lies in what customers have learned, felt, seen, and heard about the brand overtime. In other words, the power of a brand resides in the minds of customers. The challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their accompanying marketing programs so that the desired thoughts, feelings, images, beliefs, perceptions, opinions, and so on become linked to the brand. The remainder of the paper outlines in detail how this ―brand knowledge‖ should be created and how the brand-building process should be handled.

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 customer‘s 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 those customers in variably ask about brands, implicitly if not explicitly

Who are you? (brand identity) What are you? (brand meaning) What about you? What do I think or feel about you? (brand responses) What about you and me? What kind of association and 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.

Brand building block: Enacting the four steps to create the right brand identity, brand meaning, brand responses, and brand relationships are a complicated and difficult process. To provide some structure, it is useful to think of six ―brand-building blocks‖ to accomplish the four steps necessary to create a strong brand. To connote the sequencing involved, these building blocks can be assembled as a brand pyramid. Creating significant brand equity involves reaching the pinnacle of the pyramid and will only occur if the right brand-building blocks are in place. The corresponding brand steps represent different levels of the pyramid as illustrated in Figure 4.1 Figure 4.2 examines each of the building blocks in detail.

Fig 4.2 Customer-Based Brand Equity Pyramid

BRANDING IDEALS: Brand perception does matter. But what is more important is how you create and position that perception among your customers. Studies have shown that 75% of purchase decisions are based on emotion. The organizations that place value over-price considerations to win hearts are usually armed with a well-defined, genuinely likeable brand. The benefits of defining your organization‘s values, voice, and market placement can include increased profits, and better customer and employee retention. Here are some effective ways to begin defining your organization, or jumpstart your current branding effort.

Assume an identity: Even if your product is similar to the store just across the street, you need to create a character that will make you unique amongst your competitors. So before you get everything else started, take the time to sit down, research, and brainstorm with your business partners (or with trusted friend and families, if you‘re flying solo) regarding the image you want to channel to the customers. Once you‘re convinced of an identity, stick with it.

Know your audience: When done properly, this single piece of advice will build your business on a solid foundation. Your audience is one of the most important factors to consider when putting up a business simply because they are the ones who will buy your product. Therefore, it is important that you familiarize yourself with your target market, so that you can tailor your products and services according to what they need and want. You can also look into more specific details, such as age groups, ethnicity, religion, and family background, as these other factors can also give you better insight on how you will market your product/service.

Identify your competition: As they say, keep your friends close and your enemies closer. This doesn‘t mean though that you should declare war with your competitors. What you basically have to do is identify who your rivals in the market are, and then study their strengths and weaknesses. Look out for aspects that you can develop when applied to your own business and see if you can eliminate or at least minimize the flaws.

Design an ingenious: logo Your logo may not be your business‘ be-all and end-all but it is the face of your brand, so you might as well make one that your audience will like and never forget. If you‘re not skilled at designing logos, you can hire a professional to do it for you. Just make sure that you incorporate your brand‘s message into the logo, be it with the font, colors, and overall format. Also, try to achieve a look that will make the logo as unique as possible.

Create a website Whether you‘re going to sell online or in a brick-and-mortar shop, it would help your business a lot if you create a website for it. This is an ideal place for you to showcase your products and interact with your customers easily. In your website, you can include information, such as the company‘s history, products, a gallery, and even order forms for convenient transactions. Just make sure that you keep it professional all the time, aesthetic- and content-wise. There are tons of articles and videos that can walk you through on how to set up a website.

Blog regularly As an entrepreneur, part of your job is to keep your customers updated not just about your products but also of the industry in a level that they will understand and appreciate. Stemming from the tip above, you can accomplish these by regularly publishing blog posts on your website. Write about your new products or relay to your customers the latest industry related event you‘ve attended through a short feature article. If your products require assembly or specific instructions, you can also make tutorials in video format to assist your customers even when they‘re not in the store. The idea here is to provide content that your customers will find highly useful and relatable.

Engage in social media The digital age affords today‘s customers the power to share anything they want in real time. Sharing can come in the form of posting on social media accounts whether they were satisfied or unhappy with an item they purchased. To connect with your customer‘s better and learn what they think establish an active online presence by creating accounts on and exploring the features of the most popular social networking sites (e.g. Facebook and Twitter). Build your online community, and engage them in virtual conversations. This way, you‘ll get to know your customers more and improve your products/services based on their opinion

Join related business events If you haven‘t attended any industry-related events since you opened for business, the next one in the calendar would be a good start. Once you‘re there, get to know other participants. Who knows? You might just pick up a thing or two on how to improve your business. Continue attending any workshops you think would add to your skills and knowledge. You should also try to join committees or organizations to further your know how and experience as an entrepreneur.

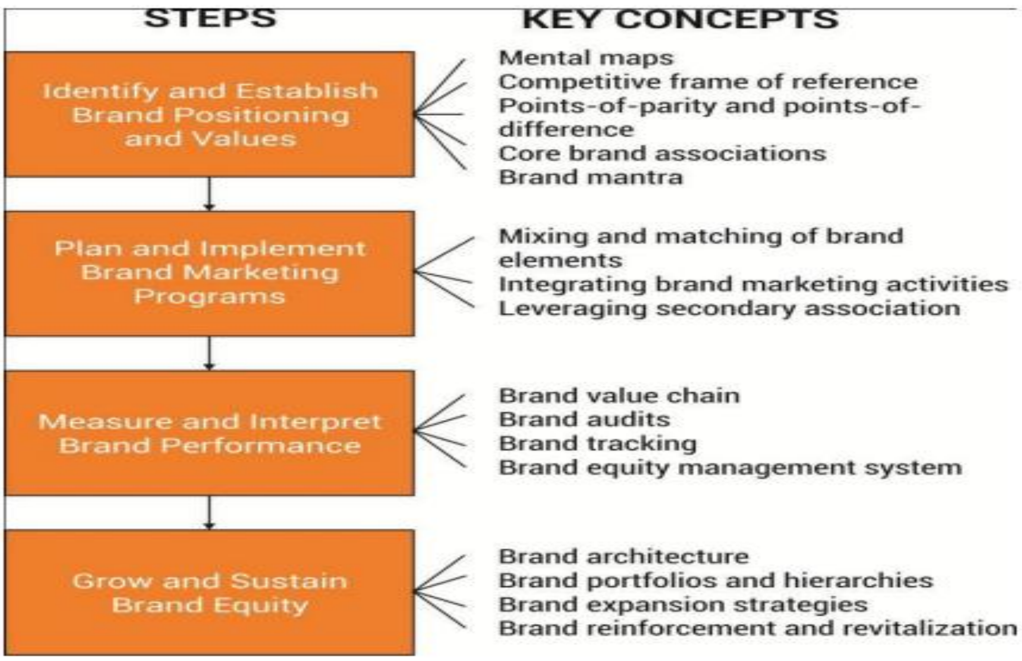
Encourage feedback Your customers are the best judge of your products since they are the ones who take a chance on what you‘re selling. As such, it is always highly advisable to ask them for feedback, whether it‘s through your website, social networking sites, or the more traditional way of filling up printed forms. When they do, don‘t forget to thank them for their time. Some would even provide incentives (e.g. small freebies). Remember that when asking for feedback, you always need to be courteous, even if you would come across some possible callous or downright negative comments.

Be consistent Sure, the world is fast changing especially in light of the evolution of technology. Keep in mind, however, that you should be consistent with your brand‘s message without sacrificing the need to keep up with the trends. Once your brand is starting to gain a foothold, stick to that message so you won‘t confuse your customers. Also, instead of trying out every single strategy available, you might find it more effective to focus on which ones gave you positive results and then develop them. So if you‘re looking forward to being that store everybody talk‘s about because it‘s just plain awesome, jumpstart your business plan with a corresponding awesome brand. Which of these tips are you going to incorporate to your strategies? Leave a comment below and share your thoughts!

10.4 THE STRATEGIC BRAND MANAGEMENT PROCES: The Strategic Brand Management process adds value to the company‘s products and services by creating a unique identity in the marketplace. It allows the company to differentiate itself from its competitors, and communicate its message and market position in a consistent and holistic manner

10.4.1 The Elements of the Brand Management Process: Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity. In this text, we define the strategic brand management process as having four main steps

1. Identifying and Establishing Brand Positioning and Values.
2. Planning and Implementing Brand Marketing Programs.
3. Measuring and Interpreting Brand Performance.
4. Growing and sustaining brand equity.



10.4.2 IDENTIFYING AND ESTABLISHING BRAND POSITIONING AND VALUES: The strategic brand management process starts with a clear understanding of what the brand is to represent and how it should be positioned with respect to competitors. Brand planning, uses the following three interlocking models.

- The brand positioning model describes how to guide integrated marketing to maximize competitive advantages.
- The brand resonance model describes how to create intense, activity loyalty relationships with customers.
- The brand value chain is a means to trace the value creation process for brands, to better understand the financial impact of brand marketing expenditures and investments

10.4.3 PLANNING AND IMPLEMENTING BRAND MARKETING PROGRAMS

Building brand equity requires properly positioning the brand in the minds of customers and achieving as much brand resonance as possible. In general, this knowledge building process will depend on three factors:

1.The initial choices of the brand elements making up the brand and how they are mixed and matched;

2. The marketing activities and supporting marketing programs and the way the brand is integrated into them and

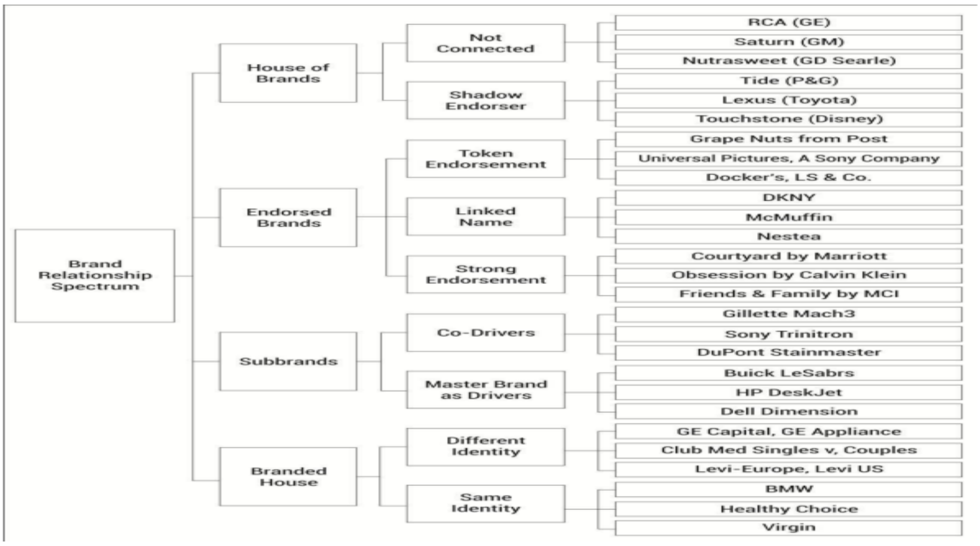
3. Other associations indirectly transferred to or leveraged by the brand as a result of linking it to some other entity (such as the company, country of origin, channel of distribution, or another brand). Some important considerations of each of these three factors are as follows.

Choosing Brand Elements:

The most common brand elements are brand names, URLs, logos, symbols, characters, packaging, and slogans. The best test of the brand-building contribution of a brand element is what consumers would think about the product or service if they knew only its brand name or its associated logo or other element. Because different elements have different advantages, marketing managers often use a subset of the entire possible brand elements or even all of them integrating the Brand into Marketing Activities and the Supporting Marketing Program: Although the judicious choice of brand elements can make some contribution to building brand equity, the biggest contribution comes from marketing activities related to the brand. This text highlights only some particularly important marketing program considerations for building brand equity.

10.5 BUILDING BRAND PORTFOLIO: When large businesses operate under multiple different brands, services and companies, a brand portfolio is used to encompass all these entities under one umbrella. Often, each of these brands has its own separate trademarks and operates as an individual business entity. However, for marketing purposes, a brand portfolio is used to group them all together. Brand portfolios are also used to lessen consumer confusion in regard to who owns particular brands.

10.5.1 BRANDING PHILOSOPHIES: The ―Brand Relationship spectrum‖ describes the different ―product-market context role‖ alternatives. It consists of four main strategies and nine subgroup strategies. These strategies and their connections are illustrated in ―Brand relationship spectrum‖, (See Figure 3.1). At the top of the spectrum, ―House of Brands‖ strategy allows the brands to have the entire driver role which decreases moving downwards on the spectrum, first comes ―Endorsed Brands‖ strategy, where the master brand has a little driver role, then comes ―Sub brands‖ where the master brand and the sub brand shares the driver roles. At the bottom ―Branded House‖ strategy can be found, it is characterized by allowing the master brand to have the entire driver role. Below, each of these strategies will be described in details.



10.5.2 BRAND GROWTH STRATEGIES:

Flanker/Fighting Brands: Fighter brands are one of the oldest strategies in branding. In a classic response to low priced rivals an organization launches a cheaper brand to attack the threat head on and protect their premium priced offerings. Unlike flanker brands or traditional brands that are designed with a set of target consumers in mind, fighter brands are specifically created to combat a competitor that is threatening to steal market share away from a company‘s main brand. Fighter brands are usually a classic recession strategy. As value competitors gain share and private labels grow stronger – an increasing number of marketers turn to a fighter brand to rescue disappearing sales while maintaining their premium brand‘s equity.

When a fighter brand strategy works it not only defeats a low priced competitor but also opens up a new market. Intel Celeron is a notable case study of successful fighter brand application. Despite the success of its Pentium chips, Intel faced a major threat during the late Nineties from competitors like AMD‘s K6 chips that were cheaper and better placed to serve the emerging low-cost PC market. Intel wanted to protect the brand equity and price premium of its Pentium chips but also wanted to avoid AMD gaining a foothold into the lower end of the market. So it created Celeron as a cheaper, less powerful version of its Pentium chips to serve this market and keep AMD out. Intel‘s subsequent 80% share of the global PC market is testament to the potential of a successful fighter brand to help restrict competitors and open up additional segments of the market

Line Extensions: A line extension uses a current brand name to enter a new market segment in the existing product class, say with new varieties, new flavors, or new sizes. Academic research has shown that well-known and well regarded brands can extend more successfully and into more diverse categories than other brands. In addition, the amount of brand equity has been shown to be correlated with the highest or lowest-quality member in the product line for vertical product extensions. Research has also shown that positive symbolic associations may be the basis of these evaluations, even if overall brand attitude itself is not necessarily high. Brands with varied product category associations through past extensions have been shown to be especially extendable. As a result, introductory Portfolios Brand Planning marketing programs for extensions from an established brand may be more efficient than others. Several studies have indicated that extension activity has aided (or at least did not dilute) brand equity for the parent brand. For instance, brand extensions strengthened parent brand associations, and ―flagship brands‖ were highly resistant to dilution or other potential negative effects caused by negative experiences with an extension. Research has also found evidence of an ownership effect; whereby current owners generally had more favorable responses to brand line extensions. Finally, extensions of brands that have both high familiarity and positive attitudes have been shown to receive higher initial stock market reactions than other brands.

Brand Extensions A brand can be extended into new product categories. Brand extensions are often necessary when adapting to changes in the environment or in order to reap the full benefits of a strong brand. Extensions have many benefits. In the beginning, brand extensions were used as a strategic tool mainly to enter new markets. Today, brand extensions are also used to underpin and develop the brand to meet market changes. A successful brand extension should respect the brand essence and thereby be based on the core of the brand and be true to the brand vision. If a brand 1 extended to a product category or to clients in a way that does not at all consider the core of the original brand, both brands risk dilution.

Successful Brand Extensions: Successful brand extensions occur when the parent brand has favorable associations and consumers perceive a fit between the parent brand and the extension product. To better understand the process by which consumers evaluates a brand extension; many academic researchers have adopted a ―categorization‖ perspective. Categorization research has its roots in psychological research, showing that people do not deliberately and individually evaluate Each new stimulus to which they are exposed. Instead, they usually evaluate a stimulus in terms of whether they can classify it as a member of a previously defined mental category. We could argue that consumers use their categorical knowledge of brands and products to simplify, structure, and interpret their marketing environment. For example, consumers may see brands as categories that over time have acquired a number of specific attributes based ontheir individual members. As Method has expanded its range of cleaning products, consumers might develop stronger brand associations to ―modern designs‖ and ―environmentally friendliness.

In this categorization perspective, if consumers saw a brand extension as closely related or similar to the brand category, they could easily transfer their existing attitude about the parent brand to the extension. If they were not as sure about the similarity, they might evaluate the extension in a more detailed, piecemeal fashion. In this case, the strength, favorability, and uniqueness of salient brand associations would determine how they viewed the extension.

Thus, a categorization view considers consumers ‘evaluations of brand extensions to be a two-step process. First, consumers determine whether there is a match between what they know about the parent brand and what they believe to be true about the extension. Then, if the match is good; consumers might transfer their existing brand attitudes to the extension

10.7 Summary: This has been a very interesting part which mainly focused its discussion on brand building and planning, the strategic brand management process and lastly on brand portfolios. And discussed on Brand Planning and Building; The Strategic Brand Management Process. Building Brand Portfolios. focused its on brand planning and building which mainly discussed the Concept of Customer-Based Brand Equity, how to build Customer-Based Brand Equity, the three Tools to Facilitate Brand Planning were also discussed here, the later part of this unit covered the topics Designing Brand Identity. Brand Management Process here a detailed discussion was made on Planning and Implementing Brand Marketing Programs, Measuring and Interpreting Brand Performance, Growing and Sustaining Brand Equity. Identifying Brand Associations, Types of Associations. Lastly the lesson 6 of this part covered the Branded House, Sub-Brands, Endorsed Brands and The House of Brands. Brand Growth Strategies: Flanker/Fighting Brands, Line Extensions, Brand Extensions and Successful Brand Extensions. So this unit gave a very thorough knowledge on one another aspect of brand. I hope this information is going to be very helpful for the readers.

10.8 Key words: Brand architectures, Brand extensions, Brand growth strategies e.c.t

10.9 Self Assessment questions

SHORT ANSWER QUESTIONS

1) Brand planning
2) Brand portfolios
3) Brand resonance model
4) The house of brands
5) Brand extension

LONG ANSWER QUESTIONS

6) .How will you design brand identity?
7) What is brand positioning and how it is attained?
8) Discuss the various brand architectures.

10.10 Suggested Readings:

9) Marketing Management (Twelfth Edition) – Philip Kotler.
10) The Brand Mindset – Duanne E Knapp. Tata McGraw Hill edition.
11) The 22 Immutable Laws of Branding – Al Ries and Laura Ries.
12) Positioning: The Battle for Your Mind - Al Ries and Laura Ries.
13) Marketing Warfare - Al Ries and Laura Ries.
14) Competitive Strategy – Michael E Porter..

Dr. Ramesh Gotte

LESSON - 11
CORPORATE BRANDING

Learning Objectives

1. To understand meaning of Corporate branding.
2. To evaluate the types of Corporate branding.
3. To create a powerful corporate brand.
4. To study Corporate Ethics, Corporate Culture and Corporate Image.
5. To Managing the Corporate Image&today's Most Important Managerial Issue.

Structure

11.0 What Is Corporate Branding?

Corporate branding plays a vital role in shaping the identity and perception of a company in the marketplace. It encompasses the strategic efforts to establish a strong and cohesive brand image for an organization as a whole, rather than focusing solely on its products or services.

A well-defined corporate brand reflects the company's values, personality, and purpose, distinguishing it from competitors and fostering customer trust and loyalty. On the other hand, employer brands aim to engage their potential employees by showcasing the benefits they would be entitled to when they come on board.

Corporate branding aims to develop a unique brand identity that resonates with the target audience. This involves creating a distinct visual identity, including a logo, colour scheme, typography, and other design elements that visually represent the company's values and attributes. A clear and compelling brand message is essential to convey the company's mission, vision, and core values to stakeholders.

It goes beyond external communication and also involves internal branding efforts. This means aligning the company's employees with the brand values and ensuring that they embody the desired brand image in their interactions with customers and stakeholders. When employees understand and embrace the brand, they become brand ambassadors, reinforcing the brand message and building a consistent brand experience.

In conclusion, corporate branding is a strategic endeavour that encompasses the development of a strong and cohesive brand identity for an organization. It involves crafting a unique brand image, conveying a compelling brand message, aligning internal stakeholders, and reaping the benefits of increased brand recognition, customer trust, and business growth. By investing in corporate branding, companies can establish a solid foundation for long-term success in the competitive business landscape.

11.1 TYPES OF CORPORATE BRANDING

Corporate branding encompasses various strategies and approaches companies use to create a strong and cohesive brand identity. Here are some key types of corporate branding:

1. Product Branding:
   - Focuses on branding individual products or services.
   - Each product has its own unique identity, logo, and marketing strategy.
   - Example: Procter & Gamble brands like Tide and Pampers.
2. Service Branding:
   - Centers on branding intangible services rather than physical products.
   - Emphasizes customer experience, service quality, and reliability.
   - Example: FedEx and their emphasis on reliable delivery.
3. Personal Branding:
   - Involves individuals branding themselves to build reputation and career.
   - Often used by entrepreneurs, consultants, and public figures.
   - Example: Elon Musk’s personal brand as an innovator and entrepreneur.
4. Retail Branding:
   - Focuses on creating a strong brand identity for retail outlets.
   - Aims to deliver a consistent shopping experience and brand image across all stores.
   - Example: Starbucks and their consistent in-store experience worldwide.
5. Geographic Branding:
   - Centers on branding a specific location to attract tourists, businesses, and residents.
   - Highlights unique attributes, culture, and advantages of the location.
   - Example: "I ❤ NY" campaign for New York City.
6. Co-Branding:
   - Involves collaboration between two or more brands to create a product or service that features both brands.
   - Aims to leverage the strengths and audiences of both brands.
   - Example: Nike and Apple collaboration on the Nike+ product line.
7. Umbrella Branding (Family Branding):
   - Uses a single brand name for multiple products.
   - Helps in leveraging the established reputation of the brand across new products.
   - Example: Virgin Group’s diverse ventures under the Virgin brand.
8. Corporate Branding:
   - Focuses on the company as a whole rather than individual products or services.
   - Aims to create a strong corporate identity and reputation.
   - Example: Google’s emphasis on innovation and employee culture.
9. Employer Branding:
   - Centers on creating a strong brand to attract and retain top talent.
   - Emphasizes company culture, employee benefits, and career opportunities.
   - Example: LinkedIn promoting itself as a top place to work.
10. Global Branding:
    - Develops a brand that is recognized and valued worldwide.
    - Requires consistency in brand message and image across different regions.
    - Example: Coca-Cola’s consistent global brand identity

Creating a Powerful Corporate Brand

Nothing touches the customer more than how he or she perceives your corporate image. This fundamental perception not only determines whether the customer will conduct 45 BRAND MANAGMENT business with you, it also provides competitive advantages, increase employee morale and loyalty, and a future direction for the organisation. Developing a powerful corporate brand is a circular, continuous, five-phase process that can be applied at any stage of an organisation's development. The five phases are:

1. Preliminary Audit, Research and Evaluation ·
2. Analysis, Strategy, Planning and Development ·
3. Creative Exploration ·
4. Refinement and Implementation ·
5. Monitoring, Managing and Marketing of the Corporate Image

11.2.1 Preliminary Audit, Research and Evaluation

Audit of an organization requires a significant degree of planning and protocols in order to ensure that the overall efficacy of the audit process is intact, and is able to meet the required evidence that can help the auditors to obtain reasonable assurance about the accuracy of the financial statements.

Therefore, the audit should be planned in order to ensure that the auditor is able to execute the audit process in a smooth manner. The preliminary audit is carried out as advanced preparation for the audit process, to streamline the audit when it actually takes place. Therefore, it can be seen that preliminary audit can be defined as audit fieldwork that is performed by the auditors before the end of the period under examination.

Benefits Of The Preliminary Audit

- The main rationale that is put forth in order to justify preliminary audit vests on the grounds of ensuring that the company is able to reap the following benefits.
- Firstly, in the case where a preliminary audit is carried out, it can be seen that the auditors are able to manage their workload in the sense that they can do the groundwork and the field before the audit process itself.
- During the year of many companies, it gets harder because of the reason that there are numerous different clients during the year end.
- therefore, by conducting a preliminary audit, the overall workflow is managed as a result of dividing the work and prioritizing it accordingly.
- Secondly, by conducting a preliminary audit, the company can keep the audit staff occupied during the period when the workload is relatively lesser, during the slack periods.

11.2.2 Analysis, Strategy, Planning and Development

A Planning, Strategy, and Development Analysis Professional is a specialist focused on guiding organizations in their long-term growth and decision-making processes. Here are the key components of this role:

1. Planning:

Definition: The process of setting goals, determining actions to achieve those goals, and mobilizing resources to execute the actions.

Responsibilities: Formulating detailed plans, timelines, and milestones for projects; ensuring alignment with organizational objectives.

2. Strategy:

- Definition: The art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.
- Responsibilities: Conducting market and competitive analysis; defining strategic initiatives and pathways; advising on risk management and mitigation strategies.

3. Development Analysis:

- Definition: The evaluation and assessment of growth opportunities, typically through data analysis and market research, to guide investment and expansion decisions.

- Responsibilities: Analyzing economic, market, and industry trends; evaluating the feasibility and potential return on investment of new projects; making recommendations based on data-driven insights.

11.2.3 Creative Exploration

- ✓ Creative ExplorationTechniques
- ✓ Brainstorming Sessions: Conduct regular brainstorming sessions with diverse teams to generate fresh ideas.
- ✓ Workshops: Hold workshops with stakeholders to align on brand vision and strategy.
- ✓ Mood Boards: Create mood boards to visualize the brand's aesthetic and thematic direction.
- ✓ Prototyping: Develop prototypes of branding materials to test concepts and gather feedback.
- ✓ Collaboration: Collaborate with external creatives or agencies to bring in new perspectives and expertise.

11.2.4 Refinement and implementation

Refinement and implementation in corporate branding involves a strategic process to enhance a company's brand identity and ensure its effective execution across all touchpoints. Here's a structured approach:

Refinement

1. Brand Audit
   - *Internal Audit:* Review existing brand elements (logo, tagline, color scheme, messaging) and assess their consistency and effectiveness.
   - *External Audit:* Analyze market perception, competitor brands, and customer feedback to identify strengths and weaknesses.
2. Define Brand Essence
   - *Vision and Mission:* Ensure these are clear and reflective of the company's long-term goals and values.
   - *Brand Values:* Identify core values that differentiate the brand.
   - *Brand Personality:* Define the brand's character (e.g., innovative, reliable, friendly).
3. Target Audience Analysis
   - Understand demographic and psychographic profiles of your target audience.
   - Identify key customer needs, preferences, and pain points.
4. Competitive Analysis
   - Study competitor branding strategies.
   - Identify gaps and opportunities in the market.
5. Messaging and Positioning
   - Refine the brand's value proposition to clearly communicate benefits.
   - Develop key messages that resonate with the target audience.
   - Ensure consistency in tone and voice across all platforms.

Implementation

1. Brand Guidelines
   - Develop comprehensive brand guidelines covering logo usage, typography, color palette, imagery, and tone of voice.
   - Ensure guidelines are accessible to all stakeholders.
2. Visual Identity
   - Update visual elements (if necessary) to align with refined brand essence.
   - Ensure consistent application across all marketing materials (website, social media, packaging, etc.).
3. Internal Branding
   - Train employees on the brand values and guidelines.

- Foster a culture that aligns with the brand's identity.

4. *Marketing and Communication*
   - Implement a cohesive marketing strategy that reflects the refined brand.
   - Use a mix of channels (digital, print, events, PR) to reinforce brand messaging.
5. Customer Experience
   - Ensure all customer touchpoints (customer service, product experience, retail environment) reflect the brand values.
   - Gather and act on customer feedback to continuously improve the brand experience.
6. Monitoring and Evaluation
   - Use KPIs to measure brand performance (brand awareness, customer loyalty, market share).
   - Regularly review and adjust strategies based on performance data and market changes.

Steps for Implementation

1. Launch Plan
   - Develop a detailed plan for the rollout of the refined brand.
   - Include timelines, responsibilities, and key milestones.
2. Communication Plan
   - Communicate changes to all stakeholders (employees, customers, partners).
   - Use a mix of internal and external channels to ensure widespread awareness.
3. Brand Activation
   - Execute campaigns and initiatives that bring the brand to life (e.g., launch events, promotional activities).
   - Engage with customers through interactive and experiential marketing.
4. Consistency Check
   - Regularly audit brand application to ensure consistency across all touchpoints.
   - Provide ongoing training and support to employees and partners.

11.2.5 Managing, monitoring, and marketing a corporate image

Managing, monitoring, and marketing a corporate image are crucial activities for businesses to maintain a positive reputation, build trust, and attract and retain customers. Here's a comprehensive overview of these three aspects:

Monitoring Corporate Image

Monitoring involves keeping track of how the public perceives a company. This can be done through various methods:

1. Social Media Monitoring:Use tools like Hootsuite, Sprout Social, or Brandwatch to track mentions, hashtags, and conversations about the company on social media platforms. Respond promptly to comments and messages to engage with the audience.
2. Media Monitoring:Services like Meltwater or Cision can track mentions in news outlets, blogs, and other media sources.Identify trends and sentiment in media coverage to understand the public perception.
3. Customer Feedback:Collect feedback through surveys, reviews, and direct customer interactions. Tools like SurveyMonkey or Google Forms can be used to gather and analyze feedback.
4. Search Engine Alerts:Set up Google Alerts for the company name, key products, or services to receive notifications about online mentions.

Managing Corporate Image

Management involves shaping and maintaining a positive perception of the company through strategic actions:

1. Public Relations (PR): Develop and distribute press releases about company achievements, new products, or community involvement.Build relationships with journalists and influencers to ensure positive coverage.

2. Corporate Social Responsibility (CSR): Engage in activities that benefit the community and environment, such as charity work, sustainability initiatives, and ethical practices. Communicate these efforts through various channels to highlight the company's commitment to social responsibility.
3. Crisis Management:Have a crisis management plan in place to address negative incidents or publicity quickly and effectively. Communicate transparently with stakeholders to manage and mitigate the impact on the corporate image.
4. Employee Advocacy:Encourage employees to act as brand ambassadors by sharing positive stories and experiences. Provide training and resources to help employees represent the company effectively.

Marketing Corporate Image

Marketing involves actively promoting the company's image to enhance its reputation and attract customers:

1. Branding:
   - Develop a strong brand identity, including a logo, tagline, and consistent visual and messaging elements.
   - Ensure all marketing materials align with the brand's values and mission.
2. Content Marketing:
   - Create valuable and engaging content, such as blog posts, videos, infographics, and whitepapers that reflect the company's expertise and values.
   - Share this content across various platforms to reach a wider audience.
3. Social Media Marketing:
   - Utilize social media platforms to share company news, achievements, and content.
   - Engage with followers through interactive posts, contests, and live events.
4. Sponsorships and Partnerships:
   - Sponsor events or partner with organizations that align with the company's values and target audience.
   - Leverage these partnerships to enhance brand visibility and credibility.
5. Advertising:
   - Use targeted advertising campaigns on various platforms, including Google Ads, social media, and traditional media, to promote the company's image.
   - Highlight unique selling points and positive aspects of the company in advertisements.

11.3 A Qualitative Process.

A Qualitative Process Part of the initial process comprises qualitative interviews with internal and external audiences. The internal interviews are conducted at all levels of the organisation, from frontline staff and backroom support personnel to senior management and the Board of Directors. The interviews with external audiences will include key customers, end users, joint venture or other business partners, shareholders or other stakeholders, suppliers, distributors, retailers, prospective customers and partners, government officials, senior media people and other outside influencers, competitors, and members of the general public. The objective is to gain an understanding of the market's perception of the organisation by its customers, partners and competition, and to contrast these perceptions with those held by its own employee and management staff. Another aim is to identify the organisation's internal willingness and current acceptance levels for change. The interview process answers these key questions: · How is the corporate image being portrayed and projected today? · How is the organisation perceived by its key internal and external audiences? · How does the image of the organisation compare with those of its competitors? · How does the image of the organisation compare to the image desired by management? · Will the current corporate image enable the organisation to reach the goals and objectives set for it over the next three to five years? By starting the corporate brand development process with a review of the existing corporate brand perceptions, the organisation has a clear view and understanding of where it is today, an important criterion when trying to decide how one wants to be perceived in the foreseeable future. From here, you can conclude it is a matter of relatively simple steps to create a well-defined corporate brand positioning platform that is supported by the core attributes of the organisation and a series of strategic image marketing objectives that will help to guide future business directions and brand development. Your corporate brand image needs to be thoroughly thought out, planned, nurtured, executed, monitored and, when necessary, modified. It's the organisation's most valuable commodity and deserves to always be treated as such. Let us have a look at this article about Enron as a Corporate in India which could not be successful.

11.4 Corporate Ethics, Corporate Culture and Corporate Image

Enron. HIH Insurance. OneTel. WorldCom. Aggressive accounting procedures. Corporate governance. Business honesty. Corporate reputations being destroyed. Share prices dropping at the first hint of any financial shenanigans. These are the headlines and the key business stories of today. And they all relate to one critical management subject -the Corporate Image. Every organization has a corporate image, whether it wants one or not. When properly designed and managed, the corporate image will accurately reflect the organization's commitment to quality, excellence and its relationships with its various constituents: such as current and potential customers, employees and future staff, competitors, partners, governing bodies, and the general public. As a result, the corporate image is a critical concern for every organization, one deserving the same attention and commitment by senior management as any other vital issue.

11.5 Managing the Corporate Image

The fallout from the Enron collapse continues to impact the global business community. The sad fact is that it appears that it wasn't the business concept that Enron got wrong; it was the corporate culture that was wrong. The impact now affects Andersen, the accounting firm that audited and appears to have approved the methodologies used by senior Enron executives to "cook" the books and to pad the financial reports given to shareholders, the investment community, and employees. It also affects numerous other companies as the investment community is acutely attuned to not getting caught out by the "next Enron." Even stalwarts such as General Electric have seen their stock prices dragged down by worries, concerns, and questions about how "aggressive" the company has been in interpreting financial reporting regulations. Not surprisingly, the issues of ethics, business ethics, and corporate ethics, have suddenly become key topics of conversations and the subject of numerous articles in the business press. Unfortunately, the suggested solutions often mentioned - more rules and regulations, more oversight entities (both internal and external), and clearer reporting of financial transactions - will merely treat the symptoms of this current managerial crises but will do little to remedy the underlying condition. The true way to fix this problem is to understand how to create the right corporate culture through the corporate image management process. As I wrote in four years ago "Corporate Image Management: A Marketing Discipline for the 21st Century," corporate image management.

will help senior executives to deal with another of the critical issue facing management today: corporate ethics. As The Economist asked in 1995, "how can a company ensure that its code of ethics is both followed and enforced?" The sure-fire way is to develop a corporate culture that not only emphasizes ethical behavior, but a so punishes and ostracizes those who do not live up to the desired standards. Very rarely can a single employee engage in unethical behavior without other employees being "in the know," or at least suspicious. A corporate culture, communicated and spread throughout the organization, that exhibits zero tolerance for unethical behavior and that is intricately tied to the corporate image is management's best form of assurance against this deadly disease. This works a whole lot better than having internal policy police and a bundle of quarterly forms submitted, analyzed, and then stacked in some compliance officer's cupboard. Companies that win the marketing battle are those who have the internal strength from knowing who and what they are, and where they are headed - three of the most critical elements for managing the corporate image. The underlining principle of my marketing philosophy is "if it touches the customer, it's a marketing issue.™" Nothing touches the customer more than how he or she perceives your corporate image. This fundamental perception will be the major factor that determines whether the customer will decide to conduct business with you and, more importantly, enter into a long-term and mutually rewarding relationship with your organization. There may be no greater marketing issue .

There may be no greater marketing issue than corporate image management in today's increasingly competitive markets. Likewise, there may be no greater methodology for heading off potential business ethics and corporate ethics problems in your own organization than through re-evaluating your corporate image management process. And it's not just in the area of financial manipulation that business ethics in recent years has gone astray. How many people justify such so-called guerilla marketing tactics as releasing highly skewed market share data? Or the buying of market share and then claiming that market share actually grew, as if such growth had been organic. Or how about the stealing of someone else's idea? Or making a product announcement of a future product when the product is little more than a concept on the drawing board? The latter even resulted in new terminology in the IT industry - vaporware. Unfortunately, as marketers we are often no less dirty in our shenanigans and tricks than our colleagues in the financial department have been. Are the dirty tricks of politics now firmly embedded in the business world? Is the business community about to sink to the same level of distrust as politicians? It is indeed a slippery slope that we collectively appear to be on. What can you do to ensure that your company, department, or work group abides by the highest business ethics?

If you're the CEO, Managing Director, or other senior leader, you need to create and manage the right corporate culture. If you are a department head or work group leader, you need to "walk the talk," - in your personal life as well as your corporate life. Why? If you brag about all the copyrighted music you downloaded for free from Napster, what message does this send to your subordinates and colleagues? If you take your spouse or significant other out to dinner and put it on your corporate expenses, what message does this convey? If you lift materials out of some one else's presentation, or download data off the Internet without crediting the source, what other actions does this suggest as allowable? Ethics is not a gray issue. If you have a single seed of doubt about what you are doing, or planning to do, is wrong, it probably is! As Dr. Martin Luther King wrote: "Cowardice asks the question - is it safe? Expediency asks the question - is it politic? Vanity asks the question - is it popular? But conscience asks the question - is it right? And there comes a time when one must take a position that is neither safe, nor politic, nor popular; but one must take it because it is RIGHT." What does this have to do with marketing?

Everything

Because, "if it touches the customer, it's a marketing issue." Your business ethics will eventually be directly reflected in the way you interact and do business with customers, suppliers, channel partners, and others. Conducting business the RIGHT way is the ONLY way. This principle should be a nucleus of your marketing strategy and corporate culture. As Nelson Mandela said, "the time is always right to do right." If you don't, then your organization could well be on its way to a future induction in the Hall of Shame & Failures.

11.6 Today's Most Important Managerial Issue

We live in a world of change. As a matter of fact, the rate of change today is faster, and affects a larger portion of the earth's population, than at any other time in history. Yet, despite all this change, there is still one constant. And this is that marketing excellence and a strong corporate image are firmly linked. You cannot have one without the other. At least not for very long. Because, at the end of the day, your competitors can mimic and better your product offer. They can create stronger distribution systems than yours. They can outspend you in advertising and promotions. And, of course, they can always beat you up on price. But the one thing a competitor cannot mimic or copy is a well-defined corporate personality. As I always advise my clients, "if it touches the customer, it's a marketing issue." And nothing, nothing touches your customers more than how he or she perceives your corporate image. This makes the management of your corporate image one of the most potent marketing and management tools available for senior executives to use in ensuring the viable execution of your corporate vision Source - From the book "Corporate Image Management: A Marketing Discipline for the 21st Century" by Steven Howard. Contributor - Steven Howard

11.7SUMMARY

Corporate branding creates a distinct identity for a company, reflecting its values, mission, and vision. It includes the name, logo, tagline, and overall visual and communicative style. Effective branding differentiates the company from competitors, establishes a strong, recognizable presence, and fosters customer loyalty and trust. Key elements include brand identity (visual elements), brand strategy (target audience, positioning, messaging), brand experience (consistent interactions), and communication (clear, consistent messaging).Corporate branding aligns the company's image with its business objectives and audience expectations, ensuring a cohesive and compelling market presence.

11.8 Key words.

Brand identity (visual elements)
Brand strategy (target audience, positioning, messaging)
Brand experience (consistent interactions)
Communication (clear, consistent messaging)

11.9 Self-Assessment questions

1. How will you design brand identity?
2. What is brand Strategy and how it is attained?
3. Discuss the various corporate brands.
4. What are the five phases to create corporate branding?
5. What are the values of brand?

11.10 Suggested Readings:

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

Dr. Ramesh Gotte

LESSON-12
CORPORATE BRANDING

Learning Objectives

1. To understand the meaning of Corporate Branding.
2. To evaluate the types of Corporate Branding.
3. To study the benefits of Corporate Branding.
4. To develop a strong Corporate Brand.
5. To understand various corporate branding strategies.

Structure

12.1 What is Corporate Branding

Apple, with its staggering $242 billion in revenue, Google and its $207 billion a year, and other famous names that you have heard once or twice in your life are vivid representatives of firmly established and well-nurtured corporate brands.

These companies have reached for the Stars becoming commercial hits and synonyms of niches and categories in the market. How have they done that? A lot is hidden behind their success. However, they all have one thing in common: all of them have made the most out of corporate branding marketing.

Corporate branding is a powerful marketing instrument. It does wonders for businesses, whether it is a startup, local firm, or zingy SaaS company conquering the digital expanses for several years. The best part is it is not rocket science, nor is it a luxurious venture. It is affordable to everyone: anyone can repeat those success stories with the professional corporate branding company at hand. Though, there is a catch.

CORPORATE BRANDING

A corporate branding is a practice to establish a business in the market and promote its values through various distribution channels. It showcases the company's personality and includes all the affairs and measures taken to succeed. Corporate branding is a strategy that contextualizes and promotes your brand, rather than just a product or service. Corporate branding encompasses your brand logo, values, tone, messaging, purpose, offering, target audience, and market differentiation. A strong brand shapes public perception and helps you separate yourself from competitors. Having one can result in growth, brand loyalty, and repeat business. Marketing professionals often build corporate brands to demonstrate how they prefer the company members and consumers to perceive the organization. This makes the company more recognizable to potential customers and makes it stand out from competitors.

The objectives of corporate branding are:

- Make the company stand out from the crowd.
- Differentiate the company from the competitors.
- Assist in publicity, advertisement, sales, and other promotional activities.
- Reinforce position in the market.
- Maintain quality of product and customer service.
- Increase prestige of the company.
- Build up a reputation.
- Increase brand loyalty.
- Establish market leadership.
- Operate legally in countries.
- Protect the company legally

12.2 Brand vs. logo

While both a brand and a logo represent a company, they're different concepts that are both important parts of a company's image. A company's brand typically defines what the company's purpose is, the product or service it sells, the audience it sells to and why it sells that product or service.Your logo is a visual representation of the brand and company. When people notice your logo, they typically think of your brand and its messaging. Consistently placing your logo on your marketing and sales materials can help people easily remember your brand and can increase awareness for new customers.

12.3 Types of Corporate Branding

Definition of corporate branding does not involve types of corporate branding. However, they are essential for this concept and play a crucial role by helping businesses decide what corporate branding materials they need and what corporate brand strategy to adopt to achieve short-term and long-term goals.

The most popular types of corporate branding that are worthy of exploring and trying in your endeavours to grow the market share are:

1. **Personal branding.** It refers to branding a person or entrepreneur.
2. **Product branding.** It refers to promoting a single product.
3. **Geographical branding.** It refers to promoting a company based on a set of unique traits of the specific region.
4. **Cultural branding.** It refers to promoting a company based on a set of unique traits of a specific culture.

5. **Service branding**. It refers to actions that improve user experience and customer service to resonate with the market the best.
6. **Internet branding.** It refers to positioning the company in digital expanses.
7. **Offline branding.** It refers to positioning the company in the real world.
8. **Co-branding.** It refers to partnerships with other companies to maximize corresponding positions in the market.

12.4 Advantages of Corporate Branding

Although corporate branding does not come in an all-size-fits-all shape, however, whatever type you intend to adopt, it will do these things for your business to thrive:

- It creates the first impression that counts.
- It produces a long-lasting impression.
- It represents the business avoiding confusion and disappointment.
- It shows the role company plays in the community.
- It sets the product and company apart from the other players in the saturated market.
- It amplifies the awareness of the company’s products, value, and mission.
- It maintains products and services in line with the company's values, vision, and mission.
- It helps to stay consistent regardless of fluctuations in the market.
- It brings value to customers.
- It increases the credibility and trustworthiness of the company, making it look professional.
- It helps to influence the decision-making process.
- It reinforces nurturing and retention campaigns.
- It increases the number of referrals.
- It helps to start word of mouth.
- It helps to attract ideal clients, which leads to higher conversion rates and less investment into promotion.
- It improves customer experience.
- It attracts the right employees letting companies extend a pool of professionals who help find new ways and solutions for improvement and enhancement.
- It increases staff retention and reduces recruitment costs.
- It escalates satisfaction and understanding of the organizational purpose, leading to high productivity.
- It enhances positive commentary in the media and community.
- It boosts conversions and revenue.

These benefits of corporate branding stress the importance of this marketing concept.

12.5 Importance of Corporate Branding

Given the corporate brand definition, the importance of corporate brand lies in defining the company personality and delivering customers the right vision and values. However, that is not all. The significance of the corporate branding concept is traced in such spheres as organizational development, human resources, business functions, marketing, sales, the value of the portfolio, relationships with others, and of course, community.

It is important because it does such essential things for the business as it:

- Prolongs the life of the product and company.

- Saves money and effort because products and services may sit underneath the corporate brand umbrella, using the same promotional toolkit and advertisement.
- Creates more sustainable relationships with customers and prospects.
- Gives a clear strategy for reaching goals and achieving success.
- Gives confidence in your business to charge what you are worth.
- Opens up opportunities to widen the sphere of influence and move into other markets to conquer new niches.
- Controls costs.
- Reinforces brand equity for products or services because it can transfer the benefits and reputation of the company to new products. This makes it easier to introduce new products, improve acceptance, and win over the place in the market.
- Reduces ambiguity when important decisions need to be made.
- Brings more favorable terms for promoting and advertising campaigns.
- Ensures a stronger position in the market and all sorts of negotiations.
- Helps to see through the economic crisis and decrease the consequences of unexpected events like a pandemic.
- Creates unique positions in the marketplace.
- Increases trust in stakeholders, including employees, distributors, and partners.
- Enhances the company and products and helps occupy its place in the community to protect it in times of doubt and crisis.

To sum up, investing in a strong corporate brand is a worthwhile decision for every company regardless of niche, scale, and target audience.

12.6 Developing a strong Corporate Branding

Developing a strong corporate brand typically involves working closely with a team to closely evaluate the company's missions, values, vision, goals and purpose. From there, you can develop strategies to effectively communicate the brand's message to build meaningful connections with your audience. Follow these steps to develop a strong corporate brand:

1. Discuss the company's goals, vision and mission

Before you can implement any branding strategies, it's important to understand what you'd like your materials and messaging to display. Work with management and leadership teams to discuss your achievement goals for the company in both the short and long term. Discuss the company's mission and vision statements, along with its values, to ensure your goals align well with the company's overall purpose. Understanding what the leadership team aims for the company to achieve helps you create more accurate messaging and materials to demonstrate this.

2. Conduct a brand audit

Performing a brand audit typically entails closely reviewing its current messaging, image and identity. There are different elements that make up a brand and its image, including its website, marketing collateral and sales materials. Try to carefully review any materials your audience eventually sees to determine which ones accurately represent your brand's purpose, goals, vision and mission. You can then identify improvement areas to strengthen in order to better represent and demonstrate your brand accurately and positively.

3. Survey the employees

Since the employees regularly contribute work to the company, it can increase their motivation to submit quality assignments if they believe in the company and relate to its purpose. Gain their input on the brand's strategy by distributing surveys or questionnaires that ask how team members view the company and the values they believe you should communicate in your promotional materials. Example questions you could ask employees in your survey could be:

- What do you believe is unique about our company and brand?
- What made you want to work at this company over others?
- Why should customers choose our company over competitors?
- How does our customer service stand out from the rest?
- What do you believe is the sole purpose of our company?
- How does our business impact the lives of our customers?

4. Research your target audience

The way you convey your brand and its messaging can depend on your target audience. It's important to regularly conduct research on who your audience is, the way they consume content and any values or causes they possess. This helps you communicate your brand and its identity in a way they can relate to and better understand. You can also learn about their industry challenges, goals and needs. This helps you better convey how your product or service can help improve their lives to increase your connection, build stronger trust and stand out from competitors.

5. Develop a brand strategy and style guide

You can use the feedback from staff members to create a brand strategy that accurately represents and showcases your brand's identity. After reviewing your brand's current materials, you can highlight areas to change and start building strategies that implement these fixes. You can create a style guide that explains your brand's purpose, messaging and image.

12.7Strategies of corporate branding

From Apple to Coca-Cola to your local brand turned to be the top country's producer of dairy products, corporate branding is nothing without a good strategy.

As a crucial part of corporate brand management definition, it navigates business through all the obstacles by implementing solutions that meet the current needs and expectations of the target audience and ditch those that stopped working, skillfully adapting to the current situation in the market.

How to Create a Corporate Branding Strategy?

One of the things that makes creating strong corporate branding challenging is mainstream. For instance, according to recent studies, emotions influence over 90% of all shopping decisions, causing solutions that served well several years ago to fail.

However, this does not mean you have to reinvent the wheel. Although you have to do extra brainstorming and A/B testing, still the routine of finding the best corporate branding strategy for your company implies nailing the all-time favorite fundamental steps that are:

1. Define the company's values, mission, and goals.
2. Define a unique selling proposition.
3. Define the brand's message and key points.
4. Research target audience and describe an ideal client.
5. Conduct a brand audit.
6. Research competition.
7. Define corporate brand guidelines.
8. Develop a visual identity.

9. Review and master marketing channels.
10. Track brand performance and act quickly.

1. **Define the company's values, mission, and goals** The first step in building the strategy is defining the company's qualities, features, and goals. It is also time to educate employees, especially the customer support team, about values and mission. Getting everyone on the same page helps channel efforts in the right direction and take the company to the next level.
2. **Define a unique selling proposition** The next stage involves defining USP (a unique selling proposition). USP offers something that sets you apart from the competition. It also brings value to the customers, attracts prospects to your company, reinforces the corporate branding, echoes with the brand message, and illustrates the power of the product.
3. **Define brand's message and key points** What features differentiate your business from the competition? The answer to this question should be your prime concern at this stage. The deal is it helps to define the strong brand image and strengthen such components of your digital presence as website, social media accounts, user experience, customer service communication, digital emails, and printing material.
4. **Research target audience** Conducting thorough research of the target audience is one of the most crucial steps in developing a corporate branding strategy. It provides vital insights for creating products that meet customers' needs and expectations and running marketing campaigns that resonate with the prospects.
5. **Conduct a brand audit** At this stage, your company needs to do self-evaluation to understand what it misses to achieve goals. A so-called SWOT analysis inspects a company's strengths, weaknesses, opportunities, and threats.On top of that, this stage is an excellent time to conduct surveys among your employees and customers to get an honest opinion on whether you meet the criteria and standards necessary to face competition and sell your products successfully.
6. **Research competition** Investigating competition is the next logical step to take. After analyzing your brand, it is time to examine your competitors. As a rule, you need to find answers to such vital questions as:

- What does make them different from you?
- What standard features do they have?
- Which distribution channels do they use?
- What design traits do they employ?

7. **Define corporate brand guidelines** Brand guidelines underlie a visual identity. It is a framework that defines how you engage with clients and prospects. It includes such specific details as marketing assets, the size of the font, the number of colors to use in the logotype, and so on.

It is crucial because it helps the company to bring its values and personality to life and, at the same time, stay consistent with its message across numerous distribution channels.

8. **Develop visual identity** This stage is all about creating a strong corporate branding design that effectively delivers the brand message and expresses the brand's personality, evoking the necessary gamut of emotions. As a rule, you will work out on such brand identity items as:

- Logotype;
- Color scheme;

- Typography;
- Printing material;
- Visual elements, including graphics, illustrations, patterns, textures, icons, mascots, and stationery design.

9. Review and master marketing channels

There are many marketing channels to tap. However, the most influential are:

- Search Engine Optimization;
- Social Media Marketing;
- Email Marketing;
- Content Marketing;
- Online and Offline Advertising;
- Partnership marketing.

Note you do not necessarily need to master all of them. Depending on your budget, goals, and target audience, you may benefit from some of them.

10. Track brand performance and act quickly

Tracking such indicators as conversion rates, open rates, leads, and other crucial KPIs and trackable targets gives businesses real insight into how well the corporate brand strategy works. It also demonstrates the overall brand's performance and health, allowing judging the success more efficiently. On top of that, it is a reliable source of hints on what things drag you down and what works the best for your product and company. At this stage, not only do businesses monitor marketing indicators, but they also adjust their plan of action to react to fluctuations in the market and meet new demands and expectations.

12.8 Examples of Corporate Branding

1. Apple Our first case in point is going to be Apple. It is one of the best corporate branding examples in the World. Why? Well, it has made the most out of this marketing concept, revolutionizing some of its methods along the way.Apple's branding strategy revolves around bringing value to the customers, meeting current standards, strengthening their reputation, and starting trends. And it pays off. The company is a widely recognized trendsetter, with some of its gadgets serving as synonyms of specific niches. Their reputation always assists product launch and all sorts of promotions.As a result, the company asks what they are worth, even though those tag prices can be a little bit inflated

2. Tesla Tesla is one of the most inspiring corporate branding products in the World. It took the market by storm several years ago and generated US$53.8 billion in 2021.This automotive conglomerate is also synonymous with the whole category. It has successfully carved a niche for itself, even though it was not the first one to introduce the electric car to the public.Their branding strategy is based on clever promotions of high-quality and exclusive features through all distribution channels and capitalizing on social media and advertisement campaigns. They position themselves as a unique company that sets the new trend for the whole World.

12.9 Summary

Corporate branding reflects a company’s overall values, mission, and visual identity in addition to products and services. Product branding is focused on the messaging and identity

of a specific product or family of products.Some key corporate branding elements are brand identity, brand image, brand personality, and visual identity (color scheme, typography, etc.). The logo of the company is a visual representation of the brand and itself. When people notice the logo, they typically think of the brand and its messaging.

According to recent studies, there are 213.65 million companies worldwide today; and the lion's share of them are well-established corporate brands.

Whether it is a local firm, a digital startup, or a huge multinational conglomerate, corporate branding can take businesses to the next level by offering a range of benefits. For instance, it sets the company apart from the competition, promotes products, builds reputation, enhances credibility, creates a solid foundation to run various marketing campaigns, and increases revenue. That is not all; it also creates a much-needed emotional connection between the company and target audience that influences the decision–making process and prolongs the life of the company and product.

However, developing a strong corporate brand that secures all the above advantages is not that easy. It takes time, effort, resources, investment, and professional branding agency to develop a corporate brand strategy that formulates and delivers the company's vision and mission and offers a valid plan to achieve short-term and long-term goals.

12.10 Keywords

Corporate Branding, logos, brand loyalty, Personal branding, Product branding, Geographical branding, Cultural branding, Service branding, Internet branding, Offline branding, Co-branding, Search Engine Optimization, unique selling proposition, niche

12.11 Self-assessment questions

1. What is corporate branding? Define with an example.
2. Imagine that you are working for a clothing company. How do you create corporate branding to your brand?
3. What are the different types of Corporate branding? Explain with examples.

12.12 References

https://www.indeed.com/career-advice/career-development/corporate-branding
https://www.ramotion.com/blog/corporate-branding/

Dr Ramesh Gotte

LESSON 13
LEVERAGING BRAND EQUITY

Learning Objectives:

1. To Understand the concept of Leveraging Brand Equity
2. To Understand the importance of leveraging brand equity.
3. To learn the ways of leveraging brand equity.
4. To know the role of leveraging brand equity.

Structure:

13.1 BRAND EQUITY - INTRODUCTION:

Brand equity is the heart of brand management. The brand managers are engaged in building strong brand equity as it directly affects the consumer's buying decisions, defines market share of the product, and determines the brand position in the market. Strong brand equity can not only make the brand strong but also help the brand establish, survive, and perform well in the long run. Let us understand, what brand equity is and why it matters.

Brand equity is the value and strength of the brand that decides its worth. it can also be defined as the differential impact of brand knowledge on consumers response to the brand marketing. Brand equity exists as a function of consumer choice in the market place. The concept of brand equity comes into existence when consumer makes a choice of a product or a service. It occurs when the consumer is familiar with the brand and holds some favourable positive strong and distinctive brand associations in the memory.

13.2 CONCEPT OF BRAND EQUITY:

This term came up in the marketing literature in 1980. This multidimensional concept has different meanings from the context of Accounts, Marketing, and Consumer.

- **Accounting Context**: It is a total value of a brand as a separable asset, when evaluated for selling. It is also called Brand Value. It is quantifiable.
- **Marketing Context**: It is the description of consumer's associations and beliefs about the brand. It is non-quantifiable. Brand equity is tailored according to the needs and demands of the consumer.

- **Consumer-based Context**: It is a measure of consumers' attachment to a brand. It is also called brand strength or loyalty. It is quantifiable.

As per Amber and Styles (1996), Brand Equity is a store of profits which can be realized in future.

Example of Brand Equity:

Consumers pay more for a Garnier beauty product than an Ayur product. A brand can also have negative equity in cases where it does not fit well with its consumers.

As an example, Tata Nano users reported some fire incidents with the product which led to its negative equity for a while.

Brand equity can be said to be coming from the aggregate worth of the following constituents in the minds of its consumers.

13.3 BRAND LEVERAGING:

Brand leveraging is the strategy to use the power of an existing brand name to support a company's entry into a new but related product category by communicating valuable product information to the consumer. For example, the manufacturer of tea maker uses its brand name strength to launch tea vending machine. Here, in spite of tea and tea-vending machine belonging to different product categories, there is a strong correlation between the two items that the brand name has a mighty impact on consumers of both categories.

13.4 IMPORTANCE OF BRAND LEVERAGING:

Brand leveraging is an important form of new product introduction because

- Strong brand leveraging provides consumers with a sense of familiarity.
- It carries positive brand characteristics and attitudes into a new product category.
- Strong leveraging perceives instant recognition to the brand. Consumers are more likely to try leveraged product.
- As the products belong to the different categories, they do not compete for market share.
- More products mean greater shelf space for the brand and in turn more opportunities for sale.
- The cost of introducing a brand-leveraged product is less than introducing an independent new product.
- A full line permits coordination of product offerings, such as bagels and cream cheese, potato chips and ranch dip, peanut butter and jelly, etc.
- A greater number of products increase efficiency of manufacturing facilities and raw materials.

13.5 HOW TO LEVERAGE THE SALE OF YOUR BRAND?

A brand leveraging strategy uses the power of an existing brand name to support a company‘s entry into a new, but related, product category. For example, the manufacturer of Mr. Coffee™ coffee makers used its brand name strength to launch Mr. Coffee™ brand coffee. While coffee machines and coffee beans are in different product categories, there is a strong enough correlation between the two items that the brand name has a powerful impact on consumers of both categories.

Brand leveraging communicates valuable product information to consumer‘s about new products. Consumers enter retail outlets equipped with pre-existing knowledge of a brand‘s level of quality and consistently relate this knowledge to new products carrying the familiar brand.

Generally, consumers maintain a consistent brand perception until disappointed – creating a risky advantage for established brands.

Brand leveraging is an important form of new product introduction because it provides consumers with a sense of familiarity by carrying positive brand characteristics and attitudes into a new product category. Instant recognition of the brand is established, and consumers with a favourable brand opinion likely will try a new product they perceive to have a similar quality level and attributes as their original favourite. Additionally, because the products are in different categories, they will not compete for market share – the crux of a successful branding strategy

13.6 ASSOCIATIONS OF THE BRAND:

13.6.1 PRIMARY ASSOCIATION

Before starting on secondary associations, it makes sense that, should know about what the primary associations of a brand are. Primary associations are qualities/equity inherently possessed by the brand. These would include those of salience/utility (whether a washing powder cleans clothes or whether fairness cream makes you fair), performance (does the washing powder tackle tough stains well, whether the fairness cream makes you 5 shades or 2 shades fairer), imagery (how reputed the brand is, how successful has it been), judgment (how the brand fairs in comparison to competitors), etc.

13.6.2 SECONDARY ASSOCIATION

Secondary association on the other hand is more of a branding-marketing function. It transfers the qualities/equity of other entities to the brand in question. Consider a commodity like salt. One can argue that iodized salt is iodized salt and while one can double filter it and another triple filter it, the two salts cannot be too different. But when one of them is Tata Salt and the other Dandi Namak one would tend to think of the former as of better quality. This is a classic case of the secondary association: Tata's reputation of quality being transferred to the salt.

LEVERAGING SECONDARY ASSOCIATIONS:

The above example was one of the many ways one can build secondary associations – through the parent company. However, there are many other ways of doing the same. Some of these are illustrated below:

Leveraging secondary association deals with:

1. **Creation of new brand associations**
2. **Effects on existing brand knowledge:**
   - (a) Awareness and knowledge of the entity
   - (b) Meaningfulness of the knowledge of the entity
   - (c) Transferability of the knowledge of the entity
3. **Brand associations may themselves be linked to other entities, creating secondary associations:**
   - (a) Company (through branding strategies)
   - (b) Country of origin (through identification of product origin)
   - (c) Channels of distribution (through channels strategy)
   - (d) Other brands (through co-branding)
4. **Special case of co-branding is ingredient branding:**
   - (a) Characters (through licensing)
   - (b) Celebrity spokesperson (through endorsement advertising)
   - (c) Events (through sponsorship)
   - (d) Other third-party sources (through awards and reviews)

5. **These secondary associations may lead to a transfer of:**
   (a) **Response-type associations**
      (i) Judgments (especially credibility)
      (ii) Feelings
   (b) **Meaning-type associations**
      (i) Product or service performance
      (ii) Product or service imagery

13.7 WAYS OF LEVERAGING BRAND EQUITY:

Companies that build brand equity capitalize on such strong brands by using them to launch new products in other categories, or serving other customer segments in the same category, or serving the same customers in the same category better.

The main purpose of using the same brand name is to take advantage of the value and power that the brand commands, rather than building a completely new brand, which would entail a huge expenditure, and would take time.

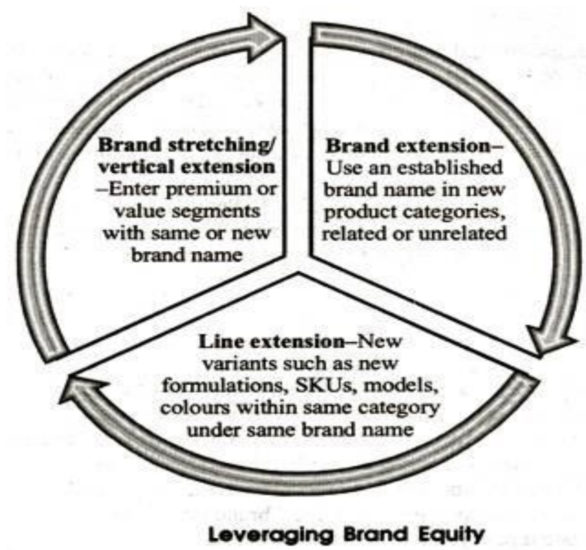


Figure No: 13.1 Leveraging Brand Equity

13.7.1 BRAND EXTENSION:

Brand extension is the use of an established brand name in new product categories. The category to which the brand is being extended can be related or unrelated to the existing product categories.

Brand extension in unrelated markets may result in loss of credibility if a brand name is extended too far. A company has to find out the product categories in which the established brand name will work and the product categories in which it will not work.

To be able to do that, the company has to find as to why the brand name is successful in its current business. It may find out that customers in the current business desire luxury and exclusivity, and the brand is correctly positioned. It is offering luxury and exclusivity.

If the customers of the new business also desire luxury and exclusivity, the brand name will work in the new business. If values and aspirations of the customers of the new business match those of the original business and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.

Advantages of brand extensions in releasing new products are that it reduces risk and is less costly than alternative launch strategies. Customers appear to attribute the quality associations they have of the original brand to the new product.

An established name enhances consumer interest and willingness to try the new product bearing the established brand name. Since the established brand is already well known, the task of building awareness for the new product is eased.

Advertising, selling and promotional costs are reduced. There is likelihood of achieving advertising economies of scale since advertisements for the original brand and its extensions reinforce each other.

But brand extensions that offer no functional, psychological or price advantage over rival brands in the new category often fail. There is also the danger that management may not provide enough funds for the launch believing that the spin-off effects from the original brand name will compensate.

This can lead to low awareness and trial. Also, bad publicity for one product affects reputation of other products under the same name. A related problem is the danger of the new product failing or generating connotations that damage the reputation of the core brand.

A major test of any brand extension opportunity is to ask if the new brand concept is compatible with the values inherent in the core brand. Brand extension is not viable when the new brand is developed for target customers who hold different values and aspirations from those in the original market segment.

13.7.2 LINE EXTENSION:

New variants such as new product formulations, flavours, SKUs (sizes), models or colours within the same product category are launched bearing the established brand name.

Line extensions can be useful to reach out to new customer segments who seek new benefits, hitherto not being offered by the brand in the category.

For instance, launching a new shampoo variant aimed at consumers seeking solution for a dry, itchy scalp under the existing shampoo brand name makes sense. Line extensions are also useful in reviving consumer interest in a dull product category. In some categories, variety is a desirable attribute for consumers.

However, line extension leads to managerial focus on minor modifications, packaging changes and advertising rather than on real innovations. Cannibalization can also occur, i.e., the new brand variants gains sales at the expense of the established variants of the same brand.

13.7.3 BRAND STRETCHING OR VERTICAL EXTENSIONS:

The company may sense an opportunity in the premium or/and value segments of the market, besides its existing markets. The company enters into these premium or/and value segments as well. These movements are called up scaling and downscaling respectively.

Companies engage in brand stretching because:

i. Existing markets may be saturated
ii. They sense new opportunities in the premium or popular segments of the market
iii. Competition in the existing segments is intense

Brand stretching strategy can be practised in three ways:

i. Up-scaling or downscaling the entire brand.
ii. Introducing a totally new brand in the up-scaled or downscaled position.

Both the above techniques represent extremes. Almost all companies tread the middle path.

iii. Treat the original brand as the 'Mother Brand' and introduce its offshoots in the form of 'sub-brands'. These sub-brands can either be added as:

(a) Prefixes or suffixes.

(b) Describe the caliber of the stretched brand by using appropriate numbers/symbols/text abbreviation/ words/names.

When up-scaling is done using existing brands, it might not be successful as customers in the premium segments may not accept the brand that was present in the popular segment earlier. Though up-scaling an existing brand may not necessarily fail, the customers in premium segments will not like to associate with popular brands.

To overcome such associations is an onerous task. Using sub-brands with clearly distinguishable personality and values, or introducing a completely new brand may be necessary in this case. A new brand is the safest option for up-scaling as it does not carry any baggage of associations with existing market segments. However, it is the riskiest and most expensive option as well.

Downscaling, on the other hand, can be accomplished easily with an existing brand, as customers in the popular segment are glad to buy a brand that is hitherto aspirational, due to its presence in the more upscale market segment.

But the current customers of the premium brand may not like to see their brand being associated with a downscale market and will in all probability, stop patronizing the brand. They will switch to some other premium brand. The company has to decide if the downscale segment is really big enough to take the risk of losing customers of the upscale segment.

Most companies have been enamoured with the prospect of serving mass markets and have downscaled premium brands that they had so painstakingly built for decades, sometimes even centuries. They have lost it all in a few years.

And the mass market, for which they took this hit, is so littered with entrenched competitors that after the initial hype of customers being able to own brands that they never thought they would own, the erstwhile premium brands have become just one of the competitors.

And since the downscaled brand does not have experience of doing business in the mass market, it has even been muscled out of the mass market by the big fish here.

Mass markets operate by a different set of machinations of scale, quality and price, which premium brands find very difficult to master. Parker pens and many other iconic brands have followed the above script and dug their own graves. Mass market has been the graveyard of many illustrious brands.

Using sub-brands are also likely to have similar effects. The mother brand, still in the more premium segment, can face repercussions if it is not appropriately distinguishable from the sub-brand in the popular segment.

Many consumers from the premium segment can move to the popular segment, thus resulting in losses. A completely new brand for downscaling is a better option than using sub-brands for a firm that wants to be active in both the premium and the popular segments.

13.8 ROLE OF BRAND MANAGERS IN BRAND LEVERAGING:

The brand managers can create a strong brand leveraging, by maintaining the quality of all products in different categories under the brand.

The brand managers need to decide which products can be leveraged under a brand. It is very important for them to leverage a brand only into related or associated categories of the original product.

In order to make the best decision for the brand, they need to find answers for the following questions: • Is the new product related to the established product family?

• Does the established brand have characteristics that can be effectively carried on into new categories?

• What will be the appropriate leveraging strategy?

• What will be the impact on original brand name? Will it be strengthened or diluted?

• Does the company have essential facilities to manufacture and distribute a new and differentiated product?

• Will sales of the new product cover the cost of product development and marketing?

• If leveraging fails, what are the policies to revert or to keep original brand's reputation?

A brand leveraging strategy can be extremely successful and profitable if it is correctly implemented and provides new products with the right image.

13.9 SUMMARY

Brand leveraging is a process that can be used by organizations to create and capture value from their brand. This value can then be used to support the organization's various goals and objectives.

There are a number of ways in which brand leveraging can be done. Some of these ways include creating products that meet the needs of the target audience, developing marketing campaigns that are effective in reaching the target audience, and creating a positive image for the brand.

There are many different ways in which brand leveraging can be done. Companies will focus on the concept of creating products that meet the needs of the target audience. This is an effective way to create value for the brand and can help the organization to achieve its various goals and objectives.

13.10 KEY WORDS

Brand Equity: Brand equity is the value of a brand, determined by the consumer's perception of its quality and desirability.

Brand Leveraging: Brand leveraging is the strategy to use the power of an existing brand name to support a company's entry into a new but related product category by communicating valuable product information to the consumer.

Brand Associations: Brand association is a mental connection a customer makes between your brand and a concept, image, emotion, experience, person, interest, or activity. This association can be immediately positive or negative and it heavily influences purchase decisions.

Brand Extension: A brand extension is when a company uses one of its established brand names on a new product or new product category. It's sometimes known as brand stretching.

Line Extension: In marketing and production, line extensions involve expanding an existing product line. This tactic can help a company increase its reach and target audience using the preparation, development and marketing procedures they already have available.

Brand Stretching: Brand stretching is a marketing strategy that involves expanding existing brand offerings — differentiating its current offerings but maintaining the image and reputation of its main brand.

13.11 SELF ASSESSMENT QUESTIONS:

1. What is leveraging Brand Equity? Discuss the importance of Leveraging Band Equity.

2. Discuss the associations of Brand Equity.
3. Explain the ways of leveraging Brand Equity.
4. Explain the role of Brand Manager in Leveraging Brand Equity
5. Creation and management of Brand equity revolves round the consumer. Do you agree or disagree? substantiate your answer.

13.12 SUGGESTED READINGS:

1. Kotler P, Marketing Management: Prentice-Hall India Pub Co. New Delhi, 2002.
2. Sengupta, Subroto, Brand Positioning: Strategies for competitive Advantage, Tata McGraw-Hill Book Pub. Co., New Delhi, 1990.
3. Dr Paul Temporal, Advanced Brand Management, 2002, Wiley Publications.
4. *John Michael Morgan*, Brand Against the Machine: How to build your Brand? Cut through the Marketing Noise and Stand out from the Competition

Ms. P. Girijasri

.

LESSON NO 14
MEASURING BRAND EQUITY

LEARNING OBJECTIVES

1. To Understand the concept of Brand Equity Measurement System
2. To Understand about Measuring Sources of Brand Equity.
3. To know the measuring outcomes of brand equity.

STRUCTURE

14.1 Introduction
14.2 Developing A Brand Equity Measurement System
14. 3 Measuring Sources of Brand Equity
14.4 Measuring Outcomes of Brand Equity
14.5 Summary
14.6 Keywords
14.7 Self-Assessment Questions
14.8 Suggested Readings

14.1. INTRODUCTION:

Measuring the financial value of the brand usually converts the CFO to a staunch brand supporter and gets the organization to view brands as assets that must be maintained, built and leveraged. In his book, Managing Brand Equity, David Aaker writes about several approaches to valuing a brand as an asset. Interbrand has a methodology to help public and private companies measure their brands' values. Financial World, a recently defunct publication, annually ranked top brands by their financial values (estimating the Coca-Cola brand to be worth $48 billion in 1997).

Measuring brand equity helps you to maintain, build and leverage brand equity (that is, it helps you to understand how to increase both the "A" and the "R" in the brand's "ROA"). To better understand how to build brand equity we must first agree to a definition of brand equity. The definition is as follows: brand equity is the value (positive and negative) a brand adds to an organization's products and services. Brand equity may ultimately manifest itself in several ways.

Three of the most important ways are as the price premium (to consumers or the trade) that the brand commands, the long-term loyalty the brand evokes and the market share gains it results in. Brand Awareness First, consumers must be aware that there are different brands in the product categories in which your brand operates. Next, they must be aware of your brand. Ideally, your brand should be the first one that comes to their minds within specific product categories and associated with key consumer benefits. Consumers should be able to identify which products and services your brand offers. They should also be able to identify which benefits are associated with the brand. Finally, they should have some idea of where your brand is sold.

Accessibility Your brand must be available where consumers shop. It's much easier for consumers to insist upon your brand if it is widely available. Slight brand preference goes a long way toward insistence when the brand is widely available. The importance of convenience cannot be underestimated in today's world.

1. **Value:** Does your brand deliver a good value for the price? Do consumers believe it is worth the price? Regardless of whether it is expensive or inexpensive, high end or low end, it must deliver at least a good value.
2. **Relevant Differentiation** This is the most important thing a brand can deliver. Relevant differentiation today is a leading-edge indicator of profitability and market share tomorrow.

Does your brand own consumer-relevant, consumer-compelling benefits that are unique and believable?

3. **Emotional Connection** First, the consumer must know your brand. Then he or she must like your brand. Finally, the consumer must trust your brand and feel an emotional connection to it.

There are many innovative ways to achieve this emotional connection–from advertising and the quality of front-line consumer contact to consumer membership organizations and company sponsored consumer events.

As you measure brand equity, keep the following points in mind:

•Include measures of awareness, preference, accessibility, value, relevance, differentiation, vitality, emotional connection, loyalty and insistence.

•Include both behavioral and attitudinal measures (especially for loyalty).

14. 2 DEVELOPING A BRAND EQUITY MEASUREMENT SYSTEM

A brand equity measurement system uses a set of research procedures that is designed to provide timely, accurate, and actionable information for marketers for their tactical decisions in the short run and strategic decisions in the long-run. The goal in developing a brand equity measurement system is to be able to achieve a full understanding of the sources and outcomes of brand equity and be able to, as much as possible, relate the two. The ideal brand equity measurement system would provide complete, up-to-date, and relevant information on the brand and all its competitors to relevant decision makers within the organization. Three key components of a brand equity measurement system are brand audits, brand tracking, and brand equity management systems.

14. 2 .1 BRAND AUDIT

A brand audit is a comprehensive examination of a brand. Specifically, a brand audit involves a 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. A brand audit requires understanding sources of brand equity from the perspective of both the firm, it is necessary to understand exactly what products and services are currently being offered to consumers and how they are being marketed and branded. From the perspective of the consumer, it is necessary to dig deeply into the minds of consumers and tap their perceptions and beliefs to uncover the true meaning of brands and products.

The brand audit can be used to set strategic direction for the brand. Are the current sources of brand equity satisfactory? Do certain brand associations need to be strengthened? Does the brand lack uniqueness? What brand opportunities exist and what potential challenges exist for brand equity? As a result of this strategic analysis, a marketing program can be put into place to maximize long-term brand equity. A brand audit should be conducted whenever important shifts in strategic direction are contemplated.

Moreover, conducting brand audits on a regular (e.g., annually) allows marketers to keep their “fingers on the pulse” of their brands so that they can be more proactively and responsively managed. As such, they are particularly useful background for managers as they set up their marketing plans. A brand audit consists of two steps:

1. **Brand Inventory**: The purpose of the brand inventory is to provide a current, comprehensive profile of how all the products and branded profiling each product or service requires that all associated brand elements be identified as well as aspects of the marketing program. This information should be summarized in both visual and verbal form. The outcome of the brand inventory should be an accurate, comprehensive and timely profile of how all the products and services sold by a company are branded and marketed. As part of the brand inventory, it is also advisable to profile competitive brands, in as much details as possible, in terms of their branding and marketing efforts.

   The brand inventory is a valuable first step in the brand audit. It helps to suggest what consumer current perceptions may be bases on. Thus, the brand inventory provides useful information for interpreting follow-up research activity such as the brand exploratory that collects actual consumer perceptions toward the brand. Second, the brand inventory may provide some initial insights into how brand equity may be better managed.

   Example: The consistency of the branding and marketing for all the different product or services can be assessed. A thorough brand inventory should be able to reveal the extent of brand consistency.
2. **Brand Exploratory**: The second step of the brand audit is to provide detailed information as to what consumers think of the brand by means of the brand exploratory, particularly in terms of brand awareness and the strength, favourability, and uniqueness of brand associations. The brand exploratory is research activity directed to understanding what consumers think and feel about the brand and its corresponding product category in order to identify sources of brand equity.

   Although the “supply-side” view of the brand as revealed by the brand inventory is useful, actual consumer perceptions, of course, may not necessarily reflect the consumer perceptions that were intended to be created by the marketing program. Thus, the second step of the brand audit is to provide detailed information as to what consumers think and feel about the brand by means of the brand exploratory.

   Several preliminary activities are useful for the brand exploratory. First, in many cases, a number of prior research studies may exist and be relevant. Reports may have been buried, and perhaps even long forgotten, which contain insights and answers to a number of important questions or suggest new questions that may still need to be posed. Second, it is also useful to interview internal personnel to gain an understanding of their beliefs about consumer perceptions for the brand and competitive brands. Past and current marketing managers may be able to share some wisdom not necessarily captured in prior research reports.

14.2.2 BRAND TRACKING

Brand audits are a means to provide in-depth information and insights that are essential for setting long-term strategic direction for the brand. In terms of more short-term tactical considerations, less detailed brand-related information should be collected as a result of conducting ongoing tracking studies. Tracking studies involve information collected from consumers on a routine basis over time. Tracking studies typically employ quantitative measures to provide marketers with current information as to how their brands and marketing programs are performing on the basis of a number of key dimensions identified by the brand audit or other means.

Tracking studies are a means to understand where, how much and in what ways brand value is being created. Tracking studies play an important function for managers by providing consistent baseline information to facilitate their day-to-day decision-making. As more marketing activity surrounds the brand, it becomes difficult and expensive to research each individual marketing action. Tracking studies provide valuable diagnostic insights into the collective effects of a host of marketing activities on the customer mindset, market outcomes, and perhaps even shareholder value. The reality is that marketing can create all types of effects in the minds of consumers that may influence how they respond to subsequent marketing activity. Regardless of how few or many changes are made in the marketing program over time, it is important to monitor the health of the brand and its equity so that proper adjustments can be made if necessary.

A number of ingredients characterize a successful tracking program. To capture the effects of the complex, varied marketing activity that make up many marketing programs, it is important to adopt detailed, rich marketing models. If well-specified, these models should directly suggest a comprehensive, robust set of measures to employ in tracking. At the same time, it is important to adopt a modular approach to tracking – not every type of measure needs to be included in every tracking survey every time. For example, detailed measures of specific performance and imagery benefits may be included less frequently than basic measures of brand awareness, attitudes and behaviors that are likely to be impacted by a broad range of marketing activity. Finally, firms must obviously adopt good survey practices and carefully design surveys, collect data, and interpret results.

14.2.3 BRAND EQUITY MANAGEMENT SYSTEM

Brand tracking studies – as well as brand audits – can provide a huge reservoir of information concerning how to best build and measure brand equity. Nevertheless, the potential value of these research efforts will not be realized unless proper internal structures and procedures are put into place within the organization to capitalize on the usefulness of the brand equity concept and the information that is collected with respect to it. A brand equity management system is defined as a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm. Although there are many aspects to a brand equity management system, two useful tools that can be employed are highlighted here.

A. Brand Equity Charter

The first step in establishing a brand equity management system is to formalize the company view of brand equity into a document, the brand equity charter, which provides relevant guidelines to marketing managers within the company as well as key marketing partners outside the company (e.g., ad agency personnel). This document should:

1. Define the firm's view of the brand equity concept and explain why it is important.
2. Describe the scope of key brands in terms of associated products and the manner by which they have been branded and marketed (as revealed by historical company records as well as the most recent brand inventory).
3. Specify what the actual and desired equity is for a brand at all relevant level of the brand hierarchy. 4. Explain how brand equity is measured in terms of the tracking study and the resulting brand equity report.

5. Suggest how brand equity should be managed in terms of some general strategic guidelines (e.g., stressing clarity, relevance, distinctiveness, and consistency in marketing programs over time).
6. Outline how marketing programs should be devised in terms of some specific tactical guidelines (e.g., ad evaluation criteria, brand name choice criteria, etc.).
7. Specify the proper treatment of the brand in terms of trademark usage, packaging, and communications. Although parts of the brand equity charter may not change from year to year, it should nevertheless be updated on an annual basis to provide a current brand profile and identify new opportunities and potential risks for the brand to decision-makers.

B. Brand Equity Report

The second step in establishing a successful brand equity management system is to assemble the results of the tracking survey and other relevant performance measures for the brand into a brand equity report to be distributed to management on a regular basis (monthly, quarterly, or annually). Much of the information relevant to the report may already exist within or be collected by the organization. Yet, the information may have been otherwise presented to management in disjointed chunks such that a more holistic understanding is not possible. The brand equity report attempts to effectively integrate all these different measures.

The brand equity report should provide descriptive information as to what is happening with a brand as well as diagnostic information as to why it is happening. It should include all relevant internal and external measures of brand performance and sources and outcomes of brand equity.

In particular, one section of the report should summarize consumer perceptions on key attribute or benefit associations, preferences, and reported behavior as revealed by the tracking study. Another section of the report should include more descriptive market level information such as:

1. Product shipments and movement through channels of distribution.
2. Relevant cost breakdowns.
3. Price and discount schedules where appropriate.
4. Sales and market share information broken down by relevant factors, e.g., geographic region, type of retail account or customer, etc.
5. Profit assessments.

Collectively, these measures can provide insight into the market performance component of the brand value chain.

14.3 MEASURING SOURCES OF BRAND EQUITY

The value of a brand – and thus its equity – is ultimately derived in the market place from the words and actions of consumers. Consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than other brands. Although the details of different approaches to conceptualize brand equity differ, they tend to share a common core: All definitions typically either implicitly or explicitly rely on brand knowledge structures in the minds of consumers – individuals or organizations as the source or foundation of brand equity. In other words, the real power of a brand is in the thoughts, feelings, images, beliefs, attitudes, experiences and so on that exist in the minds of consumers. This brand knowledge affects how consumers respond to products, prices, communications, channels and other marketing activity – increasing or decreasing brand value in the process. Along these lines, formally, customer-based brand equity has been defined as the differential effect that consumer Notes brand knowledge has on their response to brand marketing activity.

Brand knowledge is not the facts about the brand – it is all the thoughts, feelings, perceptions, images, experiences, and so on that become linked to the brand in the minds of consumers. All of these types of information can be thought of in terms of a set of associations to the brand in consumer memory. Accordingly, brand knowledge can be viewed in terms of an associative network memory model as a network of nodes and links where the brand can be thought of as being a node in memory with a variety of different types of associations potentially linked to it. A "mental map" can be a useful way to portray some of the important dimensions of brand knowledge.

Two particularly important components of brand knowledge are brand awareness and brand image. Brand awareness is related to the strength of the brand node or trace in memory as reflected by consumers' ability to recall or recognize the brand under different conditions. Brand awareness can be characterized by depth and breadth. The depth of brand awareness relates to the likelihood that the brand can be recognized or recalled. The breadth of brand awareness relates to the variety of purchase and consumption situations in which the brand comes to mind. Brand image is defined as consumer perceptions of and preferences for a brand, as reflected by the various types of brand associations held in consumers' memory. These associations range along a number of different dimensions, such as their strength, positivity, uniqueness, and abstractness. Strong, favourable and unique brand associations are essential as sources of brand equity to drive consumer behaviour.

According to a customer-based brand equity perspective, the indirect approach to measuring brand equity attempts to assess potential sources for brand equity by measuring consumer mindset or brand knowledge. The indirect approach is useful in identifying what aspects of the brand knowledge may potentially cause the differential response that creates brand equity in the marketplace. Because any one measure typically only captures one particular aspect of brand knowledge, multiple measures need to be employed to account for the multidimensional nature of brand knowledge. Brand awareness can be assessed through a variety of aided and unaided memory measures that can be applied to test brand recall and recognition; brand image can be assessed through a variety of qualitative and quantitative techniques.

14.3.1 Qualitative Research Techniques

There are many different ways to uncover and characterize the types of associations linked to the brand. Qualitative research techniques are often employed to identify possible brand associations and sources of brand equity. Qualitative research techniques are relatively unstructured measurement approaches where by a range of possible consumer responses are permitted. Because of the freedom afforded both researchers in their probes and consumers in their responses, qualitative research can often be a useful "first step" in exploring consumer brand and product perceptions. Consider the following three qualitative research techniques that can be employed to identify sources of brand equity.

14.3.2 Free Association

The simplest and often most powerful way to profile brand associations involves free association tasks whereby subjects are asked what comes to mind when they think of the brand without any more specific probe or cue than perhaps the associated product category (e.g., "What does the Rolex name mean to you?" or "Tell me what comes to mind when you think of Rolex watches.").

Answers to these questions help marketers to clarify the range of possible associations and assemble a brand profile.

To better understand the positivity of brand associations, consumers can be asked follow-up questions as to the favourability of associations they listed or, more generally, what they like best about the brand. Similarly, consumers can also be asked direct follow-up questions as to the uniqueness of associations they listed or, more generally, what they find unique about the brand. Thus, additionally useful questions include:

1. What do you like best about the brand? What are its positive aspects? What do you dislike? What are its disadvantages?
2. What do you find unique about the brand? How is it different from other brands? In what ways is it the same?

These simple, direct measures can be extremely valuable at determining core aspects of a brand image. To provide more structure and guidance, consumers can be asked further follow-up questions to describe what the brand means to them in terms of "who, what, when, where, why, and how" type of questions such as:

1. Who uses the brand? What kind of person?
2. When and where do they use the brand? What types of situations?
3. Why do people use the brand? What do they get out of using it?
4. How do they use the brand? What do they use it for?

14.3.3 Projective Techniques

Uncovering the sources of brand equity requires that consumers' brand knowledge structures be profiled as accurately and completely as possible. Unfortunately, under certain situations, consumers may feel that it would be socially unacceptable or undesirable to express their true feelings. As a result, they may find it easier to fall back on stereotypical, "pat" answers that they believe would be acceptable or perhaps even expected by the interviewer. For example, it may be difficult for consumers to admit that a certain brand name product has prestige and enhances their self-image. As a result, consumers may instead refer to some particular product feature as the reason why they like or dislike the brand. Alternatively, it may just be that consumers find it difficult to identify and express their true feelings when asked directly even if they attempt to do so. For either of these reasons, an accurate portrayal of brand knowledge structures may be Notes impossible without some rather unconventional research methods.

Projective techniques are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters. The idea behind projective techniques is that consumers are presented with an incomplete stimulus and asked to complete it or given an ambiguous stimulus that may not make sense in and of itself and are asked to make sense of it. In doing so, the argument is that consumers will reveal some of their true beliefs and feelings. Thus, projective techniques can be especially useful when deeply rooted personal motivations or personally or socially sensitive subject matters may be operating. Projective techniques often provide useful insights that help to assemble a more complete picture of consumers and their relationships with brands. All kinds of projective techniques are possible. Here we highlight two:

1. Completion & Interpretation Tasks: Classic projective techniques use incomplete or ambiguous stimuli to elicit consumer thoughts and feelings. One such approach is with "bubble exercises" based on cartoons or photos where different people are depicted buying or using certain products, services, or brands. Empty bubbles, as found in cartoons, are placed in the scenes to represent the thoughts, words, or actions of one or more of the participants in the scene. Consumers are then asked to figuratively "fill in the bubble" by indicating what they believed was happening or being said in the scene. The stories and conversations told through bubble exercises and picture interpretations can be especially useful to assess user and usage imagery for a brand.

2. Comparison Tasks: Another technique that may be useful when consumers are not able to directly express their perceptions of brands is comparison tasks where consumers are asked to convey their impressions by comparing brands to people, countries, animals, activities, fabrics, occupations, cars, magazines, vegetables, nationalities, or even other brands. For example, consumers might be asked: “If Nike were a car, which one would it be? If it were an animal, which one might it be? Looking at the people depicted in these pictures, which ones do you think would be most likely to wear Nike shoes?” In each case, consumers could be asked a follow-up question as to why they made the comparison they did. The objects chosen to represent the brand and the reasons why they were chosen can provide a glimpse into the psyche of the consumer with respect to a brand.

Although qualitative measures are useful to identify and characterize the range of possible associations to a brand, a more quantitative portrait of the brand often is also desirable to permit more confident and defensible strategic and tactical recommendations. Whereas qualitative research typically elicits some type of verbal responses from consumers, quantitative research typically employs various types of scale questions so that numerical representations and summaries can be made. Quantitative measures are often the primary ingredient in tracking studies that monitor brand knowledge structures of consumers over time.

14.3.4 Awareness

Brand awareness is related to the strength of the brand in memory, as reflected by consumers’ ability to identify various brand elements (i.e., the brand name, logo, symbol, character, packaging, and slogan) under different conditions. Brand awareness relates to the likelihood that a brand will come to mind and the ease with which it does so given different type of cues.

Several measures of awareness of brand elements can be employed. Choosing the appropriate measure depends on the relative importance of brand awareness for consumer behavior in the category and the resulting role it plays to the success of the marketing program for the brand. For example, if research reveals that many consumer decisions are made at the point-of-purchase where the brand name, logo, packaging, and so on will be physically present and visible, then brand recognition and visual awareness measures will be important. If research reveals that consumer decisions are mostly made in other settings away from the point-of-purchase where the brand elements are not physically present, on the other hand, then brand recall and verbal measures will be more important. As a cautionary note, even though brand recall per se may be viewed as less important when consumer decisions are made at the point-of-purchase, consumers’ brand evaluations and choices will still often depend on what else they recall about the brand given that they are able to recognize it there.

14.3.5 Recognition

Recognition processes require that consumers be able to discriminate a stimulus – a word, object, image, etc. – as something they have previously seen. Brand recognition relates to consumers’ ability to identify the brand under a variety of circumstances and can involve identification of any of the brand elements. The most basic type of recognition procedures gives consumers a set of single items visually or orally and asks them if they thought that they had previously seen or heard these items. To provide a more sensitive test, it is often useful to include decoys or lures – items which consumers could not have possibly seen. In addition to “yes” or “no” responses, consumers also can be asked to rate how confident they are in their recognition of an item. There are also a number of additional, somewhat more subtle recognition measures that involve “perceptually degraded” versions of the brand. In some cases, the brand element may be visually masked or distorted in some way or shown for extremely brief duration. For example, brand name recognition could be tested with missing letters. These additional measures can provide more sensitive measures of recognition than simple “yes” or “no” tasks.

By applying these direct and indirect measures of brand recognition, marketers can determine which brand elements exist in memory and, to some extent, the strength of their association. One advantage to brand recognition measures versus recall measures is that they can be used in any modality. For example, because brand recognition is often visual in nature, visual recognition measures can be used. It may be difficult for consumers to describe a logo or symbol in a recall task either verbally or pictorially but much easier for them to assess the same elements visually in a recognition task. Nevertheless, brand recognition measures only really provide an approximation as to potential recall-ability. To determine whether the brand elements will actually be recalled under various circumstances, measures of brand recall are necessary.

14.3.6 Recall

Brand recall relates to consumers’ ability to identify the brand under a variety of circumstances. With brand recall, consumers must retrieve the actual brand element from memory when given some related probe or cue. Thus, brand recall is a more demanding memory task than brand recognition because consumers are not just given a brand element and asked to identify or discriminate it as one they had or had not already seen.

Different measures of brand recall are possible depending on the type of cues provided to consumers. Unaided recall on the basis of “all brands” provided as a cue is likely to identify only the very strongest brands. Aided recall uses various types of cues to help consumer recall. One possible sequence of aided recall might use progressively narrowly defined cues – such as product class, product category, and product type labels – to provide insight into the organization of consumers’ brand knowledge structures. For example, if recall of the Porsche 944 – a high performance German sports car – in non-German markets was of interest, the recall probes could begin with “all cars” and move to more and more narrowly defined categories such as “sports cars,” “foreign sports cars,” or even “high performance German sports cars.” For example, consumers could be asked: “When you think of foreign sports cars, which brands come to mind?”

Other types of cues may be employed to measure brand recall. For example, consumers could be Notes probed on the basis of product attributes (e.g., “When you think of chocolate, which brands come to mind?) or usage goals (e.g., “If you were thinking of having a healthy snack, which brands come to mind?”). Often, to capture the breadth of brand recall, it may be important to examine the context of the purchase decision or consumption usage situation. For example, consumers could be probed according to different purchase motivations as well as different times and places when the product could be used to see which brands came to mind (e.g., different times of the day, days of the week, or times of the year; at home, at work, or on vacation). The more that brands have strong associations to these considerations, the more likely it is that they will be recalled when they are given those situational cues. Combined, measures of recall based on product attribute or category cues as well as situational or usage cues give an indication of breadth of recall.

Besides being judged as correctly recalled, brand recall can be further distinguished according to order, as well as latency or speed of recall. In many cases, people will recognize a brand when it is shown to them and will recall it if they are given a sufficient number of cues. Thus, potential recall-ability is high. The bigger issue is the salience of the brand – do consumers think of the brand under the right circumstances, e.g., when they could be either buying or using the product?

How quickly do they think of the brand? Is it automatically or easily recalled? Is it the first brand recalled?

14.3.7 Image

Brand awareness is an important first step in building brand equity, but usually not sufficient. For most customers in most situations, other considerations, such as the meaning or image of the brand, also come into play. One vitally important aspect of the brand is its image, as reflected by the associations that consumers hold toward the brand. Brand associations come in many different forms and can be classified along many different dimensions. Consistent with the laddering concept described above, it is useful to make a distinction between more "lower level" considerations related to consumer perceptions of specific attributes and benefits versus more "higher-level" considerations related to consumer responses and their judgments and feelings toward the brand. There is an obvious relationship between the two levels as consumers' responses typically are a result of perceptions of specific attributes and benefits about the brand. We next consider both types of associations.

14.3.8 Specific, Lower-level Brand Associations

Beliefs are descriptive thoughts that a person holds about something. Brand association beliefs are those specific attributes and benefits linked to the brand and its competitors. For example, consumers may have brand association beliefs for Sony Playstation home video games such as "fun and exciting," "cool and hip," "colorful," "good graphic quality," "advanced technology," "variety of software titles," and "sometimes violent." They may also have associations to the brand logo and the slogan, "Live in Your World. Play in Ours." Playstation user imagery may be "used by a teenager or 20-something male who is serious about playing video games, especially sports games."

The qualitative research approaches described above are useful in uncovering these different type of salient brand associations making up the brand image. Any potentially relevant association can and should be measured. Although a myriad of different types of brand associations are possible, brand meaning broadly can be distinguished in terms of more functional, performancerelated considerations versus more abstract, imagery–related considerations. Thus, brand meaning is made up of two major categories of brand associations that exist in customers' minds – related to performance and imagery – with a set of specific subcategories within each. These brand associations can be formed directly – from a customer's own experiences and contact with the brand – or indirectly – through the depiction of the brand in advertising or by some other source of information (e.g., word-of-mouth). We next describe the two main types of brand meaning and the sub-categories within each.

14.3.9 Brand Performance

Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs. Thus, brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, there are five important types of attributes and benefits that often underlie brand performance and can be measured, as follows:

1. Primary Characteristics & Supplementary Features: Customers often have beliefs about the levels at which the primary characteristics of the product operate (e.g., low, medium, high, or very high). Additionally, they may also may have beliefs as to special, perhaps even patented, features or secondary elements of a product that complement these primary characteristics.

2. Product Reliability, Durability, & Serviceability: Reliability refers to the consistency of performance over time and from purchase to purchase. Durability refers to the expected economic life of the product. Serviceability refers to the ease of servicing the product if it needs repair. Thus, measures of product performance can capture factors such as the speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; the quality of repair service and the time involved; and so on.

3. Service Effectiveness, Efficiency, and Empathy: Service effectiveness refers to how completely the brand satisfies customers' service requirements. Service efficiency refers to the manner by which these services are delivered in terms of speed, responsiveness, etc. Service empathy refers to the extent to which service providers are seen as trusting, caring, and with customer's interests in mind.

4. Style and Design: Consumers may have associations to the product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials, and color involved. Thus, performance may also depend on sensory aspects as to how a product looks and feels and perhaps even what it sounds or smells like.

5. Price: Finally, the pricing policy for the brand can create associations in consumers' minds to the relevant price tier or level for the brand in the category, as well as to its corresponding price volatility or variance (in terms of the frequency or magnitude of discounts, etc.).

14.3.10 Brand Imagery

The other main type of brand meaning involves brand imagery. Brand imagery deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' more psychological or social needs. Brand imagery is how people think about a brand abstractly rather than what they think the brand actually does. Thus, imagery refers to Notes more intangible aspects of the brand.

All different kinds of intangibles can be linked to a brand, but five categories can be highlighted:

1. User Profiles: The type of person or organization who uses the brand. This imagery may result in a profile or mental image by customers of actual users or more aspirational, idealized users. Associations of a typical or idealized brand user may be based on descriptive demographic factors or more abstract psychographic factors. In a business-tobusiness setting, user imagery might relate to the size or type of organization.

2. Purchase Situations: Under what conditions or situations the brand could or should be bought and used. Associations of a typical purchase situation may be based on a number of different considerations, such as: (1) Type of channel (e.g., department store, specialty store, or direct through internet or some other means); (2) Specific store (e.g., Lord & Taylor, Radio Shack or Bluefly.com); and (3) Ease of purchase and associated rewards, if any.

3. Usage Situations: Under what conditions or situations the brand could or should be used. Associations of a typical usage situation may be based on a number of different considerations, such as: (1) Particular time of the day, week, month, or year to use the brand; (2) Location to use the brand (e.g., inside or outside the home); and (3) Type of activity where the brand is used (e.g., formal or informal).

4. Personality and Values: As noted above, brands may also take on personality traits and values similar to people. Brand personality is often related to the more descriptive usage imagery but involves much richer, more contextual information.

5. History, Heritage and Experiences: Finally, brands may take on associations to their past and certain noteworthy events in the brand history. These types of associations may involve distinctly personal experiences and episodes or be related to past behaviors and experiences of friends, family, or others.

Example: Take a brand with rich brand imagery, such as Nivea skin cream in Europe. Some of its more intangible associations include: family/shared experiences/maternal; multipurpose; classic/timeless; and childhood memories.

14.3.11 General, Higher-order Brand Associations

The purpose of measuring higher-order brand associations is to find out how consumers combine all of the specific considerations about the brand in their minds to form different responses. Brand responses refer to how customers respond to the brand and all its marketing activity and other sources of information. Brand responses can be distinguished according to brand judgments and brand feelings, i.e., in terms of whether they arise more from the "head" or from the "heart." Scale questions can be developed to tap into each of these dimensions.

A. Brand Judgments

Brand judgments focus upon customers' own personal opinions and evaluations with regard to the brand. Brand judgments involve how customers put together all the different performance and imagery associations for the brand to form different kinds of opinions. Although customers may make all types of judgments with respect to a brand, four types of summary brand judgments are particularly important:

1. Brand Quality: Among the most important attitudes that customers may hold relates to the perceived quality of the brand. Other notable attitudes related to quality pertain to perceptions of value and satisfaction.

2. Brand Credibility: Customers may form judgments that transcend more specific brand quality concerns. Brand credibility refers to the extent to which the company or organization making the product or providing the service as a whole is seen as being: (1) Competent, innovative, and a market leader (brand expertise); (2) Dependable and keeping customer interests in mind (brand trustworthiness); and (3) Fun, interesting, and worth spending time with (brand likability).

3. Brand Consideration: Consideration deals with the likelihood that customers will actually include the brand in the set of possible options of brands they might buy or use. Consideration depends in part on how personally relevant customers find the brand, i.e., the extent to which customers view the brand as being appropriate and meaningful to themselves.

4. Brand Superiority: Finally, superiority relates to the extent to which customers view the brand as unique and better than other brands. Do customers believe that the brand offers advantages that other brands cannot?

B. Brand Feelings

Brand feelings are customers' emotional responses and reactions with respect to the brand. Brand feelings also relate to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and be positive or negative in nature. Six important types of brand-building feelings are:

1. Warmth: Warmth refers to more soothing types of feelings – the extent to which the brand makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warm-hearted, or affectionate about the brand. Hallmark is a brand typically associated with warmth.

2. Fun: Feelings of fun are also upbeat types of feelings when the brand makes consumers feel amused, light-hearted, joyous, playful, cheerful, and so on. Disney is a brand often associated with fun.

3. Excitement: Excitement relates to more upbeat types of feelings – the extent to which the brand makes consumers feel energized and a feeling that they are experiencing something special. Brands that evoke feelings of excitement may result in consumers feeling a sense of elation or "being alive" – cool, sexy, etc. MTV is a brand seen by many teens and young adults as exciting.

4. Security: Security feelings occur when the brand produces a feeling of safety, comfort, and self-assurance. Feelings of security are when consumers do not experience worry or concerns that they might have otherwise felt as a result of the brand. All state insurance is a brand that communicates security to many.

5. Social Approval: Social approval is when the brand results in consumers having positive feelings about the reactions of others, i.e., when consumers feel others look favorably on their appearance, behavior, and so on. This approval may be a result of direct acknowledgement of the consumer using the brand by others or less overt and a result of attribution of the product itself to consumers. Mercedes is a brand that may signal social approval to consumers.

6. Self-respect: Self-respect occurs when the brand makes consumers feel better about Notes themselves, e.g., when consumers feel a sense of pride, accomplishment or fulfillment. A brand like Tide laundry detergent is able to link its brand to "doing the best things for the family" to many homemakers.

The first three are more experiential and immediate, increasing in level of intensity. The latter three are more private and enduring, increasing in level of gravity.

14.4 MEASURING OUTCOMES OF BRAND EQUITY

The previous section described different approaches for marketers to gain a good understanding of consumer brand knowledge structures to be able to identify and quantify potential sources of brand equity. As a consequence of creating such knowledge structures, consumers should respond more favorably to the marketing activity for a brand than if the brand had not been identified to consumers. Specifically, a product with positive brand equity can potentially enjoy the following seven important customer-related benefits:

1. Be perceived differently and produce different interpretations of product performance;
2. Enjoy greater loyalty and be less vulnerable to competitive marketing actions;
3. Command larger margins and have more inelastic responses to price increases and elastic responses to price decreases;
4. Receive greater trade cooperation and support;
5. Increase marketing communication effectiveness;
6. Yield licensing opportunities;
7. Support brand extensions.

These benefits, and thus the ultimate value of a brand, depends on the underlying components of brand knowledge and sources of brand equity. Via the indirect approach, individual components can be measured, but to provide more direct estimates, their resulting value still must be estimated in some way. The direct approach to measuring customer-based brand equity attempts to more explicitly assess the impact of brand knowledge on consumer response to different aspects of the marketing program for the firm. The direct approach is useful in approximating the possible outcomes and benefits that arise from differential response to marketing activity due to the brand, either individually or in aggregate.

14.4.1 Comparative Methods

The main way to measure the outcomes and benefits of brand equity is with comparative methods. Comparative methods involve experiments that examine consumer attitudes and behavior towards a brand to more directly estimate the benefits arising from having a high awareness and a positive brand image.

There are two types of comparative methods. Brand-based comparative approaches use experiments in which one group of consumers respond to the marketing program or some marketing activity when it is attributed to the target brand and another group responds to that same activity when it is attributed to a competitive or fictitiously named brand. Marketingbased comparative approaches use experiments where consumers respond to changes in the marketing program or marketing activity for the target brand or competitive brands. We describe each of these two approaches in turn. Conjoint analysis is then identified as a technique that, in effect, combines the two approaches.

A Brand-based Comparative Approaches

As a means of measuring the outcomes of brand equity, brand-based comparative approaches hold the marketing activity under consideration fixed and examine consumer response based on changes in brand identification. These measurement approaches typically employ experiments where one group of consumers respond to questions about the product or some aspect of its marketing program when it is attributed to the brand and one (or more) groups of consumers respond to the same product or aspect of the marketing program when it is attributed to some other brand or brands, typically a fictitiously named or unnamed version of the product or service or one or more competitive brands. Comparing the responses of the two groups provides some useful insights into the equity of the brand. Consumer responses may be on the basis of beliefs, attitudes, intentions, actual behavior or even feelings.

The classic example of the brand-based comparative approach is “blind testing” research studies where consumers examine or use a product with or without brand identification. These studies often reveal how dramatically consumer perceptions differ depending on the presence or absence of brand identification. Brand-based comparative approaches are also especially useful to determine brand equity benefits related to price margins and premiums.

Critique: The main advantage to a brand-based comparative approach is that – because it holds all aspects of the marketing program fixed except for the brand – it isolates the value of a brand in a very real sense. Understanding exactly how knowledge of the brand affects consumer responses to prices, advertising, etc. is extremely useful in developing strategies in these different areas. At the same time, there is almost an infinite variety of marketing activities that potentially could be studied so that the totality of what is learned will depend on how many different applications are examined.

A crucial consideration with the brand-based comparative approach is the experimental realism that can be achieved when some aspect of the marketing program is attributed to a fictitiously named or unnamed version of the product or service. Brand-based comparative methods are particularly applicable when the marketing activity under consideration represents a change from past marketing of the brand, e.g., a new sales or trade promotion, ad campaign, or proposed brand extension. If the marketing activity under consideration is already strongly identified with the brand (e.g., an ad campaign that has been running for years), it may be difficult to attribute some aspect of the marketing program to a fictitiously named or unnamed version of the product or service in a believable fashion.

There will necessarily be a trade-off involving a sacrifice of some realism in order to gain sufficient control to be able to isolate the effects of brand knowledge. Detailed concept statements of the particular marketing activity under consideration can be employed in some situations when it may be otherwise difficult for consumers to examine or experience that element of the marketing program without being aware of the brand.

Caution A concern with brand-based comparative approaches is that the simulations and concept statements that are used may highlight those particular characteristics that are mentioned or featured and make them more salient than they would otherwise be, distorting the results.

B Marketing-based Comparative Approaches

Marketing-based comparative approaches hold the brand fixed and examines consumer response based on changes in the marketing program. For example, there is a long tradition exploring price premiums with these types of comparative approaches. In the mid-1950's, Pessemier (1959) developed a dollar metric measure of brand commitment which involved a step-by-step increase of the price difference between the brand normally purchased and an alternative brand. Variations of this approach have been adopted by a number of marketing research suppliers to derive similar types of demand curves, and many firms now try to assess price sensitivity and thresholds for different brands. For example, Intel has routinely surveyed computer shoppers to find out how much of a discount they would require before switching to a personal computer which did not have an Intel microprocessor in it or, conversely, what premium they would be willing to pay to buy a personal computer with an Intel microprocessor in it.

Marketing-based comparative approaches can be applied in other ways. Consumer response to different advertising strategies, executions or media plans can be assessed through multiple test markets. For example, IRI's electronic test markets and other such research methodologies can permit tests of different advertising weights or repetition schedules as well as ad copy tests. By controlling for other factors, the effects of the brand and product can be isolated. Potential brand extensions can also be explored in this fashion by collecting consumer evaluation to a range of concept statements describing brand extension candidates.

Critique: The main advantage with the marketing-based comparative approach is the ease of implementation. Virtually any proposed set of marketing actions can be compared for the brand. At the same time, the main drawback of the comparative approach is that it may be difficult to discern whether consumer response to changes in the marketing stimuli is being caused by brand knowledge or more generic product knowledge. In other words, it may be that for any brand in the product category, consumers would be willing or unwilling to pay certain prices, accept a particular brand extension, etc.

14.4.2 Holistic Methods

Comparative methods attempt to approximate specific benefits of brand equity. Holistic methods attempt to place an overall value for the brand in either abstract utility terms or concrete financial terms. Thus, holistic methods attempt to "net out" various considerations to determine the unique contribution of the brand. The residual approach attempts to examine the value of the brand by subtracting out consumers' preferences for the brand based on physical product attributes alone from their overall brand preferences. The valuation approach attempts to place a financial value on brand equity for accounting purposes, mergers and acquisitions, or other such reasons. We describe each of these two approaches in turn.

A Residual Approaches

Several researchers have employed "residual approaches" to estimate brand equity. A basic tenet behind these approaches is that it is possible to infer the relative valuation of brands through the observation of consumer preferences and choices if as many sources of measured attribute values are taken into account as possible. According to these approaches, brand equity is what remains of consumer preferences and choices after subtracting out objective characteristics of the physical product.

Critique: Residual approaches provide a useful benchmark to interpret brand equity. In particular, they may be useful for situations when approximations of brand equity are necessary and thus may also be valuable to researchers interested in a financially-oriented perspective on brand equity. The disadvantages with these approaches is that they are most appropriate for brands characterized with a predominance of product-related attribute associations because they are unable to distinguish between different types of non-product-related attribute associations. Consequently, its diagnostic value for strategic decision-making in other cases is much more limited.

This approach contrasts sharply with a "process" view, as reflected by the brand-based and marketing-based comparative approaches, which stress looking at consumer response to the marketing of a brand and attempt to uncover the extent to which that consumer response is affected by brand knowledge. Consumer response is defined in terms of perceptions, preferences, and behaviors and, most importantly, with respect to a variety of marketing activities. That is, comparative approaches go beyond attempting to dissect overall consumer product preferences towards a brand to assess how consumers actually respond to the marketing of a brand and, especially, new marketing activity supporting it.

B Valuation Approaches

The ability to evaluate and put a price tag on a brand's value may be useful for a number of reasons: (1) mergers and acquisitions – both to evaluate possible purchases as well as to facilitate disposal;

(2) brand licensing – internally for tax reasons and to third parties;

(3) fund raising – as collateral on loans or for sale or leaseback arrangements; and

(4) brand management decisions – to allocate resources, develop brand strategy, or prepare financial reports.

For example, many companies are attractive acquisition candidates because of the strong competitive positions of their brands and their reputation with consumers. Unfortunately, the value of the brand assets in many cases is largely excluded from the company's balance sheet and therefore of little use in determining the firm's value. It has been argued that adjusting the balance sheet to reflect the true value of a company's brands permits a more realistic view and allows assessment of the purchase premium to book value that might be earned from the brands after acquisition. Such a calculation, however, would require estimates of capital required by brands and the expected after-acquisition Return-on-Investment (ROI) of a company.

Separating out the percentage of revenue or profits that is attributable to brand equity is a difficult task. In the U.S., there is no conventional accounting method for doing so, and market-based estimates of value can differ dramatically from those based on U.S. accounting conventions. In determining the value of a brand in an acquisition or merger, three main approaches are possible:

1. Cost Approach: This view maintains that brand equity is the amount of money that would be required to reproduce or replace the brand (including all costs for research and development, test marketing, advertising, etc.). One commonly noted criticism of approaches involving historic or replacement cost is that it rewards past performance in a way that may bear little relation to future profitability – e.g., many brands with expensive introductions have been unsuccessful. On the other hand, for brands such as Heinz, Kellogg's, and Chanel who have been around for decades, it would be virtually impossible to find out what was the investment in brand development and largely irrelevant too. Finally, it obviously is easier to estimate costs of tangible assets than intangible assets but the latter often may lie at the heart of brand equity. Similar problems would exist with a replacement cost approach – e.g., the cost of replacing a brand would depend a great deal on how quickly the process were to take and what competitive, legal, logistical obstacles that might be encountered.

2. Market Approach: According to this view, brand equity can be thought of as the present value of the future economic benefits to be derived by the owner of the asset. In other words, the amount an active market would allow such that the asset would exchange between a willing buyer and willing seller. The main problem with this approach is the lack of open market transactions for brand name assets and the fact that the uniqueness of brands makes extrapolating from one market transaction to another problematic.

3. Income Approach: The third approach to determining the value of a brand argues that brand equity is the discounted future cash flow from the future earnings stream for the brand. Three such income approaches are:

(a) Capitalizing royalty earnings from a brand name (when these can be defined);

(b) Capitalizing the premium profits which are earned by a branded product (by comparing its performance with that of an unbranded product);

(c) Capitalizing the actual profitability of a brand after allowing for the costs of maintaining it and the effects of taxation.

14.5 SUMMARY

A number of important themes were emphasized in this unit. One assertion of the unit is that brand equity can be measured indirectly, by measuring the potential sources of brand equity in terms of consumer brand knowledge, and directly, by measuring the different possible outcomes or manifestations of brand equity in terms of differential effects of marketing activity.

Measuring sources of brand equity involves profiling consumer knowledge structures. Measuring outcomes of brand equity involves approximating the various benefits realized from creating these sources of brand equity. There are many different ways to assess consumer knowledge and thus potential sources of brand equity. Although it is particularly important to capture the breadth and depth of awareness; the strength, favourability, and uniqueness of brand associations; the favourability of consumer responses; and the intensity and activity of consumer loyalty, other qualitative and quantitative measures can and should be employed. Successful brand management requires a keen understanding of exactly how consumers think, feel, and act towards brands. The brand equity report should provide descriptive information as to what is happening with a brand as well as diagnostic information as to why it is happening. Brand knowledge is not the facts about the brand - it is all the thoughts, feelings, perceptions, images, experiences, and so on that become linked to the brand in the minds of consumers. Projective techniques are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters. Recognition processes require that consumers be able to discriminate a stimulus a word, object, image, etc. – as something they have previously seen.

14.6 KEYWORDS

Brand Image: Brand image is a broader term than brand personality and includes consumer's impressions about the brand's physical attributes, its performance, the functional benefits, the kind of people who use it, the emotions and associations it develops, and the imagery or the symbolic meanings it generates.

Brand Imagery: How people think about a brand abstractly.

Brand Performance: The ways in which the product or service attempts to meet customers' more functional needs.

Brand Personality: Brand personality is viewed as a main driver of consumer preference and usage in many product categories.

Brand Recall: Brand recall relates to consumers' ability to identify the brand under a variety of circumstances.

14.7 SELF-ASSESSMENT QUESTIONS

1. What are the roles of brand audit?
2. What are the sources of measuring brand equity? Explain with suitable example.
3. How you recognize a brand? Discuss.
4. Briefly explain what is brand judgment?
5. How we measure the outcomes of brand equity?
6. Write short note on valuation approaches.
7. Why organization need brand equity report? What is the purpose of that report?
8. Discuss the projective techniques of measuring brand equity.

14.8 SUGGESTED READINGS

1. U.C. Mathur, Product and Brand Management, Excel Books, New Delhi.
2. Harsh V. Verma, Brand Management, Excel Books, New Delhi.
3. Tapan K. Panda, Building Brands in the Indian Market, Excel Books, New Delhi.
4. Kapferer, Strategic Brand Management, Kogan Page, New Delhi.
5. Kevin Lane Killer, Strategic Brand Management, Pearson, New Delhi.
6. Ries, A. and J. Trout, Positioning: The Battle for your Mind, N.Y. Warner Books, 1991.
7. Smith, R.F. and Robert F. Lusch, "How Advertising can Position a Brand," Journal of Advertising Research, Feb. 1976, pp. 37-3.
8. Asker, David A., "Brand Extensions: The Good, the Bad, the Ugly," Sloan Management Review, Summer 1990, p. 42.
9. Sullivan, Mary W., "Brand Extensions: When to use them?," Management Science, June 1992.
10. Court, David C., Mark G. Leiter and Mark A. Loach, "Brand Leverage," The McKinsey Quarterly, No.-2, 1999, pp. 101-109.
11. Tauber, E.M., "Brand Leverage: Strategy for Growth in a Cost Controlled World," Journal of Advertising Research, Aug.-Sep., 1988, pp. 26-30.
12. Kapferer, Noel-Jean, Strategic Brand Management, N Y, Free Press, 1992, p. 125.
13. Aaker, David A. and Kevin Lane Keller, "Customer Evaluations of Brand Extensions," Journal of Marketing, Jain 1990, pp. 27-41.

Ms. P. Girijasri