CREATING BRAND EQUITY

CHAPTER 10

What is Brand Equity?

- The American Marketing Association defines a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”

The Role of Brands

Identify the maker

Simplify product handling

Organize accounting

Offer legal protection

The Role of Brands

Signify quality

Create barriers to entry

Serve as a competitive advantage

Secure price premium

The Role of Brands:

- Brands identify the source or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor.
  A. Consumers learn about brands through experiences with the product and its marketing program.
  B. Brands perform valuable functions for the company.
  C. Brands can signal a certain level of quality so that satisfied buyers can easily choose the product again.

The Role of Brands (cont'd)

D. Brand loyalty provides predictability and security of demand for the firm and creates barriers for other firms.
E. Branding can be seen as a powerful means to secure a competitive advantage
F. To firms, brands thus represent enormously valuable pieces of legal property that can influence consumer behavior, be bought and sold, and provide the security of sustained future revenues to their owner.

The Scope of Branding:

1. Branding is endowing products and services with the power of a brand.
2. Branding is all about creating differences between products.
3. To brand a product, it is necessary to teach consumers "who" the product is, "what" the product does, and "why" consumers should care.
4. Branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision-making and provides value to the firm.

The Scope of Branding (cont'd)

5. For branding strategies to be successful and brand value to be created, consumers must be convinced that there are meaningful differences among brands in the product or service category.
6. The key to branding is that the consumer must not think that all brands in the category are the same.
7. Brand differences are often related to attributes or benefits of the product itself.
8. Branding can be applied virtually anywhere where the consumer has a choice.

Defining Brand Equity:

- It may be reflected in how consumers, think, feel and act with respect to the brand as well as the prices, market share and profitability that the brand commands for the firm.
- Brand equity is an important **intangible asset** to the firm that has psychological and financial value.
- **Customer-based brand equity** can be defined as the differential effect that brand knowledge has on consumer response towards the marketing of that brand.

Positive and Negative Customer Brand Equity:

- A brand is said to have positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified as compared to when it is not.
- A brand is said to have negative customer-based equity if consumers react less favorably to marketing activity for the brand under the same circumstances.

Advantages of Strong Brands:

Table 9.1 Marketing Advantages of Strong Brands

- Improved perceptions of product performance.
- Greater loyalty.
- Less vulnerability to competitive marketing actions.
- Less vulnerability to marketing crises.
- Larger margins.
- More inelastic consumer response to price increases.
- More elastic consumer response to price decreases.
- Greater trade cooperation and support.
- Increased marketing communications effectiveness.
- Possible licensing opportunities.
- Additional brand extension opportunities.

Brand Equity as a Bridge:

- Marketing dollars spent each year on products and services should be thought of as investments in consumer brand knowledge.
- It is actually possible to “overspend” on brand building if money is not spent wisely.
- A brand is essentially a marketer’s promise to deliver predictable product or service performance. A brand promise is the marketer’s vision of what the brand must be and what it can do for consumers.

Building Brand Equity:

- Brand Equity can be build by creating the right brand knowledge with right consumers

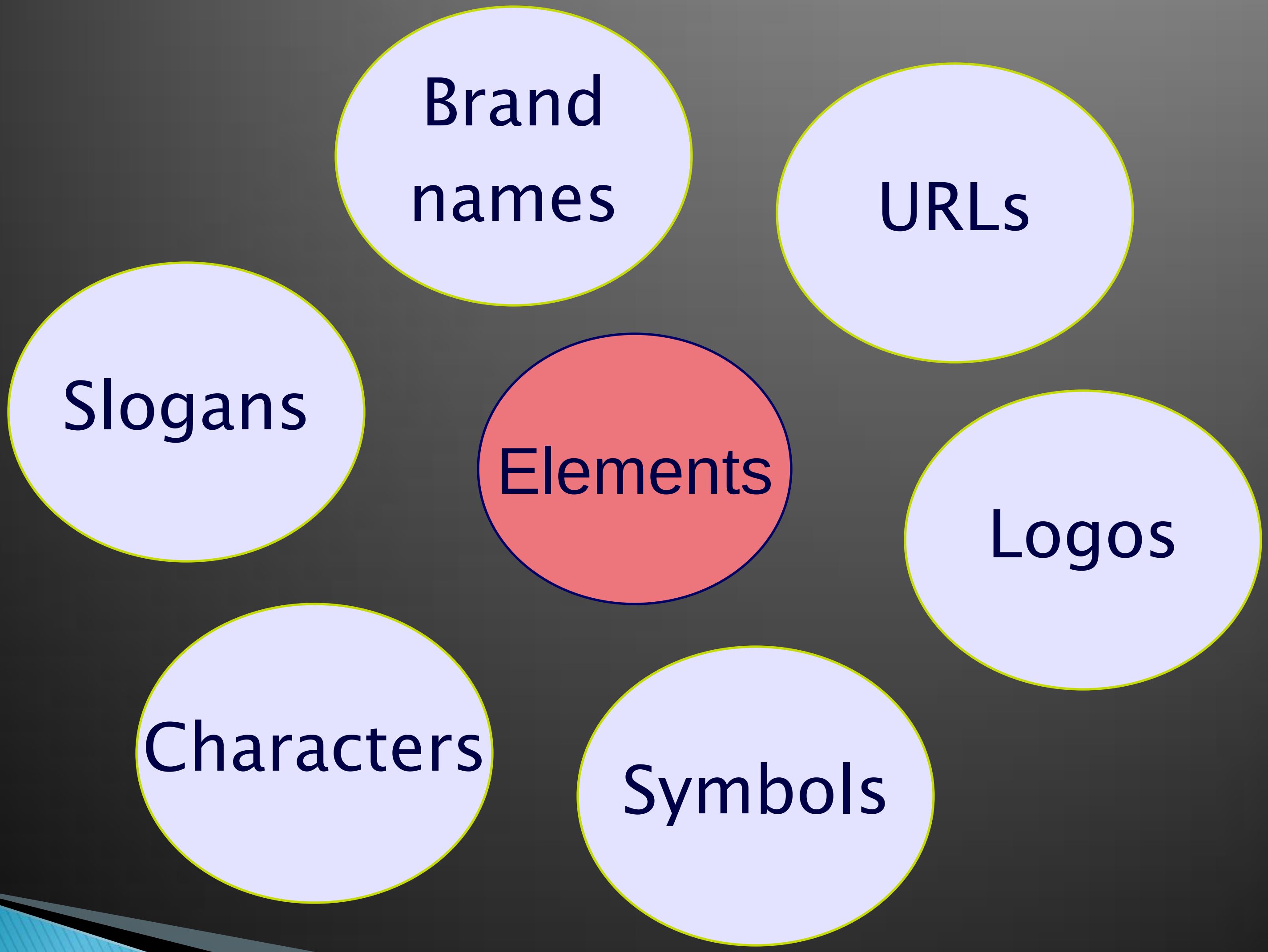
- 3 brand equity drivers:

1. Initial choices for elements that makes up the brand
2. Product, marketing activities & programs
3. Other associations passed to the brand when linked to other entity

Choosing Brand Elements

- Brand elements are those trade-markable devices that identify and differentiate the brand.
  - Choose brand elements to build as much brand equity as possible.
  - *Test and see what consumers would think or feel about the product if they only knew about that particular brand element.*

Brand Elements



Brand Elements Choice Criteria

1. Memorable
2. Meaningful
3. Likeability
4. Transferable
5. Adaptable
6. Protectible

First three characterized as "brand building" in terms of how brand equity can be built through the judicious choice of a brand element

The latter three are more "defensive" and are concerned with how the brand equity contained in a brand element can be leveraged and preserved in the face of different opportunities and constraints.

Brand Elements

- *Memorable*
  - Brand – easily recalled, recognized?
  - Name – *look* distinctive – memorable
- *Meaningful*
  - Values consumers seek
  - Asia Pacific – probe taboos, religious connotations – colors, numbers

Building Brand Equity
- *Choosing Brand Elements*

Eg: Memorable

Korean electronics manufacturer LG
incorporates name in slogan, "**Life's Good**"
Simple-to-pronounce letter-name reinforced by slogan & logo elements makes brand name ***memorable***

Brand Elements

- *Likeability*
  - Is it likable visually, verbally?
- *Transferable*
  - Can be used to introduce new products in other categories?

Brand Elements

- *Adaptable*
- How adaptable & updatable is brand?
- Asian brands – retain traditional values as they modernize

Brand Elements

- *Protectible*
- How legally protectible is it?
- Unique brand name can be intimately identified with product category
  - *Eg: Scotch Tape & Post-it notes*

Slogans

- Like a good neighbor, State Farm is there
- Just do it
- Nothing runs like a Deere
- Save 15% or more in 15 minutes or less
- We try harder
- We'll pick you up
- Nextel – Done
- Zoom Zoom
- I'm lovin' it
- Innovation at work
- This Bud's for you
- Always low prices

Devising a Brand Strategy

A firm's branding strategy reflects the number and nature of both common and distinctive brand elements it applies to the products it sells. Deciding how to brand new products is especially critical.

Brand strategy for new products

- When a firm introduces a new product, it has three main choices:
  1. It can develop new brand elements for the new product.
  2. It can apply some of its existing brand elements.
  3. It can use a combination of new and existing brand elements.

Brand strategies:

- When a firm uses an established brand to introduce a new product, it is called a brand extension.
- When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand. Hershey's Kisses candy, Toyota Camry
- An existing brand that gives birth to a brand extension is referred to as the parent brand.
- If the parent brand is already associated with multiple products through brand extensions, then it may also be called a family brand.

Devising a Brand Strategy

2 categories of Brand extensions

1. **Line extension** – parent brand – brands new product – within current product category – new market segment. Example: Colgate Gel, Colgate Sensitive, Colgate Tartar Control, Colgate Whitening
2. **Category extension** – parent brand –enters new product category. Example: Honda automobiles, motorbikes, lawnmowers, snow mobiles, snowblowers, marine engines

Devising a Brand Strategy

- **Brand line – all** products (both line and category extension) sold under a brand name
- **Brand mix – all** brand lines that a particular seller makes
- **Branded variants** – specific brand lines supplied to specific retailers or channels
- **Licensed product** – brand name licensed to other manufacturers who make product
- *eg: Hello Kitty:* Hello Kitty licensed to many products - credit cards, toasters, purses, confectionery & UNO card games

Family branding

- If a company has high standards and always takes quality into account, family branding can be a wonderful way to market the products.
- Family branding is a group effort, where each product has the important job of supporting and helping the other products.
- Rather than having to exert unnecessary effort on several different advertising campaigns, family branding allows the use of harmony, where each product's job is to compliment the others. One single advertisement or campaign unites the group.
- In family branding, each product gives the others strength, and when one product succeeds, they all benefit.
- This being the case, the drawbacks of family marketing occur even if one product's standards drop or are not maintained, as this reflects negatively on the group as a whole.

Individual branding

- Under this branding approach new products are assigned new names with no obvious connection to existing brands offered by the company. Individual branding works best when a company has several unrelated products they want to promote.
- While selling shirts, beer, and magazines, a company will probably want each product to have its own unique image, as these items have very little to do with one another.
- In individual branding, each product has its own unique position, and in marketing is allowed to go off in whatever direction it chooses.
- Drawbacks to individual branding include: split markets, split efforts, and the possibility of imbalance within the company.

Co-Branding

- With co-branding a marketer seeks to partner with another firm, which has an established brand
- synergy of two brands on a product is even more powerful than a single brand. The partnership often has both firms sharing costs but also sharing the gains.
- For instance, major credit card companies, such as Visa and MasterCard, offer co-branding options to companies and organizations. The cards carry the name of a co-branded organization (e.g., University name) along with the name of the issuing bank (e.g., Citibank) and the name of the credit card company.
- Besides tapping into awareness for multiple brands, the co-branding strategy is also designed to appeal to a larger target market, especially if each brand, when viewed separately, does not have extensive overlapping target markets with the other brand.
- co-branding allows both firms to tap into market segments where they did not previously have a strong position.

Brand Extensions – Advantages

1. **New Product Success:**
   - New product expectations: The new product will attract quicker customer awareness and willingness to trial or sample the product due to association with parent brand
   - Reduce risk: Distributors may perceive there is less risk with a new product if it carries a familiar brand name. If a new food product carries the Heinz brand, it is likely that customers will buy it
   - Reduced costs of launch: Promotional launch costs (particularly advertising) are likely to be substantially lower
2. **Positive Feedback Effects**
   - Clarify brand meaning & core values: Customers will associate the quality of the established brand name with the new product. They will be more likely to trust the new product
   - Renew interest – benefit parent brand – expand market coverage
   - *Nikon* alliance with *Essilor:* extended expertise in camera to eyewear lenses in the hope that consumers infer eyewear lenses as being as *reliable* as its camera lenses

Brand Extensions: disadvantages

- ✓ Brand dilution –consumers no longer associate a brand with a specific product and start thinking less of the brand
- ✓ If inappropriate, integrity will be questioned (Lego)
- ✓ Worst scenario – Failure will harm the parent brand
- ✓ Switch from parent brand – *cannibalize* parent brand sales
- ✓ Forgo the chance of creating an entirely new brand