

Lesson 1

UNDERSTANDING BRANDS – INTRODUCTION

Brand management as one of the marketing functions has been around for as long as we have known professional marketing. But, it has been a part of the traditional marketing approach in which many functions of today's brand management were performed in a spread out fashion by the marketing manager and a combination of his team members like the sales manager, the advertising and communications manager, and the marketing administration manager to name a few. The terminology of brand management was not used.

Brand management, in its present integrated form, has come into limelight and focus over the last 20 years. The functional execution has undergone transformation in terms of its description as a substantive job under one head. This implies that the overall functions of brand management are full of substance and therefore are described specifically under the head -brand management and not as disparate parts of the overall marketing functions. In other words, brand management has not lost its primary roots that are well-entrenched in marketing; it only has acquired explicitly defined dimensions within which the function operates. To further elucidate the point, there have been functional adjustments within the overall marketing functions only to bring into clear and sharp focus the specific functions and job of brand management. Brand management now presents itself as a distinct part of an integrated marketing approach in which it connects with all the touch points within and outside of the marketing department.

The whole concept can be exemplified by seeking your attention toward two fruit baskets; one full of mixed fruits and the other having compartments carrying different fruits of each type in each compartment. Each type comes into a sharper focus! So do the touch points. This course is going to give you a clear understanding of what a brand is, why and how it is managed, and what are the dynamics involved in managing brands in the present day competitive market.

What is a Brand and Brand Management?

We all know from our study of the basic marketing course and also as consumers that a brand is “a name, term, sign, symbol, design, or a combination of them intended to differentiate one product from those of the competitors”. Perhaps, the most distinctive professional skills of marketing persons are their abilities to create, maintain, and protect a brand in a hostile market. These abilities call for a collective input on part of all within the marketing department and other departments. Brand creation, therefore, is the end product of a team of professionals and not just one person. It is a team effort. If the art of conceptualizing the brand rests with marketing, then the actual creation of it is the cornerstone of the overall company team.

How Brand Management Came into Being?

We also know that brands have been around for as long as we can look back into the modern business management. However, we need to have a distinct understanding of how brand management came into being in its present form. Over the decades as businesses and competition grew, in case of multinational corporations in particular, the growth of brands exploded. With economic growth and the technological advances of the latter half of the 20th century in particular, various industries ranging from the areas of foods to pharmaceuticals to textiles to cars to electronics and many other registered impressive growth.

- Growth of industries attracted more players, who along with the existing ones felt the need to make their presence felt by way of differentiating their products from each other. Hence, the drive toward brand management got progressive impetus.
- The more competitive the markets became, the more they tried to get into the areas of distinction and differentiation and created conditions worthy of sophisticated management techniques. Hence, the emphasis on brand management became increasingly evident.
- The stronger the brands emerged, the higher the value they created for the company and led businesses into diversified areas, and hence, brand management became ever more obvious and sophisticated.

Growth, however, is not something that takes place overnight. A tremendous effort in terms of time and money is required. Despite the effort, results do not stand guaranteed.

To cope with that possibility, companies tried to acquire brands from each other instead of creating their own. The practice is still on. Also, growth took place not only within the same *category*, but also across categories. Growth across categories owed to strength of brands. This implies that a strong brand with high loyalty offers its company the temptation to get into another category (for example, from milk to juices) with higher chances of success. Whether it was only one product category or diversified product categories, the amount of activities dictated that all product categories be managed separately. Various areas or markets in which different corporations were dealing (for example, a company could be producing or trading products ranging from detergents to foods to personal care) made it imperative for those corporations to bring every single category in the first place and brand/s in the second under acute scrutiny for better management. It became clear to corporations that to bring the marketing effort relating different brands into a sharp focus, they needed to have different people (brand managers) looking after different brands. Empirical evidence has it that professionals working across product categories tend to lose focus, make less-than-highly qualitative decisions, and in the end hurt the products and brands, making the whole process either less profitable or even a loss-bearing-proposition.

Conversely, especially designated managers, who have the sole responsibility of managing their designated brands, can concentrate on developing a cost-effective marketing-mix for the brands they are responsible for. The attached figures 1 and 2 illustrate the evolution of the layer of product and brand management, with the passage of time.

First, the product(s) was brought into focus and put under the charge of a product manager. As an example, one product manager dealt with all the brands of biscuits. Competitive pressures demanded more sophistication and gradually paved the way for management of each brand by a separate manager. Each manager took the role of a brand manager. This is how brand management took shape. And, this is the way it drives brands of today.

The figures clarify that product and brand management is practical when a company is dealing in more than one product category or more than one brand within one category. It is also obvious that product and brand management does not replace the traditional functional structure. It merely adds more layers to the organization for the purpose of improving functionality. Brand management, therefore, is a function of the marketing effort and not a substitute to it.

Functions of Brand Management

While performing the core functions of brand management, brand managers:

- Develop long range competitive strategy for success of the brand. All tactical moves that form part of the strategy are formulated for execution by relevant personnel of the company.
- Prepare in coordination with sales personnel *sales forecasts* and dovetail the same into marketing plans and *budgets*. Sales forecasts serve as the basic denominator of all budgetary figures, which are divided and sub-divided into small pieces to be achieved by different personnel in different departments.

- Work with advertising and other related agencies (promotional and research) to develop advertising *copy*, communication strategies, and plans for execution of advertising and promotional campaigns.
- Stimulate support of the brand among the sales force and trade members (distributors, wholesalers, and retailers) through communicating lucidly all the rationale for *brand plan*.
- Gather intelligence on the brand's performance to see how the brand stacks up against competition, customer and trade attitudes develop and change, and new problems and opportunities arise. Identification of problems, their solutions and further improvements are part of the function that keeps brand managers busy for most of the time.
- Meet changing market needs through improving and initiating new products/brands.

This function is an extension of the preceding one and, as mentioned, cannot be performed convincingly unless problems are identified and changing needs pinpointed.

Why so much talk about brand management?

What is the background of so much talk about brand management? As and when competition among products in various categories of consumer items intensified, it made the question of “how to grow business?” larger and larger for business managers.

We have to remember there are only two ways to grow your business, namely

- Through *organic growth*
- Through *acquisitions*

As the markets grew more and more mature (western markets), the route to growth through organic means went from tough to tougher. The lower rate of category growth,

intensified competition, well-established consumer preferences, and a host of other factors made it tough for businesses to invest into organic growth mechanism and wait for results over an extended period of time. That paved the way for the other optional route, that is, through acquisitions. Business managers found it more business-savvy and prudent to start buying existing businesses with strong brand names.

Why? This owed to the simple reason that strong brands assured long term earnings, healthy cash flows, and, hence, attractive *bottom lines*. It was in this background that the 1980s witnessed a lot of activity in terms of buying and selling of businesses.

The cash rich and financially strong companies were willing to buy (and still are) the intended target companies at a price many times more than the value of their *stocks* and price earnings.

The happenings on that front were dramatic. The prices paid were astronomical; the intention was to buy an established company and own its strong brand.¹

What really drove the business managers to be that aggressive was the potential they saw in the brands that could generate high earnings, positive cash flows, and good profitability on a consistent basis.

The businesses that were being acquired confirmed their realization that the real value of their businesses did not lie in plants, buildings, and machinery; it rather lay outside the tangible domain of their business, into the value of their brand, meaning into the minds of their potential customers.² And that is precisely what acquirers buy – positions in the mind of potential consumers. That awareness took strong roots in the 1980s and

it has given brands a new financial dimension in terms of their value; that value is reflected in balance sheets of the companies as brand's financial value or equity.

Organic growth or inorganic (through acquisitions), what is important is the fact that brands must be sustained in a competitive and hostile environment regardless of who owns them, at any particular point in time! We shall realize the importance of sustaining brands as we go along the course by looking into the background of developments in the area of brand management.

The understanding of the background in light of market dynamics will throw light on the Variables that play their role in making brands strong and stronger. We shall see that it is not just a few mechanical steps that lay the foundation for good brand management; it also is the perpetual existence of a compatible brand-based organization that makes leveraging of the brand possible. It is the commitment on part of all in the organization that good things happen to brands. A realistic understanding on part of the management and staff paves the way for deciding whether to strengthen an existing own brand, refresh it, develop a new one, or acquire someone else's strong brand. Existing or new, own or acquired, managers face challenges on the road to brand management. You, as brand management students, will visualize and understand the challenges, and have a good grip of the tools at your disposal to meet the challenges and beat them for leveraging your brands.

Category: A category is a collection of similar competitive branded products that have more or

less the same features. If there are three players in the area of packaged yogurt, then the respective brands of those three players form the category. The total number of brands may exceed three, however. If imported brands also start making inroads into the market, then they also add to the category.

Sales forecast: An estimate of future demand. Different brands have different forecasts.
Budgets: A summary of probable expenditures and income for a given period (usually a year), embodying a systematic plan for meeting expenses.

Copy: An expression which refers to all the information that we communicate through the ads to our customers. In case it is a TV commercial, you call that the “story board”, but the “SB” also draws its essence from the copy of advertising.

Brand plan: It is a planning document that reflects your extensive efforts toward defining the market, analyzing it, and considering all the elements of brand management. It is very strategic in nature and you should be able to develop one by the time you finish the course.

Organic growth: Business growth that takes place because of the internal working of the

organisms (different parts) within an organization. The term is used as against growth that

emerges as a result of acquisition of a running business.

Bottom line: The last line of the profit and loss account showing net profit or loss.

Stocks: The capital or fund that a corporation raises through the sale of shares; the shares that

each shareholder possesses.

Leverage: An advantage that comes through a certain action. In the context of branding, it is

the use of various marketing tools to bring your brand to an advantageous position.

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Lesson 2

INTRODUCTION

The more successful a brand, the higher value it carries and more equity it enjoys. To learn what is brand equity and how to create it through a brand management process is the objective of this lecture?

Brand Value and Power

Brands, whether grown organically or through acquisitions, have to generate revenues, profits, and net earnings to make businesses viable. The ability to generate financial results rests at the core of brand value and power. It is because of this value and power that brands must be sustained. Level of value and power differ for different brands. All brands are intended to become great in terms of value and power. Some succeed and some do not. To achieve a high level of value and power, marketing and brand managers have been working to create home in the minds of their consumers. With the rise in importance of brand management, they have become more and more convinced that the real value of brand is driven by how dear consumers keep a particular brand to themselves. The endearment drives value and value in turn translates into brand power and brand equity.

Before understanding what brand equity is, let's see how varying levels of brand value and power relate varying levels of market leadership and, hence, brand equity. This implies that different levels of power offer different levels of brand equity. The more the power, the higher is the equity and vice versa.

The following pieces of evidence of strong brands were put together by Peter Doyle (1989) from the largest database of business results in the world – Profit Impact of Market Strategy

(PIMS).¹⁰ Brands with a market share of 40% generate 3 times as much ROI as those with a share of only 10%. A higher share means higher volumes that offer scale economies and, hence, lower costs. Cost optimization on all fronts lead to better margins and returns.

For UK grocery brands, the number 1 brand generates over 6 times the return on sales of the number 2 brand, while number 3 and 4 are unprofitable. Higher returns on part of the number 1 brand again owe to lower costs, optimum outreach, availability and better sales. For US consumer goods, the number 1 brand earned a 20% return; the number 2 earned around 5% and the rest lost money for the same reasons as cited above. Small brands can be profitable. A strong brand in a niche market earns a higher return than a strong brand in a big market. An interesting finding, it leads us to believe that concentration on a niche market keeps all variables of marketing mix focused, efforts economical, and returns high no matter the volume may remain small. Managing a strong brand in a huge market, however, demands spread out efforts, more resources employed, but lower returns no matter the volume may remain big. Bear in mind that not all markets offer the opportunity to operate in a niche. Therefore, this finding is not to be misunderstood with not trying to build your brand in a huge market.

These findings explain why companies want to lead by having strong brands with very high share of the market. The stronger the brands, the lower the costs, the larger the returns, and more the power the brands enjoy. Strong brands are assets and enjoy value that far exceeds the value of those fixed assets that produce them. Brands, therefore, have to be managed like vital assets.

Brand Equity

An understanding of the concept of brand equity helps us define the process of brand management. It, therefore, must be understood before we can put definition in place.

In a business, the owner's equity is the value of owner's holding in the company. And, that is defined as the difference between what a company owns in assets and what it owes in liabilities. The larger the ratio of assets to liabilities, the larger is the owner's equity. Likewise, brand equity is the difference between a brand's assets and brand's liabilities. Brand assets are a function of *reputation, quality, relevance, and loyalty*.

Brand liabilities are incurred by brands because of failures and questionable business practices that may increase costs and liabilities. The larger the ratio of brand assets to brand liabilities, the greater is the brand equity.² In other words, if brand management is at the heart of marketing, then brand equity is at the heart of brand management. With the understanding that we have generated so far, we can now attempt to put together what brand management process looks like.

Brand management is “the process of naming products, turning products into brands, and managing brands to fully attain maximum brand equity and a brand’s full profit potential.” The following figure explains the process as a step-by-step approach toward managing brands.

Step 1

Name a Product

Step 2

Turn Product into Brand

Step 3

Manage Brand

Step 4

Generate Profits

Step 5

Build Brand Equity

BRAND MANAGEMENT PROCESS

Name a Product

To make your product distinctive, you have to name it as the first step toward the process.

There are no hard and fast rules for the name.

A new brand should preferably reflect its positioning. Positioning exists in the mind of the consumer. It is an exercise by the company to offer its product in a way that it occupies a distinct position in the mind of the consumer.

Al Ries and Jack Trout gave the very concept of positioning. According to them, consumers have in their mind a ladder of images in relation to different brands.

The best brand occupies the top rung of the ladder, the position. The follower brands occupy positions at the lower rungs. It should be the priority of any brand manager to have his/her brand positioned at the top rung.

Naming a brand could be the company name, a stand-alone name, or an existing brand name with well established reputation.

Another view is to name a brand with its future and destiny in sight at the time of its birth.

Future and destiny point toward vision for the brand. You must consider:

- Is it going to be a regional, national, or international brand?
- Is it going to represent one category or will have the potential and power to represent more than one category.

Answers to the above questions will comfortably lead you to go for a name most appropriate for the brand. There could be different strategies employed for the purpose.

Turn Product into Brand

You need to do consistent hard work to give meaning to the product to turn it into a brand. The underlying aspect of this exercise is differentiation. A brand presents itself in its differentiated form and features for consumers to acknowledge. Without differentiation a product does not qualify to be acknowledged as a brand.

If features allow the brand to occupy its intended position in consumer's mind, the product is deemed turned into a brand.

Manage Brand

The process does not cease upon turning the product into a brand. A perpetual effort is needed to sustain it. Brands go through the rough and tumble of market dynamics.

Competition creates challenges for your brands all the time. Management must face the challenges and live up to those by responding professionally, with the help of brand management tools at its disposal.

Management commitment to sustain brands, therefore, is of paramount importance. Brands must be managed keeping in view their value for the consumer and for the company. There could be a lot of conflicting and opposing views across functional areas while you manage a brand. All such views must be resolved for convergence onto one point – full support to the brand and brand strategies for achievement of goals. You gain support from all concerned by creating a brand-based culture within the organization. The objective here is to involve people from across functional areas in a way that they end up owning the brand-based decisions.

Generate Profits and Build Brand Equity

Generating profits and building equity are two steps, but interlocked in terms of their occurrence. A well managed brand is an assurance of profits. Only profits will lead the company into a better competitive position and allow for further moves to reach destination as envisioned by the company. Profits make a brand powerful. Power gives the brand value, which is translated into financial value, and hence equity.

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BRAND MANIFESTATIONS/ FUNDAMENTALS

To manage your brand as an asset, full of value and power, you must understand a few fundamentals that form the basis of brand asset management. Armed with that understanding, you, as brand managers, will do your job right only if you understand brands correctly. The following four fundamentals will allow you to develop with ease and consistency the ability to build different strategic steps involved in creating a brand or refreshing an existing one.

- Dimensions
- Characteristics
- Levels
- Brand Owners’ Commitment

Foreword to Brand Dimensions

For comprehension of a brand’s dimensions, three models are fundamental to any discussion about the subject. That is the first and the foremost thing you have to keep in your mind. Those are:

- Brand identity
- Brand image
- Communication

Brand identity: Brand identity is what a company transmits about the brand to the market place. Identity has many components – the name, the packaging, the colors, the typestyle, the logo, and a host of other factors that comprise its personality. The personality of a brand should be created for it to get expressed in terms of well-defined characteristics. For example, reliable, friendly, durable, and serious etc.

What is most important here is that the company must be able to express the real essence of the product to the target market. Any product, however high on the quality and reliability grid, may not exploit its full potential if it is not expressed right by way of creation of the right compatible personality. If a brand is to be registered in the minds of consumers as “durable”, then the whole identity has to revolve around the aspects of durability. You must not develop a package and related components that convey a sense of “fashionableness”. That will be contrary to the personality/identity of the brand.

Brand image: Brand image is a term used very loosely by people outside the sphere of marketing. Changing the image is a favorite topic while discussing brands under distress. But image is not something that can be changed or transformed with the speed we change a color on the drawing board.

Brand image follows identity. It is a reflection of what we projected to send to the public. Managers must be clear about what they want to send and how they want it received. Brand image, then, is something that builds into the minds of the consumers. To what extent that image is in line with the identity created by the company is the greatest challenge for brand managers! The more the managers can have the market imagine their brand’s identity the way it is intended to be imagined, the more successful they are

in their effort. If there is a gap between the identity and the image, then there is a need for corrective action.

Companies' efforts to build the right image span so many different means of communication of which brand's own appearance is a part. Brand image, therefore, is the totality of information, advertising, promotions, and other brand manifestations that the consumer has seen and received about the brand over a period of time. It is, in other words, his experience with the brand modified by certain perceptions, previous beliefs, biases, social norms, and a level of forgetfulness¹.

Due to a finite level of information retention in human mind coupled with the fact that other variables mentioned above modify perceptions, the image on the consumer's side may not be 100% identical with the identity. The reasons can be clarified with the help of the following explanations:

- Your inability to continuously advertise may become one factor putting your brand out of the mind of the consumer.
- Your bias about the origin (from a certain geographic area) of the product may change the product's image in your mind.
- Your beliefs about the way a product should or should not be used may affect product's image.

Communication: The vehicle that transmits brand's identity to the target market for creation of the right image is communication. To ensure that image remains as close to identity as possible, companies get into communications of different kinds. This is where brand communication takes an important stage. Correct communication goes a long way in creating and building brand identity.

In the words of Philip Kotler, “communication is an interactive dialogue between the company and its customers that takes place at the pre-selling, selling, consuming, and post consuming stages”² This implies that communication is a recurring process that starts before you buy (advertising, promotions, and other), remains in force while you buy (the brand itself communicates), and does not end even after you have consumed the brand (brand’s ability to satisfy you keeps reminding you of being loyal to it). It goes on and on.

It further means that communication is not restricted to the traditional communication platform, which is advertising, promotions, public relations, personal selling, and also some technologically advanced ways of reaching the consumers through e-mail and internet based direct marketing.

All components of brand’s personality discussed earlier also form brand contact points that strengthen or weaken customers’ view of the brand, and, hence, work as brand communicators. We, as brand managers, have to assess which impressions can influence the customer’s buying process more so that we can direct our communication toward that point.

Brand Dimensions

Having understood the three models, namely, brand identity, brand image and communication, we can go ahead with our discussion of the dimensions of brands, which is graphically represented hereunder:

Functions

Differences

Personality/Image

Source

Essence

What is it? How do people feel about it ?

How is it better? What does the company stand for?

What does it do?

Points of differentiation? What are its aims?

What is the user imagery ?

Functions: Every brand has a reason for being. If managers have correctly created a brand that fulfills a particular “need” in a convincing way, then their understanding of the brand is clear about what function the brand is going to fulfill.

Functions, therefore, stand for the central purpose of a brand. Why it exists? What need(s) it fulfills? Whose need (target market) it fulfills? Starting point in the process of brand development, the functions are carefully studied before making the decision for brand’s introduction. Management must be clear about the value the brand is going to offer its customers and the value it will generate for the company.

Differentiation: In order to fulfill a certain need, a brand has to have a certain level of differentiation, which refers to different and extra features. It is these extra features that attract your target and offer them value.

In the age of fierce competition, the comparison is not between products that are perceived as “passed products” and “failed products”. The competition is among excellent products.

According to Kapferer, some brands (products) are “more excellent” than others.

Differentiation can take so many shapes and forms. Apart from extra physical attributes of a brand, differentiation may also take place in terms of creative distribution channels and promotions.

The source: The source company is important in terms of its reputation. Consumers as well as trade members who play an important role in promoting brands to consumers gauge commitment of producers that they may have with their brands in light of their reputation, history, and image in the market place.

Two brands of equally good quality by two different companies may not enjoy the same level of following and loyalty. The one offered by a company with strong reputation in all probability will have a better chance of gaining a wider customer base. Businesses must carefully consider this source dimension to continually improve their reputation and leverage their brand(s).

Personality/Image: Personality and image have been discussed in detail as part of identity and image models and offer themselves as very important dimensions of any brand management effort.

The reason for a separate discussion on identity and image models ahead of discussion on dimensions stems from the fact that they are always at the center of any overall dimensional model that may be described differently from the one above. Actually, different authors have explained the dimensional model in different ways with terminologies different from the four dimensions explained above. To understand any models, an understanding of identity and image must take precedence over anything else.

What is of significance is that all the dimensions around the essence have to be consistent and they must complement each other. The more consistent they are the stronger is the essence and the brand identity.

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BRAND MANIFESTATIONS/ FUNDAMENTALS

The discussion on brand fundamentals continues from the previous lecture.

Brand Characteristics

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

The level of accuracy in brand management is reflected by the power brands have. A higher level of power undoubtedly mirrors a higher level of accurate brand management.

Value and power are not a guarantee that brands will not be attacked. Competition will attack your brand by trying to dislodge it or snatch market share from it. The battle will never stop.

The question arises, "how to bring in accuracy into brand management in a way that brand's characteristics get enhanced under competitive challenges and threats"?

Competitive pressures threaten brands' success and even existence.

Given all that, brands become so very essential to the survival and success of business firms that we need to understand them in all their complexities, so that we can manage them correctly.

A very strong argument put forward by world renowned consultants, McKinsey is that companies need to win the right to brand their products. This simply means that branding is just not about wrapping your product into a nice package and selling that in the hope that you have turned the product into a brand, which is not going to face any pitfalls and rather is going to be profitable and powerful, straightaway – NO! To have the right characteristics, brands have to be subjected to a certain criteria, the consultants have concluded.

The consultants claim that in order to win the right to brand, a company has to meet the following vital criteria.¹

- The brand must *offer* a superior value proposition
- The brand must *deliver* the superior value
- The brand must *maintain* a relationship with its customers.

If a brand meets the above criteria in all senses, then it can be defined as the one having the right characteristics. The criteria to create and maintain brands are so well-meaning that any company operating outside of them does not have the right to do branding.

This can be further elaborated as follows:

- Brand management is a strategic process and involves complete company effort beyond the functional boundaries of the marketing department. And, therefore, offering value is a function and commitment of the whole company.

- The Company must have all its resources at work to deliver superior value, which must be defined in consumer terms. Exactly how the company delivers value varies from company to company. It could be superior technology, lower cost, strength in distribution, history of the brand, and creative advertising. Anything defined in consumer terms will automatically translate into something valuable for the company as well.
- The brand must have a continuing relationship with the customers, and the brand must adapt to changes in response to fierce competition yet meaning the same to its loyal customers.

Brand value at the core of brand characteristics

- o Brand characteristics offer us an opportunity to explain what brand value means to consumers and how a brand creates that value. Bear in mind that brand value is at the center of brand's characteristics.
- o The consumers must feel that they are getting full value for the money spent in terms of quality. The value has to be more than the generic product. Right branding adds value to the product. Reconsider the definition of brand management.
- o They must feel that the purchase of a certain brand has optimized their decision of buying the best brand in the category. It is a subjective value, but nonetheless should be created.
- o They must get confirmation of the self-image that they present to others.
- o They must get satisfaction out of the attractiveness of the brand.
- o They must get satisfaction from the responsible social behavior of the brand in terms of ecology and other ethical issues.

- A brand also creates value for the company.
- A strong brand works in the same way for the company as for the consumers. It assures the following:
 - o Good future sales
 - o Good future earnings
 - o Good future cash flows
 - o Source of good future demand and lasting attractiveness
 - o Strong entry barrier to competition
 - o Carries its value into other markets - local as well as international
 - o Carries its value into other business categories i.e., new product areas and, hence, offers economies of scale in advertising, promotions, and other marketing-mix variables

Layers/levels of brands

Brands are offered in lines, mixes, stretches, and extensions. Behind every form of a brand are strategic considerations. Such considerations form brand architecture, which is a topic of detailed discussions in lectures on brand extension and brand architecture (lectures 21 – 28). It owes to strategic considerations that brand managers decide whether a brand should form a product line as a stand-alone brand, a company-name brand, designer-name brand, or an extension/stretch of an existing brand name.

The decision to name a brand into any one of the above-mentioned classifications has one fundamental common to all – the relationship between a product and a brand. An understanding into developing that product-brand relationship leads you to build up the right branding strategies.

Commitment of top management (Brand owners' commitment)

We are clear how brands create value for the consumer and the company. We must also look into how a brand generates its own value to be able to create value for its two beneficiaries, namely the consumer and the company.

Actually, a brand does not generate its own value; it is the commitment and quality of brand management that builds up value of a brand over the years.

Companies that believe in continuously maintaining value of their brands and adding further value to them are the ones that view brand management as strategic objective and never lose sight of that goal.

The concept can be explained graphically with the help of a value interface. If you come to think of it there are brands on the international market as well as our local one that have been around since the early last century – the examples are from the beverage, tea, smoking, and other industries. You can create a list of your own.

Such brands have their longevity owing not to accidents. They owe that to commitment of their managements that have been investing into manufacturing and marketing areas:

- In manufacturing for the purpose of innovations and adapting to changing consumer tastes, maintenance and improvement of quality – and
- In marketing from the distribution and advertising viewpoints. The whole exercise is expensive!

That above explains:

- Why companies invest into brands and manage them prudently over years and years?
- Why acquiring companies are willing to pay a high price for established brands that are leaders in their own right?

- Why is it tempting to buy brands than to build them from scratch?

The answers to all the questions converge on one point – create value for the consumer and the company, which is possible only if management is totally committed.

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BRAND CHALLENGES

If brands are strong and powerful, they also face challenges regarding sustenance and growth. These challenges vary in degree and intensity for various markets.

The basic determinant of challenges is the level to which a certain market is mature. Maturity holds the key. If a market is very mature, the challenges are intense; if a market is less mature, meaning still growing and robust, the challenges are less strong. Markets become mature due to overall purchasing levels reaching a plateau. This simply implies that demand in the category is no longer elastic and has no further room to grow. And, the consumers are buying various brands in a certain pattern of frequency and quantities which are optimal and, hence, their buying behavior will not give further

impetus to overall growth of the category. We can also call it maturity of the economic cycle.

Under the circumstances just explained, markets seem to lose vitality in terms of growth, but not in terms of availability of loads of products. This can be further simplified by saying that the size of the pie reaches the most optimal level from where it does not increase unless there is growth in population. Whatever changes take place they take place within the pie in the shape of competitive wars.

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

- Brand proliferation
- Consumer revolt
- Retailer power
- Media cost and fragmentation

Brand Proliferation

Owing to the reason of low growth, the classic response of marketing people has been (and is) to develop new brands or extending/stretching existing brands into different varieties.

Brand extension and stretching essentially is an exercise meant for having different varieties of products under the same brand name. In trying to do so, marketing people may not create products that really are new. That is, an inevitable response to the dynamics of markets may not generate a real new product for the simple reason that innovations do not come by so very easily and frequently.

The result has been a variety of products that are very similar not having differentiated features that can attract consumers. Creating distinctions without differentiation does not make a product stand out and convince consumers to go for it. In many instances, products carry the label of “new” indicating new features. But those are not recognized by consumers as really new. The result is “irritated consumers” who think their buying decision has been made complicated into an unnecessary effort. The net result is no increase in sales. To meet this challenge, manufacturers have to introduce products with real meaningful added features that can be perceived as “performance benefits” and not just cosmetic changes.

Consumer Revolt

Because of the little differences that are not found meaningful, the consumers are not willing to pay premium prices in most of the cases until real performance benefits are perceived by them.

The manufacturers find it hard to amass profits. For this reason, marketing departments get under pressure to produce results. Such pressures lead them to get into the following options:

- o Introduce more brands
- o Introduce brand extensions
- o Advertise or promote existing brands

The net result of introduction of more brands and extensions is high expenditure with no guarantee of increased sales with good profits. Actually, it leads to proliferation with no new benefits to consumers. Consumers’ unenthusiastic attitude to buy as much as companies would wish is tantamount to a revolt.

The option that is most widely used by brand managers is to promote the existing brands with the help of some attractive promotional features, like “buy-one-get-one-free” or something similar. The promotional schemes, in other words, come into being not so much for adding value to brand with a long term perspective, but rather stem from short term pressures of increasing sales in competitive markets. Experience has shown that promotions have a short term effect, but are damaging in the long run. The costs are high and the results do not have an element of permanence.

Retailer Power

Here, retailer exploitation comes into play. Knowing brand managers being under pressure, retailers like to keep them under pressure for promotions that suit retailers more than anyone else in the trade sections.

Growth of brands has given rise to retailing all over the world. With retailers' concentration, the balance of power between the manufacturer and the retailer has tilted toward the retailer.¹ Whether it is introduction of new brands or promotion of the existing ones, marketing people find retailers existence in either case extremely significant. The pressures mount and brand and marketing managers find themselves pressed from two fronts – internal (finance and top management) and external (retailers).

Media Cost and Fragmentation

The style of mass advertising campaigns of yesteryears does not hold too strong a ground. It has become too expensive to go national on the TV network with no specific plans for points of attack and reinforcement in relation to brand's potential in different areas. In other words, marketing people should concentrate on those areas, which offer

better prospects of brand's growth. With technical advancements, number of channels has increased manifolds. Developments of cable and satellite systems offer enormous choices, with the help of which you can reach fragmented audiences.

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

Strategic Brand Management Process

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

Vision

The point of departure toward the process is to have a clear vision for your brand. Vision should not frighten you, for it is not something poetic or philosophical that you may consider only blessed ones having been endowed with.

If you are a person of average intellect, that most of us are, then you should not have any problems developing a vision. It is all about where you want to see your brand at the end of a certain period of your definition. In very simple words, vision is the journey from here (present) to there (future).

Being the brand manager, you are responsible for the destination planning of your brand in terms of its future movements relating, for example:

- The volume
- Share of the market
- Markets to serve
- Distribution improvements
- Quality parameters and benchmarks
- Overtaking competition
- Product innovation or extension, to name a few

With the vision in place about your brand's movement, the next step for you is to take top management into confidence. The top management is extremely interested in the planned brand's movements as envisioned by you and your department.

If the top management has an overall vision, then the brand vision should automatically fit into that. The brand vision, therefore, is an extension of the overall business vision. It flows out of the latter.

Brand vision tells us about a brand's growth and future direction. It is the most important statement before we undertake the strategic management process. It tells us how our brand is going to help the company achieve its goals – financial and strategic.

Before going any further, it is important that we learn how the strategic management process

(SMP) works! An understanding of the basics of the process will allow us to easily fit the vision into it and then see how to proceed with every successive strategic step of importance.

Consisting of five steps, the SMP can be explained easily with the help of the following figure:

Step 1

Business Vision

Step 2

Setting Objectives

Step 3

Crafting Strategy

Step 4

Implementing Strategy

Step 5

Evaluating performance

Strategic Management Process

The figure being self-explanatory, it explains that forming the vision is number one task, followed by setting objectives (both financial and strategic), crafting the right strategies to achieve designated objectives, implementing the crafted strategies, and evaluating performance for any corrective actions or adjustments anywhere along the sequential process.

Very early in the strategy making process, managers ask themselves the question:

- What is our vision for the company?
- Where is the company headed?

- What kind of enterprise we want to build?
- What should be the company's future make-up?

A careful analysis of and answers to the questions lead them to conclude:

- Where the company stands today and where should it reach in say 5 to 10 years?

This addresses the question of reaching from here to there!

- What businesses they should be handling? This relates whether they should extend their brand into similar products, or diversify into unrelated areas.
- What customers should they serve? Decision about extension or diversification will pinpoint the target customers.
- Do they need more brands to serve more businesses? This indicates whether they should be keeping their existing brand name or go for new ones.
- What capabilities and resources they need to have to achieve all that they envision? A very careful analysis of what is it in terms of financial, human, and technological resources that they need to succeed is required here.

The above analysis creates organizational purpose and identity and form very clearly the "VISION" of the company. You can feel from the discussion how important it is to have a clear vision for the company and, also, how closely related that is to creating vision for the brand!

Key point

An understanding on your part of the SMP is important in that you must appreciate the elements that top management considers toward company's business planning. That

will enable you to better integrate your function of brand management into the overall business whole.

Bibliography:

1. Geoffrey Randall: *“Branding – A Practical Guide to Planning your Strategy”*; Kogan Page (37)

Suggested readings:

Thompson Strickland: *“Strategic Management - Concepts and Cases”*; McGraw Hill (27-36)

STRATEGIC BRAND MANAGEMENT

Mission

A mission statement speaks of the present form of business, the products it is dealing in, the customers it is serving, and the areas in which it is operating etc. In other words, a mission is all about achievement of present objectives.

It also talks of the commitments and values that are needed to let the company achieve its objectives. It does not speak beyond that. But, the process of strategic management does not stop there. It makes it imperative that managers see beyond the mission, or the present, to determine a long-term direction that the company must take for tomorrow. Nothing is static.

The dynamism of the market necessitates that managers must see the impact of:

- changing technologies
- changing lifestyles
- changing needs of customers
- changing benchmarks of quality, and

- changing competition and overall conditions

They have to make some fundamental choices about where they want to take the company and how that evolution and transformation will take place. Such choices form their vision of the company and supplement present company mission with factors like

- future business makeup
- product line, and
- customer base

These factors form the foundation for brands and branding. They are closely intertwined and lead you to form the right branding strategies. It is from that point of view that brand managers must understand the subtleties of the vision and the mission of the company.

In case a company's mission statement talks not only about its present, but also future, then the mission merges into the strategic vision and we can say the mission is future-oriented. Mostly company mission statements are more concerned about their present business than their future one.

The conceptual distinction between vision and mission, therefore, remains relevant. A clear vision of future business and strategic direction is a prerequisite to strategic leadership. It steers the whole company toward the desired destination.

Nothing could direct the company better toward that destination than having good strategic leadership. And, nothing could give brand managers better insights into developing brands that really fit into the strategic vision of the top management.

Setting Objectives

After vision and mission are in place, the next step is converting those statements into specific objectives. Performance of all managers is measured by the level of achievement of those objectives.

Any organization setting itself ambitious and bold objectives become aggressive in its pursuits.

Ambitious and bold should not be misinterpreted as unrealistic. Organizational capabilities must be considered before setting realistic objectives.

Targets

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

The collective achievement of targets helps the company to achieve its mission and assure fulfilling its vision.

Types of Objectives

Following are the two major types of objectives set in a typical organization¹

- Financial Objectives
- Strategic Objectives

Financial Objectives deal with

- Revenue growth
- Earnings growth
- Return on investment

- Dividend growth
- Share value appreciation, and
- Positive cash flow etc.

Strategic objectives deal with

- Winning greater market share
- Overtaking competitors on quality
- Staging innovations
- Cutting costs
- Creating and sustaining technological leadership, and
- Capturing growth opportunities etc.

Both financial and strategic objectives are set in short and long term basis. The job of managers is to achieve both in order to improve competitive strength of the company.

While short range objectives keep the managers involved in accomplishing the mission, long range objectives prompt them to think what to do next to achieve company's vision.

Crafting a Strategy

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

“How to” questions.

- Whether to concentrate on one business or diversify?
- Whether to serve a large number of customers or operate in a niche?
- Whether to have a narrow product line or a wide one?

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

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

Implementing Strategy

The fundamental is to assure “what are and should be” the means at management’s disposal to achieve what is envisaged. Implementation is all about what must be done to achieve the desired performance goals by putting strategy at work.

Proficient execution consists of the following key aspects

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

Evaluating Performance

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

- Change of strategic direction
- Business to be redefined
- Vision changed; narrowed or broadened or revised altogether
- Performance standards to be lowered or raised

It is clear that all the above considerations relate modifications and adjustments in the strategic frame work.

The Brand Vision

An understanding of the strategic management process makes it amply clear that a company cannot carve its future path without accounting for its brand(s). Brands lay the foundation for *fulfillment* of the vision and they also serve as the keystones for *sustaining* that fulfillment.

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

Brand future refers to

- markets and market segments to be served
- quality improvements to be achieved
- envisioned changes to be met
- investments to be made, and any other factors that address brand movement in times to come

The Brand Mission

Clarity of vision leads management to state the mission, that is

- What customers the company serves?

- Why it serves?
- What geographical areas it serves?
- What benefits it provides?
- What kind of results it envisages to achieve:
 - o Sales
 - o Profits
 - o Market share

Values

Values are a set of virtues employees should share. Those are described as²

- integrity
- trust
- honesty
- commitment to quality, and teamwork etc

The vision and the mission for the brand are embedded in the values a company has and cherishes. The conduct of a company in relation to the market and all stakeholders is a reflection of the values the company harbors. You must have heard about Japanese work ethics having deep roots into the Japanese cultural values. All their businesses, therefore, are an evidence of those values in the form of good quality products. It has been observed that companies that explicitly state their vision, mission, and values to uphold what they want to achieve in the short and the long run are successful in

- Having high market shares
- Good profitability
- Good level of leadership

And, hence, succeed in fulfilling their mission and vision.

Why brand vision?

Scot Davis makes a statement that not many companies go by the process of having a vision².

Such companies are committed to brands but leave much to be desired, he maintains.

Subsequently, they keep changing strategies, as desperate moves, from time to time with the result that the brand never gets the desired support.

Lack of proper support could be

- Less market investment
- Less manufacturing investment
- Less human resource investment

The net result is that the company cannot fulfill what could have been the right vision and mission, a sure indication that it is not upholding what should have been the right values. You may like to relate this with brand future discussed above and then develop linkages between the two.

Bibliography:

1. *Thompson Strickland: "Strategic Management - Concepts and Cases"; McGraw Hill (37)*
2. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (38)*

BRAND VISION

Purpose of brand vision

To earn the right level of profitability, you have to leverage your brand rightly. It is here that we start treating brand as an asset and manage that asset by having a vision.

Vision fulfills three basic purposes¹

- Consensus among management
- Commits company to research
- Mandates telling all stakeholders

Consensus among management: A bottom-up approach, it extracts understanding and consensus from management about brand's contribution. All concerned with the brand give their input regarding brand's potential and an effort is made to have all of them committed to the respective tasks they are to perform toward brand's contribution. Brand vision brings management to a platform from where they all have to agree what level of growth the brand will generate to fulfill company's objectives. It is not a function limited to the boundaries of marketing management; it is an objective for total management to agree on one point – brand's reason for being (why it exists?) and its potential toward profitability.

The question of why the brand exists entails detailed discussion on many exciting areas of marketing, which will be touched upon from time to time in their proper perspective throughout the course. What it essentially means is the “fulfillment of a particular need” of customers. Identifying the right need and then committing yourselves to fulfill that with the right product takes you on the journey of starting with a vision to complete development of the brand.

Commits Company to research: Consensus leads management to initiate research on so many vital research projects. Because of the commitment, no one wants to make decisions without any solid basis. The tendency to make assumptions on the ground that we know the market well and therefore there is no need for research should be avoided. Only research provides the company with grounds like:

- o Customer attitudes and usage
- o Brand attributes to maintain and change
- o Segmental changes; multi-segment brands
- o Geographical changes; new categories etc.

The list is not exhaustive. It can be much longer depending on the needs of the company at any given point in time.

Knowing customers' attitudes offers insights into product build-up, service requirements, and any other fulfillment of customers' requirements. Maintaining or changing product attributes relate responding to changing needs, preferences, and competitive pressures that exist and the ones that are anticipated.

You can also determine the differences among different offerings of the brand as perceived by your consumers in different segments of the market. You can make decisions about which segments are more attractive and which are less attractive. That may also take you into what geographic areas to be emphasized more in relation to strength of different offerings. Brand strength may lead the management to start considering introducing its brand across categories. What is it that took Nestle from milk to yogurt to juices to chocolates? This is a good example of going across categories.

Management can either stick to its vision and plans or change it according to the findings of market research. As you go along the learning path you will realize that almost at every step you can undertake a research project. Research does not have to be tedious, cumbersome, and expensive. Small and simple research designs can lead you to verify your hypotheses as the need emerges.

Mandates telling all stakeholders: Since vision is well thought-through and shared by all in the company, it mandates that management tell all stakeholders to know and share it as well. Sharing the vision means that stakeholders will also know the objectives that are a reflection of the vision.

The present day's competitive pressures have made the day-to-day management very fast paced and, hence, prone to dynamic changes and adjustments. Information on past performance, recent trends, and research findings present a strong case for the brand plan and vision. Having support from all stakeholders toward your brand objectives makes the job of management less difficult. It also keeps the blame game and finger pointing from taking place if things go wrong. Going right strengthens management's confidence.

Let us now try to develop hypothetical vision and mission statements of a fast food company that is planning to enter the category of fast food. The exercise is intended to take you through a case that offers an opportunity of developing a practical understanding of the concepts.

After you feel comfortable with the learning process, you may like to develop similar statements of any business you may envision yourself handling or heading.

Vision Statement of a Fast Food Company

“The company will enter the fast food category by introducing a range of quality sandwiches with brand name XYZ; the sandwiches will have health-food-appeal for lunch time in particular and anytime later in general. It will price the entries within the consumer friendly range to optimize the number of customers, who are professionals within the age bracket of 20-50 years. It will attempt to reach its potential customers at their door step and always stay close to where they are”.

As is clear from the statement, the company’s business model will be based on three fundamental factors of

- High quality
- Affordability
- Accessibility

The basic objective of this statement is to emphasize the point that vision relates the future.

The statement talks about the nature of the product and how it envisions entering the category with consumer-friendly pricing within the target market. *(The statement is a little longer than the usual vision statements. It is designed to basically enhance your ability to develop one independently).*

We shall be referring to the implications of this statement frequently to see that everything said in the statement has a meaning in terms of brand management. The figures 10 – 12 exhibit the translation of consumer-friendly pricing as it fits into the market gap that will allow the company to optimize its sales.

We can sum up the components of this statement into the following:

- o It explains the overall goal of the brand

- o It defines the target market
- o It underlines the need to have differentiated sandwiches
- o It makes it easy to translate the above three components into financial goals

If you think that XYZ has to create more than one sandwich with different taste profiles in order for its customers to have choice, then your thinking is practical. If you think that XYZ should deliver sandwiches at the doorstep of its customers, then your understanding is correct. And, if you think that XYZ by saying “close to where its customers are” should also create its own restaurants, then your vision is comprehensive about the future business make-up. Should you also think that the statement will have implications in terms of specialist personnel to operate restaurants; your vision is then absolute and totally inclusive about the nature of business.

Mission being the business at hand, the statement will look like the following:

Mission statement of XYZ

“XYZ’s mission is to develop a team of delivery personnel conversant with the job of delivering food with high efficiency and low operational costs. Part of its mission is also to simultaneously develop fast food outlets with appealing but economy-driven architectural features, from where it can serve its customers through highly-trained and motivated crew.”

We are assuming that XYZ has in place all requirements fulfilled for the right human resource for sandwich making and purchasing on daily basis of the requisite supplies.

Sustaining the operations through excellent systems and procedures are part of the development process.

Brand Value Statement

“XYZ professes integrity of character, conscientiousness of work ethics, quality consciousness, and mastery of skills as its basic values.”

To have the quality of sandwiches as envisioned by XYZ, it is important to have the staff inculcate the declared values. It should take special training sessions and periodic refresher meetings to renew company’s commitment to the professed values.

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1. Scot M. Davis: *“Brand Asset Management – Driving Profitable Growth through Your Brands”*; Jossey-Bass, A Wiley Imprint (38-39)

BUILDING BRAND VISION

Brand vision must be written down as a statement like the one we have for the fast food business. The question is how to build that statement, for it has implications for so many areas, the prime one being finance. You need to commit yourselves to pre-production expenses followed by full-fledged production, marketing, and other areas. Reaching the vision, therefore, is very serious and cannot be the decision of just one manager.

It is a systematic process that involves people from the top management right down to the level of brand managers. Development of the vision leads brand management to develop the right picture for the brand. It is a four-part approach as expressed by Scot Davis¹.

1. Seek senior management’s input
2. Determine the financial contribution gap
3. Collect industry data and create a brand vision starter
4. Meet with senior management to create the vision

1. Seek senior management's input

One of the top responsibilities of senior management is to develop business. Their view of the products to be introduced is important. Brand managers should talk candidly with senior management about their opinions.

Senior management's perception of their brand's role toward brand's growth, in overall growth, and how far the brand will go should be shared by asking the following kind of questions:

What markets, business lines, and channels the company will pursue? Markets can be defined in terms of needs, segmentation, and geography. Company XYZ can look at its markets in terms of fulfilling needs of children in addition to just the lunch market of professionals. That will take the brand managers into the area of segmentation and development of brands belonging to those segments.

XYZ may also consider expanding into different geographic areas to make its outreach effective. The company, in all probability, will consider reaching its customers through restaurants (in addition to serving them at restaurants) and supplement selling through delivering direct to nearby customers at peak as well as odd hours.

What are the financial and strategic goals of the company? The brand managers must share with the senior management company goals in terms of financial returns and other strategic goals like share of the market and brand's standing against competition.

What do they think are strengths and weaknesses of their brands? The senior management must be honest in pronouncing the strengths and weakness in relation to competition. The realistic spelling out of strengths and weaknesses by them will allow brand managers to be proactive in capitalizing on strengths and safeguarding their

position against probable threats. They will (brand managers) come up with strategic moves keeping reality in view.

How to reinforce strengths and rectify weaknesses? An extension of the preceding question, the answer will allow brand managers to look into the areas needing reinforcements either through perpetuated communication campaigns or boosting their channel capabilities. The answer to this question will also allow you to overcome weaknesses with the confidence that all in the company view them from the same angle.

What resources the company is willing to deploy for supporting the brand? The support to the brand has to both strengthen its position and rectify weaknesses. You should get incisive insight into the matter of where you need the support – overall financial support, advertising and promotions, human resource, or investment into channel development and equipment etc.

Companies always have finite resources. It is important to understand the senior management's perspective and then match it with yours for the right development of vision with no gaps.

Will the company be able to achieve its objectives? If not, why? If the management is confident of supporting the brand and has all the resources in place, then the chances of achievement of objectives should be bright. If not, then the whole exercise may end up in futility. It is at such a juncture that you need to review the possible negative factors and decide with the help of senior management about the alternative course of action.

Do we have to redefine our business? If yes, what are the measures that the company should take now? Redefinition of business generally relates redefining the brand's position.

For the sake of example, you may think of a company that deals in branded sandwiches for modern supermarkets, bakeries, and convenience stores at gasoline stations. The company's business falls under an FMCG category.

Success in FMCG sector may prompt this company to also develop the character of a fast food company. The whole marketing complexion will change and the company faces the challenge of redefining its business. The question that should tax their minds should be, are we going to remain an FMCG company, or should we be known as a fast food company with an impressive track record in FMCG area?

The redefinition has its implications in terms of investment into fixed assets like restaurants and specialized staff. It will also need an effective communication campaign through which the company can talk with the target market about its intended position. If customers really perceive the image of the company the way its new identity is created, the redefinition of the business has worked.

Are there any role models among competitors or associated companies that brand managers should follow? You should try to find out if there is a competitor that the senior management of your company really envies. Study the business model of that competitor and determine what can be done to excel that model.

2. Determine the financial contribution gap

The contribution gap is the difference between company's present financial position and the financial objectives. Filling the gap means having more revenue that can lead to better and higher contribution margin. Higher revenue is sourced from either new products, price increase on existing products, or both. Here, top management's input also becomes important.

What bear importance for the brand managers are the following questions:

- Go for price increase
- Expand markets and availability
- Improve distribution – intensive and extensive
- Improve communication
- Introduce new offerings for new segments
- Make acquisitions

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1. Scot M. Davis: *"Brand Asset Management – Driving Profitable Growth through Your Brands"*; Jossey-Bass, A Wiley Imprint (44)

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BUILDING BRAND VISION

3. Collect industry data and create a brand vision starter

Translation of visionary thinking into financial and strategic goals must have a base. Nothing could provide a better base than analyzing the industry the company is a part of. Industry analysis comprises the following:

- Defining the industry
- Determining industry growth and size
- Key growth factors
- Seasonality
- Industry lifecycle

Defining the industry: Defining the industry is the first step toward the analysis. You must consider the following:

- A description of the economic sector that the industry occupies – manufacturing, services, distribution, or any other
- The range of products and services offered by the industry
- A description of the geographic scope of the industry – whether local, regional, national, or international

The industry definition may also include a listing of major market segments. For example, a computer manufacturer may divide its market into desk top computers, laptops and notebooks, and servers for web hosting.

The idea is to find a definition that is broad enough to include all of the company's major competitors but narrow enough to permit useful comparisons. However, it is better to be a little broad than being too narrow.

Industry size and growth: You have to determine the current size of the industry for the company's products or services. You can determine this through published data or informal means and arrive at numbers for total units sold and revenue generated by all the players in the industry.

You can then go on to determining the annual growth rate of yesteryears, project for the next few years and compare that with your company's. That will show you how you seem to be growing – as much as the industry, faster, or slower.

Such analysis will also enable you to compare your company's growth with other major competitors.

4. Meeting with top management to create the vision

Equipped with all the relevant details and information, you are now in a position to make a presentation to the top management. In all chances, the findings should be acceptable to all since many vital factors in the report owe their inclusion to information from the top management. It can still be debatable, but you have a chance to defend the bases that have led to the conclusion. It offers a good opportunity to iron out any differences that brand and marketing management may have with other departments for the good of the brand. A consensus on the report puts the company on the course to developing a clear brand picture, which is the next strategic step in the brand management process.

BRAND PICTURE

The second step of the strategic brand management process is development of brand picture.

Toward creating the right picture, you have to do everything possible to create the right image.

The whole exercise of creating the right picture is to create meaningful parallels between the brand's identity and its image. We know by now that more the image coincides with identity the more brand managers are successful in communicating the right identity and creating the right image.

Creating the right identity is of paramount importance, for it means that the product has been given the right meaning that will be rightly received at the consumer's end. Creating a brand, therefore, is the end of the process that is the sum total of all company resources deployed to create the point of difference that highlights brand's identity.

Brands therefore are born out of the marketing strategies of differentiation and segmentation, as is already clear from the discussion on all preceding concepts in general and the example of

The soul of branding

Branding is not just putting a name on top of a product. Branding is that you do inside of the product, that is, give it meaning through creating the point of difference in a way that its identity is taken at the receiving end the way it is intended. It is because of such an identity of powerful brands that you look at them as relevant and genuine even in the absence of a label². You do not give the same treatment to a fake brand even if it carries the label that may look genuine. Why? Because the actual brand (the inner soul) is not there! The brand name is visible, yet the brand is absent. The image, in other words, that consumers have of the two products is different. In case of the original, it has the top of the mind image; in case of the fake one, it has the bottom of the mind image.

How to develop the right picture?

The question is how do you create a brand that injects into the product what gives it the right image? The first task toward doing that is to envision:

- What attributes materialize?
- What advantages are created?
- What benefits emerge?
- What obsessions do the brand represent?

A brand picture has to answer all the questions. A simple question that embodies all the above-mentioned four questions is, “what would the market lack if our brand was not there?” If the answer is nothing, then the brand managers may not go ahead with the brand development.

If the answer is substantive, then the substance will be found systematically through the above four questions in knowing the features, advantages, benefits, and the obsessions the brand offers. Therefore, once brand managers are gone ahead with the right vision and the purpose, the right image will result.

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Suggested readings:

1. Scot M. Davis: *“Brand Asset Management – Driving Profitable Growth through Your Brands”*; Jossey-Bass, A Wiley Imprint (37-48)

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BRAND PICTURE

Brand picture is based on brand image, which has two following components:

- Brand associations
- Brand persona

Brand Associations

Associations refer to attributes the brand carries and benefits it offers to consumers.

Persona is description of the brand in human characteristics. The basics of this concept were discussed in lecture 3 under brand identity and image. You must be able to express your brand in human terms like sturdy, reliable, well-meaning and well-serving, stylish, modern, and caring etc.

A brand expressed as reliable must have those characteristics so that it can be perceived as that by the target market. By the same token, a brand perceived as outdated by the market while the company thinks of that as modern is at odds with the market perceptions.

The objective is to better understand brand's strengths and weaknesses and have realistic strategic goals. A long exercise in brand vision as discussed in the preceding two chapters enables us to understand company's strengths and weaknesses and their reflection on your brand plans. A clear picture of the brand will emerge out of the understanding of strengths and weaknesses toward leveraging your brand.

The two components of brand image are expressed graphically in the following figure.

According to Scot Davis, associations are part of a laddering approach, whereby the more you ladder up the perceived benefit in your consumers' mind the stronger is the

association¹.

He goes on to say that features and attributes remain undifferentiated in the minds of consumers unless they translate into perceived benefits.

He also states that benefits are weak unless they relate to the customers' central values and beliefs².

Importance of being at pinnacle

Those brands that rule their respective categories and define them are the trend setters; others follow them to maintain their existence in the market place. The trend setters establish certain benchmarks not following which means getting your brands out of the playing field and undermining consumer franchise for them. Not following therefore is risky. Following may amount to having your brand known as "me-too", meaning a follower without creative elements. It is here that the point of differentiation acquires significance and calls for concerted efforts to rightly identify the dimension of the need your brand is out to address, satisfy that need and get to the pinnacle.

Leveraging from the pinnacle

The question is why do you have to be at the pinnacle? Companies do not invest phenomenal amounts of money to be at the pinnacle for the sake of marketing fun! Investments into branding are done to attain a position from where you can leverage your brand.

Needless to say that it is the brand loyalty that offers your brand the slot at the pinnacle. You can go for price premiums and introduce new products through the brand power. Eventually, you want your brand power to translate into profitability and bottom line

growth, and increase the asset value of the brand². If you succeed in doing so, you define the category in which everyone else is a follower. You enjoy ultimate power.

Pinnacle testifies right image

Any brand at the pinnacle testifies the need it is fulfilling was rightly identified, the identity was right, its image has been received in the right most way, and the communication was perfect.

Brand Value Pyramid

Features & Attributes

Benefits

Values

Features that must be demonstrated!

Benefits that must be provided to customers!

The emotional, spiritual, and cultural values addressed!

Most meaningful and most difficult to imitate; hardest to deliver!

Least difficult to imitate and deliver; least meaningful!

From pinnacle to bottom

There are categories in which all players work hard to win over customers by offering points of difference with quality. The offerings eventually get so close to each other that they lose the charm of having had differentiation at one point, thereby reducing the whole category to basic features and attributes. What once was a differentiated feature offering unique benefits and values is now commonplace and hence calls for working all over again through the brand value pyramid.

The renewed working may not mean changing the product all together. It could be done through various ways of offering meaningful value to the customer, like improving

service, distribution, and management practices. Toyota Corolla is an excellent example under such circumstances. Its direct competitors offer everything in tangible terms in their models, and yet Toyota is right on top. The position owes to the unmatched customer value the brand offers through better availability of spares, service, and resale price of cars. The extra meaningful value does not let Toyota lose its exceptional laddering and reduce the model to the first level of brand pyramid.

Conversely, in many cases of consumer consumables, similarities let brands catch up with each other and prevent them from offering any meaningful ways of retaining differentiated customer value. The result is all brands lose their exceptional laddering and reduce the category to the first level of brand pyramid. Price wars and massive promotions start. Result is shake-outs. Category gets a new life with the advent of new technology or at least new innovation or a substitute category of products.

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BRAND PERSONA

Determination of attributes and benefits

To have your brand present its customers the right attributes and benefits, you have to first determine what those attributes and benefits are that brands present and values they address.

The key to the whole process is clarity about the need to be satisfied.

You must not under-serve or over-serve the customers. In other words, the segment that you are serving has to be fully aligned with the features and attributes that you envisage your brand to carry. Under- or over-doing will let you unintentionally navigate the segmental territories not meant for your offering.

Determination can come through one way and that is research. The objective is to compare your brand with that of competitors and gauge the level of associations all evoke. The results of the research will enable you to be specific about the features that you must create for your brand and the benefits your brands must offer to your customers. In the absence of this comparison, it is hard to formulate a sustainable competitive strategy – a strategy that highlights the features and benefits and sets your brand apart from the rest of the crowd. Refer to industry analysis and consider a couple of established competitors to draw the right comparisons that can lead you through the competitive path with success.

Need-based segmentation research

It is good to get into segmentation research that should cover demographics as well as Psychographics to give the findings a true need-based dimension. Needs drive all the strategies and always emerge as the most purpose-serving research basis. Right identification of needs also offers the best alignment between strategies and associations that we are out to evoke on part of the customers. It is here that we are able to determine the balance between under- or over-serving the segment of population that is our target market. The following two examples explain the phenomenon of the balance between under- or over-doing.

Example 1

A fast food restaurant should not start offering in the manner of a full-served fine Dining restaurant, nor should it demote its offerings below the level of product profile Perceived by customers as authentic fast food.

Example 2

A 1300 cc car offering inside and outside temperature readings and dual air conditioning is borrowing features from a sibling of a higher segment. A higher segment bigger model not having the features (temperature reading and dual air conditioner) deemed unnecessary for a 1300 cc sibling is under-serving its customers.

Population to be researched and relevant questions asked

The population to be researched should consist of company's present, past, and potential customers and competitors' customers in relation to determining the levels of association with the brand. Members of the trade (distributors, wholesalers, and retailers) who are category influencers should also be included in the population.

The respondents should be approached with the objective of determining the right attributes and benefits to be offered by the brand and values addressed. The responses, when put side by side, for different brands will lead you through realistic mode of decisions for your brand.

The questions should revolve around the level of awareness about your brand versus competition and strengths and weaknesses as respondents perceive in relation to your brand versus competition. The series of questions should also take you through determining whether respondents consider your brand up to their expectations and

worthy of recommendation to others! All questions should be asked in the simplest and direct form to have straightforward and credible answers.

With no ambiguities of answers you should be able to gauge the levels of associations your brand evokes vis-à-vis competition.

Purpose served by asking the right questions

The objective of asking the questions is to precisely determine the level of associations your brand has evoked. An even bigger objective is to see whether customers think your brand has reached the pinnacle. If the answers to your questions are mostly “yes”, then it is a testimony to your hard work of identifying the right need, developing the right product, and making the right branding moves. You must maintain your brand’s position and further fortify it.

If the answers to your questions are mostly in negative - which it should not be – then you must look into the reasons and make corrections wherever those are warranted.

The typical questions that you must ask yourself are the following:

- Why is our brand not right on top?
- Why is competition right on top?
- What can you do to bring your brand right on top?

The answers to the above questions will be of comprehensive nature and will not allow you escaping any shortcomings. Whether your company has the resources or not to come to grips with the problems is another issue. The assumption here is that it is capable of handling all major problems; otherwise it would not have undertaken the brand development process in the first place.

Keys to developing associations

According to Scot Davis, the buildup of brand value has to be an incremental process¹.

- No brand can get into the pinnacle without moving incrementally through the stages.
- There has to be a complete alignment of associations all across the three stages. The alignment can be achieved through the process discussed above, that is, identify the right need for the right segment, have the target market perceive the benefits as the ones desired by them, and make them believe that your brand addresses the values they hold dear to themselves.
- Make the whole process difficult to copy. This can be achieved by creating customer value highly meaningful to customers.

The following example of Toyota Corolla is expressive enough about the levels of associations and the alignment that exists among the three levels to the benefit of the brand and the customers as well.

Features and Attributes

- o Good styling
- o Fair pricing
- o Great value
- o Spacious
- o Looks of a bigger car
- o Sturdy Benefits
- o Good consumption
- o Good resale value
- o Good quality

- o Dependable
- o Widespread availability of inexpensive spares

Beliefs and Values

- o Gives you confidence
- o Friendly; makes you feel good and important
- o Approval of neighbors, friends, and relatives

What is after the brand pinnacle?

Whether to stay within the same pyramid or go beyond it into a new one is defined by the leader of the category. The leadership role comes with the power the brand has. It depends on how high the leader wants to go within the same pyramid.

Most of the brands have the potential to ladder further up. It is here that business managers have to decide whether to create higher standards of excellence within the same pyramid or go beyond it with a new brand name by adding more attributes to existing products and create a new identity altogether.

Is new category needed?

Companies choose to go into a new pyramid for two reasons. One, laddering up under the same name may offer resistance from the customers. Two, a new identity under a different brand name with endorsement from the same manufacturer can bring the company premium pricing that may get subject to resistance under the existing brand name. This is why Toyota introduced

Lexus; Honda launched Acura, and Nissan Infinity. Lexus, Acura, and Infinity are all very expensive cars that fall within pyramids different from those belonging originally to

Toyota, Honda, and Nissan. The new offerings came to the market with high premium on them.

What is important about the brand value pyramid is that the pinnacle has to be reached so that the emotional value connection can be established with the consumer.

BRAND PERSONA

The second part of image is brand persona. Along with associations it provides a complete understanding of the brand image. Brand managers look at brands from the standpoint of human and other characteristics that can be easily identified and understood.

The objective of the exercise is to personify your brand so that consumers can express and associate themselves with the brand just as they associate themselves with other persons.

Persona examples

- Car. It is like you describe a car as rugged; you can describe a person from a certain area as rugged.
- Biscuits. You may describe a high-end expensive biscuit brand as “sophisticated” as opposed to another you may want your fun-loving kids to take as “funny”. People can be described as sophisticated and funny.
- SUV. A four-wheel vehicle can be personified as “warrior, tough, and no-nonsense” as opposed to a family car having a “majestic and well-composed” personification. People can be described in just about the way a four-wheel vehicle or a family car is described in this example.

Need to create the right traits

The exercise of personification is meant to fully understand what personality traits you should create for your product so that it is perceived by the consumers the same way.

The objective therefore is the same as it stands in developing associations. Customers must perceive your product the way it is intended to be perceived.

In order to understand the traits of your brand right, you again have to carry out market research and ask consumers questions to arrive at the right most personification.

Personality traits through research

A few questions can resemble the following:

- Does the product look educated?
- Does it look fashionable?
- Is it urbane or a villager?
- Is it babyish or mature-looking?

The most important factor is to ensure that your brand's persona must be matching with consumers' perceptions. A baby shampoo has to be perceived as such not because you have introduced it as baby shampoo, but because its personality traits are such that anyone taking a look at the retail shelf can pinpoint the product is meant for babies.

When you combine your results with those of brand's associations, you come up with a complete understanding of the valid and sustainable positioning of your brand. The right position of the brand will evoke right image of the brand and serve as the focal point of all strategies that will follow to make the brand a success.

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BRAND CONTRACT

The concept of brand contract revolves around brand’s ability to always stay up to the expectations of consumers. Owing to the associations developed with the brands of their choice, consumers do not want to see those brands deviate from the strong impressions and image they have about those brands.

What consumers expect of brands is a positive change and development in relation to changing technologies, environment, and any other factors that may have a bearing on consumer behavior. To continually remain in favor of consumers, brands uphold consumers’ franchise by remaining up-to-date. This is the only way for brands to remain relevant.

For brands staying contemporary means bringing about innovations and living up to consumers’ likes and expectations. This further means engaging into a “contract”. In other words, brands must respect the contract, attract customers and assume all implications, which they do through fulfilling the promises.

Brands make promises with the customers by providing benefits and developing associations.

Any deviations – lowering of quality, non-availability of brands at the point of customers' choice, or not keeping pace with changing technologies – amount to not keeping the promise and hence in customers' perception breaching the “contract”. The contract, as such, is not legal; it is purely economic and emotional in nature.

The need to stay contemporary

Because of the fact that we use brands day in and day out, brands are a part of our memories.

These memories are developed over time through a series of brand experiences. The image of a brand, as such, grows out of cumulative memory, which basically is formed by brand's associations and persona.

Whereas consumers expect to reap the same benefits always, the expectations they have must carry an element of contemporariness. To keep brands contemporary, that is keeping them belong to the present, we have to understand the memory part and the future part as a program.

The memories deal with the past and future is managed through a well guided program that deals with the present and sets the ground for future evolution. Brand managers must define the ground where the brand belongs and carve out the territory from where it will grow in future.

Memory is central to understanding how brands function and should be managed¹.

The underlying program indicates the purpose and meaning of both former and future products.

We should study brand's history from production and marketing points of view and make them a basis of our moves for the future. The historical perspective enables us to maintain consistencies for our future moves.

Consistencies offer smooth transition from one era to another as part of the same program that continues on a perpetual basis. You never stop working on what is past and what exists as present. Understanding of the present on the basis of the past gets us into the future free of any distortions. The result is a strong brand character, which is contemporary in nature.

Through consistency and persistence over time, brands create loyal customers. Brand keeps the promise and in return customers buy the brand and the contract goes on.

Brand contract requirements

Maintenance of the brand contract is subject to certain requirement. It is not always easy. You may make a wrong move in trying to improve packaging and the outer looks of the brand that may fall out of consumers' favor. You may introduce certain features in a consumer durable product that customers may see out of your brand's character. You may adjust ingredients of your brand to achieve cost efficiencies, disappointing your customers in the process. Or, you may just not have the requisite resources to catch up with the latest technologies, thereby frustrating your customers of your inability to stay contemporary. In other words, there are constraints in seeing the contract go through at all times. The brand concept, as a whole, assumes that branding requires internal as well as external marketing.² Since brands set their own ever-increasing standards to stay "contemporary" they need company-wide support – internal marketing in addition to external marketing.

External marketing is subject to the quality of internal marketing that is in practice for any brand within a company. Conviction or lack of it among all employees of the company about maintaining brand's promise can make or break a brand.

All functions of the organization must converge on one point to lend support to the brand. Only upon getting that kind of support, the brand contract can be maintained.

Following are some of the requirements:

1. Closely monitor the needs and expectations of the buyer. Carry out market research both to optimize the existing products and to discover needs that have yet to be fulfilled.

This effort falls within the realm of marketing.

2. React to technological progress as soon as it can create a competitive advantage for the brand. This signifies that operations department stays abreast of all developments and plays its role toward maintaining brand's promise. Promise is delivered by keeping the brand contemporary through research and development in the operations department.

3. Provide both volumes and quality. This requirement again is to be fulfilled by the operations department to make sure that repeat purchases take place. Insufficient volumes can undermine loyalty due to non-availability at certain points of sale and quality problems can jeopardize reputation of the brand and its loyalty.

4. Deliver products to intermediaries (trade members) consistently over time for them to optimize the role they play in selling the brand. This responsibility belongs to shipping and sales. Both departments play significant roles in maintaining the vital supply chain.

5. Give meaning to the brand and communicate its meaning to the target market through advertising, a function that is a hallmark of marketing department.

6. Make sure that finances are available according to the budget and there are no disturbances in the cash flow of the company. This is a responsibility of the finance department and also sales that helps the finance department in getting receivable amounts.

Internal mobilization of resources with timely actions lays the foundation for promises to be fulfilled. All departments and employees have to be an active part of the exercise with a sense of ownership. A brand belongs to all and is the glory of all.

We can sum it up in the words of Scot Davis, “Brand contract is a set of promises that the brand makes to customers. It is created internally but defined and validated externally by the marketplace³.”

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