Chapter **10**

In This Chapter, We Will Address the Following Questions

1. How can a firm develop and establish an effective positioning in the market?

2. How do marketers identify and analyze competition?

3. How are brands successfully differentiated?

4. What are the differences in positioning and branding with a small business?

With distinctive packaging and a compelling product concept, Method has carved out a unique spot in the previously staid cleaning-products market.

Crafting the Brand Positioning

No company can win if its products and services resemble every other product and offering. As part of the strategic brand management process, each offering must represent the right kinds of things in the minds of the target market. Although successfully positioning a new product in a well-established market may seem difficult, Method Products shows that it is not impossible.

Named the seventh fastest-growing company in the United States by Inc. magazine back in 2006, Method Products is the brainchild of former high school buddies Eric Ryan and Adam Lowry. The company started with the realization that although cleaning and household products is a huge category, taking up an entire supermarket aisle or more, it was an incredibly boring one. Ryan and Lowry designed a sleek, uncluttered dish soap container that also had a functional advantage—the bottle, shaped like a chess piece, was built to let soap flow out the bottom, so users would never have to turn it upside down. This signature product, with its pleasant fragrance, was designed by award-winning industrial designer Karim Rashid. "The cleaning product industry is very backwards, and many of the products have a 1950s language," Rashid said, "They are cluttered with graphics, too much information, and complicated ugly forms."

By creating a line of nontoxic, biodegradable household cleaning products with bright colors and sleek designs totally unique to the category, Method has crossed the line of $100 million in revenues with a phenomenal growth rate. Its big break came with the placement of its product in Target, known for partnering with well-known designers to produce stand-out products at affordable prices. Because of a limited advertising budget, the company believes its attractive packaging and innovative products must work harder to express the brand positioning. The challenge for Method now, however, is to differentiate beyond design to avoid copycats eroding the company's cachet. The company is capitalizing on growing interest in green products by emphasizing its nontoxic, nonpolluting ingredients.[1]

As the success of Method products demonstrates, a company can reap the benefits of carving out a unique position in the marketplace. Creating a compelling, well-differentiated brand position requires a keen understanding of consumer needs and wants, company capabilities, and competitive actions. It also requires disciplined but creative thinking. In this chapter, we outline a process by which marketers can uncover the most powerful brand positioning.

Developing and Establishing a Brand Positioning

All marketing strategy is built on segmentation, targeting, and positioning (STP). A company discovers different needs and groups in the marketplace, targets those it can satisfy in a superior way, and then positions its offerings so the target market recognizes the company's distinctive offerings and images.

Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.[2] The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm. A good brand positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps the consumer achieve, and showing how it does so in a unique way. Everyone in the organization should understand the brand positioning and use it as context for making decisions.

Entertainment Weekly   When publisher Scott Donaton took over *Entertainment Weekly*, he repositioned the magazine away from celebrity lifestyles to focus more directly on entertainment itself and what actually appeared on the screen, page, or CD. This updated positioning became a filter that guided the content and marketing of the magazine: "Every event, sales program, marketing initiative gets poured through that filter—the goal being to keep and enhance the things that are true to who you are; kill the things that aren't, necessarily; and create great new things that are even better expressions of who you are." Out was the glitzy annual Oscar party at Elaine's restaurant in New York City; in its place was a week-long Academy Awards program at ArcLight Theater in Hollywood showcasing all the best-pictures nominees and featuring a panel discussion with nominated screenwriters.[3] 🔲

A good positioning has a "foot in the present" and a "foot in the future." It needs to be somewhat aspirational so the brand has room to grow and improve. Positioning on the basis of the current state of the market is not forward-looking enough, but, at the same time, the positioning cannot be so removed from reality that it is essentially unobtainable. The real trick in positioning is to strike just the right balance between what the brand is and what it could be.

The result of positioning is the successful creation of a *customer-focused value proposition,* a cogent reason why the target market should buy the product. 🔲 Table 10.1 shows how three companies—Perdue, Volvo, and Domino's—have defined their value proposition through the years given their target customers, benefits, and prices.[4]

Positioning requires that marketers define and communicate similarities and differences between their brand and its competitors. Specifically, deciding on a positioning requires: (1) determining a frame of reference by identifying the target market and relevant competition, (2) identifying the optimal points of parity and points of difference brand associations given that frame of reference, and (3) creating a brand mantra to summarize the positioning and essence of the brand.

Entertainment Weekly uses its updated brand positioning to guide everything it does.

Determining a Competitive Frame of Reference

The **competitive frame of reference** defines which other brands a brand competes with and therefore which brands should be the focus of competitive analysis. Decisions about the competitive

TABLE 10.1 🔲 Examples of Value Propositions				
Company and Product	**Target Customers**	**Key Benefits**	**Price**	**Value Proposition**
Perdue (chicken)	Quality-conscious consumers of chicken	Tenderness	10% premium	More tender golden chicken at a moderate premium price
Volvo (station wagon)	Safety-conscious upscale families	Durability and safety	20% premium	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	Delivery speed and good quality	15% premium	A good hot pizza, delivered promptly to your door, at a moderate price

frame of reference are closely linked to target market decisions. Deciding to target a certain type of consumer can define the nature of competition, because certain firms have decided to target that segment in the past (or plan to do so in the future), or because consumers in that segment may already look to certain products or brands in their purchase decisions.

IDENTIFYING COMPETITORS A good starting point in defining a competitive frame of reference for brand positioning is to determine **category membership**—the products or sets of products with which a brand competes and which function as close substitutes. It would seem a simple task for a company to identify its competitors. PepsiCo knows Coca-Cola's Dasani is a major bottled-water competitor for its Aquafina brand; Citigroup knows Bank of America is a major banking competitor; and Petsmart.com knows a major online retail competitor for pet food and supplies is Petco.com.

The range of a company's actual and potential competitors, however, can be much broader than the obvious. For a brand with explicit growth intentions to enter new markets, a broader or maybe even more aspirational competitive frame may be necessary to reflect possible future competitors. And a company is more likely to be hurt by emerging competitors or new technologies than by current competitors.

- After having spent billions of dollars building their networks, cell phone carriers AT&T, Verizon Wireless, and Sprint face the threat of new competition emerging as a result of a number of changes in the marketplace: Skype and the growth of Wi-Fi hotspots, municipal Wi-Fi networks built by cities, dual mode phones that can easily switch networks, and the opening up of the old analog 700 MHz frequency used for UHF broadcasts.[5]
- The energy-bar market created by PowerBar ultimately fragmented into a variety of subcategories, including those directed at specific segments (such as Luna bars for women) and some possessing specific attributes (such as the protein-laden Balance and the calorie-control bar Pria). Each represented a subcategory for which the original PowerBar was potentially not as relevant.[6]

Firms should identify their competitive frame in the most advantageous way possible. In the United Kingdom, for example, the Automobile Association positioned itself as the fourth "emergency service"—along with police, fire, and ambulance—to convey greater credibility and urgency. Consider the competitive frame adopted by Bertolli.[7]

The energy bar market has fragmented into a number of sub-categories, each appealing to different people in different situations.

Bertolli   Unilever's Bertolli, a line of frozen Italian food, experienced a steady 10 percent growth in sales through the recent economic recession, in part due to its clever positioning as "restaurant quality Italian food that you can eat at home." Targeting men and women with "discerning palates," Bertolli has aggressively innovated with a stream of high-quality new dishes to keep target customers interested. In its marketing for the brand, Bertolli deliberately chooses to go to places "appropriate for a fine dining brand but not a frozen food brand." Advertising "Spend a Night In with Bertolli," the brand has advertised during the Emmys and Golden Globes award show telecasts and hosted celebrity chef dinners in Manhattan.

We can examine competition from both an industry and a market point of view.[8] An **industry** is a group of firms offering a product or class of products that are close substitutes for one another. Marketers classify industries according to number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization.

Using the market approach, we define *competitors* as companies that satisfy the same customer need. For example, a customer who buys a word-processing package really wants "writing ability"—a need that can also be satisfied by pencils, pens, or, in the past, typewriters. Marketers must overcome "marketing myopia" and stop defining competition in traditional category and industry terms.[9] Coca-Cola, focused on its soft drink business, missed seeing the market for coffee bars and fresh-fruit-juice bars that eventually impinged on its soft-drink business.

The market concept of competition reveals a broader set of actual and potential competitors than competition defined in just product category terms. Jeffrey F. Rayport and Bernard J. Jaworski suggest profiling a company's direct and indirect competitors by mapping the buyer's steps in obtaining and using the product. This type of analysis highlights both the opportunities and the challenges a company faces.[10] "Marketing Insight: High Growth through Value Innovation" describes how firms can tap into new markets while minimizing competition from others.

Marketing Insight

High Growth Through Value Innovation

INSEAD professors W. Chan Kim and Renée Mauborgne believe too many firms engage in "red-ocean thinking"—seeking bloody, head-to-head battles with competitors based largely on incremental improvements in cost, quality, or both. They advocate engaging in "blue-ocean thinking" by creating products and services for which there are no direct competitors. Instead of searching within the conventional boundaries of industry competition, managers should look beyond those boundaries to find unoccupied market positions that represent real value innovation.

The authors cite as one example Bert Claeys, a Belgian company that operates movie theaters, and its introduction of the 25-screen, 7,600-seat Kinepolis megaplex. Despite an industry slump, Kinepolis has thrived on a unique combination of features, such as ample and safe free parking; large screens and state-of-the-art sound and projection equipment; and roomy, comfortable, oversized seats with unobstructed views. Through smart planning and economies of scale, Bert Claeys created Kinepolis's unique cinema experience at a lower cost.

This is classic blue-ocean thinking—designing creative business ventures to positively affect both a company's cost structure and its value proposition to consumers. Cost savings result from eliminating and reducing the factors affecting traditional industry competition; value to consumers comes from introducing factors the industry has never before offered. Over time, costs drop even more as superior value leads to higher sales volume, and that generates economies of scale.

Here are other marketers that exhibit unconventional, blue-ocean thinking:

- Callaway Golf designed "Big Bertha," a golf club with a large head and expanded sweet spot that helped golfers frustrated by the difficulty of hitting a golf ball squarely.

- NetJets figured out how to offer private jet service to a larger group of customers through fractional ownership.

- Cirque du Soleil reinvented circus as a higher form of entertainment by eliminating high-cost elements such as animals and enhancing the theatrical experience instead.

Kim and Mauborgne propose four crucial questions for marketers to ask themselves in guiding blue-ocean thinking and creating value innovation:

1. Which of the factors that our industry takes for granted should we eliminate?

2. Which factors should we reduce well *below* the industry's standard?

3. Which factors should we raise well *above* the industry's standard?

4. Which factors should we create that the industry has never offered?

They maintain that the most successful blue-ocean thinkers took advantage of all three platforms on which value innovation can take place: *physical product*; *service* including maintenance, customer service, warranties, and training for distributors and retailers; and *delivery*, meaning channels and logistics.

Sources: W. Chan Kim and Renée Mauborgne, *Blue-Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Cambridge, MA: Harvard Business School Press, 2005); W. Chan Kim and Renée Mauborgne, "Creating New Market Space," *Harvard Business Review,* January–February 1999; W. Chan Kim and Renée Mauborgne, "Value Innovation: The Strategic Logic of High Growth," *Harvard Business Review,* January–February 1997.

ANALYZING COMPETITORS Chapter 2 described how to conduct a SWOT analysis that includes a competitive analysis. A company needs to gather information about each competitor's real and perceived strengths and weaknesses. Table 10.2 shows the results of a company survey that asked customers to rate its three competitors, A, B, and C, on five attributes. Competitor A turns out to be well known and respected for producing high-quality products sold by a good sales force, but poor at providing product availability and technical assistance. Competitor B is good across the board and excellent in product availability and sales force. Competitor C rates poor to fair on most attributes. This result suggests that in its positioning, the company could attack Competitor A on product availability and technical assistance and Competitor C on almost anything, but it should not attack B, which has no glaring weaknesses. As part of this competitive analysis for positioning, the firm should also ascertain the strategies and objectives of its primary competitors.[11]

Once a company has identified its main competitors and their strategies, it must ask: What is each competitor seeking in the marketplace? What drives each competitor's behavior? Many factors shape a competitor's objectives, including size, history, current management, and financial situation. If the competitor is a division of a larger company, it's important to know whether the parent company is running it for growth or for profits, or milking it.[12]

Finally, based on all this analysis, marketers must formally define the competitive frame of reference to guide positioning. In stable markets with little short-term change likely, it may be fairly easy to define one, two, or perhaps three key competitors. In dynamic categories where competition may exist or arise in a variety of different forms, multiple frames of reference may arise, as we discuss next.

TABLE 10.2	Customers' Ratings of Competitors on Key Success Factors				
	Customer Awareness	Product Quality	Product Availability	Technical Assistance	Selling Staff
Competitor A	E	E	P	P	G
Competitor B	G	G	E	G	E
Competitor C	F	P	G	F	F
Note: E = excellent, G = good, F = fair, P = poor.					

Identifying Optimal Points-of-Difference and Points-of-Parity

Once marketers have fixed the competitive frame of reference for positioning by defining the customer target market and the nature of the competition, they can define the appropriate points-of-difference and points-of-parity associations.[13]

POINTS-OF-DIFFERENCE **Points-of-difference** (**PODs**) are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand. Associations that make up points-of-difference may be based on virtually any type of attribute or benefit. Strong brands may have multiple points-of-difference. Some examples are Apple (*design, ease-of-use,* and *irreverent attitude*), Nike (*performance, innovative technology,* and *winning*), and Southwest Airlines (*value, reliability,* and *fun personality*). Creating strong, favorable, and unique associations is a real challenge, but an essential one for competitive brand positioning.

Three criteria determine whether a brand association can truly function as a point-of-difference—desirability, deliverability, and differentiability. Some key considerations follow.

*   *Desirable to consumer.* Consumers must see the brand association as personally relevant to them. The Westin Stamford hotel in Singapore advertised that it was the world's tallest hotel, but a hotel's height is not important to many tourists. Consumers must also be given a compelling reason to believe and an understandable rationale for why the brand can deliver the desired benefit. Mountain Dew may argue that it is more energizing than other soft drinks and support this claim by noting that it has a higher level of caffeine. Chanel No. 5 perfume may claim to be the quintessentially elegant French perfume and support this claim by noting the long association between Chanel and haute couture. Substantiators can also come in the form of patented, branded ingredients, such as NIVEA Wrinkle Control Crème with Q10 co-enzyme or Herbal Essences hair conditioner with Hawafena.
*   *Deliverable by the company.* The company must have the internal resources and commitment to feasibly and profitably create and maintain the brand association in the minds of consumers. The product design and marketing offering must support the desired association. Does communicating the desired association require real changes to the product itself, or just perceptual shifts in the way the consumer thinks of the product or brand? Creating the latter is typically easier. General Motors has had to work to overcome public perceptions that Cadillac is not a youthful, modern brand and has done so through bold designs and contemporary images. The ideal brand association is preemptive, defensible, and difficult to attack. It is generally easier for market leaders such as ADM, Visa, and SAP to sustain their positioning, based as it is on demonstrable product or service performance, than it is for market leaders such as Fendi, Prada, and Hermès, whose positioning is based on fashion and is thus subject to the whims of a more fickle market.
*   *Differentiating from competitors.* Finally, consumers must see the brand association as distinctive and superior to relevant competitors. Splenda sugar substitute overtook Equal and Sweet'N Low to become the leader in its category in 2003 by differentiating itself on its authenticity as a product derived from sugar, without any of the associated drawbacks.[14]

Any attribute or benefit associated with a product or service can function as a point-of-difference for a brand as long as it is sufficiently desirable, deliverable, and differentiating. The brand must demonstrate clear superiority on an attribute or benefit, however, for it to function as a true point-of-difference. Consumers must be convinced, for example, that Louis Vuitton has the most stylish handbags, Energizer is the longest-lasting battery, and Fidelity Investments offers the best financial advice and planning.

POINTS-OF-PARITY **Points-of-parity** (**POPs**), on the other hand, are attribute or benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands.[15] These types of associations come in two basic forms: category and competitive.

Category points-of-parity are attributes or benefits that consumers view as essential to a legitimate and credible offering within a certain product or service category. In other words, they represent necessary—but not sufficient—conditions for brand choice. Consumers might not consider a

travel agency truly a travel agency unless it is able to make air and hotel reservations, provide advice about leisure packages, and offer various ticket payment and delivery options. Category points-of-parity may change over time due to technological advances, legal developments, or consumer trends, but to use a golfing analogy, they are the "greens fees" necessary to play the marketing game.

Competitive points-of-parity are associations designed to overcome perceived weaknesses of the brand. A competitive point-of-parity may be required to either (1) negate *competitors*' perceived points-of-difference or (2) negate a perceived vulnerability of the brand as a result of its own points-of-difference. The latter consideration, which we discuss in more detail later in this chapter, arises when consumers feel that if a brand is good at one thing (easy to use), it must not be good at something else (having advanced features).

One good way to uncover key competitive points-of-parity is to role-play competitors' positioning and infer their intended points-of-difference. Competitor's PODs will, in turn, suggest the brand's POPs. Consumer research into the trade-offs consumers make in their purchasing decisions can also be informative.

Regardless of the source of perceived weaknesses, if, in the eyes of consumers, a brand can "break even" in those areas where it appears to be at a disadvantage *and* achieve advantages in other areas, the brand should be in a strong—and perhaps unbeatable—competitive position. Consider the introduction of Miller Lite beer–the first major light beer in North America.[16]

Miller Lite The initial advertising strategy for Miller Lite beer had two goals—ensuring parity with key competitors in the regular, full-strength beer category by stating that it "tastes great," while at the same time creating a point-of-difference: It contained one-third fewer calories and was thus "less filling." As is often the case, the point-of-parity and point-of-difference were somewhat conflicting, as consumers tend to equate taste with calories. To overcome potential resistance, Miller employed credible spokespeople, primarily popular former professional athletes, who would presumably not drink a beer unless it tasted good. These ex-jocks humorously debated which of the two product benefits—"tastes great" or "less filling"—was more descriptive of the beer. The ads ended with the clever tagline "Everything You've Always Wanted in a Beer . . . and Less."

POINTS-OF-PARITY VERSUS POINTS-OF-DIFFERENCE For an offering to achieve a point-of-parity on a particular attribute or benefit, a sufficient number of consumers must believe the brand is "good enough" on that dimension. There is a zone or range of tolerance or acceptance with points-of-parity. The brand does not literally need to be seen as equal to competitors, but consumers must feel it does well enough on that particular attribute or benefit. If they do, they may be willing to base their evaluations and decisions on other factors potentially more favorable to the brand. A light beer presumably would never taste as good as a full-strength beer, but it would need to taste close enough to be able to effectively compete.

Often, the key to positioning is not so much achieving a point-of-difference as achieving points-of-parity!

Visa versus American Express Visa's POD in the credit card category is that it is the most widely available card, which underscores the category's main benefit of convenience. American Express, on the other hand, has built the equity of its brand by highlighting the prestige associated with the use of its card. Having established their PODs, Visa and American Express now compete to create POPs by attempting to blunt each other's advantage. Visa offers gold and platinum cards to enhance the prestige of its brand and for years advertised, "It's Everywhere You Want to Be," showing desirable travel

Visa has established a strong point-of-difference versus American Express on the basis of acceptability.

enjoy exclusive perks at Visa Signature Luxury Hotels.

VISA SIGNATURE

and leisure locations that accepted only the Visa card, to reinforce both its exclusivity and its acceptability. American Express has substantially increased the number of merchants that accept its cards and created other value enhancements while also reinforcing its cachet through advertising that showcases celebrities such as Jerry Seinfeld, Robert De Niro, Tina Fey, Ellen DeGeneres, and Beyoncé. 🖾

MULTIPLE FRAMES OF REFERENCE It is not uncommon for a brand to identify more than one actual or potential competitive frame of reference, if competition widens or the firm plans to expand into new categories. For example, Starbucks could define very distinct sets of competitors, suggesting different possible POPs and PODs as a result:

1. *Quick-serve restaurants and convenience shops (McDonald's and Dunkin' Donuts).* Intended PODs might be quality, image, experience, and variety; intended POPs might be convenience and value.
2. *Supermarket brands for home consumption (Folgers and NESCAFÉ).* Intended PODs might be quality, image, experience, variety, and freshness; intended POPs might be convenience and value.
3. *Local cafés.* Intended PODs might be convenience and service quality; intended POPs might be quality, variety, price, and community.

Note that some potential POPs and PODs for Starbucks are shared across competitors; others are unique to a particular competitor.

Under such circumstances, marketers have to decide what to do. There are two main options with multiple frames of reference. One is to first develop the best possible positioning for each type or class of competitors and then see whether there is a way to create one combined positioning robust enough to effectively address them all. If competition is too diverse, however, it may be necessary to prioritize competitors and then choose the most important set of competitors to serve as the competitive frame. One crucial consideration is not to try to be all things to all people—that leads to lowest-common-denominator positioning, which is typically ineffective.

Starbucks has encountered some stiff competition in the coffee market in recent years from McDonald's and Dunkin' Donuts.

Finally, if there are many competitors in different categories or subcategories, it may be useful to either develop the positioning at the categorical level for all relevant categories ("quick-serve restaurants" or "supermarket take-home coffee" for Starbucks) or with an exemplar from each category (McDonald's or NESCAFÉ for Starbucks).

STRADDLE POSITIONING Occasionally, a company will be able to straddle two frames of reference with one set of points-of-difference and points-of-parity. In these cases, the points-of-difference for one category become points-of-parity for the other and vice versa. Subway restaurants are positioned as offering healthy, good-tasting sandwiches. This positioning allows the brand to create a POP on taste and a POD on health with respect to quick-serve restaurants such as McDonald's and Burger King and, at the same time, a POP on health and a POD on taste with respect to health food restaurants and cafés. Straddle positions allow brands to expand their market coverage and potential customer base. Another example of a straddle positioning is BMW.

BMW

BMW When BMW first made a strong competitive push into the U.S. market in the early 1980s, it positioned the brand as the only automobile that offered both luxury *and* performance. At that time, consumers saw U.S. luxury cars as lacking performance, and U.S. performance cars as lacking luxury. By relying on the design of its cars, its German heritage, and other aspects of a well-conceived marketing program, BMW was able to simultaneously achieve: (1) a point-of-difference on luxury and a point-of-parity on performance with respect to U.S. performance cars like the Chevy Corvette, and (2) a point-of-difference on performance and a point-of-parity on luxury with respect to U.S. luxury cars like Cadillac. The clever slogan "The Ultimate Driving Machine" effectively captured the newly created umbrella category—luxury performance cars.
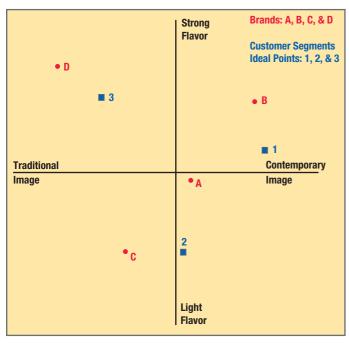
Although a straddle positioning is often attractive as a means of reconciling potentially conflicting consumer goals and creating a "best of both worlds" solution, it also carries an extra burden. If the points-of-parity and points-of-difference with respect to both categories are not credible, the brand may not be viewed as a legitimate player in either category. Many early PDAs that unsuccessfully tried to straddle categories ranging from pagers to laptop computers provide a vivid illustration of this risk.
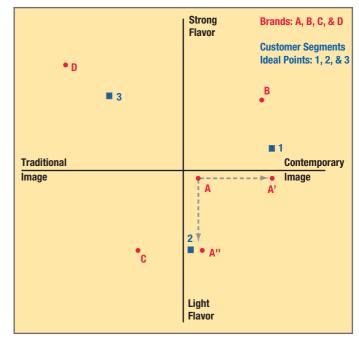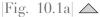
Choosing POPs and PODs

Marketers typically focus on brand benefits in choosing the points-of-parity and points-of-difference that make up their brand positioning. Brand attributes generally play more of a supporting role by providing "reasons to believe" or "proof points" as to why a brand can credibly claim it offers certain benefits. Marketers of Dove soap, for example, will talk about how its attribute of one-quarter cleansing cream uniquely creates the benefit of softer skin. Consumers are usually more interested in benefits and what exactly they will get from a product. Multiple attributes may support a certain benefit, and they may change over time.

For choosing specific benefits as POPs and PODs to position a brand, perceptual maps may be useful. *Perceptual maps* are visual representations of consumer perceptions and preferences. They provide quantitative portrayals of market situations and the way consumers view different products, services, and brands along various dimensions. By overlaying consumer preferences with brand perceptions, marketers can reveal "holes" or "openings" that suggest unmet consumer needs and marketing opportunities.

For example, ◬ Figure 10.1(a) shows a hypothetical perceptual map for a beverage category. The four brands—A, B, C, and D—vary in terms of how consumers view their taste profile (light versus strong) and personality and imagery (contemporary versus modern). Also displayed on the map are ideal point "configurations" for three market segments (1, 2, and 3). The ideal points represent each segment's most preferred ("ideal") combination of taste and imagery.

|Fig. 10.1a| ▲

(a) Hypothetical Beverage Perceptual Map: Current Perceptions

|Fig. 10.1b| ▲

(b) Hypothetical Beverage Perceptual Map: Possible Repositioning for Brand A

Consumers in Segment 3 prefer beverages with a strong taste and traditional imagery. Brand D is well-positioned for this segment as it is strongly associated in the marketplace with both these benefits. Given that none of the competitors is seen as anywhere close, we would expect Brand D to attract many of the Segment 3 customers.

Brand A, on the other hand, is seen as more balanced in terms of both taste and imagery. Unfortunately, no market segment seems to really desire this balance. Brands B and C are better positioned with respect to Segments 2 and 3, respectively.

- By making its image more contemporary, Brand A could move to A' to target consumers in Segment 1 and achieve a point-of-parity on imagery and maintain its point-of-difference on taste profile with respect to Brand B.
- By changing its taste profile to make it lighter, Brand A could move to A" to target consumers in Segment 2 and achieve a point-of-parity on taste profile and maintain its point-of-difference on imagery with respect to Brand C.

Deciding which repositioning is most promising, A' or A", would require detailed consumer and competitive analysis on a host of factors—including the resources, capabilities, and likely intentions of competing firms—to choose the markets where consumers can profitably be served.

Brand Mantras

To further focus the intent of the brand positioning and the way firms would like consumers to think about the brand, it is often useful to define a brand mantra.[17] A *brand mantra* is an articulation of the heart and soul of the brand and is closely related to other branding concepts like "brand essence" and "core brand promise." Brand mantras are short, three- to five-word phrases that capture the irrefutable essence or spirit of the brand positioning. Their purpose is to ensure that all employees within the organization and all external marketing partners understand what the brand is most fundamentally to represent with consumers so they can adjust their actions accordingly.

THE SECOND COMING.

Nike's brand mantra of "authentic athletic performance" guides the types of products it makes and the athletes it hires as endorsers.

Brand mantras are powerful devices. They can provide guidance about what products to introduce under the brand, what ad campaigns to run, and where and how to sell the brand. Their influence, however, can extend beyond these tactical concerns. Brand mantras may even guide the most seemingly unrelated or mundane decisions, such as the look of a reception area and the way phones are answered. In effect, they create a mental filter to screen out brand-inappropriate marketing activities or actions of any type that may have a negative bearing on customers' impressions of a brand.

Brand mantras must economically communicate what the brand is and what it is *not*. What makes for a good brand mantra? McDonald's brand philosophy of "Food, Folks, and Fun" captures its brand essence and core brand promise. Two high-profile and successful examples—Nike and Disney—show the power and utility of a well-designed brand mantra.

Nike   Nike has a rich set of associations with consumers, based on its innovative product designs, its sponsorships of top athletes, its award-winning advertising, its competitive drive, and its irreverent attitude. Internally, Nike marketers adopted the three-word brand mantra, "authentic athletic performance," to guide their marketing efforts. Thus, in Nike's eyes, its entire marketing program—its products and how they are sold—must reflect those key brand values. Over the years, Nike has expanded its brand meaning from "running shoes" to "athletic shoes" to "athletic shoes and apparel" to "all things associated with athletics (including equipment)." Each step of the way, however, it has been guided by its "authentic athletic performance" brand mantra. For example, as Nike rolled out its successful apparel line, one important hurdle for the products was that they could be made innovative enough through material, cut, or design to truly benefit top athletes. At the same time, the company has been careful to avoid using the Nike name to brand products that do not fit with the brand mantra (like casual "brown" shoes).

Disney   Disney developed its brand mantra in response to its incredible growth through licensing and product development during the mid-1980s. In the late 1980s, Disney became concerned that some of its characters, such as Mickey Mouse and Donald Duck, were being used inappropriately and becoming overexposed. The characters were on so many products and marketed in so many ways that in some cases it was

Disney's brand mantra of "fun family entertainment" provides guardrails so its marketing stays on track.

difficult to discern what could have been the rationale behind the deal to start with. Moreover, because of the broad exposure of the characters in the marketplace, many consumers had begun to feel Disney was exploiting its name. Disney moved quickly to ensure that a consistent image—reinforcing its key brand associations—was conveyed by all third-party products and services. To facilitate this supervision, Disney adopted an internal brand mantra of "fun family entertainment" to serve as a screen for proposed ventures. Opportunities that were not consistent with the brand mantra—no matter how appealing— were rejected. 🔲

DESIGNING A BRAND MANTRA Brand mantras are designed with internal purposes in mind. A brand slogan is an external translation that attempts to creatively engage consumers. Although Nike's internal mantra was "authentic athletic performance," its external slogan was "Just Do It." Here are the three key criteria for a brand mantra.

- *Communicate.* A good brand mantra should define the category (or categories) of business for the brand and set the brand boundaries. It should also clarify what is unique about the brand.
- *Simplify.* An effective brand mantra should be memorable. For that, it should be short, crisp, and vivid in meaning.
- *Inspire.* Ideally, the brand mantra should also stake out ground that is personally meaningful and relevant to as many employees as possible.

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

For brands facing rapid growth, it is helpful to define the product or benefit space in which the brand would like to compete, as Nike did with "athletic performance" and Disney with "family entertainment." Words that describe the nature of the product or service, or the type of experiences or benefits the brand provides, can be critical to identifying appropriate categories into which to extend. For brands in more stable categories where extensions into more distinct categories are less likely to occur, the brand mantra may focus more exclusively on points-of-difference.

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

Establishing Brand Positioning

Once they have determined the brand positioning strategy, marketers should communicate it to everyone in the organization so it guides their words and actions. One helpful schematic to do so is a brand-positioning bull's-eye. Constructing a bull's-eye for the brand ensures that no steps are skipped in its development. "Marketing Memo: Constructing a Brand Positioning Bull's-eye" outlines one way marketers can formally express brand positioning.

Establishing the brand positioning in the marketplace requires that consumers understand what the brand offers and what makes it a superior competitive choice. To do so, consumers need to understand in which category or categories it competes and its points-of-parity and points-of-difference with respect to those competitors.

Category membership may be obvious in some cases. Target customers are aware that Maybelline is a leading brand of cosmetics, Cheerios is a leading brand of cereal, Accenture is a leading consulting firm, and so on. Often, however, marketers for many other brands must inform consumers of a brand's category membership. Perhaps the most obvious situation is the introduction of new products, especially when category identification itself is not apparent.

Category membership can be a special problem for high-tech products. When GO Corporation created the first pen-based tablet computer in the early 1990s, analysts and the
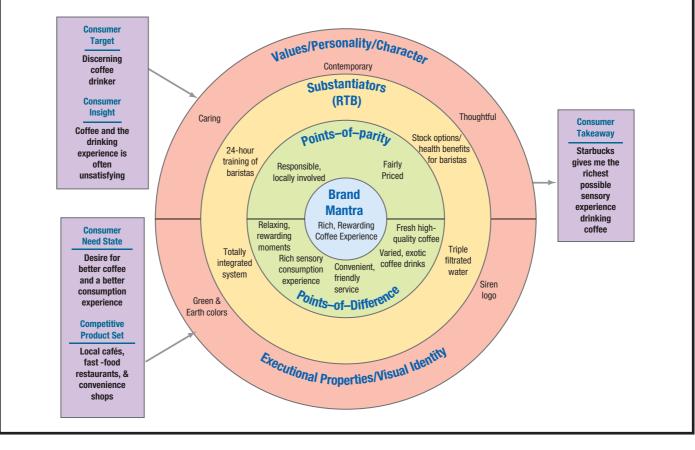
marketing Memo

Constructing a Brand Positioning Bull's-eye

A brand bull's-eye provides content and context to improve everyone's understanding of the positioning of a brand in the organization. Here we describe the components of a brand bull's-eye, illustrating with a hypothetical Starbucks example.

In the inner two circles is the heart of the bull's-eye—key points-of-parity and points-of-difference, as well as the brand mantra. In the next circle out are the substantiators or reasons-to-believe (RTB)—attributes or benefits that provide factual or demonstrable support for the points-of-parity and points-of-difference. Finally, the outer circle contains two other useful branding concepts: (1) the brand values, personality, or character—intangible associations that help to establish the tone for the words and actions for the

brand; and (2) executional properties and visual identity—more tangible components of the brand that affect how it is seen.

Three boxes outside the bull's-eye provide useful context and interpretation. To the left, two boxes highlight some of the input to the positioning analysis: One includes the consumer target and a key insight about consumer attitudes or behavior that significantly influenced the actual positioning; the other box provides competitive information about the key consumer need the brand is attempting to satisfy and some competitive products or brands that need suggests. To the right of the bull's-eye, one box offers a "big picture" view of the output—the ideal consumer takeaway that would result if the brand positioning efforts were successful.

Consumer Target
Discerning coffee drinker

Consumer Insight
Coffee and the drinking experience is often unsatisfying

Consumer Need State
Desire for better coffee and a better consumption experience

Competitive Product Set
Local cafés, fast-food restaurants, & convenience shops

Values/Personality/Character
Contemporary
Caring — Thoughtful

Substantiators (RTB)
Stock options/health benefits for baristas
24-hour training of baristas

Points-of-parity
Responsible, locally involved — Fairly Priced

Brand Mantra
Rich, Rewarding Coffee Experience

Relaxing, rewarding moments — Fresh high-quality coffee
Totally integrated system
Rich sensory consumption experience — Varied, exotic coffee drinks
Convenient, friendly service
Triple filtrated water

Points-of-Difference
Green & Earth colors
Siren logo

Executional Properties/Visual Identity

Consumer Takeaway
Starbucks gives me the richest possible sensory experience drinking coffee

media responded enthusiastically to the concept, but consumer interest never materialized. GO was eventually purchased by AT&T for use in a pen computer venture that folded in 1994.[18]

There are also situations in which consumers know a brand's category membership but may not be convinced the brand is a valid member of the category. They may be aware that Hewlett-Packard produces digital cameras, but they may not be certain whether Hewlett-Packard cameras are in the same class as Sony, Olympus, Kodak, and Nikon. In this instance, HP might find it useful to reinforce category membership.

Brands are sometimes affiliated with categories in which they do *not* hold membership. This approach is one way to highlight a brand's point-of-difference, providing consumers know the

brand's actual membership. DiGiorno's frozen pizza has adopted such a positioning strategy—instead of putting it in the frozen pizza category, the marketers have positioned it in the delivered pizza category with ads that claim, "It's Not Delivery, It's DiGiorno!"

With this approach, however, it's important not to be trapped between categories. Consumers should understand what the brand stands for, and not just what it's not. The Konica e-mini M digital camera and MP3 player was marketed as the "four-in-one entertainment solution," but it suffered from functional deficiencies in each of its product applications and languished in the marketplace as a result.[19]

The typical approach to positioning is to inform consumers of a brand's membership before stating its point-of-difference. Presumably, consumers need to know what a product is and what function it serves before deciding whether it is superior to the brands against which it competes. For new products, initial advertising often concentrates on creating brand awareness, and subsequent advertising attempts to create the brand image.

DiGiorno has cleverly positioned itself as a convenient, tasty alternative to home-delivered pizza.

COMMUNICATING CATEGORY MEMBERSHIP There are three main ways to convey a brand's category membership:

1. *Announcing category benefits.* To reassure consumers that a brand will deliver on the fundamental reason for using a category, marketers frequently use benefits to announce category membership. Thus, industrial tools might claim to have durability, and antacids might announce their efficacy. A brownie mix might attain membership in the baked desserts category by claiming the benefit of great taste and support this claim by including high-quality ingredients (performance) or by showing users delighting in its consumption (imagery).
2. *Comparing to exemplars.* Well-known, noteworthy brands in a category can also help a brand specify its category membership. When Tommy Hilfiger was an unknown, advertising announced his membership as a great U.S. designer by associating him with Geoffrey Beene, Stanley Blacker, Calvin Klein, and Perry Ellis, who were recognized members of that category.
3. *Relying on the product descriptor.* The product descriptor that follows the brand name is often a concise means of conveying category origin. Ford Motor Co. invested more than $1 billion on a radical new 2004 model called the X-Trainer, which combined the attributes of an SUV, a minivan, and a station wagon. To communicate its unique position—and to avoid association with its Explorer and Country Squire models—the vehicle, eventually called Freestyle, was designated a "sports wagon."[20]

COMMUNICATING POPs AND PODs One common difficulty in creating a strong, competitive brand positioning is that many of the attributes or benefits that make up the points-of-parity and points-of-difference are negatively correlated. For example, it might be difficult to position a brand as "inexpensive" and at the same time assert that it is "of the highest quality." ConAgra must convince consumers that Healthy Choice frozen foods both taste good *and* are good for you. Consider these examples of negatively correlated attributes and benefits:

Low price vs. High quality	Powerful vs. Safe
Taste vs. Low calories	Strong vs. Refined
Nutritious vs. Good tasting	Ubiquitous vs. Exclusive
Efficacious vs. Mild	Varied vs. Simple

Moreover, individual attributes and benefits often have positive *and* negative aspects. For example, consider a long-lived brand such as La-Z-Boy recliners, Burberry outerwear, or the *New York Times.* The brand's heritage could suggest experience, wisdom, and expertise. On the other hand, it could also imply being old-fashioned and not up-to-date.[21]

Unfortunately, consumers typically want to maximize *both* of the negatively correlated attributes or benefits. Much of the art and science of marketing is dealing with trade-offs, and positioning is no different. The best approach clearly is to develop a product or service that performs well on both dimensions. GORE-TEX was able to overcome the seemingly conflicting product images of "breathable" and "waterproof" through technological advances. When in-depth and quantitative interviews and focus groups suggested that consumers wanted the benefits of technology without the hassles, Royal Philips launched its "Sense and Simplicity" advertising campaign for its Philips brand of electronics, using print, online, and television advertising.[22]

Some marketers have adopted other approaches to address attribute or benefit trade-offs: launching two different marketing campaigns, each one devoted to a different brand attribute or benefit; linking themselves to any kind of entity (person, place, or thing) that possesses the right kind of equity as a means to establish an attribute or benefit as a POP or POD; and even attempting to convince consumers that the negative relationship between attributes and benefits, if they consider it differently, is in fact positive.
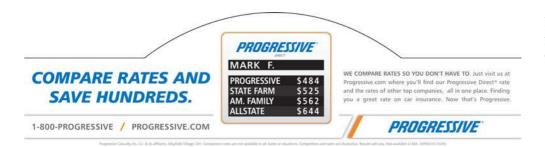
Differentiation Strategies

To build a strong brand and avoid the commodity trap, marketers must start with the belief that you can differentiate anything. **Competitive advantage** is a company's ability to perform in one or more ways that competitors cannot or will not match. Michael Porter urged companies to build a sustainable competitive advantage.[23] But few competitive advantages are sustainable. At best, they may be leverageable. A *leverageable advantage* is one that a company can use as a springboard to new advantages, much as Microsoft has leveraged its operating system to Microsoft Office and then to networking applications. In general, a company that hopes to endure must be in the business of continuously inventing new advantages.[24]

For a brand to be effectively positioned, however, customers must see any competitive advantage as a *customer advantage.* For example, if a company claims its product works faster than its competitors, it won't be a customer advantage if customers don't value speed. Select Comfort has made a splash in the mattress industry with its Sleep Number beds, which allow consumers to adjust the support and fit of the mattress for optimal comfort with a simple numbering index.[25] Companies must also focus on building customer advantages.[26] Then they will deliver high customer value and satisfaction, which leads to high repeat purchases and ultimately to high company profitability.

Progressive   Progressive gained a competitive advantage in the mid-1990s when it became one of the first auto insurance companies to sell direct to consumers via the Internet. The company's early adoption of technology enabled it to offer a unique service: In addition to providing free online quotes for its own policies, Progressive also provided quotes from up to three competitors, information that until then had been available only through insurance agents. In addition to saving its customers time, Progressive was able to save them money by showing that, in many cases, its policies were more competitively priced. Once Progressive

Progressive supports its low-price point-of-difference by providing competitive quotes online.

won new customers' business, it mobilized an army of 12,000 claims adjusters who will speed right to an accident scene—and often cut a check right on the spot. It has further enhanced its competitiveness by adding innovative service features such as an "accident concierge," who handles all aspects of the claims and repair process for customers, and online policy management that enables customers to make payments and change coverage any time. These customer advantages made Progressive the 3rd largest auto insurer in the United States by 2006, up from 48th in 1980, with 12 million customers.[27]

MEANS OF DIFFERENTIATION   The obvious means of differentiation, and often the ones most compelling to consumers, relate to aspects of the product and service (reviewed in Chapters 12 and 13). Swatch offers colorful, fashionable watches; GEICO offers reliable insurance at discount prices. In competitive markets, however, firms may need to go beyond these. Consider these other dimensions, among the many that a company can use to differentiate its market offerings:

*   *Employee differentiation.*   Companies can have better-trained employees who provide superior customer service. Singapore Airlines is well regarded in large part because of its flight attendants. The sales forces of such companies as General Electric, Cisco, Frito-Lay, Northwestern Mutual Life, and Pfizer enjoy an excellent reputation.[28]
*   *Channel differentiation.*   Companies can more effectively and efficiently design their distribution channels' coverage, expertise, and performance to make buying the product easier and more enjoyable and rewarding. Back in 1946, pet food was cheap, not too nutritious, and available exclusively in supermarkets and the occasional feed store. Dayton, Ohio–based Iams found success selling premium pet food through regional veterinarians, breeders, and pet stores.
*   *Image differentiation.*   Companies can craft powerful, compelling images that appeal to consumers' social and psychological needs. The primary explanation for Marlboro's extraordinary worldwide market share (around 30 percent) is that its "macho cowboy" image has struck a responsive chord with much of the cigarette-smoking public. Wine and liquor companies also work hard to develop distinctive images for their brands. Even a seller's physical space can be a powerful image generator. Hyatt Regency hotels developed a distinctive image through its atrium lobbies.
*   *Services differentiation.*   A service company can differentiate itself by designing a better and faster delivery system that provides more effective and efficient solutions to consumers. There are three levels of differentiation.[29] The first is *reliability:* Some suppliers are more reliable in their on-time delivery, order completeness, and order-cycle time. The second is *resilience:* Some suppliers are better at handling emergencies, product recalls, and inquiries. The third is *innovativeness:* Some suppliers create better information systems, introduce bar coding and mixed pallets, and in other ways help the customer.

EMOTIONAL BRANDING   Many marketing experts believe a brand positioning should have both rational and emotional components. In other words, a good positioning should contain points-of-difference and points-of-parity that appeal both to the head and to the heart.

   To do this, strong brands often seek to build on their performance advantages to strike an emotional chord with their customers. When research on scar-treatment product Mederma found that women were buying it not just for the physical treatment but also to increase their self-esteem, the marketers of the brand added emotional messaging to what had traditionally been a practical message that stressed physician recommendations: "What we have done is supplement the rational with the emotional."[30]

   A person's emotional response to a brand and its marketing will depend on many factors. One increasingly important factor is a brand's authenticity.[31] Brands such as Hershey's, Kraft, Crayola, Kellogg's, and Johnson & Johnson that are seen as authentic and genuine can evoke trust, affection, and strong loyalty.[32] Guinness celebrated its heritage, quality, and authenticity with a 250th anniversary marketing campaign whose ads depict consumers all over the world toasting the brand.[33]

Brand consultant Marc Gobé believes emotional brands share three specific traits: (1) strong people-focused corporate culture, (2) a distinctive communication style and philosophy, and (3) a compelling emotional hook.[34] Saatchi & Saatchi CEO Kevin Roberts advocates that brands strive to become lovemarks. Brands that are *lovemarks*, according to Roberts, command both respect and love and result from a brand's ability to achieve mystery, sensuality, and intimacy:[35]

1. *Mystery* draws together stories, metaphors, dreams, and symbols. Mystery adds to the complexity of relationships and experiences because people are naturally drawn to what they don't know.
2. *Sensuality* keeps the five senses of sight, hearing, smell, touch, and taste on constant alert for new textures, intriguing scents and tastes, wonderful music, and other sensory stimuli.
3. *Intimacy* means empathy, commitment, and passion. The close connections that win intense loyalty as well as the small perfect gesture.

By successfully differentiating themselves, emotional brands can also provide financial payoffs. As part of its IPO, the UK mobile phone operator O2 was rebranded from British Telecom's struggling BT Cellnet, based on a powerful emotional campaign about freedom and enablement. When customer acquisition, loyalty, and average revenue soared, the business was acquired by Spanish multinational Telefonica after only five years for more than three times its IPO price.[36]

In general, the firm should monitor three variables when analyzing potential threats posed by competitors:

1. *Share of market*—The competitor's share of the target market.
2. *Share of mind*—The percentage of customers who named the competitor in responding to the statement, "Name the first company that comes to mind in this industry."
3. *Share of heart*—The percentage of customers who named the competitor in responding to the statement, "Name the company from which you would prefer to buy the product."

There's an interesting relationship among these three measures. 🖳 Table 10.3 shows them as recorded for three hypothetical competitors. Competitor A enjoys the highest market share but is slipping. Its mind share and heart share are also slipping, probably because it's not providing good product availability and technical assistance. Competitor B is steadily gaining market share, probably due to strategies that are increasing its mind share and heart share. Competitor C seems to be stuck at a low level of market, mind, and heart share, probably because of its poor product and marketing attributes. We could generalize as follows: *Companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability.* Firms such as CarMax, Timberland, Jordan's Furniture, Wegmans, and Toyota are all reaping the benefits of providing emotional, experiential, social, and financial value to satisfy customers and all their constituents.[37]

Alternative Approaches to Positioning

The competitive brand positioning model we've reviewed in this chapter is a structured way to approach positioning based on in-depth consumer, company, and competitive analysis. Some marketers have proposed other, less-structured approaches in recent years that offer provocative ideas on how to position a brand. We highlight a few of those here.

TABLE 10.3 🖳 Market Share, Mind Share, and Heart Share								
Market Share			**Mind Share**			**Heart Share**		
2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
Competitor A 50%	47%	44%	60%	58%	54%	45%	42%	39%
Competitor B 30	34	37	30	31	35	44	47	53
Competitor C 20	19	19	10	11	11	11	11	8

BRAND NARRATIVES AND STORYTELLING Rather than outlining specific attributes or benefits, some marketing experts describe positioning a brand as telling a narrative or story.[38]

Randall Ringer and Michael Thibodeau see *narrative branding* as based on deep metaphors that connect to people's memories, associations, and stories.[39] They identify five elements of narrative branding: (1) the brand story in terms of words and metaphors, (2) the consumer journey in terms of how consumers engage with the brand over time and touch points where they come into contact with it, (3) the visual language or expression for the brand, (4) the manner in which the narrative is expressed experientially in terms of how the brand engages the senses, and (5) the role/relationship the brand plays in the lives of consumers. Based on literary convention and brand experience, they also offer the following framework for a brand story:

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

Patrick Hanlon developed the related concept of "primal branding" that views brands as complex belief systems. According to Hanlon, diverse brands such as Google, MINI Cooper, the U.S. Marine Corps, Starbucks, Apple, UPS, and Aveda all have a "primal code" or DNA that resonates with their customers and generates their passion and fervor. He outlines seven assets that make up this belief system or primal code: a creation story, creed, icon, rituals, sacred words, a way of dealing with nonbelievers, and a good leader.[40]

BRAND JOURNALISM When he was CMO at McDonald's, Larry Light advocated an approach to brand positioning that he called "brand journalism." Just as editors and writers for newspapers and magazines tell many facets of a story to capture the interests of diverse groups of people, Light believes marketers should communicate different messages to different market segments, as long as they at least broadly fit within the basic broad image of the brand.[41]

> Brand Journalism is a chronicle of the varied things that happen in our brand world, throughout our day, throughout the years. Our brand means different things to different people. It does not have one brand position. It is positioned differently in the minds of kids, teens, young adults, parents and seniors. It is positioned differently at breakfast, lunch, dinner, snack, weekday, weekend, with kids or on a business trip. Brand Journalism allows us to be a witness to the multi-faceted aspects of a brand story. No one communication alone tells the whole brand story. Each communication provides a different insight into our brand. It all adds up to a McDonald's journalistic brand chronicle.

CULTURAL BRANDING Oxford University's Douglas Holt believes for companies to build iconic, leadership brands, they must assemble cultural knowledge, strategize according to cultural branding principles, and hire and train cultural experts.[42] Even Procter & Gamble, a company that has long orchestrated how shoppers perceive its products, has started on what its chief executive, A.G. Lafley, calls "a learning journey" with the consumer. "Consumers are beginning in a very real sense to own our brands and participate in their creation," he said. "We need to learn to begin to let go."

The University of Wisconsin's Craig Thompson view brands as sociocultural templates, citing research investigating brands as cultural resources that shows how ESPN Zone restaurants tap into competitive masculinity; and how American Girl dolls tap into mother-daughter relationships and the cross-generational transfer of femininity.[43] Experts who see consumers actively cocreating brand meaning and positioning even refer to this as "Brand Wikification," given that wikis are written by contributors from all walks of life and all points of view.[44]

Positioning and Branding a Small Business

Building brands for a small business is a challenge because these firms have limited resources and budgets. Nevertheless, numerous success stories exist of entrepreneurs who have built their brands up essentially from scratch to become powerhouse brands.

vitaminwater   In 1996, J. Darius Bickoff launched an electrolyte-enhanced line of bottled water called smartwater, followed by the introduction of vitaminwater, a vitamin-enhanced and flavored alternative to plain bottled water, two years later, and fruitwater two years after that. Clever marketing including endorsement deals with rapper 50 Cent, singer Kelly Clarkson, actress Jennifer Aniston, and football star Tom Brady helped to drive success. Less than 10 years after its launch, Bickoff's Energy Brands company, also known as Glacéau, was sold to the Coca-Cola company for $4.2 billion in cash.[45]

With a unique formulation and shrewd marketing, vitaminwater made a splash in the beverage market.

In general, with limited resources behind the brand, both focus and consistency in marketing programs are critically important. Creativity is also paramount—finding new ways to market new ideas about products to consumers. Some specific branding guidelines for small businesses are as follows.

- *Creatively conduct low-cost marketing research.* There are a variety of low-cost marketing research methods that help small businesses connect with customers and study competitors. One way is to set up course projects at local colleges and universities to access the expertise of both students and professors.
- *Focus on building one or two strong brands based on one or two key associations.* Small businesses often must rely on only one or two brands and key associations as points of difference for those brands. These associations must be consistently reinforced across the marketing program and over time. Rooted in the snowboarding and surfing cultures, Volcom has adopted a "Youth Against Establishment" credo that has resulted in steady sales of its music, athletic apparel, and jewelry.
- *Employ a well-integrated set of brand elements.* Tactically, it is important for small businesses to maximize the contribution of each of the three main sets of brand equity drivers. First, they should develop a distinctive, well-integrated set of brand elements that enhances both brand awareness and brand image. Brand elements should be memorable and meaningful, with as much creative potential as possible. Innovative packaging can substitute for ad campaigns by capturing attention at the point of purchase. SMARTFOOD introduced its first product without any advertising by means of both a unique package that served as a strong visual symbol on the shelf and an extensive sampling program that encouraged trial. Proper names or family names, which often characterize small businesses, may provide some distinctiveness but can suffer in terms of pronounceability, meaningfulness, memorability, or other branding considerations. If these deficiencies are too great, explore alternative brand elements.

Some hard-core fans of Mozilla Firefox carved out a massive logo for the brand in the fields outside Portland, Oregon.

- *Create buzz and a loyal brand community.* Because small businesses often must rely on word of mouth to establish their positioning, public relations, social networking, and low-cost promotions and sponsorship can be inexpensive alternatives. As discussed in Chapter 9, creating a vibrant brand community among current and prospective customers can also be a cost-effective way to reinforce loyalty and help spread the word to new prospects. Web browser Mozilla Firefox is able to compete with Microsoft's Internet Explorer in part because of its dedicated volunteer group

of 10,000 programmers who work on its open source coding. Twelve fans of the brand felt so strongly about it they used two-by-fours and rope to hollow out a 30,000-square-foot impression of the brand's logo in an oat field outside Salem, Oregon![46]

- *Leverage as many secondary associations as possible.* Secondary associations—any persons, places, or things with potentially relevant associations—are often a cost-effective, shortcut means to build brand equity, especially those that help to signal quality or credibility. Cogent, makers of software that can identify people through fingerprints, draws 12 percent of its revenues and much brand equity from the fact that the Department of Homeland Security uses its products to police the U.S. border.[47]

Unlike major brands that often have more resources at their disposal, small businesses usually do not have the luxury to make mistakes and must design and implement marketing programs much more carefully.

Summary

1. To develop an effective positioning, a company must study competitors as well as actual and potential customers. Marketers need to identify competitors' strategies, objectives, strengths, and weaknesses.

2. Developing a positioning requires the determination of a frame of reference—by identifying the target market and the resulting nature of the competition—and the optimal points-of-parity and points-of-difference brand associations.

3. A company's closest competitors are those seeking to satisfy the same customers and needs and making similar offers. A company should also pay attention to latent competitors, who may offer new or other ways to satisfy the same needs. A company should identify competitors by using both industry- and market-based analyses.

4. Points-of-difference are those associations unique to the brand that are also strongly held and favorably evaluated by consumers. Points-of-parity are those associations not necessarily unique to the brand but perhaps shared with other brands. Category point-of-parity associations are associations consumers view as being necessary to a legitimate and credible product offering within a certain category. Competitive point-of-parity associations are those associations designed to negate competitors' points-of-difference or overcome perceived weaknesses or vulnerabilities of the brand.

5. The key to competitive advantage is relevant brand differentiation—consumers must find something unique and meaningful about a market offering. These differences may be based directly on the product or service itself or on other considerations related to factors such as employees, channels, image, or services.

6. Emotional branding is becoming an important way to connect with customers and create differentiation from competitors.

7. Although small businesses should adhere to many of the branding and positioning principles larger companies use, they must place extra emphasis on their brand elements and secondary associations and must be more focused and create a buzz for their brand.

Applications

Marketing Debate
What Is the Best Way to Position?

Marketers have different views of how to position a brand. Some value structured approaches such as the competitive positioning model described in the chapter, which focuses on specific points-of-parity and points-of-difference. Others prefer unstructured approaches that rely more on stories, narratives, and other flowing depictions.

Take a position: The best way to position a brand is through a structured approach *versus* The best way to position a brand is through an unstructured approach.

Marketing Discussion
Attributes and Benefits

Identify other negatively correlated attributes and benefits *not* described in this chapter. What strategies do firms use to try to position themselves on the basis of pairs of attributes and benefits?

Marketing Excellence

>>Louis Vuitton

Louis Vuitton (LV) is one of the world's most legendary brands and is synonymous with images of luxury, wealth, and fashion. The company is known for its iconic handbags, leather goods, shoes, watches, jewelry, accessories, and sunglasses, and is the highest-ranked luxury brand in the world.

It was 1854 when Louis Vuitton opened his first store in Paris and sold handmade, high-quality trunks and luggage. In the late 19th century, Vuitton introduced his signature Damier and Monogram Canvas materials, featuring the famous design still used in most of the company's products today. Throughout the 20th century, the company that carries his name continued to grow internationally, expanding into the fashion world by the 1950s and reaching $10 million in sales by 1977. In 1987, Louis Vuitton merged with Moët et Chandon and Hennessy, leading manufacturers of champagne and cognac, and created LVMH, a luxury goods conglomerate.

Louis Vuitton's products are made with state-of-the-art materials, and its designers use a combination of art, precision, and craftsmanship to produce only the finest products. The legendary LV monogram appears on all the company's products and stands for the highest quality, premium status, and luxury travel. Over the years, however, counterfeiting has become a huge problem and one of Louis Vuitton's most difficult challenges. Louis Vuitton is one of the most counterfeited brands in the world, and the company takes the problem very seriously because it feels that counterfeits dilute its prestigious brand image. Louis Vuitton employs a full team of lawyers and fights counterfeiting in a variety of ways with special agencies and investigative teams.

Until the 1980s, Louis Vuitton products were available in a wide variety of department stores. However, to reduce the risk of counterfeiting, the company now maintains tighter control over its distribution channels. Today, it sells its products only through authentic Louis Vuitton boutiques located in upscale shopping areas and high-end department stores, all run independently with their own employees and managers. Louis Vuitton prices are never reduced, and only recently did the company start selling through louisvuitton.com in hopes of reaching new consumers and regions.

Over the years, a wide variety of high-profile celebrities and supermodels have used LV products, including Madonna, Audrey Hepburn, and Jennifer Lopez. In its marketing efforts, the company has used high-fashion celebrities, billboards, print ads, and its own international regatta—the Louis Vuitton Cup. Recently, LV broke tradition and featured nontraditional celebrities such as Steffi Graf, Mikhail Gorbachev, Buzz Aldrin, and Keith Richards in a campaign entitled "Core Values." LV also launched its first television commercial focused on luxury traveling rather than fashion and has formed new partnerships with international artists, museums, and cultural organizations in hopes of keeping the brand fresh. That said, Louis Vuitton still spends up to 60 hours making one piece of luggage by hand—the same way it did 150 years ago.

Today, Louis Vuitton holds a brand value of $26 billion according to *Forbes* and is ranked the 17th most powerful global brand according to Interbrand. The company is focused on expanding its luxury brand into growing markets such as China and India as well as continuing to grow in strong markets like Japan and Europe. It also continues to add new product lines to its portfolio.

Questions

1. How does an exclusive brand such as Louis Vuitton grow and stay fresh while retaining its cachet?

2. Is the counterfeiting of Louis Vuitton always a negative? Are there any circumstances where it can be seen as having some positive aspects?

Marketing Excellence

>>American Express

American Express is one of the world's most respected brands, known globally for its charge cards, travel services, and financial services. American Express began as a 19th-century express shipping company, grew into a travel services company, and eventually evolved into a global payments company associated with brand images such as prestige, trust, security, customer service, international acceptability, and integrity.

American Express created the first internationally accepted "Travelers Cheque" in 1891, which used the same signature security system and exchange rate guarantees employed today. American Express issued its first charge card in 1958 but collected a higher annual fee than its competitors to create the feeling of prestige and membership. A charge card requires that customers pay off outstanding balances, unlike the revolving debt possible with credit cards. By 1967, one-third of the company's total profit came from its charge card businesses, and the American Express card surpassed the Travelers Cheque to become the company's most visible symbol.

In the 1960s and 1970s, American Express stepped up its marketing efforts in response to strong competition from Master Charge (now MasterCard) and BankAmericard (later to become Visa). Ad agency Ogilvy & Mather created the now-famous "Don't Leave Home Without It" in the early 1970s as a "synergy" tagline. In 1974, the now-familiar blue-box logo first appeared, with the words *American Express* printed in white outline over a square blue background.

Many perceived American Express cards as a status symbol signifying success and achievement. The company called its cardholders "card members" and printed the year they became members on their cards, suggesting membership in a club. It maintained this elusive image through its advertising, impeccable customer service, and elite promotions and events.

During the 1980s, American Express expanded into a variety of financial categories, including brokerage services, banking, and insurance, by acquiring a number of companies such as Lehman Brothers Kuhn Loeb Inc. and E. F. Hutton & Co. It encountered difficulty integrating these broad financial offerings, however, and it divested many of its financial holdings in the early 1990s. The new, leaner company focused on its core competencies: charge and credit cards, Travelers Cheques, travel services, and select banking and financial services. In addition, American Express increased the number of merchants that accepted its cards, adding Walmart, and developed new card offerings, including co-branded cards. To communicate the transformation that had taken place during the 1990s, the company launched a corporate ad campaign called, "Do More."

American Express also responded to Visa and MasterCard's increased pressure in the mid-1990s by rebranding its Small Business Services division as "OPEN: The Small Business Network" and adding benefits such as flexible payments as well as special offers, partnerships, and resources for small businesses. John Hayes, chief marketing officer for American Express, explained the rationale behind developing a separate small business brand, "Small business owners are fundamentally different from people who work for large companies. They're characterized by a shared mindset; they live and breathe the business they're in. We think it's important for this area to have its own identity."

At the turn of the century, American Express introduced two revolutionary new credit cards, Blue and Centurion Black. Blue contained a chip that enhanced Internet security and targeted younger, tech-savvy consumers with a hip image and no annual fee. The Black Card, on the other hand, targeted the most elite clients, who spend more than $150,000 annually and desired amenities such as a 24-hour personal concierge service and invitations to exclusive events. The company also continued to expand its Membership Rewards program, which at the time was the world's largest card-based rewards program. This allowed cardholders to redeem points for travel, entertainment, gift certificates, and other predetermined offerings.

Visa turned on the pressure by taking ownership of the latest consumer trend, check cards, which were debit cards that subtracted money for purchases directly from a cardholders' bank account. MasterCard surged in popularity as well when it created the "Priceless" ad campaign, which became a ubiquitous pop culture reference

point. However, American Express scored a huge legal victory against Visa and MasterCard in 2004 when the Supreme Court ruled that it could pursue relationships with any and all banks, which technicalities had prevented it from doing before. Over the next three years, American Express partnered with banks such as MBNA, Citigroup, UBS, and USAA and increased its card accounts from 60 million in 2003 to 86 million in 2007.

American Express introduced two new marketing campaigns in the 2000s. The "My Life. My Card" campaign in 2004 featured celebrities like Robert De Niro, Ellen DeGeneres, and Tiger Woods providing intimate narratives about places, causes, achievements, and avocations that were meaningful to them. In 2007, American Express continued to feature celebrities in its ads but introduced a new tagline—"Are you a Cardmember?"—that acted as more of a call to action to join American Express than its previous, more passive campaign.

Things turned for the worse as the global economy collapsed in 2008 and 2009, significantly dampening American Express's financial results. The company's stock price fell 64 percent in 2008 caused by numerous problems, including increased default payments, weaker billings, and higher credit losses. In addition, many analysts agreed the company "grew too fast from 2005–2007." The company had changed its core strategy of targeting wealthier, low-risk consumers with a prestigious brand and valuable rewards in order to increase its total number of card members. Its newer products, which allowed consumers to carry over a balance and pay only the interest, came back to hurt American Express's bottom line during the recession.

Despite these disappointing financial results, *BusinessWeek* and Interbrand ranked American Express the fifteenth "Most Valuable Brand in the World" and *Fortune* ranked it one of the top 30 "Most Admired Companies." This brand value was a testament not only to the company's product and marketing innovation but also to its commitment to providing customers with outstanding service at any location in the world at any time of day. Today, American Express offers a variety of different personal cards as well as small business and corporate cards, each with a different level of customer service, fees, rewards, spending limits, and special access or services. The company's five most popular cards from 2009 were the Platinum Card, Preferred Rewards Gold Card, Starwood Preferred Guest Credit Card, Gold Delta SkyMiles Credit Card, and Preferred Rewards Green Card.

Questions

1. Evaluate American Express in terms of its competitors. How well is it positioned? How has it changed over time? In what segments of its business does American Express face the most competition?

2. Evaluate American Express's integration of its various businesses. What recommendations would you make in order to maximize the contribution to equity of all its business units? At the same time, is the corporate brand sufficiently coherent?

3. Discuss the company's decision to grow beyond its core affluent consumer base. What did this do for the company and the brand?

Sources: Hilary Cassidy, "Amex Has Big Plans; For Small Business Unit," *Brandweek*, January 21, 2002; American Express, "Ellen DeGeneres, Laird Hamilton, Tiger Woods & Robert De Niro Featured in New American Express Global Ad Campaign," November 8, 2004; "The VISA Black Card: A Smart Strategy in Trying Times," *BusinessPundit.com*, December 8, 2008; "World's Most Admired Companies 2009," *Fortune,* August 5, 2009; "Credit Cards: Loyalty and Retention—US—November 2007," Mintel Reports, November 2007; Scott Cendrowski, "Is It Time to Buy American Express?" *CNN Money*, April 17, 2009; American Express, "Membership Rewards Program from American Express Adds Practical Rewards for Tough Economic Times," February 19, 2009.