

B rands

Everything is a brand: Coca-Cola, FedEx, Porsche, New York City, the United States, Madonna, and you—yes, you! A brand is any label that carries meaning and associations. **A great brand does more: It lends coloration and resonance to a product or service.**

Russell Hanlin, the CEO of Sunkist Growers, observed: **“An orange is an orange . . . is an orange. Unless . . . that orange happens to be Sunkist, a name 80 percent of consumers know and trust.”** We can say the same about Starbucks: “There is coffee and there is Starbucks coffee.”

Are brands important? Roberto Goizueta, the late CEO of Coca-Cola, commented: **“All our factories and facilities could burn down tomorrow but you’d hardly touch the value of the company; all that actually lies in the goodwill of our brand franchise and the collective knowledge in the company.”** And a booklet by Johnson & Johnson reaffirms this: **“Our company’s name and trademark are by far our most valuable assets.”**

Companies must work hard to build brands. David Ogilvy insisted: **“Any damn fool can put on a deal, but it takes genius, faith and perseverance to create a brand.”**

The sign of a great brand is how much loyalty or preference it

commands. Harley Davidson is a great brand because Harley Davidson motorcycle owners rarely switch to another brand. Nor do Apple Macintosh users want to switch to Microsoft.

A well-known brand fetches extra pennies. The aim of branding, according to one cynic, “is to get more money for a product than it is worth.” But this is a narrow view of the benefits that a trusted brand confers on users. The user knows by the brand name the product quality and features to expect and the services that will be rendered, and this is worth extra pennies.

A brand saves people time, and this is worth money. Niall Fitzgerald, chairman of Unilever, observed: **“A brand is a storehouse of trust that matters more and more as choices multiply. People want to simplify their lives.”**

The brand amounts to a contract with the customer regarding how the brand will perform. The brand contract must be honest. Motel 6, for example, offers clean rooms, low prices, and good service but does not imply that the furnishings are luxurious or the bathroom is large.

How are brands built? It’s a mistake to think that advertising builds the brand. Advertising only calls attention to the brand; it might even create brand interest and brand talk. **Brands are built holistically, through the orchestration of a variety of tools, including advertising, public relations (PR), sponsorships, events, social causes, clubs, spokespersons, and so on.**

The real challenge is not in placing an ad but to get the media talking about the brand. Media journalists are on the lookout for interesting products or services, such as Palm, Viagra, Starbucks, eBay. A new brand should strive to establish a new category, have an interesting name, and tell a fascinating story. If print and TV will pick up the story, people will hear about it and tell their friends. Learning about a brand from others creates credibility. Learning about it only through paid advertising is easy to dismiss because of the biased nature of advertising.

Don’t advertise the brand, live it. Ultimately the brand is built by

10 Marketing Insights from A to Z

your employees who deliver a positive experience to the customers. Did the *brand experience* live up to the *brand promise*? This is why companies must orchestrate the brand experience with the brand promise.

Choosing a good brand name helps. A consumer panel was shown the pictures of two beautiful women and asked who was more beautiful. The vote split 50–50. Then the experimenter named one woman Jennifer and the other Gertrude. The woman named Jennifer subsequently received 80 percent of the votes.

Great brands are the only route to sustained, above-average profitability. And great brands present emotional benefits, not just rational benefits. Too many brand managers focus on rational incentives such as the brand's features, price, and sales promotion, which contribute little to growing the brand-customer relationship. Great brands work more on emotions. And in the future, great brands will show social responsibility—a caring concern for people and the state of the world.

A company needs to think through what its brand is supposed to mean. What should Sony mean, Burger King mean, Cadillac

Richard Branson's Virgin brand is about fun and creativity. These attributes are projected in all of Virgin's marketing activities. Some of Virgin Atlantic's Airways' flights include massages, live rock bands, and casinos. Flight attendants are fun-loving and enjoy joking with the passengers. Branson uses public relations to project his daring, such as attempting to fly around the world in a hot-air balloon. To launch Virgin Bride (bridal wear), Branson dressed up in drag as a bride.

mean? A brand must be given a personality. It must thrive on some trait(s). And the traits must percolate through all of the company's marketing activities.

Once you define the attribute(s) of your brand, you need to express them in every marketing activity. Your people must live out the brand spirit at the corporate level and at the job-specific level. Thus if your company brands itself as innovative, then you must hire, train, and reward people for being innovative. And being innovative must be defined for every job position, including the production supervisor, the van driver, the accountant, and the salesperson.

The brand personality must be carried out by the company's partners as well. The company cannot allow its dealers to compromise the brand by engaging in price-cutting against other dealers. They must represent the brand properly and deliver the expected brand experience.

When a brand is successful, the company will want to put the brand name on additional products. The brand name may be put on products launched in the same category (*line extension*), in a new category (*brand extension*), or even in a new industry (*brand stretch*).

Line extension makes sense in that the company can coast on the goodwill that it has built up in the category and save the money that it would otherwise have to spend to create brand awareness of a new name and offering. Thus we see Campbell Soup introducing new soups under its widely recognized red label. But this requires the discipline of adding new soups while subtracting unprofitable soups from the line. The new soups can cannibalize the sales of the core soups without bringing in much additional revenue to cover the additional costs. They can reduce operational efficiency, increase distribution costs, confuse consumers, and reduce overall profitability. Some line extensions are clearly worth adding, but overuse of line extensions must be avoided.

Brand extension is riskier: I buy Campbell's soup but I might be less interested in Campbell's popcorn. *Brand stretch* is even more risky: **Would you buy a Coca-Cola car?**

Well-known companies tend to assume that their great name

12 Marketing Insights from A to Z

can carry them successfully into another category. Yet whatever happened to Xerox computers or Heinz salsa? Did the Hewlett-Packard/Compaq iPAQ Pocket PC overtake the Palm handheld or did Bayer acetaminophen overtake Tylenol? Is Amazon electronics as successful as Amazon books? Too often the company is introducing a me-too version of the product that ultimately loses to the existing category leaders.

The better choice would be to establish a new name for a new product rather than carry the company's name and all of its baggage. The company name creates a feeling of more of the same, rather than something new. Some companies know this. Toyota chose not to call its upscale car Toyota Upscale but rather Lexus; Apple Computer didn't call its new computer Apple IV but Macintosh; Levi's didn't call its new pants Levi's Cottons but Dockers; Sony didn't call its new videogame Sony Videogame but PlayStation; and Black & Decker didn't call its upgraded tools Black & Decker Plus but DeWalt. Creating a new brand name gives more opportunity to establish and circulate a fresh public relations story to gain valuable media attention and talk. A new brand needs credibility, and PR is much better than advertising in establishing credibility.

Yet every rule has its exceptions. Richard Branson has put the name Virgin on several dozen businesses, including Virgin Atlantic Airways, Virgin Holidays, Virgin Hotels, Virgin Trains, Virgin Limousines, Virgin Radio, Virgin Publishing, and Virgin Cola. Ralph Lauren's name is found on numerous clothing products and home furnishings. Still a company has to ask: How far can the brand name be stretched before it loses its meaning?

Al Ries and Jack Trout, two keen marketing thinkers, are against most line and brand extensions; they see it as diluting the brand. To them, a Coke should mean an eight-ounce soft drink in the famous Coke bottle. But ask today for a Coke and you will have to answer whether you want Coca-Cola Classic, Caffeine Free Coca-Cola Classic, Diet Coke, Diet Coke with Lemon, Vanilla Coke, or

Cherry Coke—and do you want it in a can or a bottle? Vendors used to know what you wanted when you asked for a Coke.

Brand pricing is a challenge. When Lexus started to make inroads against Mercedes in the United States, Mercedes wasn't going to lower its price to match Lexus' lower price. No, some Mercedes managers even proposed raising Mercedes' price to establish that Mercedes is selling prestige that the buyer can't get from a Lexus.

But brand price premiums today are shrinking. A leading brand in the past could safely charge 15 to 40 percent more than the average brand; today it would be lucky to get 5 to 15 percent more. **When product quality was uneven, we would pay more for the better brand.** Now all brands are pretty good. Even the store's brand is good. In fact, it probably is made by the national brand to the same standards. So why pay more (except for show-off brands like Mercedes) to impress others?

In recessionary times, **price loyalty is greater than brand loyalty.** Customer loyalty may reflect nothing more than inertia or the absence of something better. As someone observed, "There is nothing that a 20 percent discount won't cure."

A company handles its brands through brand managers. But Larry Light, a brand expert, doesn't think that brands are well managed. Here is his plaint: **"Brands do not have to die. They can be murdered. And the marketing Draculas are draining the very lifeblood away from brands. Brands are being bargained, belittled, bartered and battered. Instead of being brand-asset managers, we are committing brand suicide through self-inflicted wounds of excessive emphasis on prices and deals."**

Another concern is that brand management structures may militate against carrying out effective customer relationship management (CRM) practices. Companies tend to overfocus and overorganize on the basis of their products and brands, and underfocus on managing their customers well. Call it *brand management myopia*.

Heidi and Don Schultz, marketing authors, believe that the consumer packaged goods (CPG) model for brand building is

14 Marketing Insights from A to Z

increasingly inappropriate, especially for service firms, technology firms, financial organizations, business-to-business brands, and even smaller CPG companies.⁹ They charge that the proliferation of media and message delivery systems has eroded mass advertising's power. They urge companies to use a different paradigm to build their brands in the New Economy.

- Companies should clarify the corporation's basic values and build the corporate brand. Companies such as Starbucks, Sony, Cisco Systems, Marriott, Hewlett-Packard, General Electric, and American Express have built strong corporate brands; their name on a product or service creates an image of quality and value.
- Companies should use brand managers to carry out the tactical work. But the brand's ultimate success will depend on everyone in the company accepting and living the brand's value proposition. Prominent CEOs—such as Charles Schwab or Jeff Bezos—are playing a growing role in shaping brand strategies.
- Companies need to develop a more comprehensive brand-building plan to create positive customer experiences at every touch point—events, seminars, news, telephone, e-mail, person-to-person contact.
- Companies need to define the brand's basic essence to be delivered wherever it is sold. Local executions can be varied as long as they deliver the feel of the brand.
- Companies must use the brand value proposition as the key driver of the company's strategy, operations, services, and product development.
- Companies must measure their brand-building effectiveness not by the old measures of awareness, recognition, and recall, but by a more comprehensive set of measures including customer perceived value, customer satisfaction, customer share of wallet, customer retention, and customer advocacy.